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B20 INDIA 2023

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TASK FORCE ON

Financing for Global Economic Recovery

Policy Paper

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Policy Paper

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Contents

Foreword: Chair of the Task Force 6

Co-Chairs 8

Executive summary 10

Recommendations 11

Introduction 12

Recommendation 1 22

Recommendation 2 42

Recommendation 3 50

Recommendation 4 58

Foreword: Chair of the Task Force

UDAY KOTAK
Chair, B20 Task Force on Financing for Global Economic Recovery
Managing Director & CEO
Kotak Mahindra Bank

When the world was already addressing the issues of moderating economic growth rates, plateauing trade with rising protectionism, and unprecedented debt to GDP, it faced a once-in-a-century pandemic that had the greatest proportional impact on the global economy since the world wars. It is the subsequent nascent global economic recovery that has been rocked again by tectonic geopolitical activity with a shift from a unipolar to a multipolar world and the military conflict in Ukraine. Supply constraints have further exacerbated the faltering recovery with inflationary pressures that developed economies haven't seen for the past four decades. Fear of these inflationary pressures becoming persistent has Central Banks in the developed world rapidly raising interest rates and developing economies also responding in tandem, as much to slow the flight of capital as to temper domestic inflation that has further clouded global economic recovery.

Global climate change has also increased the uncertainties and risks posed to the global economy and the financial system, accentuating the need for concerted action for climate resilient infrastructure, climate change mitigation and prevention. More broadly, there has been far greater emphasis on sustainable development goals (SDGs) across the vast majority of countries around the world. How and where will the financing for attaining the SDGs come from, especially when countries around the world are wrestling with high deficits, burgeoning debt, high inflation, and slowing economies, is the challenge facing the world.

Clearly, this Task Force of the B20, focused on "Financing for Global Economic Recovery", has its work cut out for it. Despite all the headwinds and the differences on certain issues within the G20 members, there are still agendas that can find common cause. Sustainable Development Goals

and Global Public Goods (GPGs) are likely to be such common cause. Reaccelerating global growth sustainably in this still fragile recovery is another. Our focus is aligned with the overall B20 priorities, presented through an overarching framework of SDGs and GPGs in keeping with the objectives of the G20.

We shift focus from volatile and uncertain consumption to greater investment for a more sustainable future and help the world progress even during current geopolitical circumstances. Infrastructure rollouts and construction generate many times the employment of the overall economy for the same funds spent and will provide the greatest impact on job creation with the least pressure on rising debt. Encouraging private sector participation to augment strained government resources is another focus for this Task Force, and suggesting means to enable this, including harmonising taxonomy across the world and ensuring that development financial institutions and governments use instruments like credit enhancement and blended finance to leverage their own limited resources multi-fold rather than focus on direct lending.

The Task Force has made four recommendations. The key policy outcome is envisaged to be creation of Global SDG Acceleration Fund for financing of 'Global Public Goods' (with an initial thrust on geographically fungible SDG projects in climate change, energy transition, biodiversity, and ocean pollution) and capacity building of domestic financial sectors for SDG financing. Other recommendations are improving MSMEs' access to finance and reducing cost of capital to foster inclusive growth, and financing sustainable and resilient infrastructure with enhanced focus on healthcare, energy, and digital infrastructure.

The recommendations from the Task Force will provide outcomes to progress on the agenda of financing a sustainable global economic recovery in these uncertain times.

Messages from Co-Chairs

Financing and achieving the SDGs is key to address current global challenges and set stronger foundations for sustainable growth. With the support of the Indian presidency, the Task Force made practical recommendations to strengthen the global framework for sustainable investments, supported by strong national sustainable development plans. It further emphasized the importance of "blended finance" as a catalyst for private sector mobilization, and the interest of targeting "global public goods" as a natural ground for international cooperation.

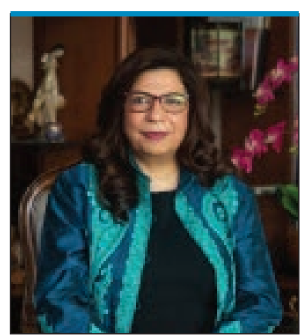
VALÉRIE BAUDSON
CEO, Amundi Asset Management

The discussion of the B20's Financing for Global Recovery Taskforce is very timely as the world currently stands at the junction of post-pandemic consolidation and a dynamic global economy. The B20 policy paper discusses practical recommendations and explores novel, aspiring ideas, which offer alternative viewpoints to economic recovery and sustainable development. It represents inclusive and collective endeavor by taskforce's members and co-chairs in the spirit of One earth, One Family, One Future.

PAOLO KARTADJOEMENA
Senior Executive Vice President Corporate Transformation
PT Bank Negara Indonesia

These recommendations reflect the aspirational spirit of India's G20 Presidency and bold new thinking. I appreciate the vision and ambition to go beyond what has been done before.

ALFRED F. KELLY, JR.
Executive Chairman, Visa Inc.



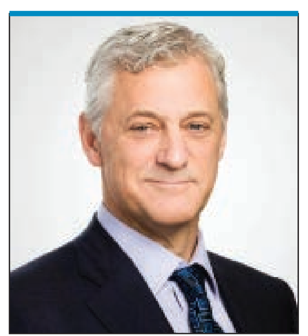
The B20 policy paper outlines a holistic and practical approach towards global economic recovery, integrating innovative financing mechanisms with inclusive growth- with private sector at the helm of these efforts. It signifies a strategic leap forward, a collaborative effort to ignite resilient, sustainable economies while ensuring financial stability, capital accessibility and ultimately, a better, more equitable world for everyone, especially in the view of uncertainties posed by climate change.

DEEPALI KHANNA
Vice President – Asia Region,
Rockefeller Foundation [USA]

We have recommended the establishment of a Global SDG Acceleration Fund (GSAF) to mobilise additional resources for financing SDGs through public-private partnerships. We seek the G20's commitment to the GSAF towards enabling swift approval mechanisms, supplementing government funding with private pools of capital, and establishing a robust credit infrastructure.

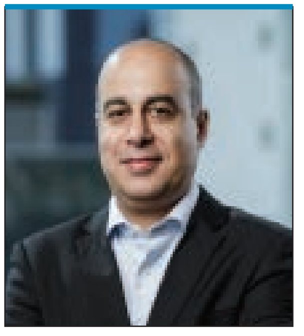
We strongly believe that this will go a long way in realising the objectives set out in the UN 2030 SDG Agenda

VELLAYAN SUBBIAH
Executive Chairman, Tube Investments of India Limited and Chairman and
Non-Executive Director, Cholamandalam Investment and Finance Company Limited



An estimated USD90–150 trillion of investment is needed by 2050 to build the infrastructure for greener, more sustainable growth – and to meet the UN Sustainable Development Goals. To deliver the finance needed, it is critical that governments increase public-private-philanthropic partnerships, improve micro, small and medium-sized firms' access to finance, and implement changes to multilateral development banks' mandates, and regulatory reforms to scale blended finance

BILL WINTERS
Group CEO,
Standard Chartered Bank [UK]



MARCOS PAULO CONDE IVO
CFO,
Klabin, Brazil

ZHANG XIAOLUN
Chairman, China National Machinery Industry Corporation, China

Executive Summary

- **Global economic outlook clouded by decelerating growth amid rising uncertainties:** IMF's World Economic Outlook projects a slowdown in global economic growth from 3.5 per cent (2022) to 3.0 per cent (2023 and 2024), following the decelerating trajectory of the past several decades.
- **Heightened risks of OECD recession, global post-pandemic de-leverage necessitates creative drivers for reaccelerating growth:** Shift focus from volatile and uncertain consumption to greater investment (across SDGs) for a more sustainable future and help the world progress while tiding over the current geopolitical circumstances
- **Focus on financing global economic recovery needs to be inclusive and sustainable:** Global climate change has increased the uncertainties and risks posed to the global economy. Besides climate, overall SDGs financing can assume central importance to build a coordinated global response for an inclusive and sustainable global economic recovery
- **SDGs have been receiving major attention at the G20, but financing gap has increased significantly:** Despite global attention, SDGs witnessed slow progress, with the pandemic providing a significant setback. The already large SDG financing gap is expected to have widened from an annual ~USD 2.5 trillion in 2019 to ~USD 4-5 trillion after COVID-19 pandemic
- **Bridging the financing gap of SDGs provides a comprehensive framework to align the economic growth and development priorities:** Among key assets and resources available, only a small share is estimated to be earmarked for SDGs. Key providers of SDG financing face significant challenges in closing the funding gap. Infrastructure has very high employment elasticity and is required to be stepped up materially across most SDG goals
- **A Global SDG Acceleration Fund (GSAF) is recommended as a global multi-donor fund:** G20 and the next ten largest countries by GDP would pool in capital in GSAF, following a formula based on their GDP and per capita GDP as a percentage of world per capita GDP. GSAF's objective would be to bring governments, private sector, and philanthropies together to bridge the SDG financing gap by leveraging credit enhancement tools and blended finance
- **The Task Force has made four (4) recommendations:** (i) Global SDG Acceleration Fund for financing of 'Global Public Goods' (with an initial thrust on geographically fungible SDG projects in climate, energy, biodiversity, and ocean pollution) (ii) Capacity building of domestic financial sectors for SDGs financing (iii) Improving MSMEs' access to finance and reducing cost of capital to foster inclusive growth, (iv) Financing sustainable and resilient infrastructure with enhanced focus on healthcare, energy, and digital infrastructure
- **Global SDG Acceleration Fund (GSAF), financing of SDGs as global public goods, and capacity building of domestic financial sectors for SDG financing proposed as top recommendation and focused outcomes:** The G20 has recognised the importance of domestic financial sectors initiating sustainable development objectives. Recommendations are aligned under the framework of SDGs and the desired focused outcomes can help achieve Task Force objectives and support inclusive and sustainable growth

Recommendations

Recommendation 1 – Global SDG Acceleration Fund for financing of 'Global Public Goods' (with an initial thrust on geographically fungible SDG projects in climate change, energy transition, biodiversity, and ocean pollution)*

Policy action 1.1: Establish a Global SDG Acceleration Fund (GSAF) as a global multi-donor fund bringing national governments, private sector, and philanthropies together to boost investments in SDGs for sustainable global economic recovery

Policy action 1.2: Leverage GSAF for financing of global public goods using credit enhancement tools to bring down cost of capital for enhancing financial viability of projects and pool of fundable projects

Recommendation 2 – Capacity building of domestic financial sectors for SDGs financing

Policy action 2.1: Enhance existing capacity and capability of domestic financial sectors in G20 countries for addressing SDGs financing gap

Policy action 2.2: Improve domestic regulations and strengthen global coordination for scaling up sustainable finance instruments

Recommendation 3 – Improving MSMEs' access to finance and reducing cost of capital to foster inclusive growth

Policy action 3.1: Encourage national governments to create credit enhancement fund for MSMEs to improve their access to finance and build financial resilience

Policy action 3.2: Promote alternative financing instruments and mechanism for MSMEs financing such as blended finance, utilising technology, and digital platforms, adopting innovative partnership models

Policy action 3.3: Address existing inefficiencies, risks and hassles of sharing financial data and information of MSMEs and strengthen measures to raise financial awareness and literacy

Recommendation 4 – Financing sustainable and resilient infrastructure with enhanced focus on healthcare, energy, and digital infrastructure

Policy action 4.1: Foster public and private-sector partnership to ramp up spending through innovative and sustainable financing models for bridging infrastructure financing gap while promoting sustainable energy development

Policy action 4.2: Encourage enhancing health infrastructure, including through capitalising private capital for financing, and retrofitting existing healthcare facilities

Policy action 4.3: Technology advancement by developing innovative and cost-effective digital infrastructure

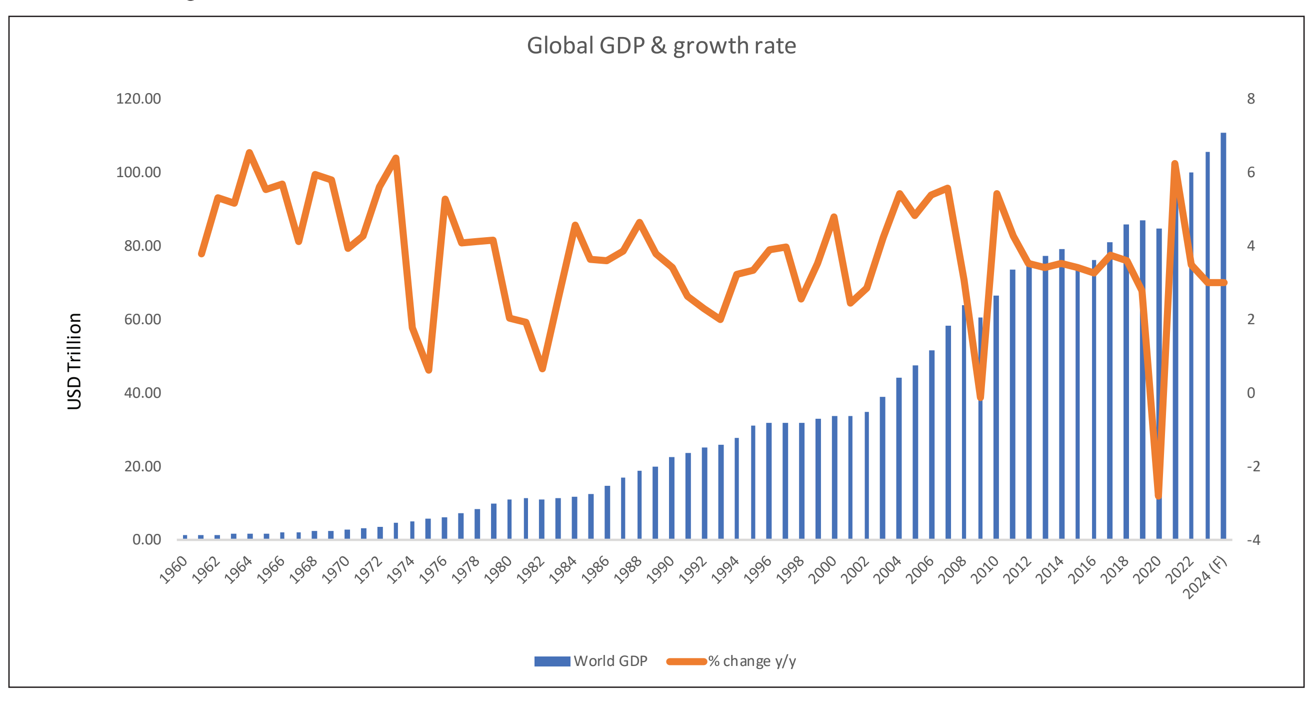
*Endorsed by the vast majority of the Task Force Members.

Introduction

Global economic growth is projected to slow from 3.5 per cent in 2022 to an estimated 3.0 per cent in 2023 and 2024, according to the International Monetary Fund (IMF)'s latest World Economic Outlook (July 2023). This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. The rise in central bank policy rates to fight inflation continues to weigh on economic activity.

Global headline inflation in the baseline is set to fall from 8.7 per cent in 2022 to 6.8 per cent in 2023 and 5.2 per cent in 2024, on the back of lower commodity prices but underlying (core) inflation is likely to decline more gradually. This is significantly above pre-pandemic (2017–19) levels of about 3.5 per cent. In 2023, disinflationary monetary policy is expected to bite and worsen global growth with excessive risks to the outlook.

Global GDP & growth rate



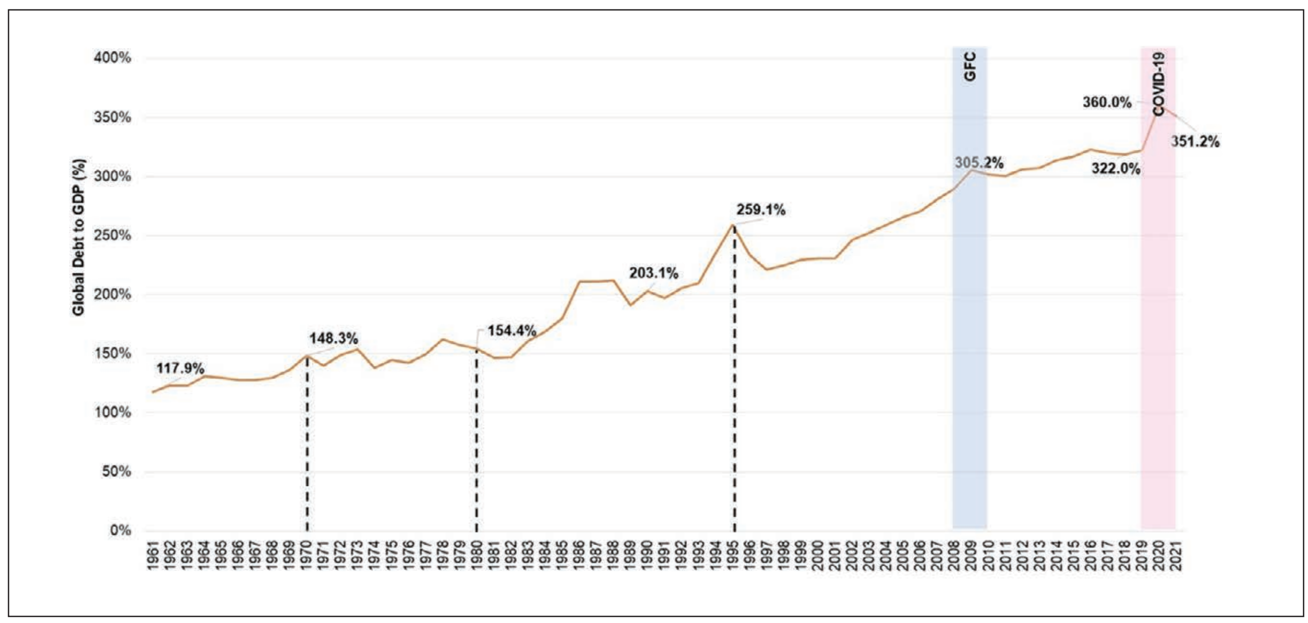
Source: World Bank, IMF ((July, 2023)

From a longer-term perspective, global growth has decelerated from ~6 per cent in 1960s to ~3 per cent in 2020s and is likely to continue the trend with several growth tailwinds further moderating. According to the World Bank , a structural growth slowdown is underway: at current trends, global potential growth - the maximum growth the global economy can sustain over the longer term without igniting inflation - is expected to fall to a three-decade low of 2.2 per cent a year between now and 2030, down from 2.6 per cent in 2011-21.

The post-COVID global economic recovery is likely to be fragile with overall global debt to GDP setting new records, higher geopolitical tensions and other constraints impacting trade, high inflation leading to further monetary policy tightening, and fiscal policy space remaining constrained due to elevated government debt and other factors. The combination of factors is a formidable hurdle for financing sustainable growth and building a durable global economic recovery.

The slowdown can be reversed by the end of the 2020s - if all countries replicate some of their best policy efforts of recent decades, including a major investment push grounded in robust macroeconomic frameworks. Bold policy actions at the national level will need to be supported by increased cross-border cooperation and substantial financing from the global community.

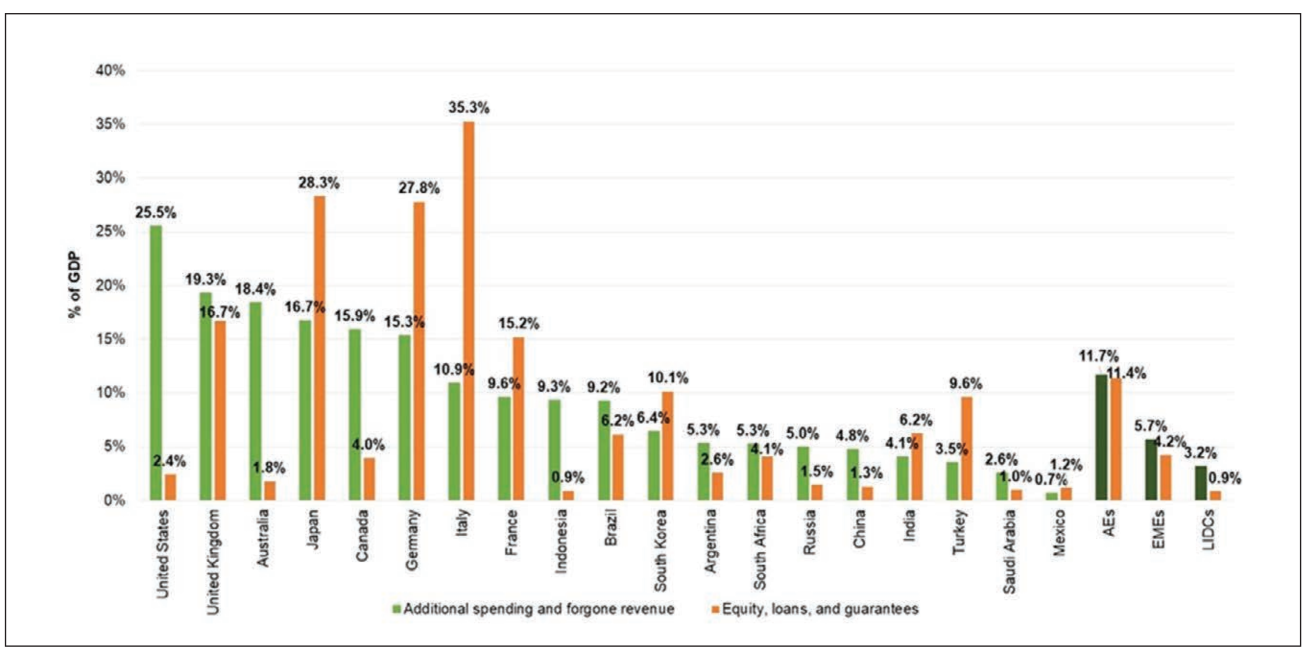
Global debt at unprecedented levels before the pandemic, setting new records



Source: IMF, IIF

Note: Total Global Debt includes debt from Households, Non-financial corporates, Government, and financial corporates

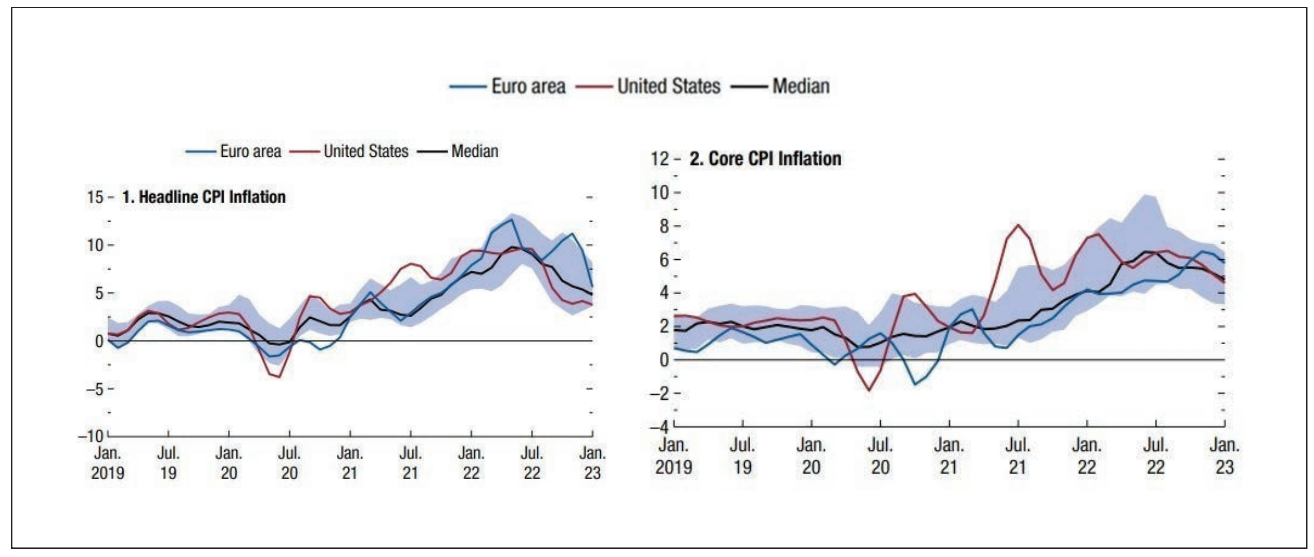
Massive fiscal support provided across all economies in response to COVID-19



Source: IMF, October 2021

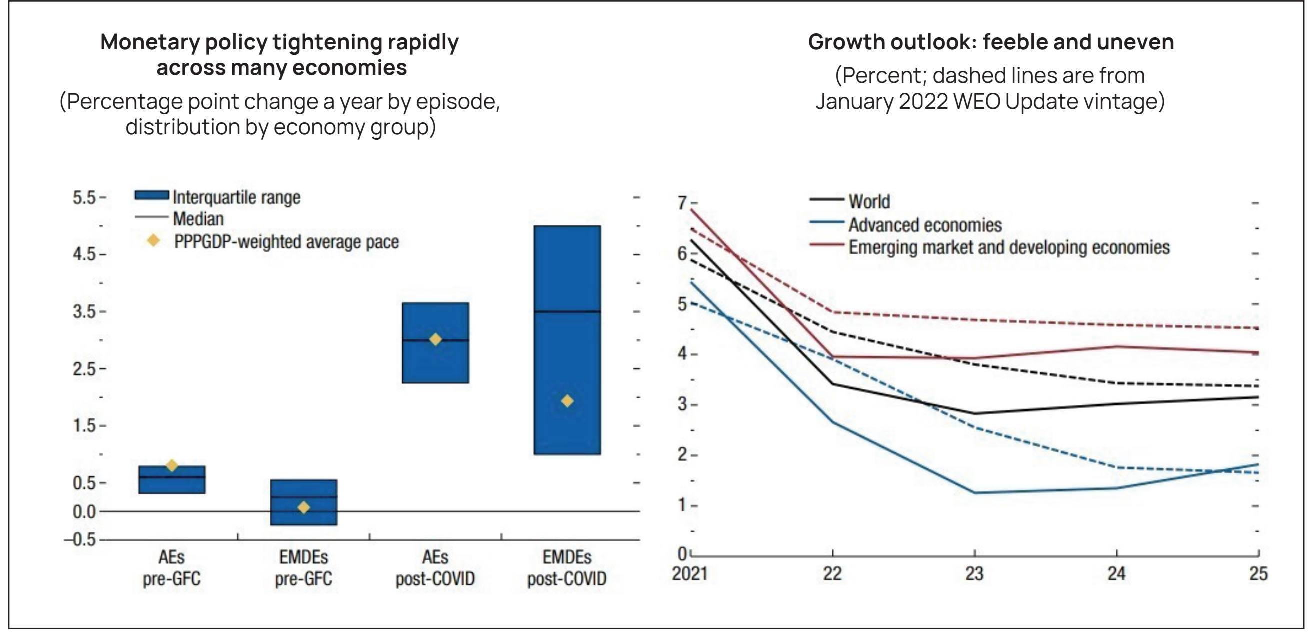
Note: The numbers are based on official estimates covering cumulative spending from January 2020 to September 2021

Headline and core inflation (percent, year over year)



Sources: Haver Analytics and IMF staff calculations

Note: The figure shows the distribution of headline and core CPI inflation developments across 18 advanced economies and 17 emerging market and developing economies. Core inflation is the percent change in the consumer price index for goods and services but excluding food and energy (or the closest available measure). For the euro area (and other European economies for which data are available), energy, food, alcohol, and tobacco are excluded. The shaded band depicts the 25th to the 75th percentiles of the cross-economy distribution of the indicated inflation measure. The 35 economies in the sample for the figure account for about 81 percent of 2022 world output. CPI = consumer price index; SAAR = seasonally adjusted annualised rate.



Sources: Haver Analytics and IMF staff calculations

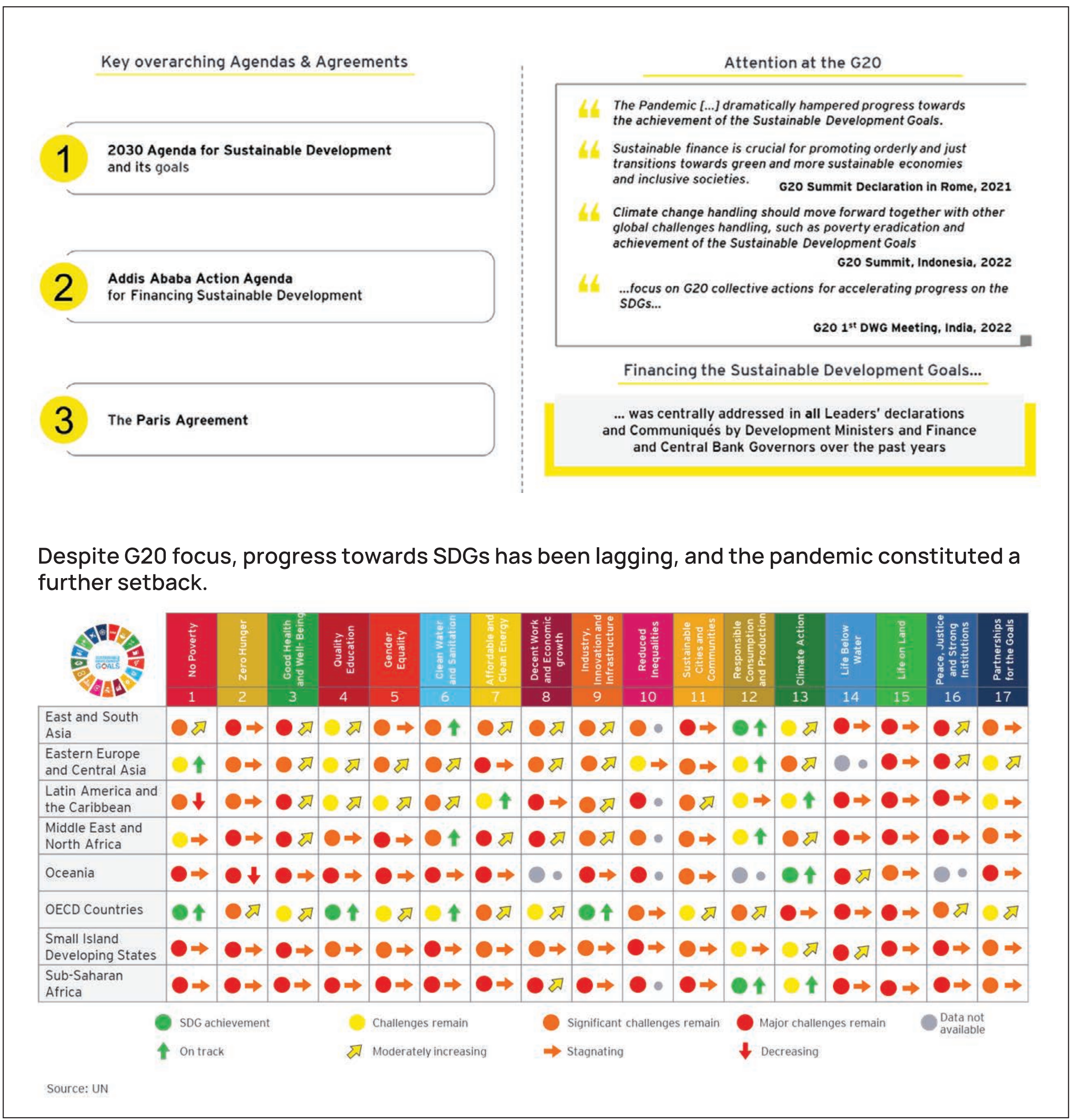
Note: 1. The figure shows the distribution (25th to 75th percentiles, median, and weighted average) of the annualised average percentage point change in policy rates by economy group over two episodes: May 2004 to July 2007 (pre-GFC) and Jan. 2022 to Jan. 2023 (post-COVID). AES = advanced economies; EMDES = emerging market and developing economies; GFC = global financial crisis; PPPGDP = nominal gross domestic product in purchasing-power-parity international dollars.

2. The figure shows the projected evolution of real GDP growth for the indicated economy groups. WEO= World Economic Outlook.

Building a sustainable global recovery

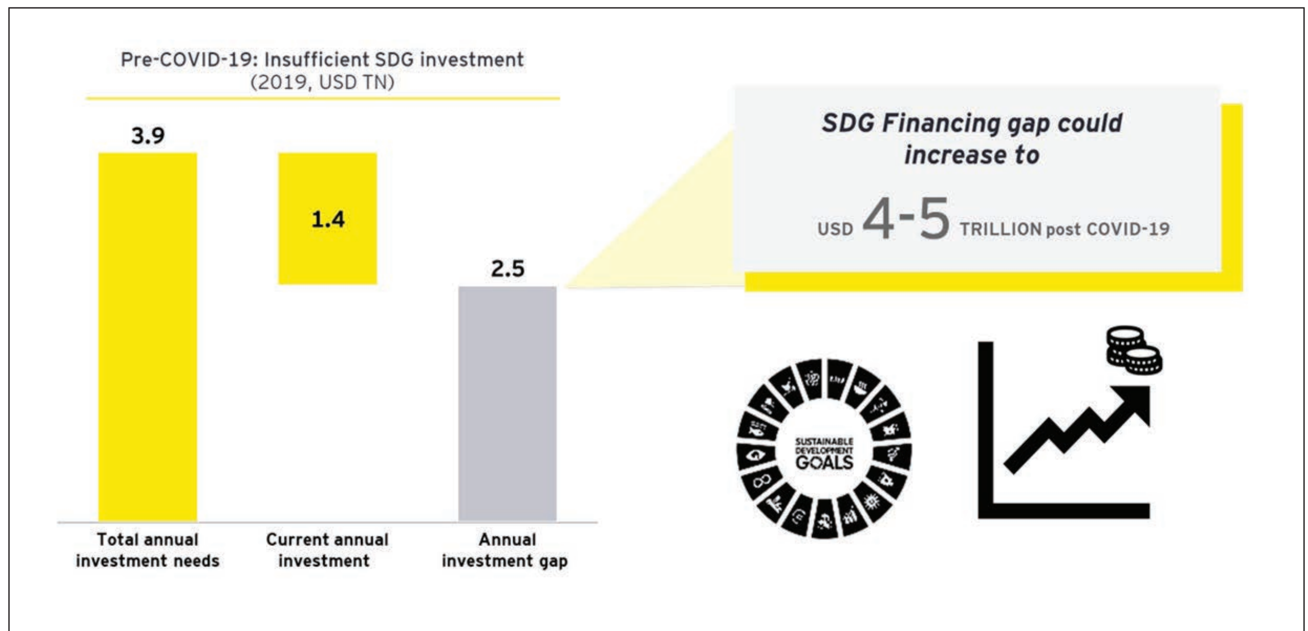
In the current challenging global economic environment, SDG financing can assume central importance at the G20 platform to build a coordinated global response for sustainable recovery. Given its multi-dimensional focus, meeting the financing requirements of SDGs (particularly for the developing economies) can provide a comprehensive framework to align the economic growth and development priorities.

Building on a series of global agendas & agreements, SDGs and their financing have received major attention at the G20 in recent years.



Source: Sustainable Development Report 2022, Cambridge University Press

The SDG Financing gap, already large pre-COVID, has widened further due to higher spending needs and a drop in private funding.

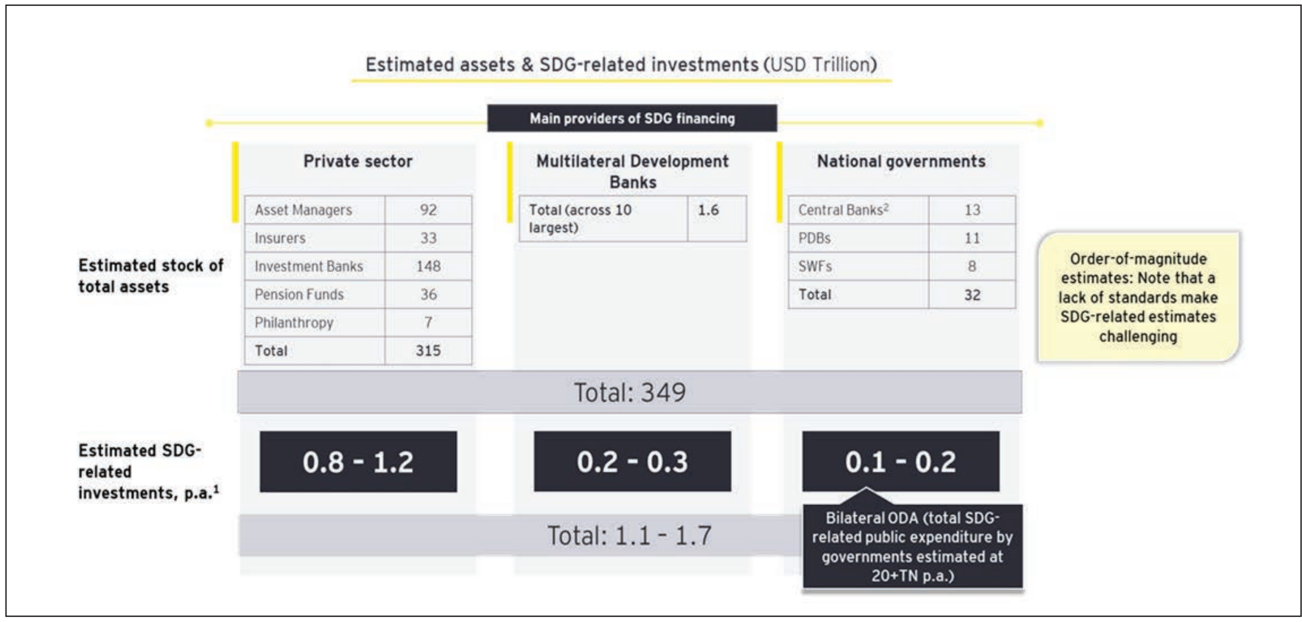


Source: OECD, UNCTAD, EY Analysis

Note: Including drops in portfolio investment, FDI and remittances

Of the major assets and resources available, particularly in the private sector, only a small share is estimated to be invested in relation to SDGs.

Estimated assets and SDG-related investments (USD Trillion)

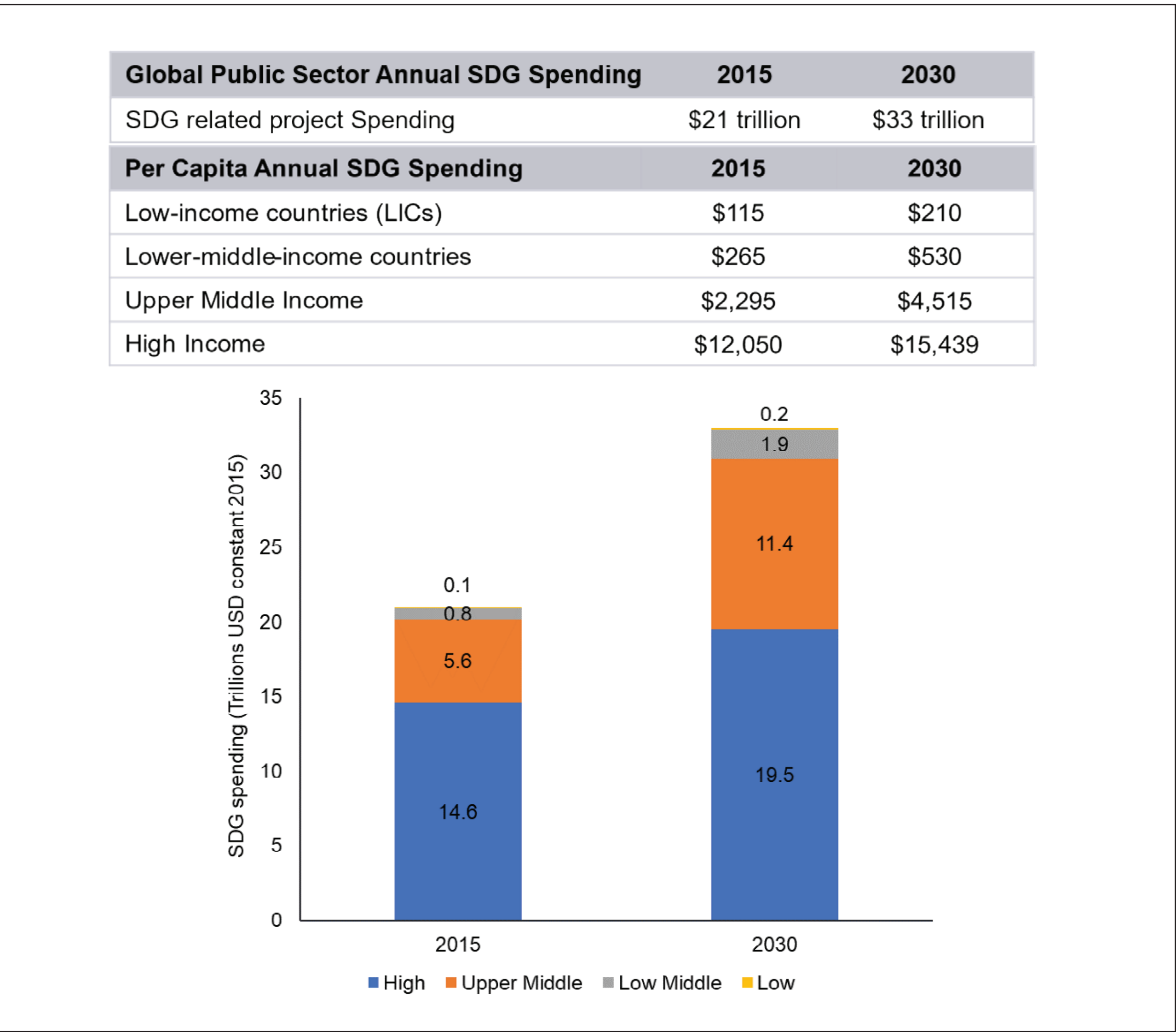


Source: OECD, UNCTAD, AIIB, Various MDBs, EY Analysis

Note: 1. Data available as of 2022

2. Official FX Reserves

Global Public Sector SDG Spending annually is projected to increase from USD 21 trillion in 2015 to USD 33 trillion in 2030



Global Public Sector Annual SDG Spending	2015	2030
SDG related project Spending	$21 trillion	$33 trillion
Per Capita Annual SDG Spending	**2015**	**2030**
Low-income countries (LICs)	$115	$210
Lower-middle-income countries	$265	$530
Upper Middle Income	$2,295	$4,515
High Income	$12,050	$15,439

Source: How much does the world spend on the Sustainable Development Goals? (brookings.edu) (July 2019), EY Analysis

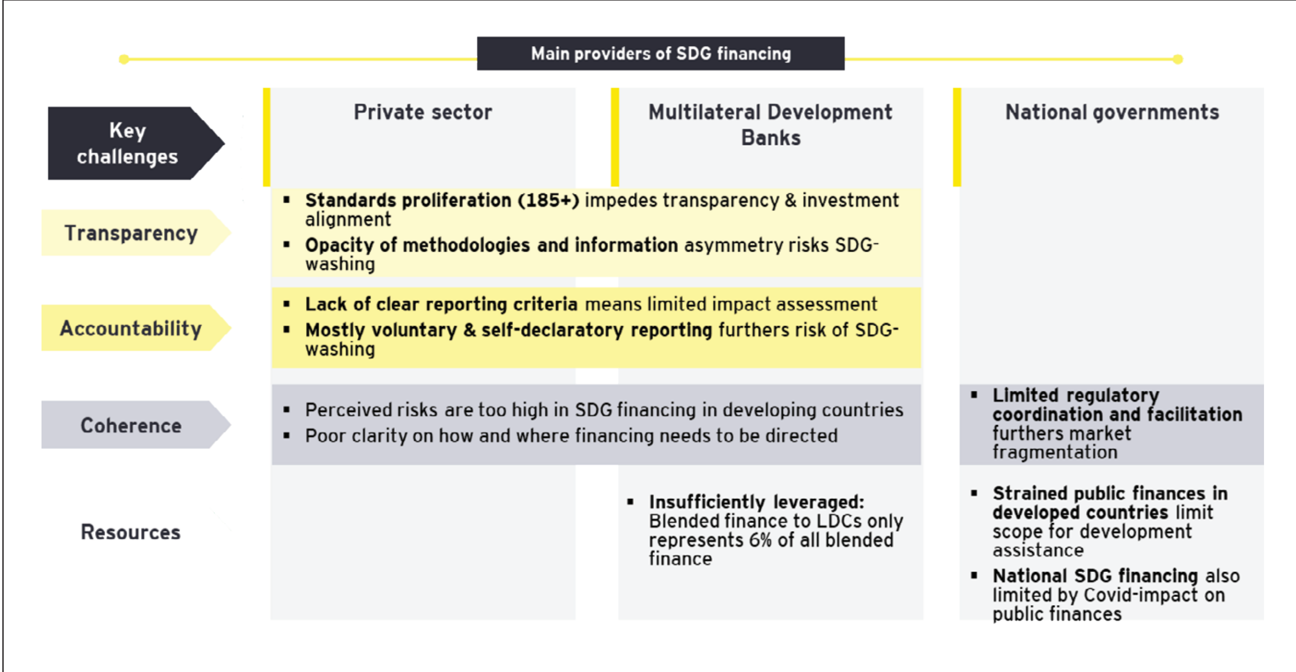
According to Brookings Institution, as of 2015, governments spent approximately USD 21 trillion per year on SDG-related sectors: health, education, agriculture, social protection, infrastructure, justice, and conservation.

If recent global economic trends continue under a business-as-usual scenario, SDG-related public spending likely to reach USD 33 trillion or more by 2030, in constant dollar terms. In other words, global SDG spending in the public sector alone will grow by around USD 12 trillion per year, simply through the world's ongoing processes of economic growth.

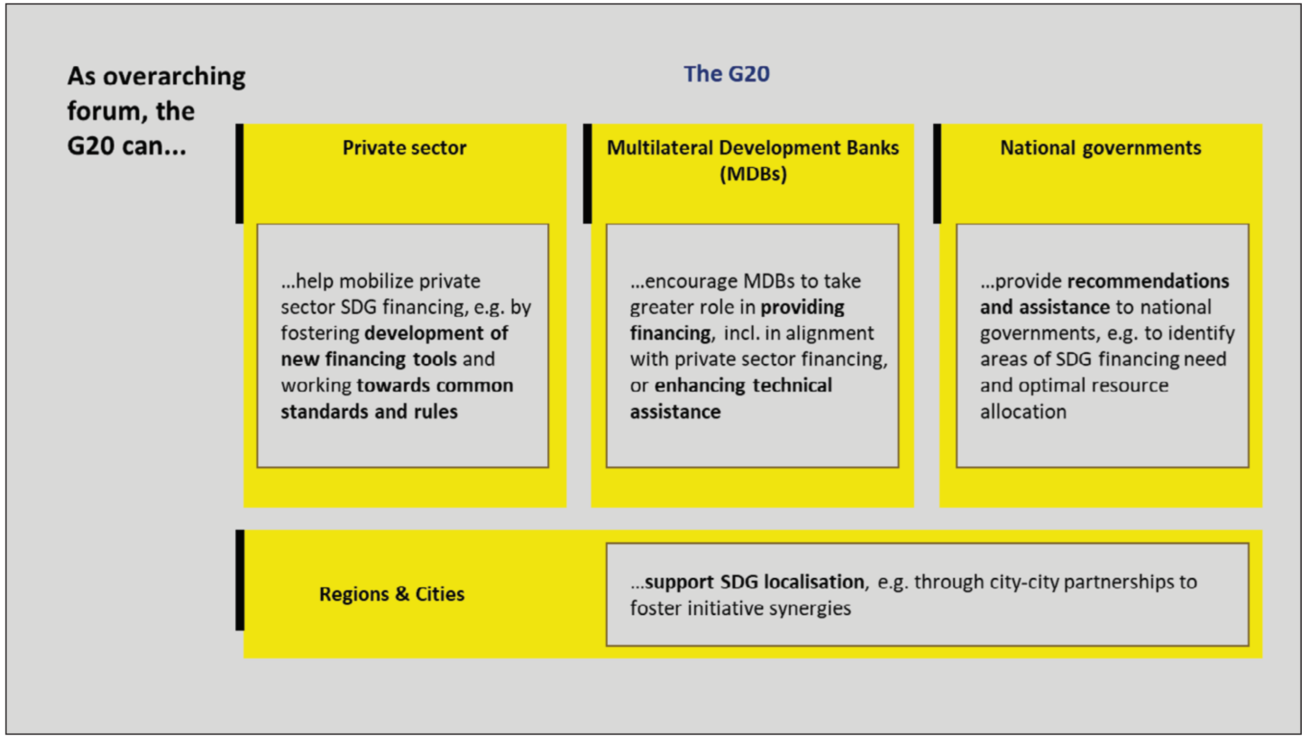
In lower-middle-income countries, the total SDG spending is estimated to increase from around USD 780 billion in 2015 to more than USD 1.9 trillion in 2030. Meanwhile, in low-income countries (LICs) with even faster population growth, SDG-related spending is estimated to increase from around USD 70 billion in 2015 to almost USD 180 billion in 2030.

Across main providers of SDG financing, there are significant challenges that stand in the way of closing the gap.

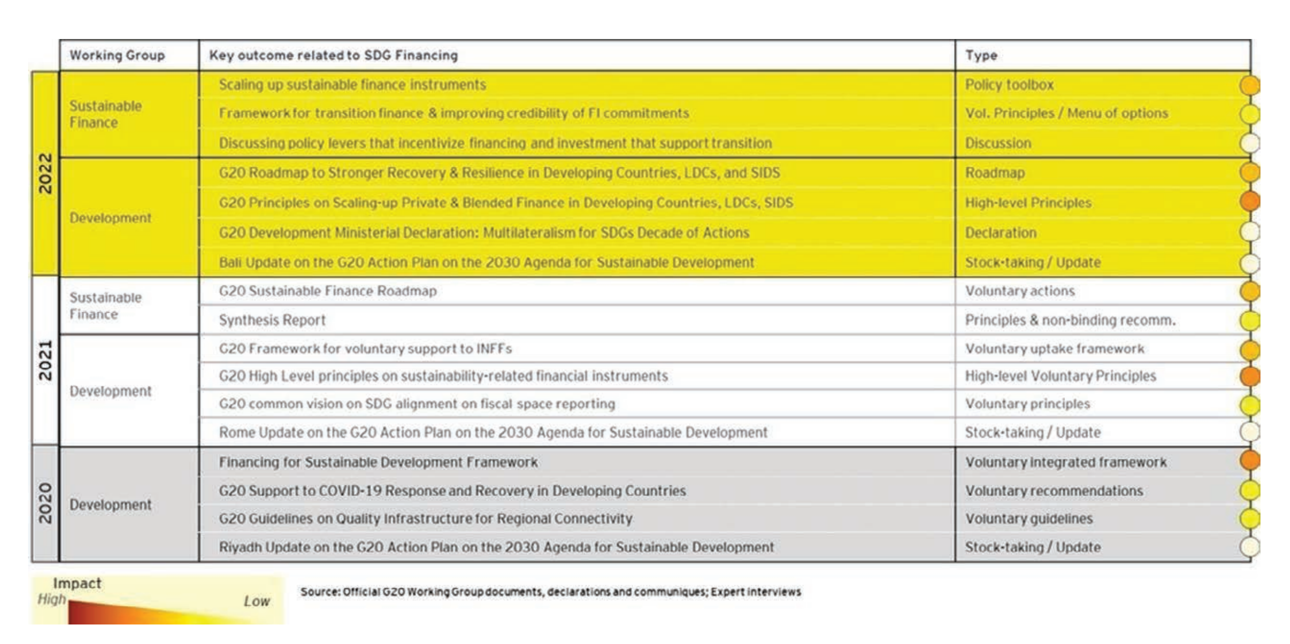
Key challenges for different providers of SDG financing



Addressing financing gaps and challenges require a collective effort across all areas – the G20 can shape outcomes across all. An example of G20 support and impact across all dimensions is shown below:



Significant G20 government funding commitments have been absent and achieved outcomes have remained mixed in impact.

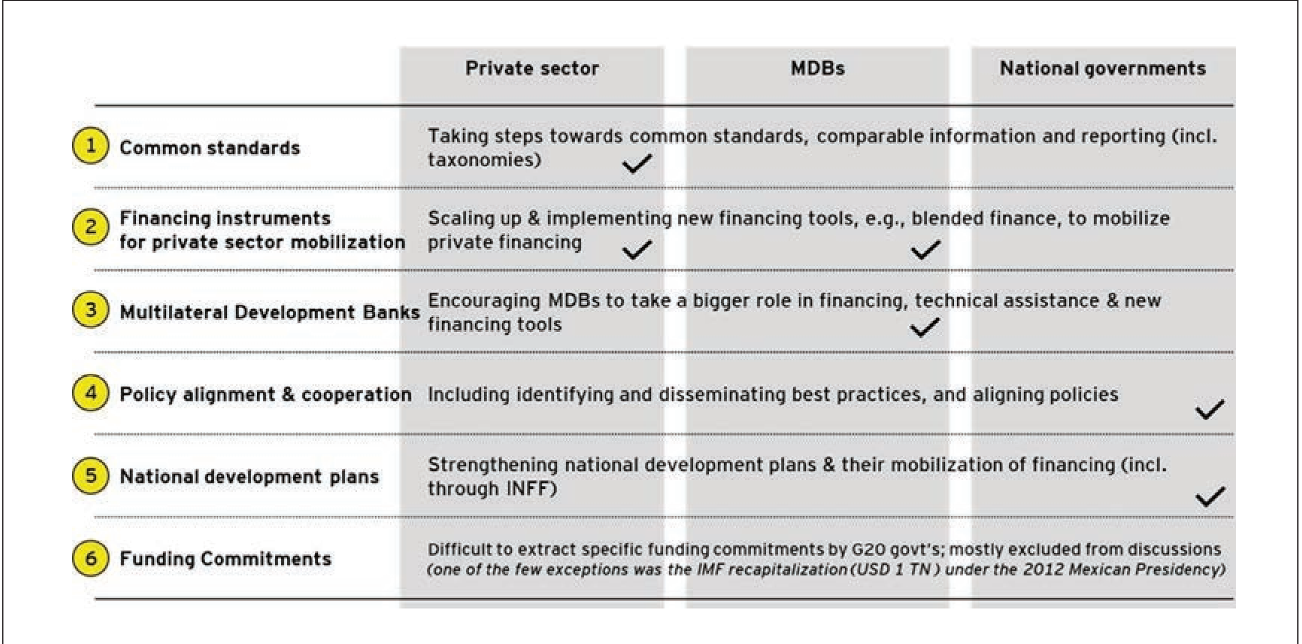


Year	Working Group	Key outcome related to SDG Financing	Type
2022	Sustainable Finance	Scaling up sustainable finance instruments	Policy toolbox
		Framework for transition finance & improving credibility of FI commitments	Vol. Principles / Menu of options
		Discussing policy levers that incentivize financing and investment that support transition	Discussion
	Development	G20 Roadmap to Stronger Recovery & Resilience in Developing Countries, LDCs, and SIDS	Roadmap
		G20 Principles on Scaling-up Private & Blended Finance in Developing Countries, LDCs, SIDS	High-level Principles
		G20 Development Ministerial Declaration: Multilateralism for SDGs Decade of Actions	Declaration
		Bali Update on the G20 Action Plan on the 2030 Agenda for Sustainable Development	Stock-taking / Update
2021	Sustainable Finance	G20 Sustainable Finance Roadmap	Voluntary actions
		Synthesis Report	Principles & non-binding recomm.
	Development	G20 Framework for voluntary support to INFFs	Voluntary uptake framework
		G20 High Level principles on sustainability-related financial instruments	High-level Voluntary Principles
		G20 common vision on SDG alignment on fiscal space reporting	Voluntary principles
		Rome Update on the G20 Action Plan on the 2030 Agenda for Sustainable Development	Stock-taking / Update
2020	Development	Financing for Sustainable Development Framework	Voluntary integrated framework
		G20 Support to COVID-19 Response and Recovery in Developing Countries	Voluntary recommendations
		G20 Guidelines on Quality Infrastructure for Regional Connectivity	Voluntary guidelines
		Riyadh Update on the G20 Action Plan on the 2030 Agenda for Sustainable Development	Stock-taking / Update

Source: Official G20 Working Group Documents, declarations and communiques, other secondary sources

There is increasing focus on mobilising private funding, leveraging MDBs, and supporting national development efforts.

Key areas of G20 focus on SDG financing across the 3 main providers of funding



	Description	Private sector	MDBs	National governments
1 Common standards	Taking steps towards common standards, comparable information and reporting (incl. taxonomies)	✓		
2 Financing instruments for private sector mobilization	Scaling up & implementing new financing tools, e.g., blended finance, to mobilize private financing	✓	✓	
3 Multilateral Development Banks	Encouraging MDBs to take a bigger role in financing, technical assistance & new financing tools		✓	
4 Policy alignment & cooperation	Including identifying and disseminating best practices, and aligning policies			✓
5 National development plans	Strengthening national development plans & their mobilization of financing (incl. through INFF)			✓
6 Funding Commitments	Difficult to extract specific funding commitments by G20 govt's; mostly excluded from discussions *(one of the few exceptions was the IMF recapitalization (USD 1 TN) under the 2012 Mexican Presidency)*			

Framework of Recommendations by the Task Force

Recommendation 1:
Global SDG Acceleration Fund for financing of 'Global Public Goods' (with an initial thrust on geographically fungible SDG Projects in climate change, energy transition, biodiversity, and ocean pollution)

Recommendation 2:
Capacity building of domestic financial sectors for SDGs financing

Recommendation 3:
Improving MSMEs' access to finance and reduce cost of capital to foster inclusive growth

Recommendation 4:
Financing sustainable and resilient infrastructure with enhanced focus on healthcare, energy, and digital infrastructure

Recommendation 1

Global SDG Acceleration Fund for financing of 'Global Public Goods' (with an initial thrust on geographically fungible SDG projects in climate change, energy transition, biodiversity, and ocean pollution)

Policy actions

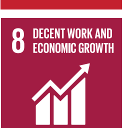
Policy action 1.1 Establish Global SDG Acceleration Fund (GSAF) as a global multi-donor fund bringing national governments, private sector, and philanthropies together to boost investments in SDGs for sustainable global economic recovery

Policy action 1.2 Leverage GSAF for financing of global public goods using credit enhancement tools to bring down cost of capital for enhancing financial viability of projects and pool of fundable projects

KPIs			
Finalisation of roadmap for creation of GSAF with member countries	3 months - 6 months		
Setting up of GSAF administrative office and implementation of institutional mechanism	6 months - 12 months		
Capital contribution of USD 100 billion over 3 years @ quarterly basis	36 months		
	2025	**2026**	**2027**
Total value of projects credit enhanced	USD 150 billion	USD 250 billion	USD 500 billion
Time between application for credit enhancement and disbursement	3 months – 6 months		

Other KPIs		Baseline	Target
Climate Finance Commitments by Multilateral Development Banks	Low- and Middle Income Economies	USD 50.7 billion (2021)	USD 100 billion (2030)
	High Income Economies	USD 31 billion (2021)	USD 60 billion (2030)
Global Flow of Blended Finance		USD 10.7 billion (Average 2011-2022)	USD 100 billion (2030)

SDGs Impacted



Policy Action 1.1: Establish Global SDG Acceleration Fund (GSAF) as a global multi-donor fund bringing national governments, private sector, and philanthropies together to boost investments in SDGs for sustainable global economic recovery

Proposed Global SDG Acceleration Fund (GSAF)

The Global SDG Acceleration Fund (GSAF) is a proposed global multi-donor fund where the G20 countries and the next ten largest countries by GDP would allocate and contribute a fixed capital, following a formula based on their GDP and per capita GDP (as a proportion to world per capita GDP). Governments, private sector, and philanthropies will contribute together, helping meet the SDG financing gap by leveraging credit enhancement tools and blended finance.

Proposed GSAF

Global SDG financing gap widened from annual ~USD 2.5 trillion in 2019 to ~USD 4-5 trillion after COVID-19

Recommend Global SDG Acceleration Fund (GSAF) with objective of drawing in private capital to augment strained public resources and accelerate projects towards achieving 2023 goals

GSAF would mobilise USD 100 billion over 3 years from the 30 largest countries (in terms of GDP) with contributions proportionate to the product of their GDP and per capita GDP

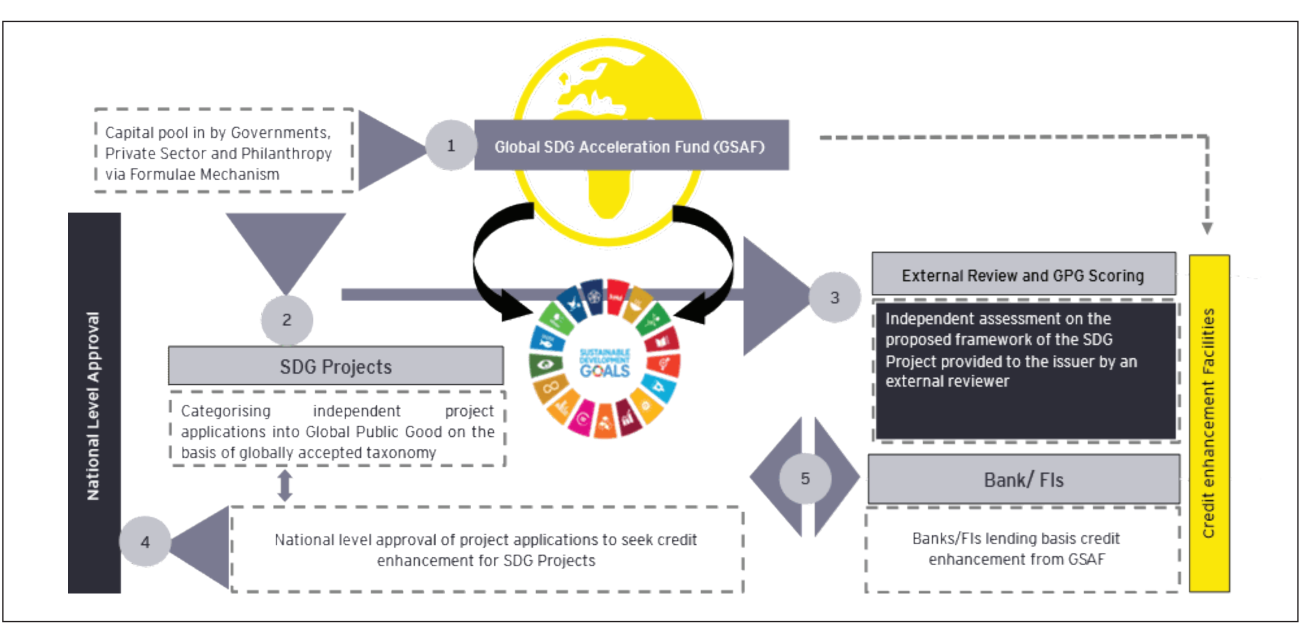
Vast majority of the gap in SDG spending requirements through 2023 are in high income and higher middle income economies. GSAF will help bridge the SDG financing gap across developed and developing economies

GSAF to be a pure credit enhancement fund, housed at an existing Multilateral Development Bank (like the World Bank) to leverage existing capacities and deliver projects deploying more than USD 1.25 trillion

GSAF to have initial thrust on geographically fungible globe public goods (GFGPG) like climate change, energy transition, biodiversity and ocean pollution

Private sector to up its game towards achieving SDGs with majority contribution to GSAF; governments to bridge gap in case private sector contribution falls short

Each member country has discretion on adopting voluntary or mandatory contribution of 0.2% of profits of larger enterprises for three years



An investment through concessional instruments, including risk mitigators, such as guarantees, first-loss protection, etc. is expected to improve access to capital for SDG projects and help to achieve significant reduction in the cost of capital to the implementing entity.

Different forms of credit enhancement

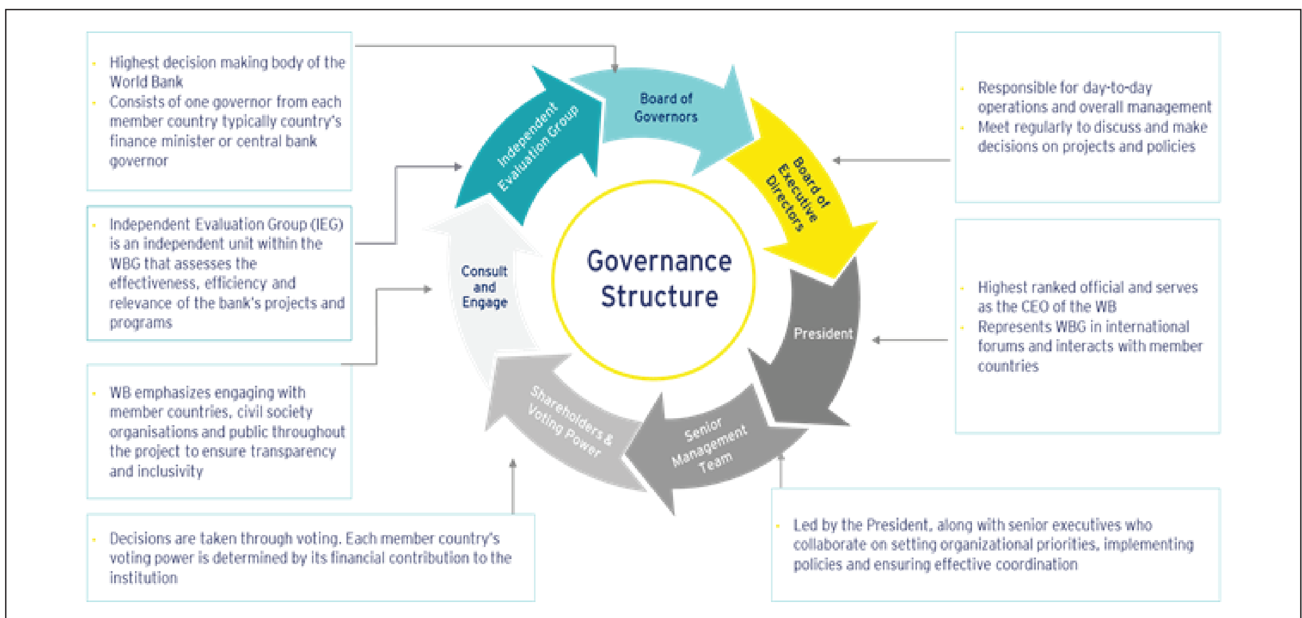
Particulars	Description
Guarantee **Partial credit guarantees (PCGs) and full credit guarantees (FCGs)** **Risk-sharing facility (RSF)** **Price Guarantee**	**Credit guarantee may be provided on the entire or the partial loan portfolio; enhances loan specific rating** **First loss/ second loss to be shared to a certain limit**
Underwriting	**Provide low-cost reliable anchor for negotiation with other capital provider**
Loan Insurance	**Enhancing loan portfolio risk weight**
Contingent Comfort letter/ underwriting for refinancing	**Will allow capital raise from investor have low appetite for long term exposure**
Contingent convertibles	**Loan to be converted to equity on breaching certain stress indicators**

Fund structure and governance mechanism

Global SDG Acceleration Fund (GSAF) is proposed to be positioned as a World Bank Trust Fund/Financial Intermediary Fund with a capital base of USD 100 billion with contribution from world's 30 largest countries in terms of GDP through formulae mechanism based on GDP and per-capita GDP.

World bank- governance mechanism

The governance mechanism of the World Bank is designed to ensure representation, accountability, and effective decision-making among its member countries. The World Bank is made up of five closely related institutions, and each has its own governance structure which majorly constitute:



Source: World Bank

The governance mechanism of the World Bank aims to strike a balance between ensuring representation and decision-making authority for member countries while pursuing the institution's goals of reducing poverty and promoting sustainable development worldwide. It promotes cooperation and collaboration among member countries and stakeholders to address complex global challenges effectively.

Trust funds and financial intermediary funds (FIFs)

Trust funds are financing instruments that accept contributions from one or more donors that are held in trust by the World Bank Group as a trustee and disbursed according to the provisions of the Bank Group's Administrative Agreement with the donor(s) to each trust fund. Trust funds often create platforms and partnerships for financial, knowledge and other forms of collaboration between the Bank Group, its donors, its client countries, and others at the global, regional, and country levels.

Financial Intermediary Funds (FIFs) are financial arrangements that typically leverage a variety of public and private resources in support of international initiatives, enabling the international community to provide a direct and coordinated response to global priorities. Most FIFs have supported global programs often focused on the provision of global public goods, preventing communicable diseases, responses to climate change, and food security. FIFs often involve innovative financing and governance arrangements as well as flexible designs which enable funds to be raised from multiple sources, both sovereign and private. Funds can be channelled in a coordinated manner to a range of recipients in the public and private sectors through a variety of arrangements. FIF structures are customised, depending on the needs of the partnership and agreements with the World Bank.

The summary of the World Bank and Trust Funds/ FIFs structure is tabulated below:

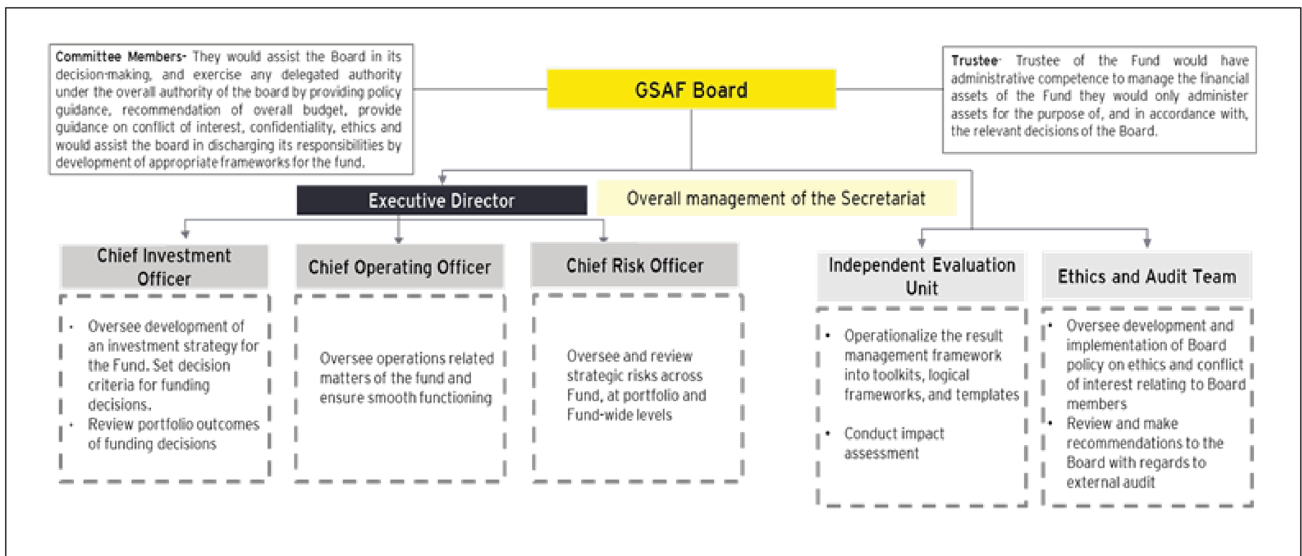
Particulars	World Bank	Trust Funds and FIFs
Institutional Structure	Large international financial institution	Specific financial instruments
Governance Body	Board of Executive Directors	Governing body or committee for each trust fund
Membership	Owned by member countries	Funded through contributions from various donors
Mission	Reduce poverty, promote sustainable development	Address specific thematic areas or global challenges
Project Financing	Loans, credits, and grants	Grants or concessional loans based on trust fund's objectives
Implementing Entity	The World Bank or its institutions	Administered by designated organisations.
Decision-Making and Voting	Voting power based on financial contribution	Decision-making processes specific to each trust fund
Flexibility	Standard financial instruments	More flexibility in financing mechanisms
Key Objective	Development assistance for countries	Address targeted development goals or challenges

In consonance with the overarching governance principles of the World Bank, the Global SDG Acceleration Fund (GSAF) is proposed to be positioned under the administrative control of the World Bank Group as a Trust Fund/Financial Intermediary Fund with the GSAF Board as its governing body, made up of members from contributing countries, additional members from non-contributing least developed countries (for wider representation and aligning global interests) and Ex Officio Members from Multilateral Institutions - UNDP, World Bank, and IMF.

The proposed fund structure and governance mechanism of GSAF is presented below:

Global SDG Acceleration Fund (GSAF)- governance mechanism

The GSAF is proposed to operate as a fully independent body under the administrative control of the World Bank Group and would be self-sufficient for executing the day-to-day operations. The Secretariat of the GSAF would be accountable to the GSAF Board. The GSAF Board would oversee the GSAF's management. The reporting structure to the board is proposed as follows:

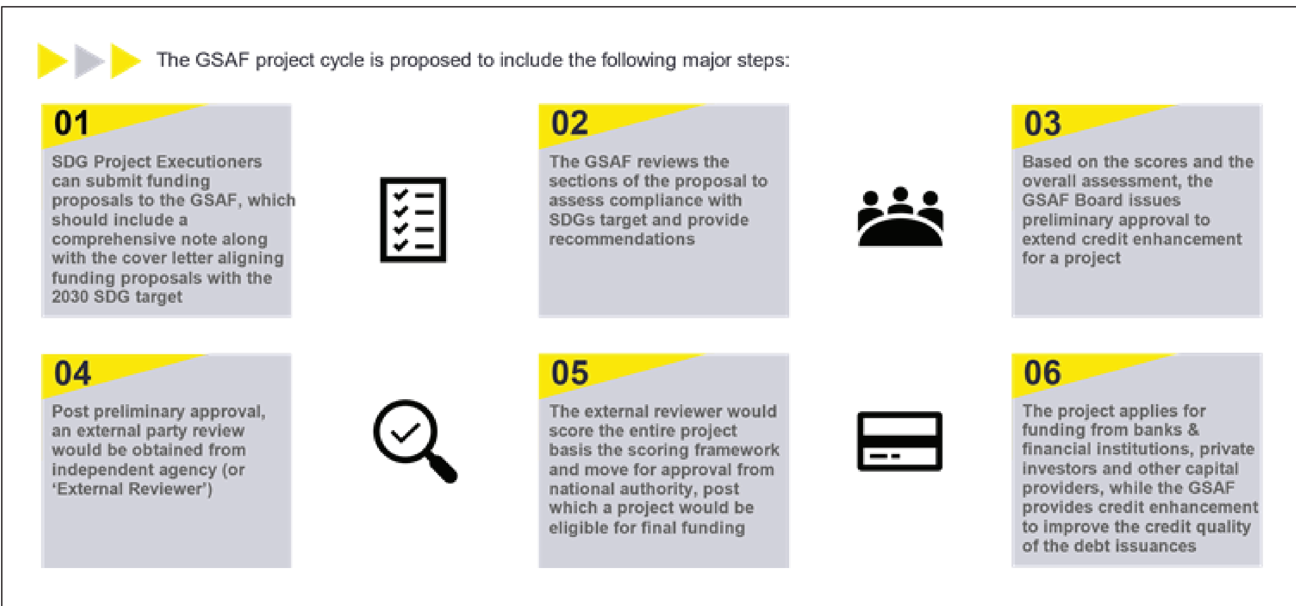


The GSAF Board is proposed to consist of 21 members as per the composition below:

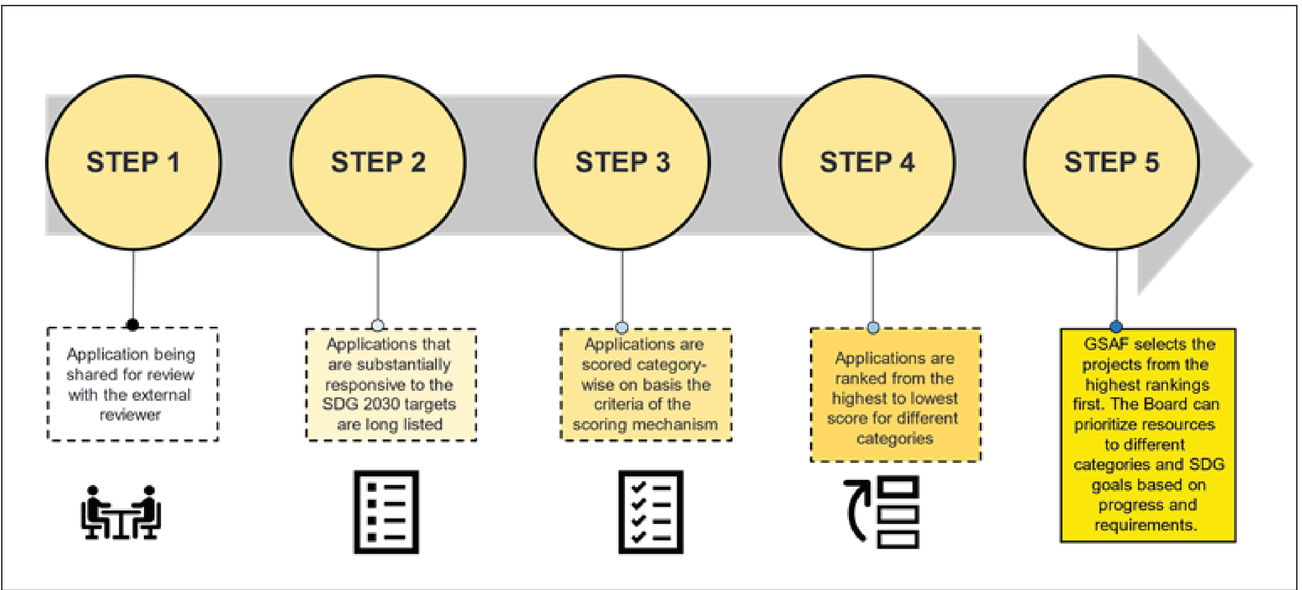
Countries	Representatives
Countries pooling in funds to GSAF	15
Additional Members from LDCs	3
Ex Officio Members from Multilateral Institutions - UNDP, World Bank, and IMF	3

Members of the Board would serve a 3-year term (rotating basis for country members pooling in their fund), and two Co-Chairs of the Board as elected by the Board members.

GSAF: Project cycle and selection criteria



Projects selection criteria & process



Scoring mechanism

- Independent assessment of funding applications of SDG projects would be carried out by external party/ies empaneled with GSAF
- External party assessment of SDG projects to be recommended to GSAF Board for decision on funding through credit enhancement
- The Board shall periodically consider proposals and approve by consensus (or majority when no consensus) as per sector and geographic strategy using suggested framework below

Criteria	Decision Factors	Scoring Weightage
Global Public Good (GPG) Score	For the initial period, SDG projects that are geographically fungible GPG can be prioritised. Other SDG projects can be considered on the basis of deployable capital available	50%
Quality of DPRs and Concession Agreements	Quality of DPRs and concession agreements	25%
Financial Viability and Project Execution Risks	Financial viability and level of project execution risks including dispute resolution mechanisms	25%

GSAF shall implement screening measures to ensure that private capital investment is more confident and secure

Proposed contribution

GSAF will mobilise USD 100 billion from the 30 largest countries in terms of GDP, over 3 years. The broad proposal is as under:

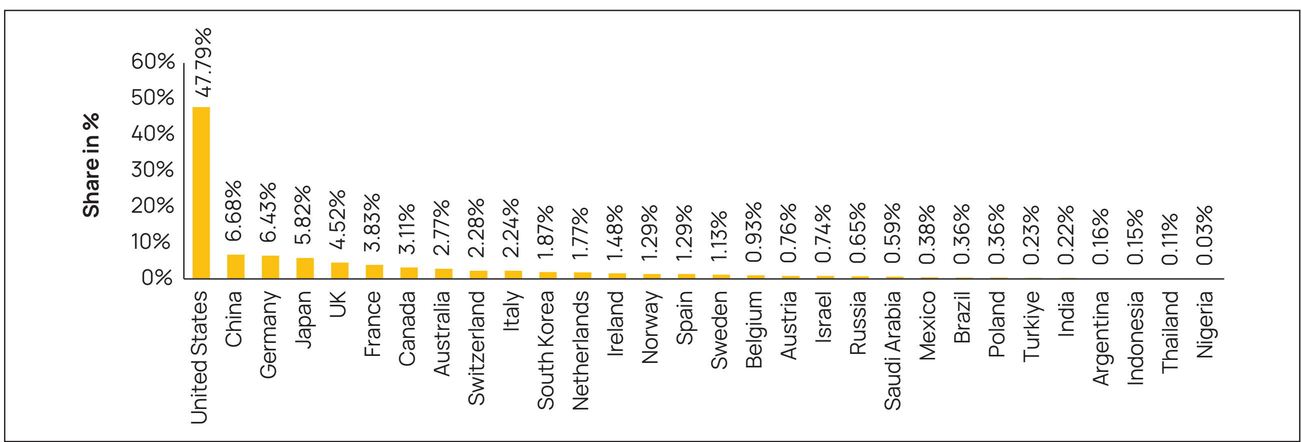
i. Countries will contribute proportionate to the product of their GDP and per capita GDP, driven largely by the fact that higher per capita GDP economies have both a higher current carbon footprint and higher estimated investment required for attaining SDG commitments by 2030*

ii. Both public and private sectors contribute roughly equally to GSAF but with government bridging the gap in case private sector contribution falls short

iii. It is proposed that 0.2 per cent of corporate profits annually will be contributed by larger enterprises in each economy to GSAF for three years. Members would have discretion on adopting voluntary or mandatory contribution from corporate sector

iv. There will be no cap on private sector contribution even when it exceeds the 50 per cent mark for any country, it will just reduce the government's contribution

% Contribution to GSAF



*Refer Annexure for details on suggested contribution to GSAF and correlation between per capita GDP and carbon footprints

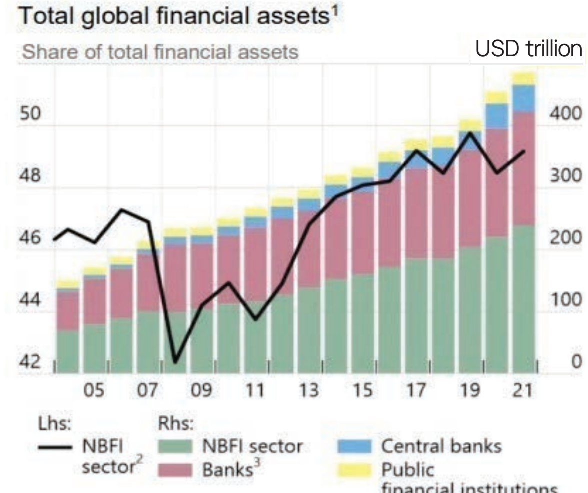
Initial capital contribution from governments to GSAF is not to be regarded as additional fiscal burden as it will result in a shift of a greater quantum of already committed fiscal allocations to come from the private sector going forward. The GSAF would substantially reduce strain on fiscal by making it more attractive for private capital to enter and augment/substitute government resources.

GSAF will initially target accelerating investment in Geographically Fungible Global Public Goods (GFGPGs) projects to support a sustainable global economic recovery.

Besides reducing financial risk of SDG projects, the GSAF mechanism would also focus on capacity building factors for de-risking of projects including quality of DPRs, concession agreements, and dispute resolution mechanisms.

GSAF will enable accelerating the shift of Global Financial Sector Assets towards SDGs. For that, all resources called upon in the Addis Ababa Action Agenda – public, private, domestic, external – are required to fill the SDG financing gap.

Global pool of financial assets at end of 2021



Total financial assets have grown at CAGR of 6.8% for the period 2011-2021

2021	Amt in $ Tn
Central Bank	44.1
PFIs	20.3
Banks	182.9
NBFI	239.3
Total Global Financial Assets	486.6

NBFI category includes specific economic functions such as money market funds, investment funds, financial vehicles corporations, and other NBFI segments

Global SDG financing gap

	Amount in $ Tn
Annual requirement	~4.2
2025-2030 period	~25.2

Global debt securities markets

- Governments issue debt across maturities, enabling governments to shift debt issuance amounts across the maturity spectrum
- As of Dec 2021, the overall size of the global bond markets is approximately USD 144 trillion
- This consists of USD 72.2 trillion General Government (50.3%)
- Assuming the growth rate of outstanding debt from 2015-2021 @ CAGR of 4%, the general government market is expected to reach USD 126 trillion in 2030

Bridging the gap

- As per Working Paper Series No 110 / September 2020, in 2015, the total issuance amounted for long-term (greater than ten years), on an average stood at 18.7% in Euro Zone
- Considering an average of ~20% debt issuances with 10 years or above maturity, then 10-year and longer Government debt issued in 2030, ceteris paribus is expected to be ~USD 20.7 trillion
- Shifting only 20% of this 10-year and longer Government debt to private sector debt towards SDG would bridge the annual global SDG financing gap
- Global financial assets are expected to reach USD $877 trillion in 2030. Shifting only 2.8% of this pool would be sufficient to fill the Global SDG financing gap

Source: Global Monitoring Report on Non-Bank Financial Intermediation: 2022 (fsb.org)

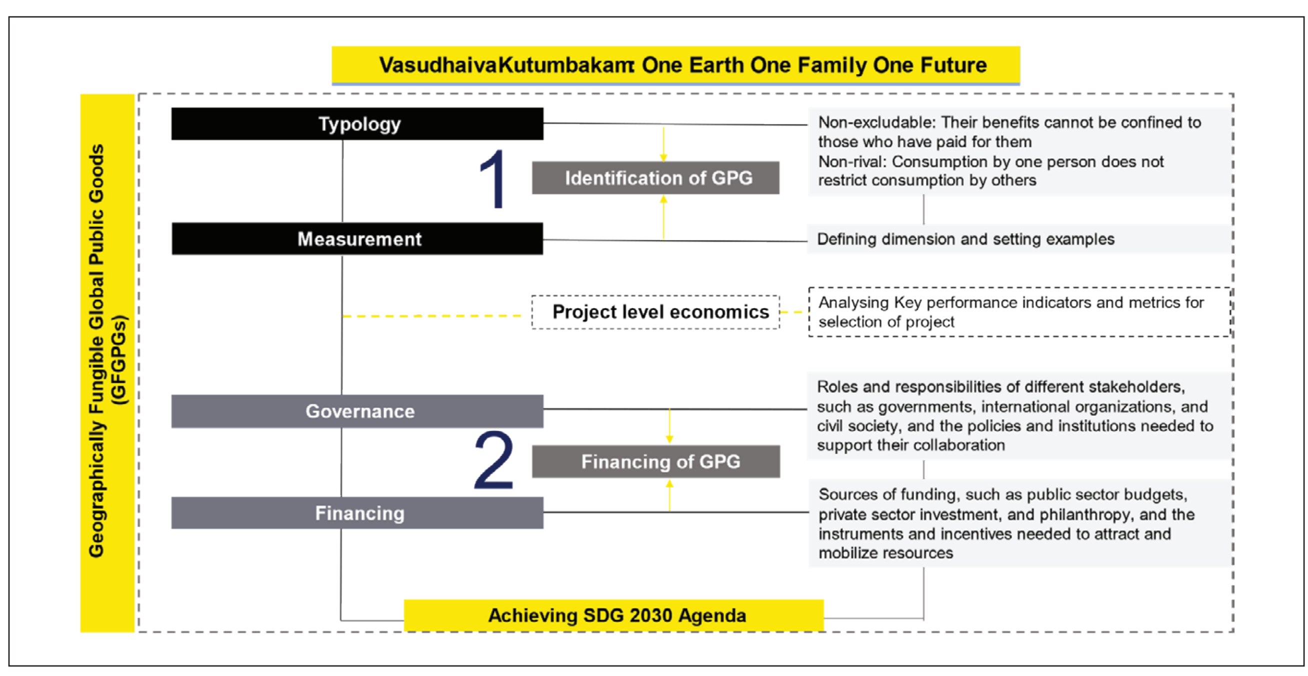
* Gap-filling government debt maturity choice (europa.eu) to "European Systemic Risk Board (ESRB) Working Paper No. 110, September 2020, Gap-filling government debt maturity choice; OECD UNDP Scoping Note 2021; BIS debt securities statistics; EY Analysis

Policy Action 1.2: Leverage GSAF for financing of global public goods using credit enhancement tools to bring down cost of capital for enhancing financial viability of projects and pool of fundable projects

Global Public Goods (GPGs) are important in context of global development and cooperation. Therefore, it becomes imperative to understand its concept and thereby establish a framework that would help us identify it and then structure a mechanism to enable leveraging GSAF to bring down the cost of capital and reaping its benefits.

The International Task Force on Global Public Goods (2006) has defined global public goods as: "issues that are broadly conceived as important to the international community, that for the most part cannot or will not be adequately addressed by individual countries acting alone and that are defined through a broad international consensus or a legitimate process of decision-making".

An approach towards identification and financing of projects has been discussed below:



Source: IMF

Note: Goods listed are examples; this is not an exhaustive list

The above structure illustrates the criteria of GPGs in context of SDGs as both concepts aim to promote the common good and benefit of humanity.

To identify GPG among SDGs, a typology is set to classify and categorise things based on shared characteristics or attributes, which helps to facilitate analysis and understanding of complex phenomena.

Public goods are those that are available to all ("nonexcludable") and that can be enjoyed over and over again by anyone without diminishing the benefits they deliver to others ("nonrival").

Once it is set, the scale of SDGs is measured and checked if the provision and benefits extend beyond the borders of individual countries and affect the well-being of people and the planet. While some SDGs may be more directly focused on global issues, such as climate change, all 17 SDGs are interconnected and have global impacts.

A multilateral institution that is uniquely positioned to be a leading funding source for Global Public Goods (GPGs) is the World Bank. It has (i) presence across countries and in sectors related to GPGs (climate, health, conservation, etc.), (ii) experience in handling funds - including being entrusted by donors - and in financial markets, (iii) global governance structure, and (iv) substantial analytical capacity.

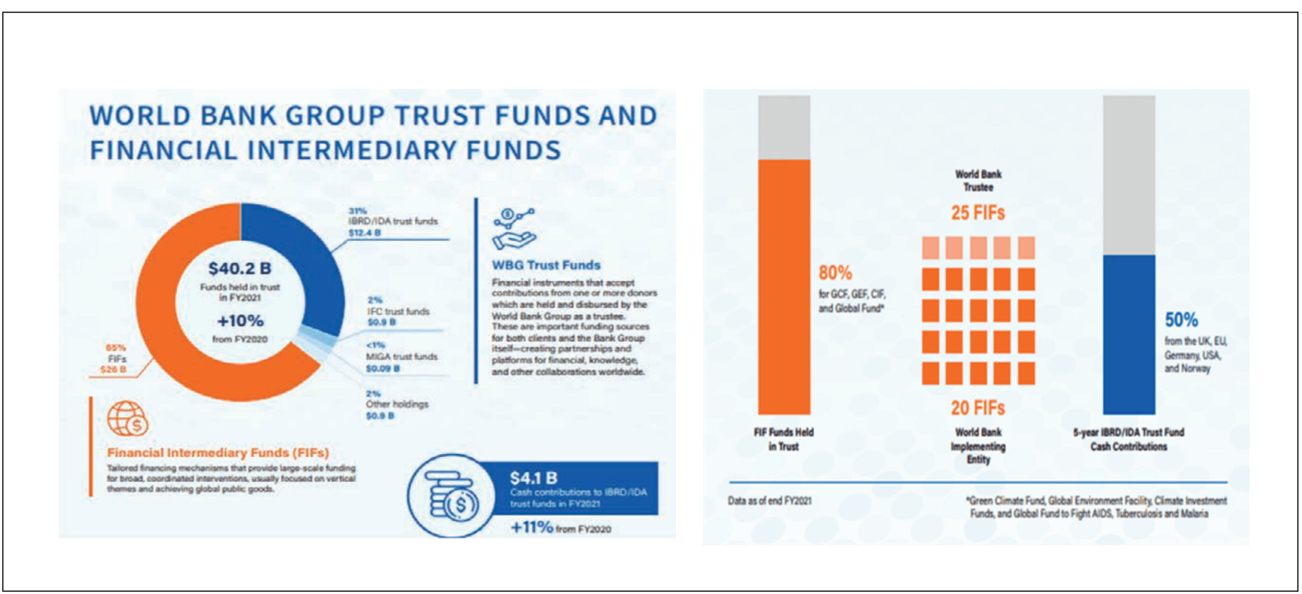
But despite its global coverage, the World Bank mission has been defined primarily by individual developing country problems and priorities. This country-model approach needs updating for a world in which the consequences of shared challenges are truly global, but where action against them may be needed - depending on the specific challenge - across a wide range of countries.

The challenge ahead for shareholders is how to evolve the existing institution - which has developed over a very long period - into a new one. Using its existing IDA and IBRD country-based lending model, the World Bank is already providing large-scale financing for climate, pandemic, and disaster response, and other global public goods. For e.g., between 2015 and 2021, the World Bank committed USD 109 billion to climate finance, with annual commitments now exceeding USD 20 billion.

However, the scale of the financing requirements for global public goods vastly exceeds the World Bank's current financing capacity. It is estimated that the SDG annual financing gap has increased from a pre-COVID USD 2.5 trillion to a current USD 4-5 trillion.

The GPG agenda at the World Bank has been supported via trust funds and sometimes via coordination with Financial Intermediary Funds (FIFs), but these are small in size and ad hoc in relation to the Bank's core agenda.

World bank group trust funds and financial intermediary funds



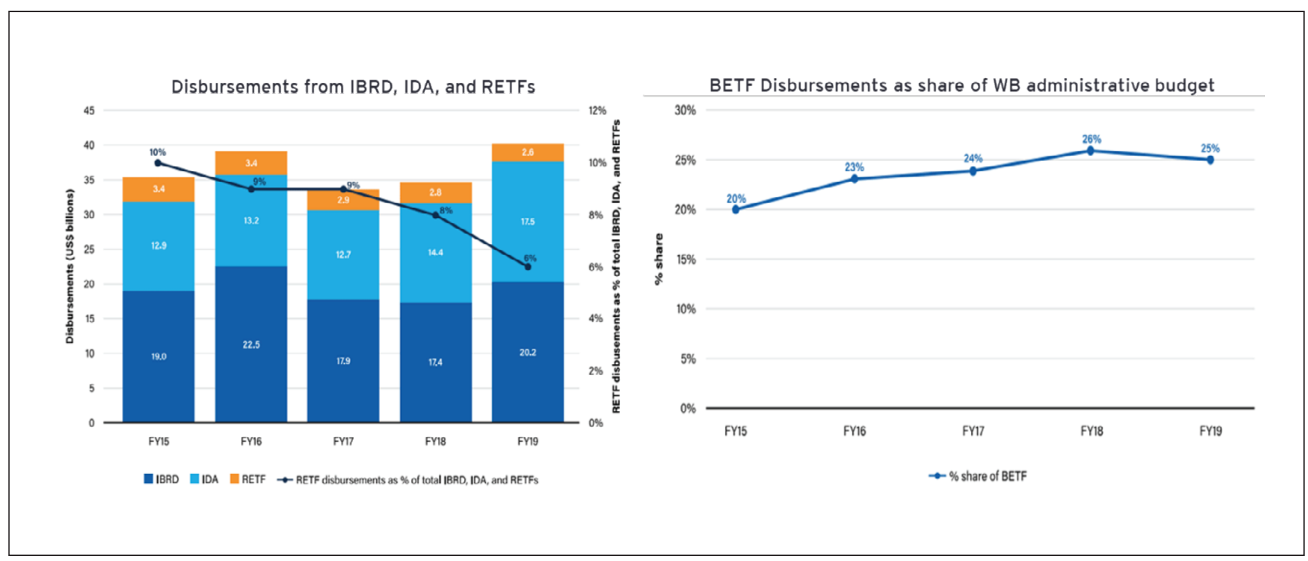
Source: World Bank Group – 2021 Trust Fund Annual Report

The global public goods imperative complements the country-based lending model but requires adjustments in approach and new tools that are more attractive to recipient countries

- **Recipient-Executed Trust Funds (RETFs):** World Bank channels donor funds to recipients that implement the agreed activities. The World Bank normally appraises the activities and provides

implementation support. Hence, the use of RETFs is comparable to that of IBRD and IDA financing

- **Bank-Executed Trust Funds (BETFs):** World Bank is itself responsible for implementing the agreed activities. BETFs therefore support the World Bank's work program and are comparable to the WBG administrative budget



Source: World Bank Group –2018-19 Trust Fund Annual Report

GSAF is proposed to be positioned as a World Bank Trust Fund/Financial Intermediary Fund with a capital base of USD 100 billion with contribution from world's 30 largest countries in terms of GDP through formulae mechanism based on GDP and per-capita GDP. Contribution to GSAF would be made by sovereign governments, private sector, and philanthropies.

Key Statistics on World Bank Group Trust Funds and FIFs

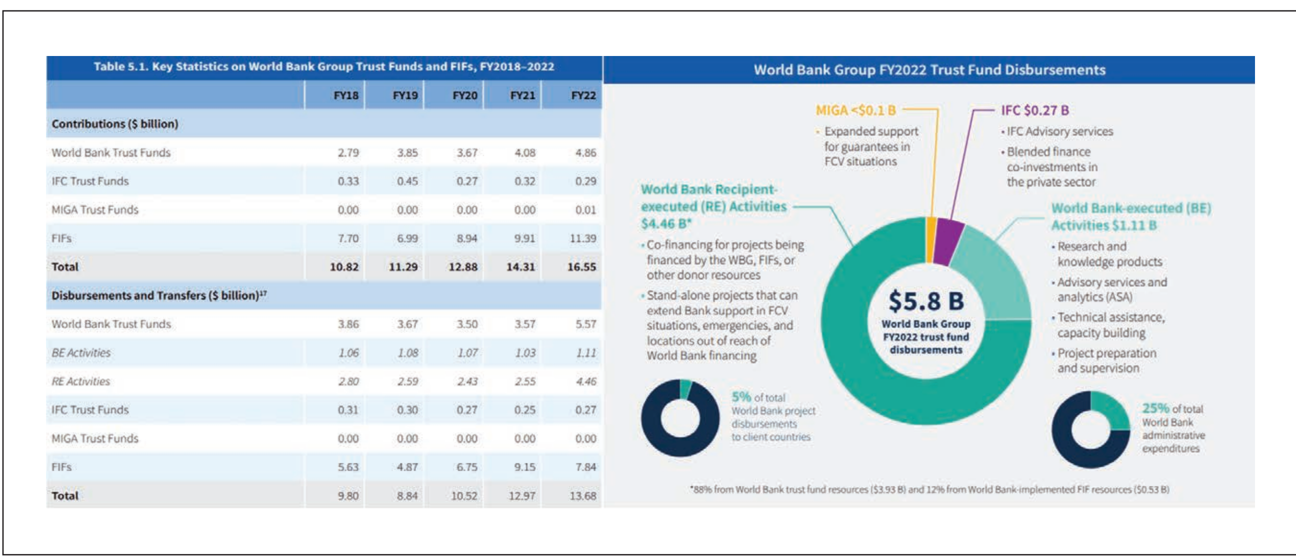


Table 5.1. Key Statistics on World Bank Group Trust Funds and FIFs, FY2018–2022

	FY18	FY19	FY20	FY21	FY22
Contributions ($ billion)					
World Bank Trust Funds	2.79	3.85	3.67	4.08	4.86
IFC Trust Funds	0.33	0.45	0.27	0.32	0.29
MIGA Trust Funds	0.00	0.00	0.00	0.00	0.01
FIFs	7.70	6.99	8.94	9.91	11.39
Total	**10.82**	**11.29**	**12.88**	**14.31**	**16.55**
Disbursements and Transfers ($ billion)[17]					
World Bank Trust Funds	3.86	3.67	3.50	3.57	5.57
BE Activities	*1.06*	*1.08*	*1.07*	*1.03*	*1.11*
RE Activities	*2.80*	*2.59*	*2.43*	*2.55*	*4.46*
IFC Trust Funds	0.31	0.30	0.27	0.25	0.27
MIGA Trust Funds	0.00	0.00	0.00	0.00	0.00
FIFs	5.63	4.87	6.75	9.15	7.84
Total	9.80	8.84	10.52	12.97	13.68

Source: World Bank Group – 2022 Trust Fund Annual Report

Financing of GPGs

Given very high public debt post-pandemic globally, it should be highest priority to ensure that public spending is prudent and leveraged to drive substantially higher private capital investment to narrow the SDG-funding gap. This will require a shift in focus from volatile and uncertain consumption influenced by many factors beyond capital availability to greater investment for a more sustainable future (where it is most needed) and help the world progress.

Most developing countries face significantly higher cost of capital for projects with the same measurable impact (e.g., carbon emission, biodiversity, ocean plastic pollution) relative to OECD countries that not only reduces the capacity for funding more projects but also the number of viable projects. Reducing the cost of capital for such projects in developing economies will make many more such projects viable and attract greater private capital.

Therefore, ensuring credit enhancement of certain SDGs as geographically fungible global public goods can be focused upon by G20 to build a coordinated global response for sustainable recovery that also accelerates progress towards critical and time-sensitive global priorities.

OECD countries that have been cautious in just charitable contributions to developing countries for development given their own high debt, domestic accountability, and growth challenges, should be less cautious on encouraging greater acceleration in attaining certain SDG goals where the benefits are truly fungible globally and where there will be material acceleration in progress driven by private capital deployment.

Private capital investment is generally driven by the balance of risk and reward. Bringing down the cost of capital of SDG projects both reduces risk and enhances rewards for the projects. Credit enhancement for select geographically fungible GPG projects addressing certain SDGs will incrementally attract pools of international private capital that are not sensitive to the purpose and expand the pool available for SDGs multi-fold. New sources of financing that flow into these GPGs where viability is attained will ensure greater availability of prior channels to other SDG projects that are more regional in nature and also where financially viability is more challenging.

Case studies on credit enhancement

- Partial credit guarantees reduce the cost of debt by enhancing the credit rating of a project
- Partial credit guarantee intended to be provided for three to five projects over three years has a huge multiplier effect relative to direct lending for a single project. Other benefits include no outgo of capital unless there is a default
- Multilateral distribution of risk creates comfort for foreign institutional investors and helps to develop local capital markets and diversify sources of funding from banks
- The efficacy of partial credit guarantees in the Indian market was commended by the Climate Policy Initiative, which concluded that partial credit guarantees can mobilise additional capital from pension and insurance funds and reduce cost of debt by up to 1.9 percentage points while also increasing tenor by up to five years for the developers (Shrimali, Konda, & Srinivasan, 2014)

Historical examples

1. **Asian Development Bank: India – IIFCL (2012) – USD 128 mn**

   Product: ADB took on a part of a guarantee risk, which would improve the credit rating of an infrastructure project to A or AA. This opens up the market to institutional investors such as pension funds that can only invest in assets graded AA or above, to buy the project bonds

   Project funded: GMR expressway linking two major cities in South India

   This project is an excellent example of an effective credit-enhancement scheme utilised to not only remove impediments to financing, but also create a precedent for further mainstreaming infrastructure investment in the markets.

2. **World Bank Group: Nigeria – Power Sector Guarantees Project (PSGP)**

   Product: It is a package of loans and guarantees supporting a series of energy projects. The IBRD guarantees include forward- looking mitigation and risk-sharing arrangements, designed to augment the power sector reforms while building market confidence and setting industry benchmarks. The package also includes World Bank Partial Risk Guarantees and MIGA political risk insurance

   Project funded: World Bank partial risk guarantees approved include

   - up to USD 245 million for the 459-megawatt (MW) Azura Edo power plant near Benin City, Edo State; and
   - up to USD 150 million for the 533-MW Qua Iboe plant in Ibeno, Akwa Ibom State

Illustrations on credit enhancement through GSAF: Reduction in cost of capital and improvement in financial viability

SDG 13 aims to address the challenge of climate change by promoting actions to mitigate greenhouse gas emissions and build resilience to the adverse impacts of climate change. The benefits of acting on climate change, such as reduced risk of extreme weather events are widespread and not limited to any country or region. Its provision requires collective action and cooperation from all individuals and countries across the world.

The above could be explained with the help of below illustrations.

Illustration 1: Credit enhancement through bond market

- Tenure of the debt to be availed is considered as 10 years
- Debt to Equity is considered as 75:25
- Coupon payment is considered in two scenarios - to be paid in full at the end of 10 years and 15 years respectively

High level assumptions:

Project details	
Capacity (MW)	1,000
PLF (plant load factor)	33.0%

Capital Structure	
Total funds required in USD Million	976
Equity Proportion (25%)	244
Debt Proportion (75%)	732
Debt Tenure (yrs.)	10
Debt Tenure post CE	15
Expected Interest Rate	11.7%
Expected Int Rate post CE	8.2%

1 USD = Rs 82
CE: Credit enhancement

Basis above, the project could achieve the following tabulated results in first 3 years of commercial operation date.

Year End Date		31-Dec-26	31-Dec-27	31-Dec-28
Net Production in Mn KWH		**2,891**	**2,891**	**2,899**
Total Revenue in USD Mn	**82**	**158.6**	**158.6**	**159.1**
EBIT margin	45%	71.4	71.4	71.6
Expected yearly coupon payment pre CE	11.7%	85.8	85.8	85.8
Viability gap		-14.4	-14.4	-14.3
Expected coupon payments with CE	8.2%	60.2	60.2	60.2
Funds available adjusting Int. cost		**11.2**	**11.2**	**11.4**
	10 years	**15 years**		
Cumulative cash flows Pre CE	**(305.6)**	**(647.5)**		
Cumulative cash flows Post CE	**112.1**	**168.3***		

* Principal repayment is considered equated yearly instalments

As shown in the table above, by using a partial credit guarantee, rating can be enhanced to a higher grade, reducing the cost of debt by around 3.5 percentage points, which when combined with a tenor increase of 5 years would enable greater number of projects to be taken up as the saved funds could be allocated to more projects.

Illustration 2: Credit Enhancement through Banking

- Tenure of the debt to be availed is considered as 12 years
- Debt to Equity is considered as 75:25
- Principal repayment is considered in equated yearly instalments

Project Details	
Capacity (MW)	1,000
PLF (plant load factor)	33.0%

Capital Structure	
Total funds required in USD Million	976
Equity Proportion (25%)	244
Debt Proportion (75%)	732
Debt Tenure (yrs.)	12
Debt Tenure post CE	17
Expected Interest Rate	11.7%
Expected Int Rate post CE	9.7%

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Net Production in Mn KWH		**2,891**	**2,891**	**2,899**
Total Revenue in USD Mn	**82**	**158.6**	**158.6**	**159.1**
EBIT margin	45%	71.4	71.4	71.6

Interest paid before CE	11.7%	82.3	75.1	67.9
Viability gap		-10.9	-3.7	3.6
Interest cost post CE	9.7%	69.1	64.9	60.7
Funds available adjusting interest cost		**2.3**	**6.5**	**10.9**
Total repayment pre CE		143.2	136.1	128.9
Total repayment post CE		112.1	108.0	103.8

* Principal repayment is considered equated yearly instalments

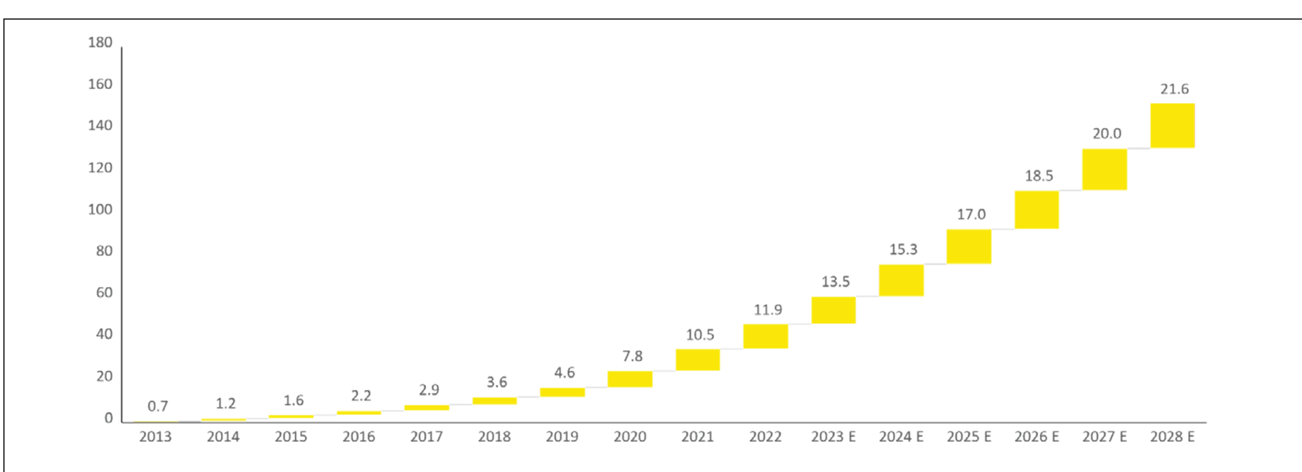
As shown in the table above, by using a partial credit guarantee, rating can be enhanced to a higher grade, reducing the cost of debt by 2 percentage points, which when combined with a tenor increase of 5 years compared to domestic debt would enable greater number of projects to be taken up as the saved funds could be allocated to more projects.

In the two illustrations above, bringing down the cost of capital by credit enhancement of SDG projects both reduces risk and enhances reward for the projects with improvement in financial viability. When the cost of capital is brought down through credit enhancement, it will also allow greater number of projects to be taken up as the saved funds could be allocated to more projects. This in turn would help us achieve the target of lower emissions.

No additional capital required but shift of capital for current obligation

Country Example: United States

Bulging Deficit Annually (in USD trillion)



Source: USA Budget; An Overview of the President's FY 2024 Budget I Committee for a Responsible Federal Budget (crfb.org)

Between 2024 and 2033, spending would total USD 82.2 trillion (24.8 percent of GDP), revenue would total USD 65.2 trillion (19.7 percent of GDP), and budget deficits would total USD 17.1 trillion (5.1 percent of GDP).

Key Figures in the President's FY 2024 Budget

	Trillions	Percent of GDP
Revenue	**$65.2 trillion**	**19.7%**
Mandatory Spending	$52.2 trillion	15.8%
Discretionary Spending	$19.8 trillion	6.0%
Net Interest	$10.2 trillion	3.1%
Total Spending	**$82.2 trillion**	**24.8%**
Deficits	**$17.1 trillion**	**5.2%**
Debt (Final Year)	**$43.6 trillion**	**110%**

Source: Office of Management and Budget. Figures are over the FY 2024 to 2033 period

Particulars	2023
US Budgetary Deficit	**1,726**
GDP	26,336
Total Gross Federal debt	32,693
Total Gross Federal debt as % to GDP	124.1%
Total Investment Outlays for Major public Physical Capital, Research and Development, and Education and Training (Non Defense)	556
As a % of GDP	2.1%

S No.	Particulars	
I	US Population in 2021	0.33 Bn
II	Minimum SDG Spending needs p.a. (2025-2030)	$15,439 per capita
III	US SDG Requirement (2025-2030)	~$31,496 BN
	Scenario 1- Self Fund	**$ Bn**
	US Spending requirement towards SDGs (2025-30)	31,496
	Total Impact on Fiscal Burden/ Budgetary Deficit (2025-30)	(-) 31,496
	Impact of $375 Bn worth of SDG projects implemented by US	(-) 375
	Scenario 2- With the support of GSAF	
A	Proposed contribution of US in GSAF (0.18% of 2023 GDP)	47.8
A1	Est. utilisation of funds from GSAF by US	30.0
	Calculation of Benefit for US	
B	Est. debt mobilised via GSAF	300.0
C	Total amount of project that can be taken up in 80:20 proportion	375.0
D	US Equity Contribution in the project	75.0
E	Est. share of US savings on SDG projects (E=B-A-D)	(+) 252.2

The total US SDG requirement are in USD trillions. Therefore, it is proposed to plan such projects under the framework of GSAF which would help meet the financing gap by leveraging credit enhancement tools and blended finance.

Assumptions:

- The Debt to Equity for Project is considered as 80:20
- The proposed GSAF would enable financing of critical GPG projects in the country and would have a much larger multiplier effect due to credit enhancement
- The contribution of US in GSAF is proposed as USD 47.8 Bn which is merely 0.18 per cent of the 2023 GDP
- For Illustrative purposes, a share of USD 30 Bn out of contribution of USD 47.8 Bn is assumed to be used for the SDG requirement in US

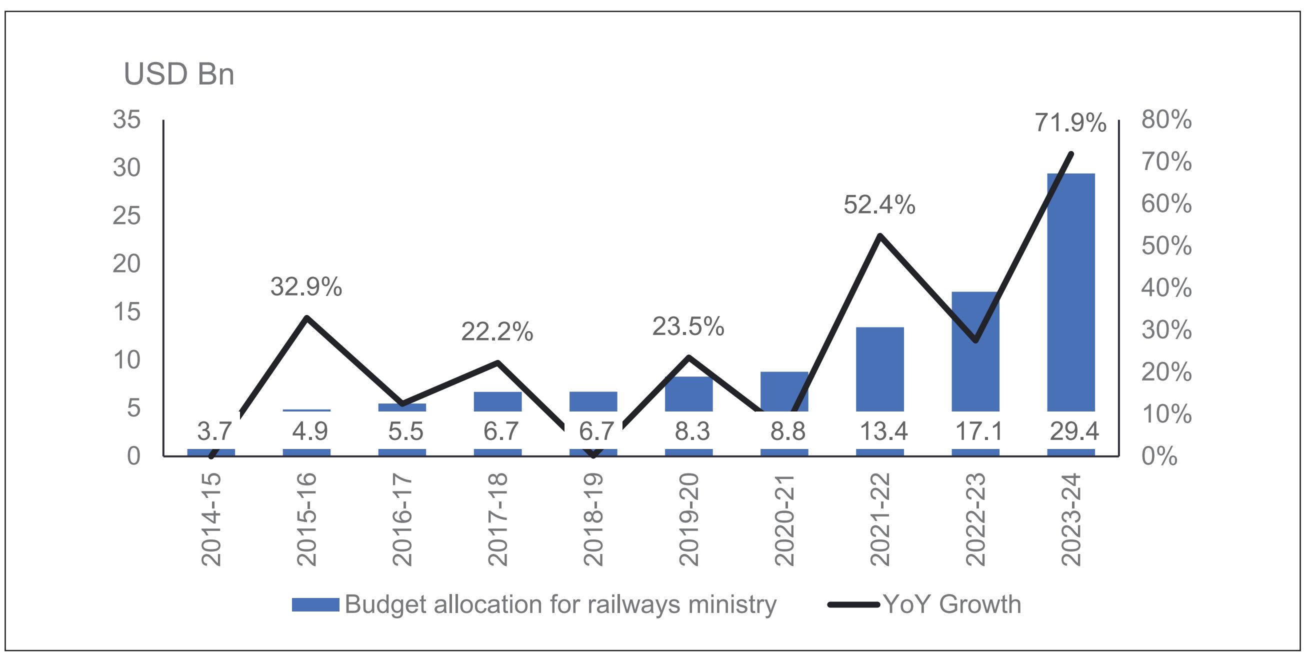
It is important to note that there is not going to be additional capital for the total investment outlay and is just a mere shift in their current obligations. GSAF is a medium to accomplish smoothly, the objectives of the nation's investment outlay for much required global needs.

Country Example: India

Indian FY23-24 Budget highlights

	USD Bn
Total capex plan	548.8
Total receipts (other than borrowings)	331.7
Fiscal Deficit	217.1
Total interest payments	131.7
Total borrowings	2,097.6

Indian Railways Budget Allocation



Source: Union Budget; EY Analysis

The Indian Railways has been allocated a capital outlay of Rs 2.4 lakh crore (or USD 29.4 billion at USD 1 = Rs 82)

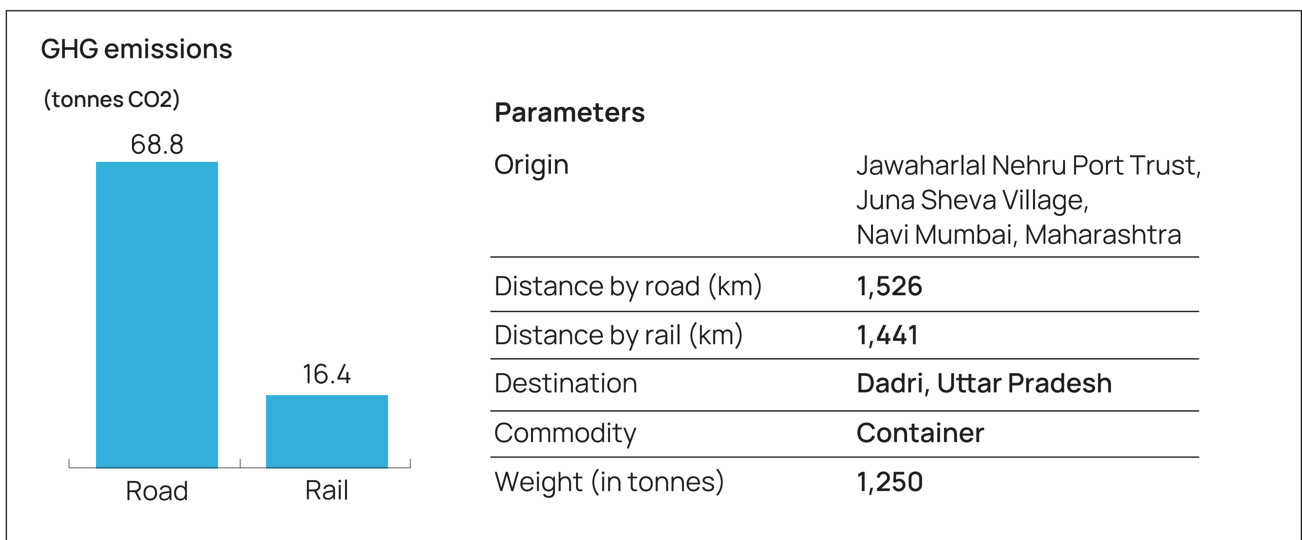
In addition to the budget allocation, the Indian Railways is also expected to raise funds through various sources, such as public-private partnerships, market borrowings, and internal resources. The funds raised through these sources will be used to finance various projects and initiatives aimed at improving the efficiency and sustainability of the railway system in India.

This capital outlay would benefit the environment worldwide as railways can also reduce emissions by shifting freight and passengers from road and air transport to rail, which has lower emissions per tonne-kilometer or passenger-kilometer.

Assumptions:

- Railway project for reducing CO2 emission
- A container is to be shipped from Navi Mumbai in Maharashtra to Dadri in U.P

As per a study, the CO2 is reduced if the container is shipped via railways rather than road



Railways as a medium of transportation is prioritised to road as it reduces CO2 emission.

High level example

Ministry of Railways and the State governments of Andhra Pradesh, Karnataka, Maharashtra, West Bengal, Tamil Nadu and Jharkhand signed an MoU to develop rail infrastructure in these states.

Budgetary resource support from the central Government stood at USD 10.2 Bn in FY 2020, which has increased from USD 9.2 Bn in FY2019.

Two scenarios, one with Government funding and second involving Government support through GSAF with majority investment by private sector, are shown below:

Particulars	
Scenario 1- Self Fund- Budgetary allocation	USD Bn
GoI spending for the project	**10.2**
Impact on fiscal/ budgetary deficit	-10.2
Scenario 2 - Funding through GSAF mechanism	
Proposed contribution of India in GSAF	0.22
Project Cost for GoI	10.2
Funding from GoI (20%)	2.04
Funds from private players and GSAF Support	8.16
Est. share of savings	**7.94**

Note: Debt: Equity is considered as 80:20. This is a high-level example just illustrating the shift of capital for current obligation

GSAF can have multiplier impact and leverage initial capital to attract additional funding from other sources, such as private investors, multilateral institutions, or governments. This can help scale up the impact and increase its ability to support a wider range of SDG-related projects.

506.09
+1.36%
1,652.38
+2.75%
28,331.92
+0.30%
6,045.60
+0.14%
13,190.15
+0.98%
13,190.15
+0.98%
25,331.80
-0.63%
23,200.63
-0.39%
28,331.9

Recommendation 2

Capacity building of domestic financial sectors for SDG financing

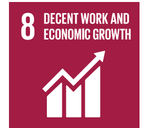
Policy actions

Policy action 2.1 Enhance existing capacity and capability of domestic financial sectors in G20 countries for addressing SDGs financing gap

Policy action 2.2 Improve domestic regulations and strengthen global coordination for scaling up sustainable finance instruments

KPIs	
Capacity building % of quality improvement in Detailed Project Reports and Concession Agreements as per GSAF scoring mechanism	100% of qualified applications from overall applications
Taxonomies for SDGs financing and geographically fungible global public goods	Target timeline: 2024

SDGs Impacted



Policy Action 2.1: Enhance existing capacity and capability of domestic financial sectors in G20 countries for addressing SDGs financing gap

SDG financing: Capacity building of financial sector

Overview

The G20 has recognised the importance of domestic financial sectors in achieving sustainable development, emphasised the need to enhance it to support sustainable development objectives and promote the development of domestic financial systems that can support inclusive and sustainable growth.

Need to build

In some countries, the financial sector is well-developed and able to support inclusive and sustainable economic growth, while in other countries, the financial sector is less developed and may not be able to fully support the SDGs.

It depends on the specific country or region and the measures that are needed to be taken to improve the capacity and capability of the domestic financial sector.

Enhancing the existing capacity and capability of domestic financial sectors in the context of the SDGs is important for several reasons:

Support inclusive and sustainable economic growth. A strong and stable financial sector is essential for economic growth as it provides access to capital for businesses and individuals, helps to allocate resources efficiently, and facilitates the management of risks

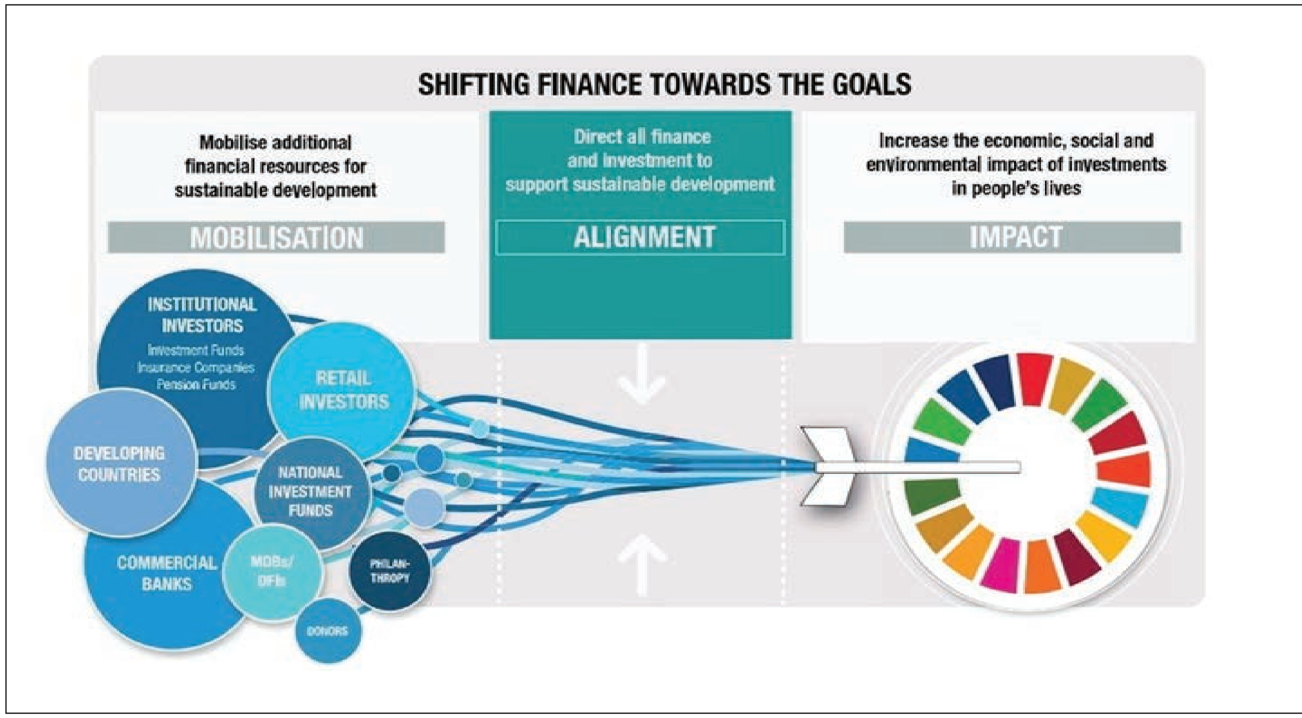
Promotes financial inclusion, which is important for achieving SDGs. This is because when more people have access to financial services, they can save, borrow, and invest, which can help to reduce poverty and inequality

Promote financial stability, which is important for maintaining investor and consumer confidence in the financial system

To mobilise the necessary capital to achieve the SDGs, particularly those related to climate change and environmental sustainability

Framework for SDGs aligned finance

OECD and UNDP joint initiative to define a common framework for aligning finance with the SDG: It is a set of guidelines, policies and tools that are used to align financial systems and markets with the SDGs.



SDG alignment is both a means to mobilise resources for the implementation of the 2030 Agenda and a value proposition for private sector to preserve the long-term value of assets by doing no harm and contributing solutions to sustainable development challenges, thereby reducing risks and enhancing resilience of the global financial system. This double materiality (financial and non-financial) of the SDG alignment agenda relies on the achievement of two objectives:

1. **Equality:** resources should be mobilised to leave no one behind and fill the SDG financing gaps, and
2. **Sustainability:** resources should accelerate progress across the SDGs

Recognising that SDG alignment is just a means of enhancing the likely sustainability impact of mobilised resources, it is the central part of a three-step approach to shifting finance towards the SDGs on stages of Mobilisation – Alignment – Impact.

What is the framework seeking to achieve

SDG alignment requires a framework to

- Identify issues preventing alignment and actions to achieve alignment
- Build consensus around an action plan that capitalises on and channels momentum
- Ensure holistic approach across the SDGs and the developing world

What is preventing SDG alignment

Three interlinked sets of issues

- Lack of transparency
- Lack of accountability
- Lack of coherence

Transparency

The proliferation of standards and initiatives increases market opacity and information asymmetries

1. Complexity of landscape and proliferation of standards:

It is challenging for industry and policymakers to navigate the landscape and align finance to the SDGs (there are over 185 initiatives, 8 created each year). It is unclear which standards matter or are having an impact on investment choices. There are increasing tools taking into account SDGs but very few of them capture a large number of users (i.e. beyond impact investors)

2. Opacity of methodologies and asymmetry of information:

Poor transparency, measurement systems and lack of comparable data risks SDG washing. There is a growth in 'sustainable' activity but which is unable to determine quality. Most standards are inspired by ESG considerations and focus on mitigating risks or only on environmental issues rather than a wider scope needed to achieve the SDGs

Accountability

The system has no teeth and growing risk of SDG washing is going unchecked

1. Reporting: There is a proliferation of initiatives, no clear rules, and standards have no teeth- legal requirements to report on sustainability do not exist and can be weak, together with little or no focus on additionality or net impact

2. Rating: It does not include non-financial performance (or to a limited extent), is constrained to limited liability and is characterised by a proliferation of methodologies and actors

3. Most of the landscape is self-declaratory and voluntary:

Only positive aspects are often captured. It also means a trade-off between market acceptance - bringing minor changes to a large proportion of the market - and quality of financing - requiring deep changes targeting a smaller proportion of the market-needs to be made

Coherence

Not all incentives are aligned and regulation is lagging behind

1. Support to misalignment:

Fossil fuel subsidies still represent up to USD 168 billion a year from OECD and G20 countries

2. No incentives, no rewards, no sanctions:

There is poor clarity on how and where financing needs to be directed, or if the incentives are aligned to directing finance towards needs. Perceived risks are too high in both SDG and developing country financing (e.g. currency risks, policy/political risk, lack of liquidity)

3. Regulators to catch-up with markets:

Absent regulations, accountability and transparency are undermined. Lacking regulatory forward guidance reduces predictability for investors, and poor regulatory co-ordination risks cementing further fragmentation of markets

4. Public resources are not leveraged ~ enough and are not innovative enough to correct market failures and direct finance to developing countries with large SDG financing gaps: Blended finance to LDCs only represents 6% of total blended finance compared to spontaneous 4% of total FDI

What actions can be taken to achieve alignment?

Three mutually reinforcing sets of actions:

- Policies to set-up fit-for-purpose governance mechanisms that creates appropriate incentives
- Standards to raise the bar on sustainability and strive for transparency, accountability & harmonisation
- Tools to better leverage existing resources for quantity and quality, and leave no one behind

Policies	Standards	Tools
We need better policies for enhancing the integrity and efficiency of markets **1. Coherence and phasing-out of support to misalignment:** Domestic and international SDG financing strategies need to be brought together for greater coherence to avoid diverting investment from where it is most needed. Subsidies in support of activities with a negative impact on SDGs should be repurposed or phased out (e.g., fossil fuel subsidies). Taxonomies and other regulations could help guide investment, reward good practices, and sanction bad ones **2. Non-financial results reporting and fiduciary duties:** Business and investor duties and liabilities could be changed in support of SDG alignment (e.g., mandatory reporting of non-financial results) **3. Regulatory forward guidance:** Governments need to clearly signal their intent to promote SDG-alignment through regulation, and as regulation is developed due attention should be paid to avoid further fragmentation of markets (e.g. ensure comparability of taxonomies) and secure regulatory predictability for investors	**We need to raise the bar on sustainability for all actors along the investment chain** **1. Harmonisation of standards, definitions, metrics and ratings:** As the market becomes more mature, in order to allow for consolidation and emergence of fewer and more robust standards, public and private actors should promote greater transparency and comparability of definitions, reporting, impact measurement, and rating methodologies (e.g. how to go from ESG to SDGs?) **2.** Transparency and best practices sharing, independent benchmarking, evaluation and rating mechanism are needed to allow for a better-informed choice of investors and sanction of SDG washing **3. Corporate and finance duties:** All actors along the investment chain need to raise the bar on sustainability, including a dual purpose in their strategies and business models	**We need financial tools that further leverage public and private impact on SDGs** **1. Resource mobilisation and capacity building to leave no one and no SDG behind:** In order to remedy market failures and encourage finance to flow to countries with larger SDG financing needs, public resources should be better leveraged to support domestic and external resources mobilisation, including through innovative finance and tools (e.g., de-risking), digitalisation, holistic approaches and partnerships. This should be done with due respect to debt sustainability and requires assistance to access SDG financing **2. Quality of financing and SDG impact:** Demand and supply of SDG financing should be better mapped and matched (e.g. country diagnostics and roadmaps, SDG costing and budgetisation, constitution of a pipeline of SDG-compatible projects). The quality of finance needs to be increased for greater SDG impact, including through enhanced aid effectiveness, qualities of trade, investment and infrastructure **3. Reduction of leakages and rent captures along the investment chains:** Tax reforms should be pursued to make sure more domestic resources can be mobilised, and those mobilised best serve the SDGs. Leakages along the investment chain need to be reduced (e.g. cost of remittances)

It is suggested that sustainable finance standards be developed to achieve reciprocity and international interoperability to avoid heavy burden on businesses who trade and operate in multiple jurisdictions as they have to adjust sustainability reporting and disclosures for each region or country they operate or trade with, at the same time, such standards should be flexible, non-prescriptive, non-binding and take into account country's circumstances.

Further, alignment of global regulatory frameworks for financial services is recommended to underpin global economic recovery. The GISD Alliance has developed a definition of Sustainable Development Investing (SDI) that sets minimum thresholds that investment strategies and products should meet to qualify as aligned with sustainable development. Implementing the definition will ensure the credibility of SDI and mitigates the risk of SDG washing.

It is also suggested that the financial departments of G20 countries should continue to strengthen their macro policy coordination capabilities, jointly address global challenges such as inflation, food and energy security, prevent downside risks and negative spillover effects, and promote sustainable economic development.

Steps to be taken

- It becomes essential that countries take urgent, scaled-up and coordinated actions to accelerate SDG implementation and address the challenges caused by the pandemic and climate change
- G20 can ask the World Bank and Financial Stability Board to undertake a study of global financial system and domestic financial sectors in G20 countries on their current state and capacity for SDG financing and submit the results for consideration of G20 for possible actions

A roadmap for capacity building of domestic financial sectors is proposed below and suggested to be linked with the mandate of the World Bank's SDG Partnership Fund. Capacity building work related to policy and regulatory reforms is recommended to be undertaken jointly with the Financial Stability Board

Objectives of World Bank's SDG partnership fund:

Build and strengthen capacity and awareness for implementing the SDGs
Develop analytical tools to solve SDG challenges
Promote multistakeholder partnerships in support of the SDGs

Roadmap for capacity building of domestic financial sectors:

Tasks	Sub	Activities & Alignment with World Bank SDG Partnership Fund Objectives
Standardising taxonomy for SDG financing and steps for improving regulation and supervision of domestic financial sector	1.1 1.2 1.3	Develop a standardised taxonomy for SDG financing Recommend guidelines/ framework for the regulation and supervision of domestic financial sectors* Implementation of set guidelines/ framework*
Promoting sustainable finance including the use of sustainability-linked bonds, blended finance and other innovative instruments	2.1 2.2 2.3	Framework for sustainable finance and SDGs Market for use of green bonds, blended finance and other innovative instruments Implementing policy recommendations
Proliferating techniques for reducing cost of capital for SDG financing	3.1 3.2	Establishing GSAF to promote credit enhancement Enhancing credit to GPG related projects to proliferate impact
Developing guidelines and recommendations for integration of climate-related risks into financial risk management	4.1 4.2 4.3	Conducting a climate risk assessment and developing a climate risk management strategy Integrating climate risk into decision-making Strengthening disclosure and reporting*
Leveraging innovative and cost-effective technology to increase access to finance, reduce transaction costs, and improve efficiency of financial services	5.1 5.2	Technology advancement by developing innovative and cost-effective digital infrastructure Utilising technology and digital platforms
Eliminating regulatory barriers to the effective use of long-term capital through various means including insurance companies and pension funds	6.1 6.2 6.3	To enable a regulatory environment that facilitates this point* Provide tax incentives Promote transparency

Note: * proposed to be done in partnership with Financial Stability Board

The above tasks and activities for capacity building of domestic financial sectors in G20 countries for SDG financing is proposed to be undertaken by the World Bank in partnership with the Financial Stability Board with a timeline of one year from the date of adoption of this recommendation by the G20. A progress report on the implementation of roadmap (tasks and activities) on capacity building of financial sectors on SDG financing is recommended for reporting to the G20 next year.

Furthermore, the G20 should encourage the initiatives taken by global financial sector regulatory standard setters, such as the Basel Committee and the International Association of Insurance Supervisors (IAIS), with regards to the development of a globally applicable SDG financing framework and the implementation of global standards in financial regulatory authorities around the world. In this regard, the IAIS currently examines, in collaboration with the private sector and other stakeholders, the impact of climate on its regulatory framework and the necessary adaptations of this framework to underlying climate related issues including sustainable finance of SDGs. Moreover, in order to enhance financial inclusion in insurance and drive sustainable growth, the IAIS collaborates closely with development entities such as the Access to Insurance Initiative (A2ii) and the Sustainable Insurance Forum (SIF) and has launched a dedicated online portal for training on climate risks with central banks and supervisors, called the Climate Training Alliance (CTA).

Policy Action 2.2: Improve domestic regulations and strengthen global coordination for scaling up sustainable finance instruments

Sustainable finance has emerged as a pivotal force in steering global economic development towards a greener and more inclusive future. As environmental and social challenges intensify, the need to mobilise significant capital towards sustainable initiatives becomes increasingly crucial. To achieve this, two essential pillars must be addressed:

- improving domestic regulations within countries and
- strengthening global coordination among nations

While we have a comprehensive OECD-UNDP framework for SDG Aligned Finance, some specific immediate actions linked to the key priorities of this Task Force (detailed in subsequent section) from the perspective of capacity building of financial sector for SDG financing are as follows:

1. Standardising taxonomy for SDG financing and steps for improving regulation and supervision of domestic financial sector
2. Promoting sustainable finance including the use of green bonds, blended finance and other innovative instruments
3. Proliferating techniques for reducing cost of capital for SDG financing
4. Developing guidelines and recommendations for integration of climate-related risks into financial risk management
5. Leveraging innovative and cost-effective technology to increase access to finance, reduce transaction costs, and improve efficiency of financial services
6. Channelising long term capital through various means including insurance companies and pension funds by enabling regulatory environment
7. **Building capacity for de-risking of SDG projects:**
   (i) Developing clear risk assessment frameworks for reducing project execution risk, including market risks, operational risks, and regulatory risks
   (ii) Improving quality of DPRs and concession agreements
   (iii) Improving effectiveness and efficiency of dispute resolution mechanisms

Domestic regulations, frameworks hold significant potential to drive a sustainable and inclusive recovery from the economic challenges faced by the world. Governments are encouraged to establish clear and robust regulatory frameworks that promote sustainable finance. This includes defining what qualifies as sustainable investments, setting environmental and social criteria, and establishing reporting requirements for financial institutions. It is advised that the companies and financial institutions disclose relevant environmental, social, and governance (ESG) information. This transparency would allow investors and stakeholders to make informed decisions and assess the sustainability of their investments accurately. As such frameworks are developed, it would be easier to coordinate and collaborate with international organizations and stakeholders and would facilitate cross-border investments.

Another important aspect is sharing of the information and knowledge among countries. This can be achieved through forums, conferences, and digital platforms and would disseminate success stories, challenges, and lessons learned.

The Task Force on Mobilising Private Capital for Climate Action and Growth in the Global South, under T20 India highlights the need for improving the business environment by creating a stable regulatory environment. It also highlights the urgent need for G20 action to identify regulatory barriers to EMDEs capital flows, coordinated at the global level. To understand its extent and ways to improve it, the G20 could commission a High-Level Expert Group that assesses key financial regulations on three points: 1) Does it promote (or at least not prevent) long-term investment? 2) Are these investments directed to EMDEs? 3) Are these investments sustainable?

The G20 member countries are encouraged to work towards the following agendas:

- aligning their domestic regulations with international best practices in sustainable finance
- harmonizing their sustainable finance regulations to minimize regulatory arbitrage and provide a level playing field for global investors
- establishing consistent global standards and best practices for sustainable finance
- promoting sustainable finance instruments, such as green bonds, at the international level. This includes creating initiatives to facilitate cross-border investments in sustainable projects and attracting international capital towards sustainable sectors

It would collectively accelerate the adoption of sustainable finance practices, stimulate investment in environmentally and socially responsible projects, and foster economic growth that aligns with global sustainability goals. This united effort can significantly contribute to a more resilient, inclusive, and sustainable global economic recovery.

Recommendation 3

Improving MSMEs' access to finance and reducing cost of capital to foster inclusive growth

Policy actions

Policy action 3.1 Encourage national governments to create credit enhancement fund for MSMEs to improve their access to finance and build financial resilience

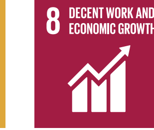
Policy action 3.2 Promote alternative financing instruments and mechanism for MSMEs financing such as blended finance, utilising technology, and digital platforms, adopting innovative partnership models

Policy action 3.3 Address existing inefficiencies, risks and hassles of sharing financial data and information of MSMEs and strengthen measures to raise financial awareness and literacy

KPIs

	Baseline	Target
Formal MSME Finance Gap (world)	56.6% (2019)	30.0% (2030)
Share of small-scale industries with a loan or line of credit (world)	29.8% (2022)	50.0% (2030)

SDGs Impacted



CONTEXT

This recommendation seeks to establish economic recovery worldwide by addressing the financing needs of various MSMEs and facilitate growth of MSMEs using innovative financing instruments and mechanisms to promote more inclusive and sustainable growth. In this regard, particular attention should be paid to the reinforcement of diversity and women's economic empowerment, as this can result in significant benefits, including increased GDP and greater resilience and stability in the financial system, particularly critical in the pandemic and its aftermath.

According to the World Bank, MSMEs are defined as micro enterprises (1-9 employees), small (10-49 employees), and medium (50-249 employees). However, the local definition of MSMEs vary from country to country, and is based not only on number of employees, but also by inclusion of other variables such as turnover and assets. There are about 365-445 million MSMEs in emerging markets: 25-30 million are formal SMEs, 55-70 million are formal micro enterprises, and 285-345 million are informal enterprises.

MSMEs constitute an integral part of the economy of a nation and play a vital role in creating employment, income to households and establish direct and indirect linkages with the 17 SDGs. The SDG targets are ambitious and require significant efforts from both public and private counterparts. Transformation is required in adaptation of new business models, technologies, innovation which opens new business opportunities for the private sector including MSMEs. Start-ups and young firms, which are generally small or micro firms, are an important source of net job creation in many countries and are the driving force of innovation and sustainability in the private sector.

According to the Business and Sustainable Development Commission, sustainable business models could open economic opportunities worth USD 12 trillion and create 380 million jobs by 2030, with more than 50 per cent in developing countries. Such opportunities for MSMEs have been identified under each SDG.

All this would constitute requirement of additional finance, need for financial literacy, access to financial markets and development of proper frameworks. If all these are met timely and in a proper fashion, the MSMEs would be driving future economic growth and employment.

Post COVID-19 pandemic recovery has remained deeply uneven, and the disparity between rich and poor countries is widening, prices are rising, economic outlook remains under cloud. All these challenges require policy actions from G20 to ensure that an inclusive economic recovery is achieved and sustained.

The policy actions are formulated keeping in view the specific need for financial inclusivity along with access to various innovative financial structures that may be made available to MSMEs in order to boost their investments in SDGs to support an inclusive and sustainable economic recovery.

Policy Action 3.1 Encourage national governments to create credit enhancement fund for MSMEs to improve their access to finance and build financial resilience

MSMEs play a vital role in providing jobs, driving innovation, improving gender equity and diversity, enhancing economic empowerment and promoting economic growth. However, they often face significant challenges in accessing finance they need to grow and thrive. According to a report by the International Finance Corporation, MSMEs face a financing gap of USD 5.2 trillion.

MSME finance gap in USD trillion

Source: IFC data and analysis

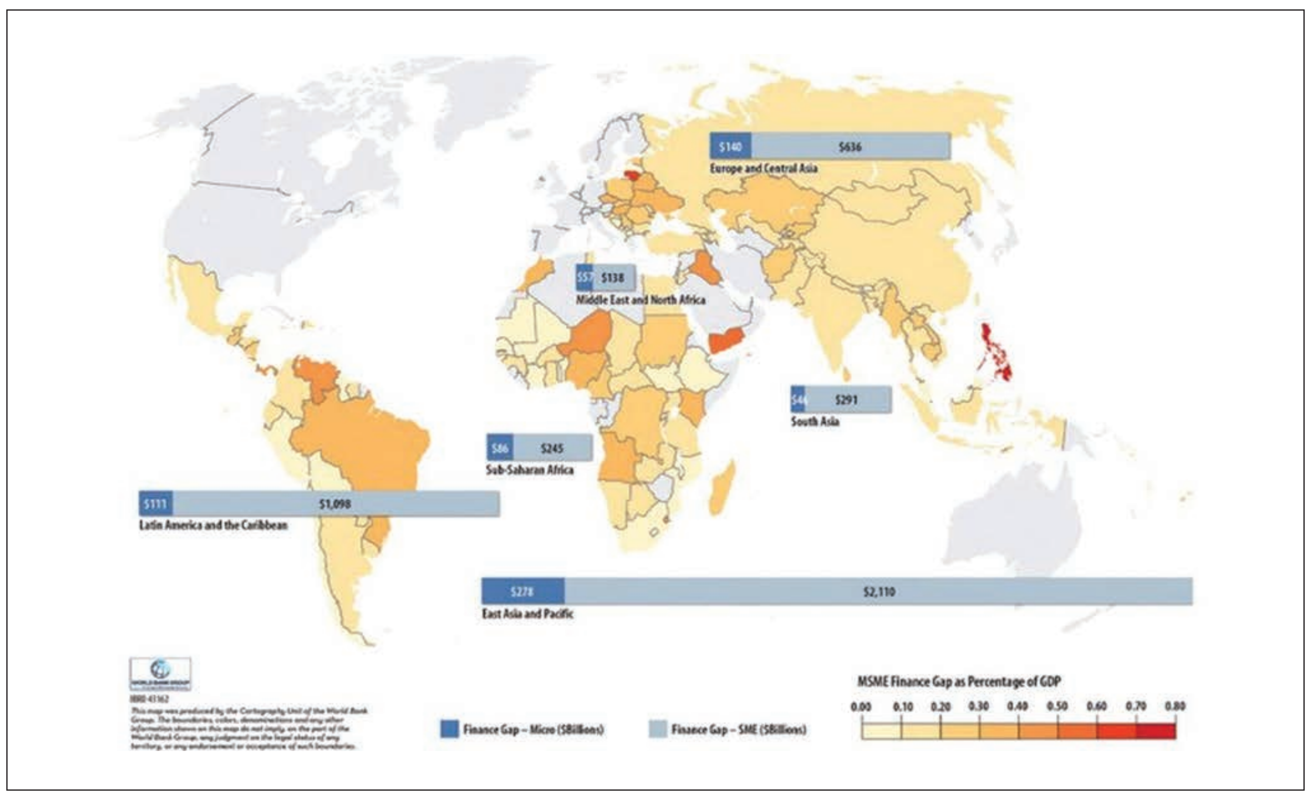
According to United Nations, MSMEs account for 90 per cent of businesses and 60-70 per cent of employment and 50 per cent of the GDP worldwide. However, only a smaller number of MSMEs have access to formal credit.

Region	Percentage of MSMEs with access to formal credit
Sub-Saharan Africa	15 per cent
East Asia and Pacific	30 per cent
South Asia	25 per cent
Latin America and the Caribbean	40 per cent
Europe and Central Asia	55 per cent
North America	60-70 per cent

Source: UN Stats

It is important to note that these figures are approximate and may vary based on the source and the definition of MSMEs. Additionally, these figures are based on the data from World Bank and the percentage of MSMEs with access to formal credit may vary from country to country within the region and change over time.

Formal MSME Finance Gap in Developing Countries



Source: World Bank

The credit gap is defined as the amount of credit that would be needed to satisfy the demand of unserved and underserved formal SMEs. Unserved SMEs are those that do not have a loan but need one. Underserved MSMEs are those that have a loan but still find access to finance to be an operating constraint.

This lack of access to financing can be a significant barrier to growth of MSMEs. In fact, the World Bank suggests that a lack of access to financing is one of the top challenges facing MSMEs globally. National governments can help address this problem by creating a Credit Enhancement Fund (CEF) for MSMEs to improve their access to finance and build financial resilience.

A CEF is a government-backed fund that provides guarantees or other forms of credit enhancement to help MSMEs secure financing from banks and other financial institutions. By providing this extra support, a CEF can help reduce the risk that lenders take on when lending to MSMEs, making it more likely that these businesses will be able to access the financing they need.

There are several different types of CEFs that governments can create, each with its own advantages and disadvantages. For example, some CEFs may provide guarantees to lenders, while others may purchase equity stakes in MSMEs. Governments may also create "blended" CEFs that provide a combination of guarantees and equity investments.

One of the main benefits of a CEF is that it can help MSMEs access financing that they might not otherwise be able to secure. For example, data from the World Bank suggests that MSMEs are often denied financing because they lack collateral or a credit history. A CEF can help overcome these obstacles by providing guarantees or other forms of credit enhancement that can help MSMEs secure financing on more favourable terms.

Further, a CEF can help build the financial resilience of MSMEs as it can provide MSMEs with access to a wider range of financing options, including debt and equity financing, which can help them to build their financial resilience and can make them less vulnerable to financial shocks.

Also, CEF could provide training and other resources to help MSMEs improve their financial management skills, provide MSMEs with access to technical assistance, which can help them to improve their operations, increase their productivity and competitiveness, and ultimately increase their financial resilience.

Encouraging governments to create Public Credit Guarantee Schemes (CGSs) as a form of government intervention can unlock financial credit for MSMEs as in Brazil with the CGSs called Pronampe and PEAC or as in Russia where a specialised MSME support development institution, the Federal Corporation for the Development of Small and Medium Enterprises, has been set up to coordinate the different types of SME support (including various CGSs and non-financial support).

Governments should provide adequate funding and must monitor the CEF and policies to ensure that it is being used effectively and not becoming a burden for taxpayers. There should be a clear and transparent system of selecting MSMEs that are eligible for the fund and the criteria for access to fund.

Leveraging improved access to finance through CEF can enable MSMEs to scale up and enhance their integration in global value chains. There is evidence to suggest that export credit and insurance policies can be valuable for MSMEs as they enable these businesses to access financing and manage risks related to their international trade activities.

Small businesses often struggle to obtain credit and insurance, which can be due to their limited size, lack of collateral, or limited credit history. This issue can hamper their growth and competitiveness, hindering their ability to participate in global value chains. By promoting SMEs access to credit and insurance, the B20 can help address this barrier and enable these businesses to grow, expand, and take advantage of new opportunities to foster sustainable economic growth.

Policy Action 3.2 Promote alternative financing instruments and mechanism for MSMEs financing such as blended finance, utilising technology, digital platforms, and adopting innovative partnership models

National governments should promote alternative financing instruments and mechanisms for MSME financing. These include blended finance, utilising technology, digital platforms, and adopting innovative partnership models.

Blended finance

Blended finance is a powerful tool for addressing this financing gap. According to a report by the G20 Global Partnership for Financial Inclusion, blended finance can mobilise 10x of private capital for every "x" of public capital.

Blended finance is a financing mechanism that combines different types of financing, such as public and private, to mobilise additional capital for development projects. This can help attract private investment to sectors or regions where it may not otherwise be attracted and can help bridge the gap in funding for MSMEs, which are often considered risky for traditional lenders.

An example of blended finance in action is the Africa Enterprise Challenge Fund (AECF). It is a development finance institution that provides grant and risk-sharing finance to MSMEs operating in the renewable energy, agriculture, and water sectors in Africa. The AECF aims to support the development of innovative and sustainable business models that can improve the lives of people living in poverty and promote sustainable economic growth in Africa.

The AECF provides a range of financing options to MSMEs, including:

- **Grant financing:** which is provided as a non-repayable contribution to help MSMEs cover the costs of developing and implementing new and innovative business models
- **Risk-sharing finance:** which is provided in the form of a loan or equity investment, where the AECF shares the risk with the lender or investor. This helps to mobilise additional capital for MSMEs

It also provides technical assistance and capacity building support to help MSMEs to develop and implement sustainable and innovative MSMEs to improve their management skills, increase their access to markets, and attract additional investment. By providing grant financing and risk-sharing finance, the AECF helps to mobilise additional capital for MSMEs, which can help them access the financing they need to grow and thrive.

G20 countries can consider to adopt a blended finance mechanism for MSMEs on the lines of AECF.

Utilising technology and digital platforms

Technology and digital platforms are also becoming increasingly important for MSME financing. For example, India has introduced an account aggregator (AA) model, which allows MSMES to share their financial data and information with multiple lenders with their consent, through a secure digital platform. The AA acts as an intermediary between the MSMEs and the lenders and facilitates the sharing of financial information. The AA model also allows MSMEs to control which financial information they share with lenders, and the duration for which such information remains accessible.

The AA model makes it easier for MSMEs to access financing by reducing the time and costs associated with sharing financial information with multiple lenders. This can help to improve the efficiency and effectiveness of the lending process and increase the number of MSMEs that are able to access financing.

Financial institutions can share data, products and services through the opening and integration of platforms and infrastructures of information systems. Another example is Brazil's Open Finance model which can enhance the efficiency in credit and payments markets by promoting a more inclusive and competitive business environment by reducing information asymmetry between financial services providers, enable digital financial services being integrated in the financial customers' day-to-day activities and facilitate new business models implementation such as fintechs.

The Russian National Development Bank has launched the digital platform, Razvivay.rf, a financial marketplace for MSMEs with project and venture financing, loans, factoring, export insurance, crowd lending, leasing offers, guarantees and other financial services. Interested options can be selected manually from a simple catalogue or by using the smart selection feature. The user can apply online for a consultation or a service, which will be provided by the platform's partners. The service takes into account user’s profile, performs a preliminary risk assessment, and provides the partners – banks, leasing companies and development organisations – with verified information and quality applications for financial products.

MSMEs are an important component of the market in various countries, playing an indispensable role in promoting economic growth, promoting technological innovation, and increasing employment. It is recommended that G20 member governments can reach consensus guidance on supporting the development and promote digital transformation of MSMEs.

Adopting innovative partnership models

Another innovative financing mechanism for MSMEs is the adoption of partnership models. For example, Indonesia has developed an inclusive closed-loop model, which connects MSMEs with large corporations, government agencies, and financial institutions. The inclusive closed-loop model operates by connecting MSMEs with large corporations and government agencies, which act as anchor buyers for MSME products and services. This helps to increase the demand for MSME products and services, and to improve their access to markets. The model also connects MSMEs with

financial institutions, which provide financing to MSMEs to help them to grow and expand their businesses. This partnership model helps to create sustainable and inclusive growth frameworks, as MSMEs are able to access financing and other resources from these larger organisations.

Technology and digital platforms along with innovative partnership models are becoming increasingly important in the MSME financing ecosystem to improve access to finance and reduce the cost of capital. Therefore, national governments are encouraged to promote these alternate financing mechanisms for MSMEs to build their financial resilience and enhance growth potential. This, in turn, can help to promote financial inclusion and contribute to overall economic development.

However, it is important to note that these alternative financing instruments and mechanism alone cannot solve the financing problem for MSMEs. it is important for the government to conduct a comprehensive analysis of the specific needs of MSMEs in their country, and tailor the solutions accordingly.

Policy Action 3.3 Address existing inefficiencies, risks and hassles of sharing financial data and information of MSMEs and strengthen measures to raise financial awareness and literacy

Addressing existing inefficiencies and hassles of sharing financial data and information of MSMEs is crucial to strengthen their financial awareness and literacy. The lack of access to accurate and up-to-date financial data and information is a major barrier for MSMEs seeking financing, as it makes it difficult for lenders to assess their creditworthiness. Deploying automation for reporting of multiple data points for ESG parameters to reduce the burden of reporting, while also fostering transparency, which in turn will reduce the cost of capital.

To address this issue, governments and other stakeholders can take numerous actions, such as

- **Implementing digital platforms and leveraging technology** that will make it easier for MSMEs to share their financial data with lenders and other financial institutions. For example, the account aggregator model in India allows MSMEs to share their financial data with multiple lenders with their consent, making it easier for MSMEs to access financing. Similarly, the use of technology such as digital accounting and cash management software can also help MSMEs to easily share their financial data, as well as improve their financial management skills. Deploying automation for reporting of multiple data points for ESG parameters to reduce the burden of reporting, while also fostering transparency, which in turn will reduce the cost of capital and improve access to finance for MSMEs
- **Strengthening the legal and regulatory framework for data protection, privacy, and security** so that the MSMEs feel safe and secure while sharing their financial data. A transparent and clear legal framework will enhance the confidence of MSMEs in sharing their financial data, and this in turn will help to improve their access to finance
- **Promoting financial literacy and awareness among MSMEs,** so that they understand the importance of maintaining accurate and up-to-date financial records and are better equipped to access financial services. This can include training on how to use digital platforms, as well as education on the importance of keeping accurate financial records and understanding financial statements. Further, providing them with education and training on basic financial concepts, such as accounting, budgeting, and cash flow management are necessary. The government can create programs and initiatives that help MSMEs to better understand the financial products and services that are available to them, and how to access them. An important example of this

can be found in the insurance sector, where the Access to Insurance Initiative (A2ii) - assists least developed countries with capacity building and enhancing financial literacy and promotes diversity and women empowerment, for example through specific training programs for supervisors. These programs contribute to raising awareness of the important role that insurance and pension products and services can provide to consumers and businesses to help better manage their risks. A well-informed supervisory authority is also able to ensure that the needs of consumers are met with appropriate products and services, and that the regulatory and legislative framework supports equitable access

- **Governments should invest in financial education** because financial literacy has always helped consumers manage their income, save, and invest intelligently and avoid fraudulent practices
- **Encouraging the development of digital platforms and technologies** that can help to improve the collection, analysis and sharing of financial data, making it more accessible and useful for MSMEs and financial institutions
- **Collaborating with other stakeholders** such as regulators, financial institutions, and technology companies to develop and implement standards and guidelines for the collection, analysis, and sharing of financial data, to ensure that the data is accurate, reliable, and useful for all stakeholders

Specific challenges limit traditional bank lending to MSMEs. These are largely related to the greater difficulties that lenders encounter in assessing and monitoring SMEs relative to large firms (OECD, 2006, 2013b), asymmetric information is a serious problem in SMEs than in larger firms. SMEs often do not produce audited financial statements that yield credible financial information and have no obligation to make public disclosure of their financial reports.

Most SMEs have no connection with capital markets. Financial institutions can closely and continuously observe borrowers, but it is costly to do so for borrowers of small loans. The lack of information infrastructure for SMEs exacerbates the information asymmetry problem.

Mandating internal audit functions to raise financial awareness and literacy can help MSMEs/individuals enhance transparency, thus, increasing access to credit along with better comprehension of complex financial mechanisms, empowering them to make informed decisions. By actively promoting financial knowledge, internal audit provides an invaluable service to organisations and individuals. Comprehensive evaluations of financial statements and processes, expose potential discrepancies, fraud, or non-compliance with regulations. By championing accountability, internal audit functions foster a culture of trust and openness. Internal audit functions play a pivotal role in identifying and mitigating financial risks. Through rigorous risk assessments and the evaluation of internal controls, auditors can arm organisations with the tools to safeguard financial integrity empowering individuals to understand and respond to potential risks, bolstering their financial literacy and resilience.

Addressing these existing inefficiencies and hassles of sharing financial data and information of MSMEs and strengthening their financial awareness and literacy are crucial for improving their access to finance and for the growth of their businesses.

Recommendation 4

Financing sustainable and resilient infrastructure with enhanced focus on healthcare, energy, and digital infrastructure

Policy actions

Policy action 4.1 Foster public and private-sector partnership to ramp up spending through innovative and sustainable financing models for bridging infrastructure financing gap while promoting sustainable energy development

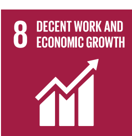
Policy action 4.2 Encourage enhancing health infrastructure, including through capitalising private capital for financing, and retrofitting existing healthcare facilities

Policy action 4.3 Technology advancement by developing innovative and cost-effective digital infrastructure

KPIs

	Baseline/ Current	Trend	Target
Estimated Infrastructure Investment Gap (G20 Global Infrastructure Hub)	USD 15 trillion (2022)	USD 10 trillion (2030)	USD 5 trillion (2030)
Health infrastructure - Hospital beds per 1,000 people (world)	3.0 (2021)		5.0 (2030)
Renewable energy consumption as % of total energy consumption (world)	19.8% (2020)		40.0% (2030)
Nominal GDP driven by digitally transformed and other enterprises (world)	23.2% (2020)		50.0% (2030)

SDGs Impacted



CONTEXT

Focus on sustainable and resilient infrastructure

Focus on infrastructure is crucial for development. Sustainable and disaster-resilient infrastructure is an important aspect of achieving the 2030 SDGs Agenda, which aims to create a more sustainable world for all. The SDGs include several goals and targets that are directly related to infrastructure.

Climate change is causing increased extremities, like incessant rains, cyclones, floods, heat waves across different parts of the world. This necessitates building infrastructure with higher strength and resilience. Standards for building disaster resilient infrastructure could be strengthened and new mechanisms could be devised to create/develop linear infrastructure while protecting the bio-reserves that they cross.

Climate impact on public health and safety, economies, transportation networks and other critical infrastructure assets are taking a toll as the frequency and destructiveness of extreme weather events increase. In recent years, the world has increasingly witnessed scenes of ravaged roads, damaged power and telecommunication networks and disrupted water supplies following a disaster. Such scenes in the aftermath of disasters continuously remind us that our infrastructure systems are not robust enough to withstand the impact of such events. Adaptation, retrofitting, and the construction of new resilient infrastructure systems is necessary for cities and communities to mitigate the natural hazards that we are increasingly encountering now and are likely to encounter in the future.

Infrastructure is really at the center of the delivery of SDGs. By promoting sustainable and disaster-resilient infrastructure, communities and societies can withstand and recover from natural disasters, as well as contribute to the achievement of SDGs. This can involve adopting a proactive approach to infrastructure planning and design, promoting the use of sustainable materials and construction techniques, establishing clear policies and guidelines for infrastructure development, investing in research and development, and providing education and training. All the areas and such development would require additional finance.

It would not be feasible to rely upon just the government sources to fund large scale development projects. Private players need to be invited using blended finance structures to support activities. To accelerate mobilisation of capital towards SDG-aligned investments, a shift towards general purpose sustainability-linked financing should be embraced, thus attracting fresh capital from both private and public players, providing visibility on material KPIs and ambitious targets to be achieved. Blended finance is widely recognised as a potentially effective way to improve the risk-return balance of transactions and help mobilise private sector funding, but it has not yet been implemented at a scale significant enough to reduce the infrastructure gap. At the same time, it is important to note that private investment levels into sustainable infrastructure are determined by a set of incentives, regulations, and the wider investment environment. This includes, for example, liability structures, fiduciary responsibilities, financial market regulations, availability of projects, etc. To achieve the necessary scale and reduce the gap in financing infrastructure, further action in other areas will also be needed. By using blended finance structures, governments and other stakeholders can leverage private sector financing to support the development of infrastructure that aligns with the 2030 SDGs Agenda.

As per the 'Strengthening Multilateral Development Banks (MDBs) - The Triple Agenda' report, MDBs also need to change their approach to engage the private sector for sustainable development:

- **Prioritise Private Capital:** Focus on attracting private funds in sustainable strategies
- **Reduce Investment Risks:** Help governments minimise policy barriers for private investment
- **Align Financial Products:** Develop products that fill private market gaps

Engagement involves co-creating investments, addressing obstacles, risk sharing, and blended finance. USD 740 billion yearly is required for climate and SDG goals, mainly in profitable opportunities. Overcoming past failures and perceived risk aversion is essential.

Private capital mobilisation (PCM) includes direct and indirect methods, requiring strategic changes in MDB operations.

To improve PCM, MDBs need to set ambitious targets, credible strategies, and explore diverse channels like co-creation and early-stage investments and enhance investment climates via policy advice, regulatory reforms, and risk-sharing mechanisms. Early-stage co-creation and risk-sharing can solve project scarcity.

Mobilisation at financial close or from the portfolio can be achieved through syndication, partnerships, and blended finance, using sovereign instruments and adjusting guarantee accounting. Guiding principles, considering sound banking and impact on development goals, are vital for combining MDB and private finance.

In conclusion, a significant shift in MDBs' private sector approach is needed to mobilise private capital effectively for sustainable development and climate goals.

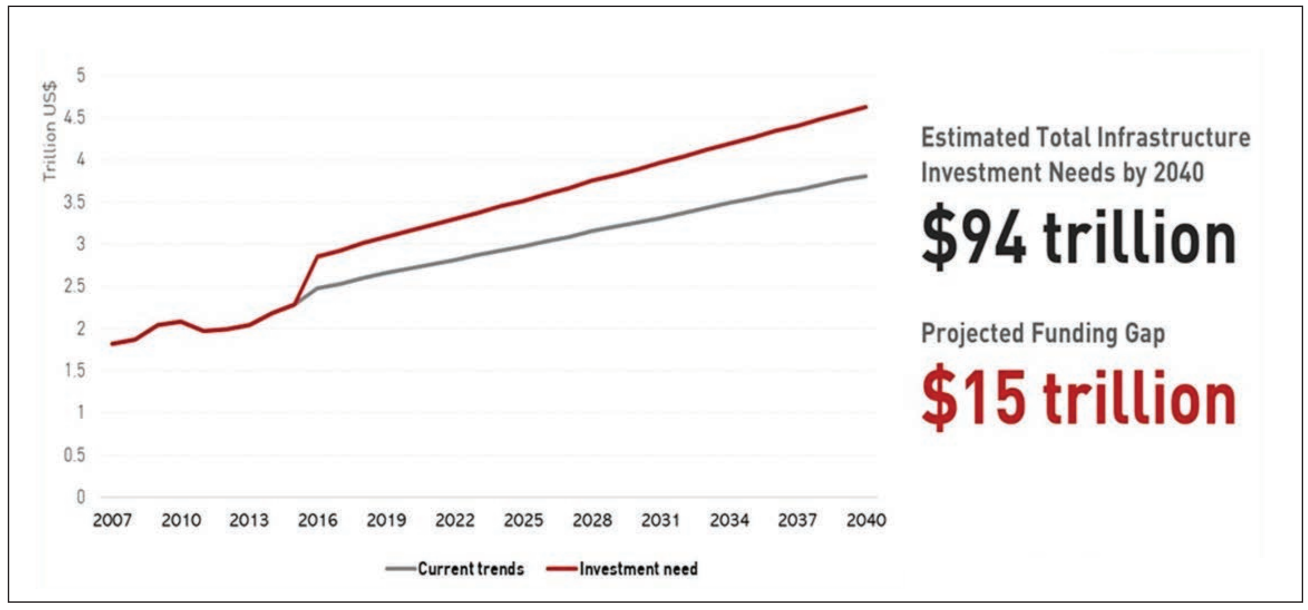
The United Nations Environment Programme (UNEP) defines Environmental Impact Assessment (EIA) as a tool used to identify the environmental, social, and economic impacts of an infrastructure project prior to decision-making. It aims to predict environmental impacts at an early stage in project planning and design, find ways and means to reduce adverse impacts, shape projects to suit the local environment and present the predictions and options to decision-makers.

There are eight guiding principles that govern the entire EIA process:

- Participation – appropriate/timely access for interested parties
- Transparency – open and accessible assessment decisions
- Certainty – process/timing agreed in advance
- Accountability – decision makers responsible for their actions and decisions
- Credibility – undertaken with professionalism/ objectivity
- Cost effectiveness – environmental protection at the least cost to society
- Flexibility – adaptable to deal efficiently with any proposal and decision situation
- Practicality – information/outputs readily usable in decision making and planning

Adaptation, retrofitting, and the construction of new resilient infrastructure systems are required on a massive scale.

Global infrastructure investment needs and project funding gap



Source: ICDRI, Global Infrastructure Hub

The world currently faces a significant shortage of investment in infrastructure and financing the same is not going to be an easy task. If we go by current trends, there could be a shortfall of USD 15-20 trillion in the estimated worldwide infrastructure demand of USD 94 trillion by 2040, and post COVID-19, this gap could be even wider.

Governments alone cannot cater to the demands of resilient infrastructure, which makes the involvement of the private sector vital in financing such demands. However, the contributions of the private sector in public-private partnership (PPP) infrastructure has dropped significantly in the last few years. According to the Global Infrastructure Hub, private investment through PPP in 2019 (pre-COVID) was about USD 30 billion, down from USD 55 billion in 2010.

The global investment need for infrastructure is forecasted to amount to USD 94 trillion between 2017 and 2040. An additional USD 3.5 trillion would be needed to meet the sustainable development goals for water, sanitation, and electricity by 2030. If current infrastructure investment trends persist, the global infrastructure gap can amount to USD 18 trillion by 2040.

Measures that could help mobilise further resources for sustainable and disaster resilient infrastructure investment, particularly in developing countries and emerging markets include incentivising private sector investment and expanding contributions of development banks and blending concessional and non-concessional finance. Insurers as long-term investors play a key role with regards to the strengthening of resilient infrastructure. Furthermore, they should be involved in close cooperation with governments as insurers have the expertise to advise them on adaptation and mitigation measures, such as putting in place building codes based on 'build back better' strategies to promote resilient construction of buildings and infrastructure. Such measures will reduce the damage and costs of recovery and thus keep risks more insurable, resulting in lower premiums that help keep insurance cover affordable, according to Global Federation of Insurance Associations (GFIA).

Incorporating sustainability considerations into infrastructure projects, including through appropriate certification mechanisms (e.g., system for assessing the quality and certification of infrastructure projects IRIIS), may increase their bankability in comparison to conventional infrastructure through lowering infrastructure projects' risk profiles and increasing positive externalities and co-benefits:

- Mitigation of environmental, social, and governance risks in the planning, construction, and operation of sustainable infrastructure decreases financial downside risk
- Investment in infrastructure is widely considered to have a high economic multiplier effect. Undertaking infrastructure projects in a sustainable manner ensures positive economic and social development and hence improves the investment environment
- Lower (re-)financing costs and diversified investor base: Sustainable financing instruments (e.g., green, transition, sustainability- linked, and social bonds and loans), which can be used to finance sustainable projects, may broaden the potential investor base as institutional investors increasingly incorporate sustainability criteria into their investment decisions. They also typically come with a lower cost of capital than traditional financing instruments
- Economic and financial sustainability is a key attribute of sustainable infrastructure. Improvements in financial budgeting and planning would increase the pipeline of investment-ready projects and lead to a more efficient use of financial resources

Focus on climate and sustainable finance

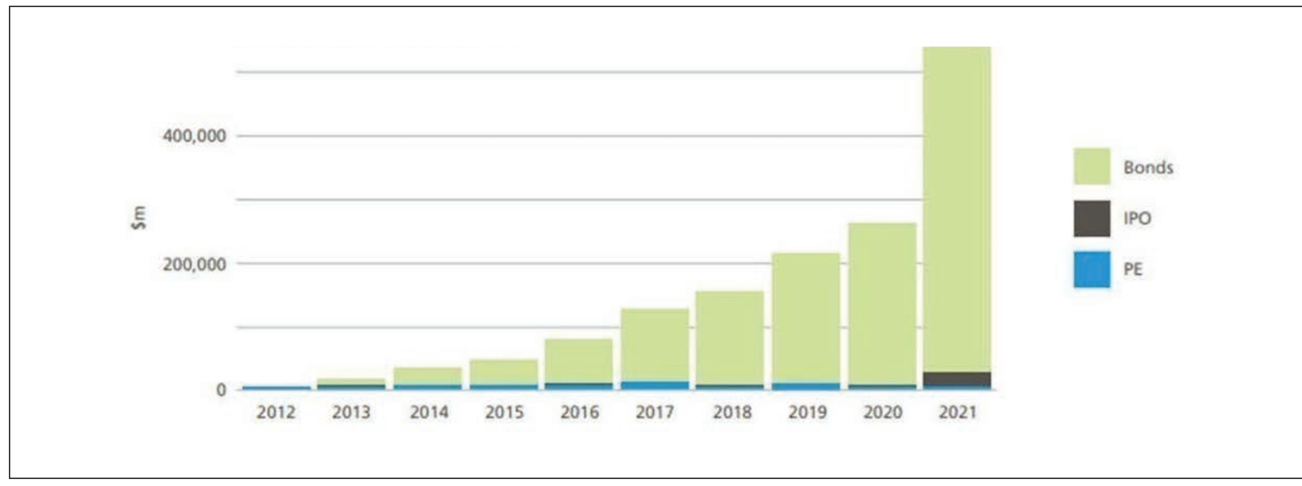
According to UNFCCC, "Climate finance refers to local, national or transnational financing -drawn from public, private and alternative sources of financing - that seeks to support mitigation and adaptation actions that will address climate change."

Climate finance is essential as large-scale investments are required to significantly reduce emissions, and significant resources are needed to adapt to the adverse effects and reduce the impacts of changing climate.

Sustainability-linked finance is also gaining momentum in recent years, across geographies and sectors, with bonds and loans reaching a combined amount of USD 1.5 trillion as of February 2023, according to BloombergNEF, with issuers linking the cost and/or structure of the financing instrument to their ability to achieve pre-determined Sustainability Performance Targets (SPTs).

There has been an increasing focus on green finance that has grown over 100 times in the past decade, according to a study by the TheCityUK and BNP Paribas. Global borrowing by issuing green bonds and loans, and equity funding through initial public offerings targeting green projects, swelled to USD 540.6 billion in 2021 from USD 5.2 billion in 2012.

Global green finance



Source: TheCityUK

G20 countries recognise that enhanced commitments need to be made towards tackling the crises of climate change, biodiversity loss and pollution exacerbated by unsustainable natural resource use. Climate and investment have already been a recurring theme in past G20 summits since 2015, when it asked the Financial Stability Board to consider climate risk, and since launching the Sustainable Finance Working Group.

"The State of Finance for Nature in the G20" report published in 2022 captures the need for G20 countries to scale-up annual nature-based solutions spending to USD 285 billion by 2050 to tackle the inter-related nature, climate, and land degradation crises on which much of our economies are dependent. It also provides recommendations to align development and economic recovery with nature goals through setting quantifiable monetary objectives, governance and policy options, and devices to facilitate systemic changes to meet this investment gap.

Green and sustainable finance covers a wide range of financial products and services, which can be divided into investment, banking, and insurance products. The predominant financial instruments in green finance are debt and equity. To meet the growing demand, new financial instruments, such as green bonds and carbon market instruments, have been established, along with new financial institutions, such as green banks and green funds. Renewable energy investments, sustainable infrastructure finance and green bonds continue to be areas of most interest within green financing activities.

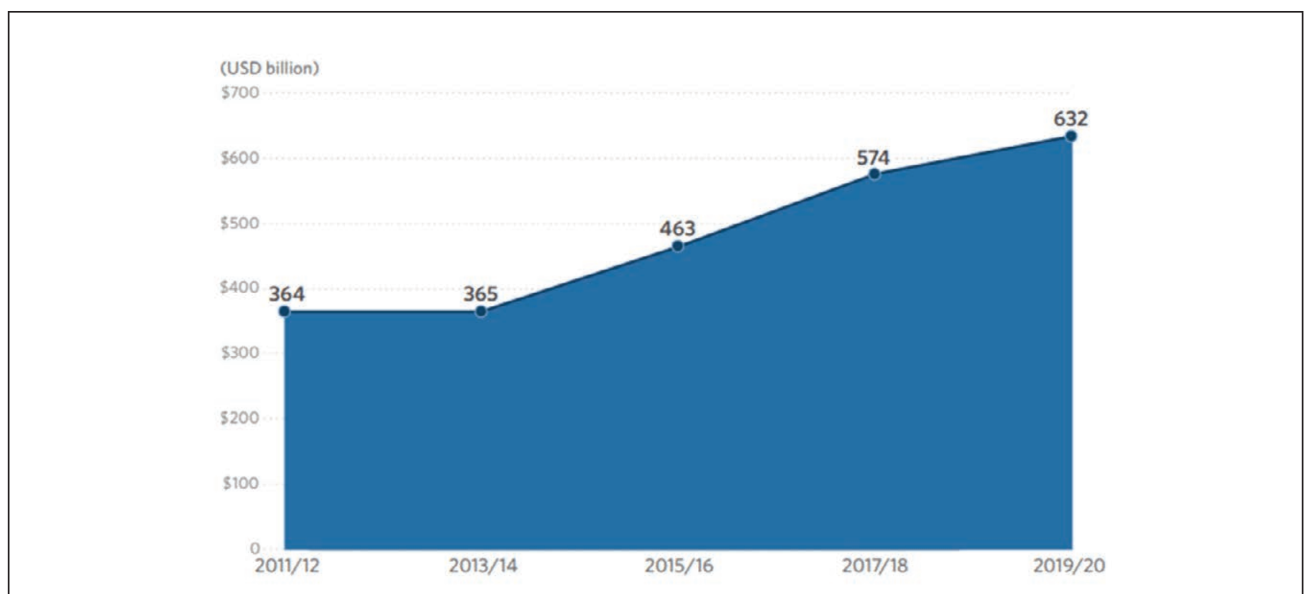
However, not all countries, regions, and industries can decarbonise at once in terms of both technology and cost, and it is necessary to maximise emission reductions by adopting transitional technologies. Transition finance is a new financing approach that aims to support companies seeking to steadily reduce greenhouse gas emissions as a part of a long-term strategy to

achieve a decarbonised society. Transition finance means any form of financial support that helps high-carbon companies to implement long-term changes to become greener. It bridges the gap between traditional and sustainable finance as companies begin their journey to net-zero.

More accessible and comparable data and analysis, as well as standardised taxonomies, are required to converge understanding of climate action and financing needs. This will support shareholders, rating agencies and market participants in their assessment of climate action and climate needs to demystify their financial model and impact spectrum. Ensuring coherence in definitions and the right access to information and expertise will support shareholder consistency between strategic priorities and financial management.

According to the Climate Policy Initiative's Global Landscape of Climate Finance Report 2021, climate finance has steadily increased over the last decade, reaching USD 632 billion in 2019/2020 but flows have slowed in the last few years. This is a concerning trend given that the impact of COVID-19 on climate finance is yet to be fully observed. The increase in annual climate finance flows between 2017/2018 and 2019/2020 was relatively low, 10 per cent compared to previous periods when it grew by more than 24 per cent.

Global climate finance flows between 2011-2020, biennial averages

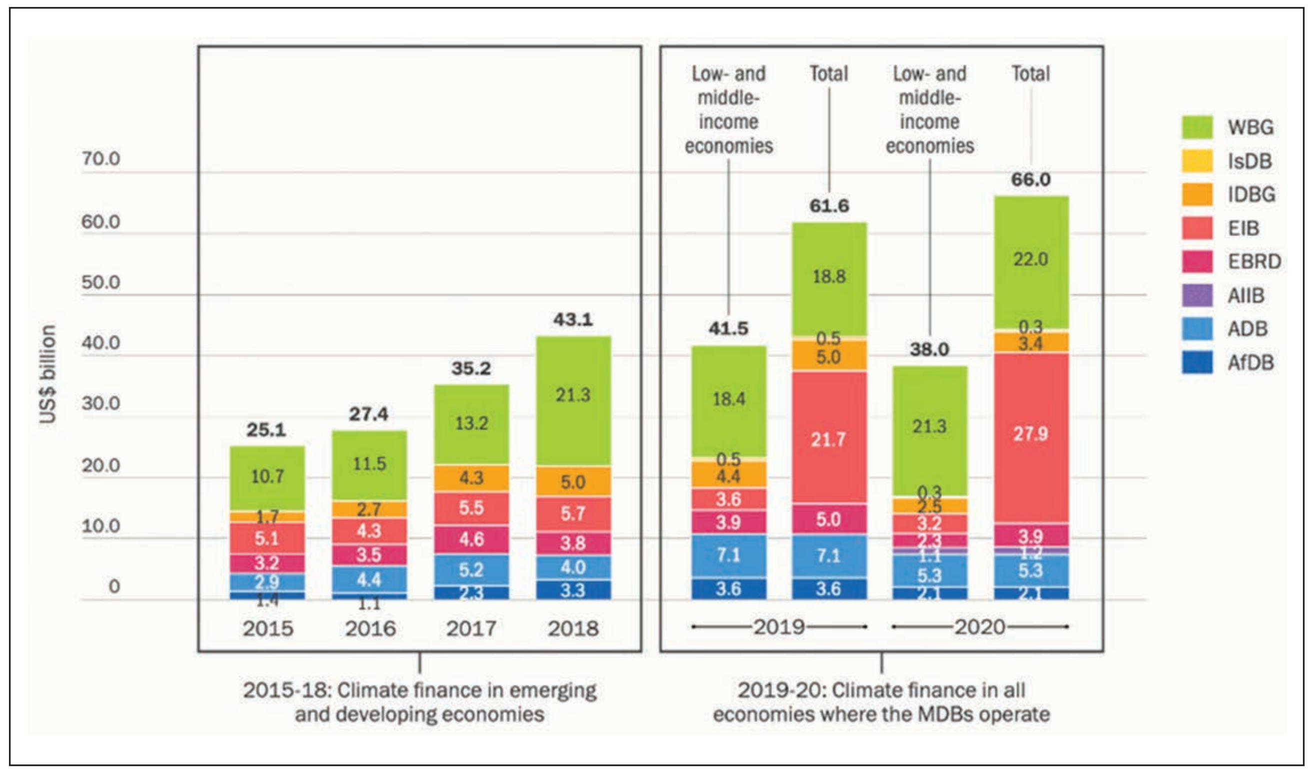


Source: Global Landscape of Climate Finance 2021, CPI, 2021

While the traditional approach has been so far based on transactions focused on single investment programs/projects accompanied by extensive and complex requirements, the market is advocating a shift towards simpler and innovative products, such as multi-project sustainability-linked loan agreements and general-purpose sustainability-linked partnerships, where financing is untied from projects and therefore faster and leaner in terms of origination and execution.

Multilateral development banks (MDBs) have deep institutional expertise in providing and catalysing investments in sustainable development and are taking steps to align their activities with the 2030 Agenda, including by scaling up climate finance, designing new SDG-related financial instruments and advancing global public goods in areas such as combatting climate change.

MDBs' climate finance commitments, 2015-20 (in US$ billion)

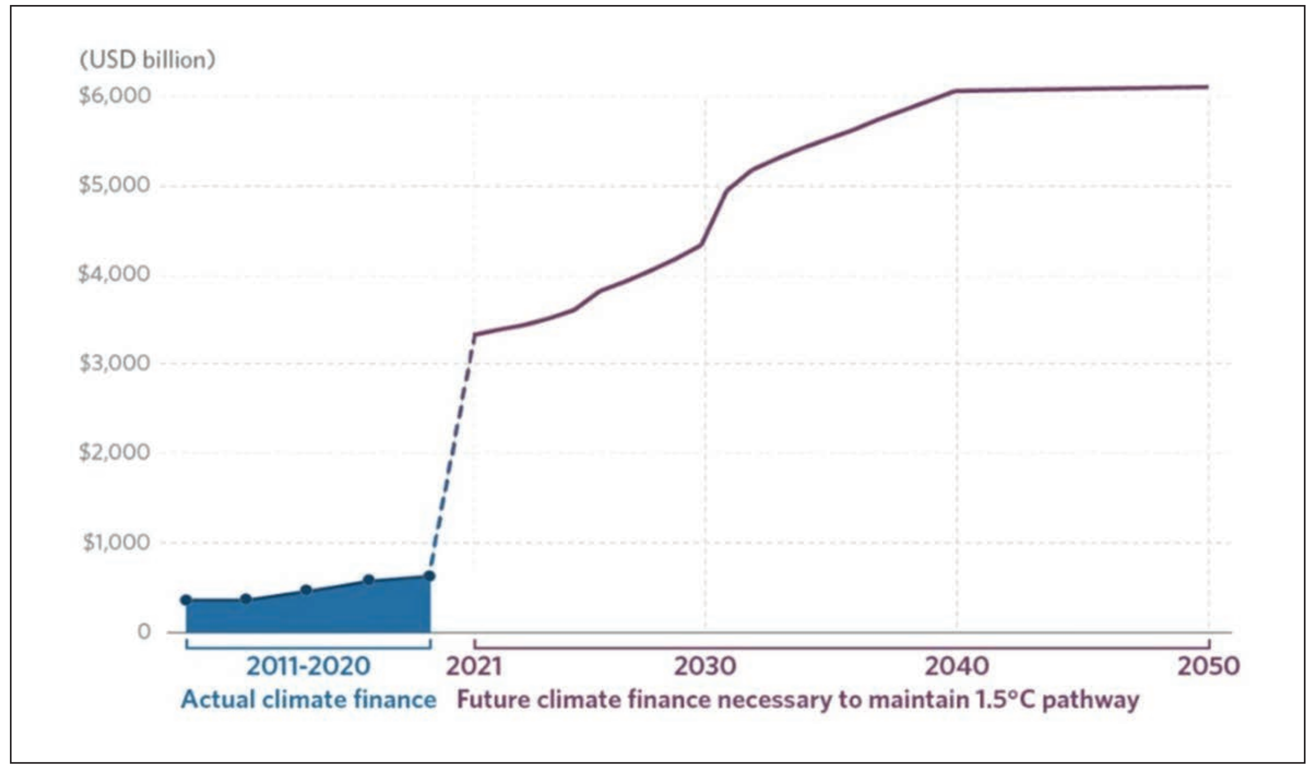


Source: 2020 Joint Report on Multilateral Development Banks' Climate Finance

In 2020, climate financing by the world's largest MDBs accounted for USD 66 billion, with USD 38 billion or 57.6 per cent of total MDB commitments for low-income and middle-income economies.

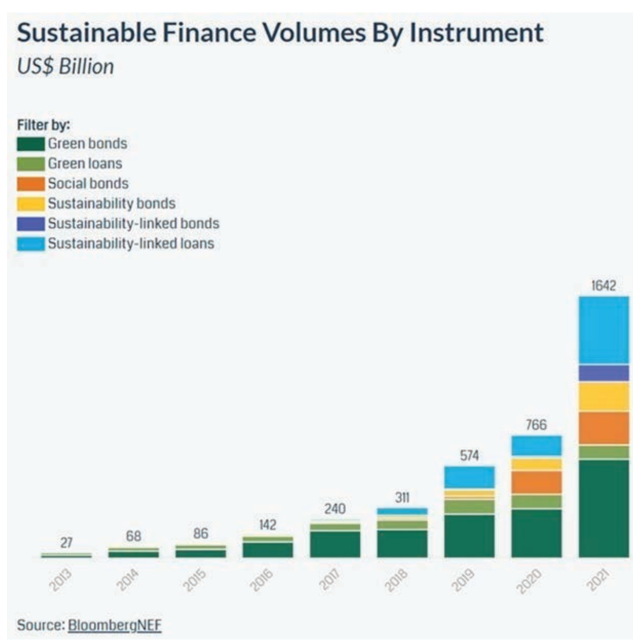
Climate finance flows still appear to be far below the level needed to achieve the Paris goals and there is also uncertainty over the mid to long-term prospects of climate finance due to the COVID-19 pandemic. According to Climate Policy Initiative, an increase of at least 590 per cent in annual climate finance is required to meet internationally agreed climate objectives by 2030 and to avoid the most dangerous impacts of climate change. Also, average annual modelled investment requirements for 2020 to 2030 in scenarios that limit warming to 2°C or 1.5°C are a factor of three to six greater than current levels (IPCC Report on Climate Change 2022 Mitigation of Climate Change). Over USD 1.6 to 3.8 trillion in new climate investment is required yearly for the supply side of the global energy system until 2050 (IPCC Special Report on Global Warming of 1.5°C). Here, sustainability-linked financing can play a remarkable role, both among public and private finance, in mobilising capital towards those issuers that intend to give course to credible and ambitious transition pathways. To reach this target, current investment trends need to significantly shift towards low emissions and carbon resilient development. Ambitious and innovative policies for sustainable COVID-19 recovery and even greater collaboration among public and private actors will be needed to achieve climate goals.

Future climate finance requirements



Source: Global Landscape of Climate Finance 2021, CPI, 2021

Sustainable finance can also be used as an effective tool to finance sustainable and disaster resilient infrastructure. In 2021, it reached over USD 1.6 trillion in total annual issuance - more than doubling 2020 volumes. This growth came as the UN's 26th Conference on Climate Change highlighted the need to mobilise finance at a faster pace to meet the 2030 Agenda for Sustainable Development, especially in developing countries. Sustainable finance is a powerful tool for raising capital in support of private sector climate goals in emerging markets, through use-of-proceeds, such as green, social, or sustainable bonds, or through target-driven instruments, such as sustainability-linked bonds.

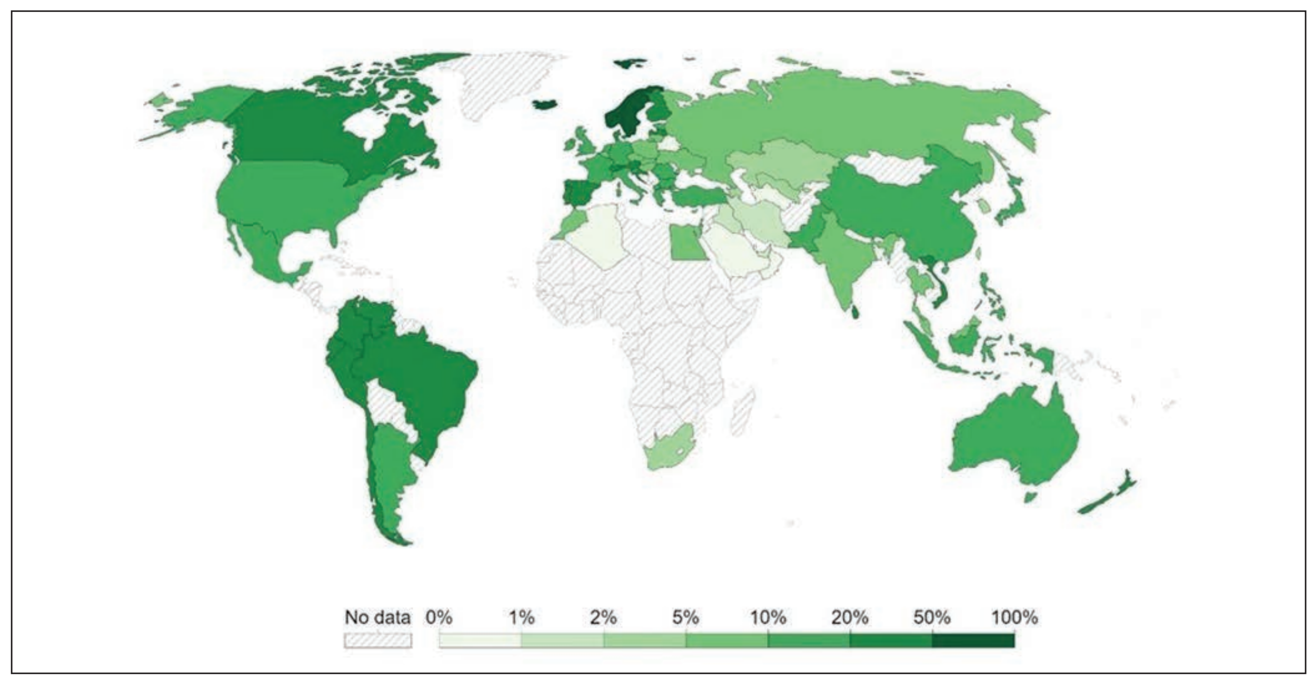


Focus on renewable energy

Renewable energy plays an important role in supporting energy security through contributing to the protection and continuous provision of energy services in the events of disruption. Achieving energy and climate goals will require continued policy support and massive mobilisation of public and private capital for clean and renewable energy, especially in developing countries.

To reduce CO2 emissions and air pollution, the world needs to rapidly shift towards low-carbon sources of energy – sustainable and renewable technologies which will play a key role in the decarbonisation of our energy systems in the coming decades.

Share of primary energy from renewable sources, 2021



Source: BP Statistical Review of World Energy

According to International Energy Agency, new policies in major energy markets can help propel annual clean energy investment to more than USD 2 trillion by 2030, a rise of more than 50 percent from today. Clean energy can become a huge opportunity for growth and jobs.

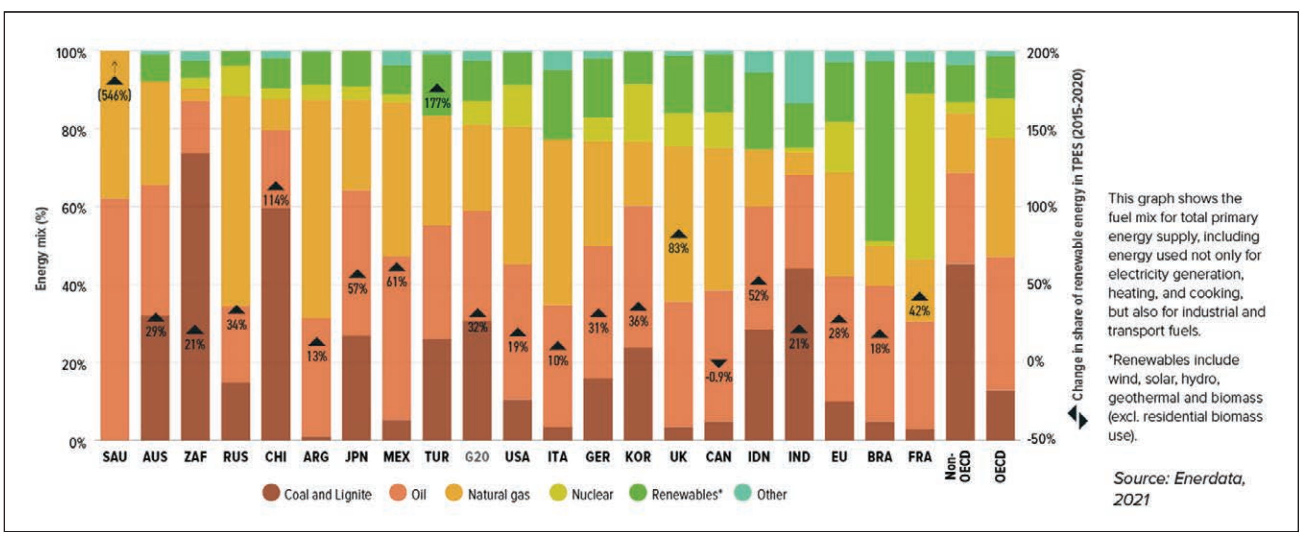
Achieving energy security is not just about having uninterrupted access to energy, but also about securing energy supplies at an affordable price. It is a topic of perennial importance and is once again high on the policy agenda because of the global energy crisis in the current geopolitical environment.

The G20 member countries are responsible for about 80 per cent of global energy-related CO2 emissions. Therefore, the G20 has the greatest responsibility globally to limit the global temperature rise, according to the Paris Climate Agreement, which has been ratified by 197 countries - including all G20 members. The combined renewable energy potential of the G20 countries exceeds their current energy demand by an order of magnitude and enables these countries to completely replace fossil energies with renewable energies. Countries should also expand their participation on the international carbon market, supporting the introduction and scaling of compliance carbon markets. While these markets are continuing to scale, supporting voluntary carbon markets and the role of carbon pricing as a mechanism to assign a real, market-appropriate value to emissions reduction will further benefit. Promoting adoption of Core Carbon Principles for credible carbon offsetting to offer further clarity on when and how

carbon offsets can be used as net-zero tool, while endorsing the International Sustainability Standards Board as the baseline for future disclosure, incorporating Task Force on Climate-Related Financial Disclosures, and develop principles with G20 buy-in to allow for interoperability of taxonomies.

According to Climate Transparency Report 2022, the share of renewables increased to 10.5 per cent in 2021, up from 9.1 per cent in 2017 in the G20 energy mix. Still, the energy transition is not occurring at the pace and scale needed to relieve the climate emergency. Fossil fuels account for 81 per cent of the G20 energy mix, and this share should fall to 67 per cent by 2030 and to 33 per cent by 2050 to stay at 1.5°C of warming and prevent further temperature increases. In recent years, almost all G20 countries have increased their share of renewables in energy-mix but further measures are needed to accelerate energy transition.

Primary energy mix across countries



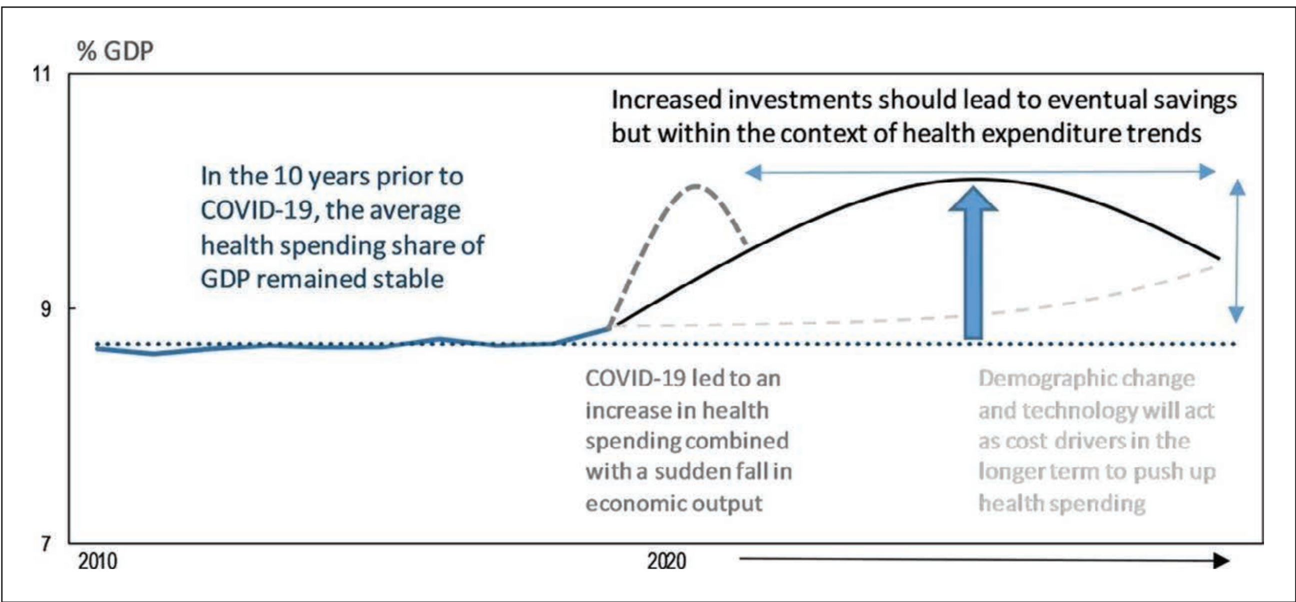
Source: Climate Transparency Report 2022, Enerdata 2021

Also, for early, realistic, and orderly energy transition, the world needs to mobilise all available mitigation options, with regard to national circumstances. All decarbonisation options need to be explored, including renewable energy, nuclear power as an established zero-carbon technology and weather independent fuel, transition technologies (biomass; carbon capture, utilisation, and storage (CCUS); hydrogen/ ammonia; waste to energy power plants), electrification and energy conservation technologies. All these options need to be properly funded, based on relevant regulatory frameworks and global recognition, to achieve net-zero goals in a timely, just, and realistic way.

Focus on healthcare infrastructure

Due to the COVID-19 outbreak, the value of a nation's health infrastructure and its importance to the economy became apparent. A robust health infrastructure would strengthen system resilience and allow nations to be better prepared to ward off potential future crises. Investing in health infrastructure would have a direct effect on national economic growth.

Building health infrastructure could include, but is not limited to, ensuring adequate physical infrastructure supply, modernising existing healthcare systems, creating smart infrastructures enabled by technology, establishing new services such as remote healthcare, and designing frameworks to enhance access to affordable healthcare.



Source: OECD

The above graph illustrates the calculations of the OECD secretariat that shows demographic shifts and technological advancements, which act as cost drivers, can result in increased investments. It emphasises that, in the context of health expenditure trends, increased investments ultimately result in cost savings. The trend is based on an increase in the ratio of health expenditures to GDP.

B20 Indonesia emphasised the need for rigorous rules on health emergency preparedness to ensure a coordinated global response to future crises, augmented by a technologically enabled "always-on" global health infrastructure. In addition, the B20 Finance and Infrastructure Task Force Report of Indonesia highlighted that investments in health infrastructure will have no effect on population health without corresponding investments in operational aspects such as human resources, logistics, medical products and treatments, and infrastructure-related requirements.

Establishing a robust health infrastructure and enabling data sharing across regions will support in identifying which regions lack healthcare facilities and in allocating financing. This strategy promotes global welfare and requires international economic collaboration. G20 governments can drive this economic cooperation by committing to enhance health infrastructure spending, which is the first step in developing a good healthcare infrastructure.

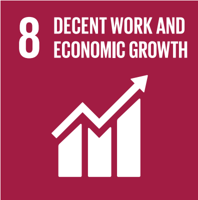
Leveraging technology to strengthen digital infrastructure

Technology advancement is one of the key drivers of economic growth and progress. Advances in technology enables efficient production of goods and services, facilitate effective utilisation of economic resources, and boost productivity. In addition, technological progress has enhanced employment creation, contributed to the evolution of different sectors, has positive spillovers on several processes, services, and industries, and enables leapfrogging.

B20 Indonesia's Communique highlighted the need for governments to provide a digital environment that includes robust regulatory frameworks and digital infrastructure and is conducive to digital innovation. Technological advancement has many positive spillovers. It improves the quality of education that is being delivered, allows equitable development, and access to opportunities. To enable technological advancement, fostering innovation and building resilient industry is required. Technological advancement also requires implementation support from both the public and the private sector across regions.

G20 has recognised the importance of infrastructure development in supporting economic growth and development and has made commitments to promote and support infrastructure investment as part of its efforts to address global challenges. There are several policy actions that governments, international organisations, and other stakeholders can take to focus on infrastructure as a means of achieving our 2030 agenda. By taking the provided policy actions below, governments and other stakeholders can help to ensure that infrastructure development supports the achievement of the SDGs and contributes to sustainable development. Investing in health infrastructure enhances the health and well-being of individuals. The establishment of smart infrastructures and the modernisation of existing health infrastructure can aid in generating positive health outcomes and enhancing the well-being of citizens. Ensuring creation of inclusive health infrastructure will also aid in reducing economic and social disparities.

SDGs impact



Policy Action 4.1: Foster public and private-sector partnership to ramp up spending through innovative and sustainable financing models for bridging infrastructure financing gap while promoting sustainable energy development

Infrastructure funding gaps exist worldwide, and it is a challenge that affects both developed and developing countries. The gap is the difference between the estimated cost of infrastructure projects and the actual funding that is available to pay for them. According to the Global Infrastructure Outlook (GIO) report by the G20, the global infrastructure investment gap is estimated to be around USD 15 trillion by 2040. As per the forecasts, the overall investment needs aggregates to USD 94 trillion.

The gap is particularly significant in developing countries, where infrastructure needs are greater, and funding is more limited. According to World Bank and as per the estimates obtained by adding data from the United Nations Conference on Trade and Development (UNCTAD) and International Energy Agency (IEA), roughly USD 2.6 trillion dollars is required annually through 2030 to meet the SDGs and stay on a path to a net-zero society by 2050.

The main reasons for the infrastructure funding gap include:

- **Lack of long-term funding:** Many infrastructure projects require long-term funding, which can be difficult to obtain
- **Limited access to finance:** Small and medium-sized enterprises and infrastructure projects in developing countries often have limited access to finance

- **Lack of investment-grade credit:** Many infrastructure projects are in developing countries where the creditworthiness of governments and companies is limited
- **Risk perception:** Infrastructure projects are considered high-risk investments by many investors, which can make them less attractive
- **Insufficient financial support and engineering-technical development for project preparation:** Project preparation is crucial to delivering bankable and sustainable infrastructure

To bridge infrastructure funding gap, governments need to take steps to increase the availability of long-term funding, improve access to finance for MSMEs and infrastructure projects in developing countries, and promote investment-grade credit. They also need to take steps to reduce the perception of risk associated with infrastructure projects, such as by providing guarantees or other forms of risk mitigation while supporting continuity of Infrastructure Working Group's priorities in order to scale up infrastructure investment, including sustainable, green, and digital infrastructure, as well as mobilise infrastructure investment finance into emerging markets and transition projects.

In recent years, there has been a growing recognition of the need to promote innovative financing models and instruments to support infrastructure development. Traditional financing models, such as government funding and bank loans, may not be sufficient to meet the needs of infrastructure projects, particularly in developing countries, where funding may be more limited.

One approach that has been promoted to help bridge infrastructure funding gaps is the use of public-private partnerships (PPPs). PPPs involve the partnership of private sector companies with governments to design, build, finance, operate and maintain infrastructure projects. They can provide a way to leverage private sector expertise and financing to support infrastructure development, while also allowing governments to share some of the risks and benefits of these projects. This will allow the governments to keep control of strategic infrastructures whilst availing of funding capabilities of the private sector (one commonly used model is tolling, which allows return on invested capital from the infrastructure direct users). Some PPPs involve the private sector taking on the majority of the project's financing and development, while others involve the private sector providing operational and maintenance services for publicly funded infrastructure.

Some financing models and instruments that have been used to support infrastructure development include:

- **Infrastructure bonds:** These are debt instruments that are issued by governments or private sector companies to finance infrastructure projects. They can be an attractive option for investors looking for stable, long-term investments with a relatively low level of risk. The national government can mobilise private capital for infrastructure projects. By issuing bonds, governments and private sector companies can raise large amounts of capital quickly and efficiently, which can help to fund large-scale infrastructure projects
- **Infrastructure funds:** These are investment vehicles that pool together capital from a variety of sources, including governments, development banks, and private sector investors, and use it to finance infrastructure projects
- **Asset recycling:** Governments and other public entities should be encouraged to divest existing infrastructure assets to private investors (when such assets provide long-term inflation-linked returns through end-users' fees) and to reinvest the capital proceeds into new SDG-oriented infrastructure projects
- **Project finance:** This is a financing model that is often used for large, complex infrastructure projects. It involves the creation of a special purpose vehicle (SPV) to hold the assets and liabilities of the project, and the financing of the project is secured by the revenues generated by the project itself, rather than the creditworthiness of the project sponsors
- **Innovative financing mechanisms:** Governments can also promote innovative financing mechanisms such as impact investing, social impact bonds, crowdfunding, mezzanine project loans, collateralised loan

obligations, infrastructure investment trusts, yield companies, transferable capital, or operating contributions, to attract more capital to infrastructure projects. Sustainability-linked finance can play a remarkable role, providing SDG-aligned pledges and commitments that are hard-coded into the transactions' documentation, and that trigger step-up/step-down, thus incentivising the achievement of pre-determined Sustainability Performance Targets (SPTs)

- **Loan policy innovation:** In developing countries, where insurance premiums may be less affordable, an alternative to nature-based insurance solutions takes the form of loans that include drawdown options, such as the World Bank's Catastrophe Deferred Drawdown Options (Cat DDO). In 2008, Costa Rica was the first country to receive a Development Policy Loan with a Cat DDO. The government directed the loan amount of USD 65 million toward strengthening institutional frameworks and mainstreaming disaster risk management in the country. In January 2009, when a magnitude 6.1 earthquake struck north of Costa Rica's capital of San José, the government requested disbursement of the DPL with Cat DDO funds
- **Green, climate-resilient, social, transition and sustainability-link bonds:** These are debt instruments that are used to finance environmentally beneficial projects such as renewable energy, sustainable transportation, and water management. Climate-resilient bonds are used to finance infrastructure projects that are designed to withstand the impacts of climate change. Transition bonds are a new class of bonds, the proceeds of which are used to fund a company's transition to a lower environmental impact or to reduce its carbon emissions. Social bonds are debt instruments used to finance or refinance social projects that address a common problem and help the most vulnerable. Sustainability-linked bonds are instruments where financial and/or structural characteristics are tied to the issuer's ability to achieve pre-determined Sustainability Performance Targets within a certain timeframe. Climate-resilient bonds are used to finance infrastructure projects that are designed to withstand the impacts of climate change
- **Sustainable infrastructure standards and guidelines:** Governments can also promote the use of sustainable infrastructure standards and guidelines, such as the Global Infrastructure Basel (GIB) standards, G20 QII Principles and IFC Quality Infrastructure Investments Indicators. These standards provide a framework for designing, building, and operating infrastructure in a sustainable manner, mandating the use of certain materials or construction techniques that are more environmentally friendly or resilient to natural disasters. Sustainability certification tools for infrastructure projects are also an effective tool to ensure their alignment with the SDGs (e.g. IRIIS, established by the Russian Development Bank system for assessing the quality and certification of infrastructure projects)
- **Financial incentives for sustainable practices:** Governments can provide financial incentives such as grants, low-interest loans, or tax breaks to companies or individuals that invest in sustainable infrastructure projects or adopt sustainable practices. The above support measures may also extend to infrastructure projects that meet the requirements of a relevant taxonomy of sustainable, green, social or transition projects
- **Promote financial development of private security bonds:** One important hindrance to the development of that market is the low financial liquidity of private bonds. Governments have to remove institutional frictions that impede broad investor participation in liquidity provision; improve infrastructure financing through tax incentives for companies that issue debentures to carry out infrastructure projects; and eliminate barriers to the operation of investment funds in the infrastructure sector
- **Support continuity of G20 Infrastructure Working Group's priorities:** In order to scale up infrastructure investment, including sustainable, green, and digital infrastructure, as well as mobilise infrastructure investment finance into emerging markets and transition projects, the government and presidency can support the G20 Infrastructure Working Group's priorities to ensure better resolution

Overall, there are several innovative financing models and instruments that can be used to support infrastructure development and help bridge funding gaps. It is important for governments and private sector companies to work together to identify the most appropriate financing solution for each project, considering the specific needs and constraints of the project and local context. In this respect, insurers should particularly be involved, as they play a crucial role as long-term investors, especially for infrastructure projects. Furthermore, it is essential that sustainable infrastructure projects in the pipeline match the needs of institutional investors in terms of structure, maturity, cash flow projections, expected returns, embedded credit enhancement mechanisms, etc.

Potential Reforms to help increase the flow of Blended Finance

Blended finance is seen as the tool to ensure delivery of financing solutions for sustainable development and climate change. However:

a) The amount mobilised each year through blended finance is too low (annual capital flows of USD 9 billion on average since 2015);

b) There are problems surrounding blended finance, but solutions are lacking; and

c) The policy debate often revolves around high-level recommendations on a few key themes (e.g., the credit rating of Multilateral Development Banks (MDBs) and the lack of de-risking mechanisms) without practical delivery or technical policy detail. Many recommendations have not been actioned.

In terms of blended finance performance, the financing gaps are USD 2.5 trillion annually in Emerging Markets (EMs) for the UN SDGs; USD 90-150 trillion for climate and infrastructure by 2050, against an average of USD 9 billion of blended finance that is deployed per year. This is taking place against an economic environment of high interest rates, relative strength of the US dollar, high inflation, and recent sovereign defaults. Aid has remained stable while philanthropy and impact investing have grown in the last few years. To date, regulators have not been involved. While policymakers understand systemic changes are needed to mobilise private finance, blended finance should not be seen as wealth transfer from advanced economies to emerging markets and developing economies. The private sector is making commitments for mobilising finance and each industry group has work streams dedicated to finance mobilisation, particularly in low-income countries / where it is needed most. Nonetheless, there is increasing pressure on the private sector to further demonstrate progress.

From the perspective of Multilateral Development Banks (MDBs), report by an Independent Expert Group (IEG) commissioned by the Indian G20 Presidency (Strengthening MDBs - The Triple Agenda), MDBs have started a process to optimise their balance sheets. Full implementation of recommendations made in the G20 Capital Adequacy Frameworks report could generate headroom to lend USD 80 billion more each year. Leverage in each MDB can be increased further by better accounting for callable capital, preferred creditor treatment, and removal of statutory lending limits, while protecting their credit ratings. Mobilising hybrid capital, including through recycled SDRs, and risk transfers to private and public actors to free up capital would also add significant capacity.

The report also recommends the considerable innovation and energy behind new ways of attracting private capital into sustainable infrastructure, and MDBs must complement, rather than compete with, these efforts. Today, MDBs only mobilise 0.6 dollars in private capital for each dollar they lend on their own account. They should aim to at least double this target. It also recommends how MDBs can work better as a system through joint financing and risk-sharing, jointly improving the ecosystem of project pipeline development, regulatory and institutional reform, and information exchange, for example by making the Global Emerging Markets (GEMs) database public.

The report recommends that MDBs formally adopt a triple mandate in their mission or vision statements to acknowledge their role in providing support to the poorest people within each country, in fostering national economic growth and shared prosperity, and now, in expanding their borrowing countries' contribution to planetary health in line with their international commitments.

Stakeholder - wise recommendations to bridge the infrastructure gap:

Governments

- Governments can issue infrastructure bills (similar to US T-bills) to invest in sustainable infrastructure projects with low interest rates while preserving the sovereign RWA relief for investors
- Risk transfer to advanced economies. Private sector banks can work to mitigate this risk (a) the sourcing and development of projects, and (b) the bundling of projects to reach sufficient size to attract institutional money i.e. MDB co-investment, project development and technical expertise are critical (see below)
- Participants should set out clear financing targets (such as quantum and rates) and discuss what role each investor can play. Each participant should explain what risk they can assume (and how)

Multilateral development banks

- Private sector mobilisation mandates should be added to MDBs' Articles of Agreement / founding charters
- MDBs should scale their use of technical assistance and de-risking products, rather than focusing on direct lending / govt loans – and report transparently on this
- MDBs should consider using unfunded guarantees instead of funded guarantees. The G20 should work with regulators, credit rating agencies and the private sector to review the rating agencies' current methodology
- MDBs should define clear, quantifiable, and more ambitious targets for private capital mobilisation
- MDBs should use their balance sheets more efficiently in ways that crowd in private finance. For example, MDBs should consider a move to a 'generate to distribute' model, using their capital and technical expertise at the early stage to then pass projects to the market rather than keeping loans on their books. MDBs should also adjust their risk appetite frameworks and be more willing to take on certain risks on their balance sheets, investing alongside the private sector rather than competing with it
- MDBs should scale their use of technical assistance and derisking products, rather than focusing on direct lending / govt loans – and report transparently on this
- MDBs should significantly increase resources and effort deployed towards creating pipelines of bankable projects and project preparation
- Country platforms to coordinate different public and private stakeholders around sustainable development and climate objectives should be expanded and MDBs should join them to bring in their extensive knowledge
- MDB shareholders should improve data availability by making the GEMs database publicly available

Regulators

- Regulators have a role to play in convening the various parties involved in blended finance to agree on a suitable regulatory framework to support transactions. This support needs international backing within the Basel capital framework, as well as further refining to ensure the qualification of projects, which do not meet certain criteria
- Targeted recalibration of the Net Stable Funding Ratio, as it has had the largest constraining factor on the ability to gap fund. Capital and liquidity relief will apply at the home level, but the

assets sit in EMs - requiring a conscious risk transfer from where investment is needed, to markets where that risk can be borne/afforded. This could form part of the disclosure on assistance to low-income countries / climate pledges. In the medium term, when proper secondary market trading is established, preferential liquidity treatment should be extended by the inclusion of infrastructure loans within the definition of High-Quality Liquid Assets. Until then, central banks could agree to give such loans 'liquidity status' and include them as eligible collateral for discount windows / asset purchasing

- Securitisation and securitisation-like structures can diversify risk through secondary markets as well as freeing up banks' balance sheets to do more of the same. These structures also provide transparency on the risk versus return
- OTC derivatives create the ability of market participants to source and provide suitable hedging products and RWA or liquidity relief can incentivise risk management by increasing hedging transactions

Borrowers

- Borrowers should put together reform plans to attract FDI for infrastructure finance
- Borrowers should also improve information flows and transparency which currently inhibits risk taking

Banks and financial services

- Banks can increase the scale of their blended finance participation, but they require: (i) Capital incentives, (ii) The ability to participate at the right levels of risk at the right price, and (iii) Support from MDBs in terms of structuring, client risk management and information
- In addition, banks can contribute: (i) Risk management solutions across the investment chain, rather than just capital deployment, (ii) Structuring or investing in structures – such as the forthcoming UN Global Investors for Sustainable Development (GISD) Alliance's Sustainable Infrastructure Investment Platform (SIIP) / blended finance 'fund of funds', (iii) Currency risk products / solutions, (iv) Assist in the issuance of Sovereign Sustainable Bonds, (v) Secondary markets / re-financing products, and (vi) Specific and ring-fenced pools of liquidity / investment
- Financial system safety must be balanced against economic security - Sovereigns, MDBs, and the private sector must accept there will be risks and these need to be transferred. The key is to make these risks transparent, which allows each participant to take on a level of risk at the right amount and the right price
- A healthy market for retirement savings and pension products, operating in a robust regulatory environment, should be established, as this provides a source of long-term investment that can largely contribute to funding green infrastructure

Encouraging sustainable energy development and promoting renewable energy

Ways to encourage public and private financing for sustainable energy development are as follows:

- **Provide tax incentives:** Governments can provide tax incentives for private investors to invest in sustainable energy projects. Tax credits or deductions can help reduce the financial burden on investors and make these investments more attractive
- **Increase public-private partnerships:** Public-private partnerships can help share the risk and financial burden of sustainable energy development. Governments can work with private companies to finance and develop sustainable energy projects, leveraging each other's strengths to achieve common goals
- **Support research and development:** Governments can invest in research and development to advance sustainable energy technologies. This can help bring down the

cost of renewable energy and make it more competitive with traditional sources of energy while also enhancing transition technologies development

- **Encourage ESG investments:** Investors are increasingly interested in ESG investments that consider the environmental, social, and governance impact of their investments

  Companies that prioritise sustainability are more likely to attract investors, so governments can encourage sustainable practices and make it easier for companies to report their ESG performance
- **Sustainability-linked financing tied to renewables roll-out:** Sustainability-linked bonds and loans can be structured with transparent KPIs, and ambitious targets related to deployment of sustainable investments on renewable energy plants and to decarbonisation trajectories
- **Provide loan guarantees:** Governments can provide loan guarantees to support private investments in areas such as small business development. By providing guarantees, governments can help reduce the risk to lenders and encourage more private investment. The Asian Development Bank has also launched an Innovative Finance Facility for Climate in Asia and Pacific (IF-CAP). Guarantees provided by these facilities and blended finance from existing institutions such as the Climate Investment Funds allow the MDBs and governments to do more.
- **Encourage impact investing:** Impact investing that seek to generate both financial returns and positive social or environmental outcomes can be encouraged by government through incentives for investors, supporting social enterprises, and providing access to impact investment opportunities
- **Promotion of export credit policies to aid projects focused on environment and sustainability:** Export credit and insurance policies could be advantageous, especially since the OECD is already discussing such policies. The OECD is currently engaged in a critical dialogue on how to bolster the effectiveness of existing environmental and social due diligence procedures associated with export credit, while also establishing financially sound incentives to support low-carbon emission business projects. It has been agreed that there should be a push to encourage the adoption of advanced climate-friendly technologies, including carbon capture and storage. Furthermore, the countries participating in the OECD Arrangement on Officially Supported Export Credits have put forth a comprehensive framework that incentivises the financing of large-scale, capital-intensive projects within sectors that help mitigate climate change, such as renewable energies and water projects

The current issue of climate change is becoming increasingly severe, with frequent occurrences of climate damage to infrastructure, leading to numerous secondary disasters. G20 member governments and the business community should reach an agreement to adhere to the principles of common but differentiated responsibilities and respective capabilities, strengthen international cooperation with the goal of jointly addressing climate change, and achieve the vision of harmonious coexistence between humans and nature.

It is imperative for governments to engage in discussions that promote public and private financing in export credit in order to foster sustainable energy development. It is recommended that such discussions take place within the framework of the Working Party on Export Credits and Credit Guarantees (ECG), which is responsible for revising the international rules governing officially supported export credit. These efforts are necessary to promote a level playing field among Export Credit Agencies (ECAs) and advance the collective goal of supporting sustainable energy development.

By promoting sustainable energy development and encouraging public and private financing, governments can help accelerate the transition to a low-carbon economy and create a more sustainable future. Energy transition refers to the shift from a fossil-fuel-based energy system to one based on renewable /net-zero energy sources. The goal of the energy transition is to reduce greenhouse gas emissions and mitigate the effects

of climate change. It involves a number of different strategies and technologies, including renewable energy, energy efficiency, energy storage, smart grid technology, electrification, etc. By promoting renewable energy, governments can help ensure an accelerated and affordable energy transition that enhances global energy security while also promoting environmental sustainability and economic growth. However, energy transition is a complex and long-term process that requires significant investment, policy support, and international cooperation but it offers a path to a more sustainable, secure, and equitable energy future.

Ways to promote renewable energy to smoothen energy transition are as follows:

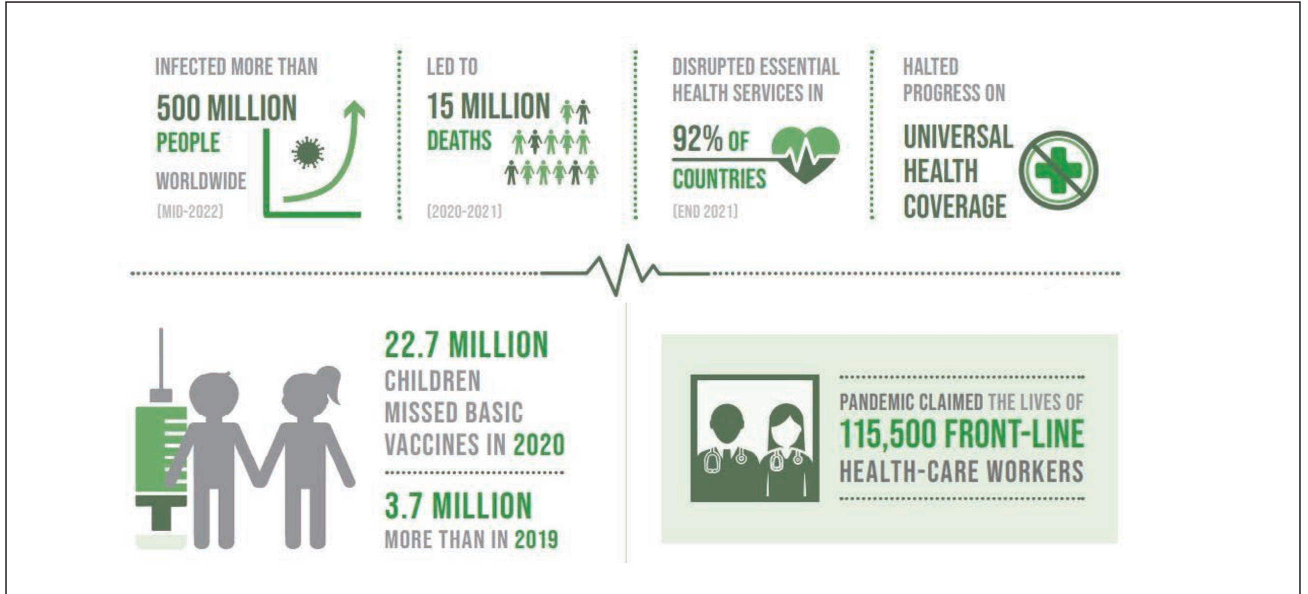
- **Setting renewable energy targets:** Establishing renewable energy targets provides a clear signal to investors and businesses about the increasing demand for renewable energy, driving investment and accelerating the transition to a low-carbon economy
- **Providing financial incentives:** Offering financial incentives such as tax credits, grants, and subsidies can encourage private investment in renewable energy projects. These incentives attract businesses and individuals to invest in clean energy, stimulating the growth of the renewable energy sector
- **Developing renewable energy infrastructure:** Investing in renewable energy infrastructure is essential for facilitating the deployment of renewable energy sources. This can involve building new transmission lines, upgrading existing grid infrastructure, and investing in energy storage technologies to support the integration and reliability of renewable energy
- **Fostering innovation:** Supporting research and development in renewable energy technologies promotes innovation and advancements in the sector. This can be achieved through funding research institutions, universities, and innovation hubs, encouraging collaboration and the development of new clean energy solutions
- **Encouraging international cooperation:** Collaborating with other countries and international organisations is vital for driving renewable energy development globally. Sharing best practices, promoting technology transfer, and supporting renewable energy deployment in developing nations can help accelerate the transition to clean energy on a global scale

Further, by encouraging public and private financing, governments can help support economic growth and development, promote innovation, and address critical social and environmental challenges. In addition, by promoting sustainable energy development and accelerating ESG investments, governments can help address the urgent challenges of climate change and environmental degradation while also promoting economic growth and social progress. Countries should expand their participation on the international carbon market; Governments should consolidate in the domestic market an emission trading system (ETS) so that the prices remain flexible.

Policy Action 4.2: Encourage enhancing health infrastructure, including through capitalising private capital for financing, and retrofitting existing healthcare facilities

Healthcare sector is one of the most critical sectors for the overall development and progress of any country. The COVID-19 crisis has seen healthcare systems under immense strain. Some countries lacked sufficient physical resources, notably in terms of hospital beds and other medical equipment to respond to the sudden influx of COVID-19 patients and their subsequent treatment (OECD, 2020). The pandemic highlighted the importance of having strong and inclusive health infrastructure to respond to public health crises.

Impact of the Pandemic on SDG 3 (Good health and wellbeing)



Source: UN SDG dashboard

Governments, international organisations, and the private sector need to work in tandem to mobilise resources and investments to ensure that health systems are adequately prepared for future pandemics or other health crises.

The SDG Health Price Tag, published by the WHO in 2017, estimated the costs and benefits of progressively expanding health services in order to reach 16 Sustainable Development Goal (SDG) health targets in 67 low-and middle-income countries that account for 75% of the world's population. It modelled two scenarios: an "ambitious" scenario in which investments are sufficient for countries to attain the health targets in the SDGs by 2030, and a "progress" scenario in which countries get two thirds or more of the way to the targets.

Under the "ambitious" scenario, achieving the SDG health targets would require new investments increasing over time from an initial USD 134 billion annually to USD 371 billion, or USD 58 per person, by 2030. The ambitious scenario includes adding more than 23 million health workers, and building more than 415,000 new health facilities, 91 per cent of which would be primary health care centres.

The "progress" scenario would require new investments increasing from an initial USD 104 billion a year to USD 274 billion, or USD 41 per person, by 2030. More than 14 million new health workers would be added, and nearly 378,000 new health facilities built, 93 per cent of which would be primary health care centres.

One of the most critical steps towards mobilising investment for inclusive health infrastructure is creating a comprehensive and long-term strategy that identifies shortcomings and needs of the healthcare system, the resources required to meet those needs, and the potential sources of investment. Governments and international organisations can work together and play a vital role in creating such a strategy, bringing together experts from the health sector, academia, and the private sector to identify the critical areas of investment needed to enhance resilience and preparedness.

Implementing these investments would raise health spending as a percentage of gross domestic product (GDP) in all 67 low-and middle-income countries that account for 75% of the world's population, increasing the average from 5.6 per cent to 7.5 per cent. The global average for health spending as a proportion of GDP is currently 9.9 per cent. While higher spending alone does not guarantee better health outcomes, strategic and timely investments can significantly contribute to improving healthcare effectiveness.

Public-private partnerships can be an essential tool in mobilising investment for health infrastructure. Governments can work with the private sector to identify and incentivise them to

take up opportunities for investment in health infrastructure, including funding for new healthcare facilities, medical equipment, and technological solutions. Private companies can also contribute their expertise and resources to help governments address healthcare challenges, such as developing new vaccines, therapeutics, and medical technologies. These entities, known for their operational efficiency, can introduce innovative technologies and practices that streamline healthcare services. By reducing waiting times, enhancing patient outcomes, and improving overall efficiency, the burden on the public sector can be alleviated. Investments in advanced medical facilities, equipment, and technologies improves healthcare quality. Enhanced access to high-quality healthcare services leads to improved health outcomes, resulting in increased economic productivity.

Furthermore, involving private players helps create a more balanced healthcare system in the face of increasing demand. This collaboration also generates new employment opportunities and stimulates economic growth, addressing the issue of unemployment in the healthcare sector. Governments can provide tax incentives, subsidies, and other financial incentives such as private-public partnership (PPP), funding to encourage private investment in technology, R&D and health infrastructure. International organisations can also provide funding and technical assistance to help countries improve their health systems.

Governments, international organisations, and the private sector must work together to identify critical areas of investment, incentivise investment, prioritise inclusive access to healthcare services, and build resilience in the face of potential health crises. By doing so, we can help ensure that health systems are adequately prepared to respond to future challenges and ensure that all members of society have access to quality healthcare services.

The private sector must operate within a framework of regulations that ensures the safety and quality of healthcare services. Governments must develop appropriate regulations and standards to ensure that private sector providers comply with the highest standards of quality and safety. At the same time, these regulations should work to be evidence-based, convergent and harmonised across G20 economies in consultation with the private sector to not unduly limit investments of financial service providers in infrastructure, such as prudentially unjustifiable localisation restrictions on foreign firms regarding ownership, reinsurance, data, outsourcing, and barriers to effective risk diversification. The private sector brings with it significant investment, expertise, and innovation to improve access to quality healthcare services, enhance efficiency, and reduce the burden on the public sector. However, governments must work with the private sector to address the challenges of affordability and regulation to ensure that healthcare services are accessible, affordable, and of the highest quality.

Lastly, investment in health infrastructure should prioritise inclusive and equitable access to healthcare services for all members of society. This includes investing in healthcare infrastructure and resources in underserved communities and ensuring that vulnerable populations have access to healthcare services. Governments can also work to reduce healthcare disparities by investing in education and training programs for healthcare workers in underserved areas. Investment in health infrastructure should also focus on building resilience in the face of potential future health crises. This includes investing in research and development of new vaccines, treatments, and diagnostic tools, as well as developing contingency plans and stockpiling essential medical supplies.

Retrofitting existing healthcare facilities is a crucial step in improving the quality and accessibility of healthcare services, particularly in developing countries where most of the population lacks access to basic healthcare facilities. Encouraging private sector participation in retrofitting these facilities can help to accelerate the process and bring about several benefits for the government and private sector.

Investing in healthcare and retrofitting existing facilities is important due to the following reasons:

- **Enhanced quality of healthcare services:** Encouraging external expertise and modernisation strategies can help improve the quality of healthcare services provided in retrofitting healthcare facilities. Utilising advanced technologies, training programs, and updated equipment can enhance the overall standard of care

- **Increased efficiency:** Collaborating with experienced entities during the retrofitting process can expedite the completion of projects and ensure efficient utilisation of resources. Private contractors can contribute their expertise to achieve timely and cost-effective outcomes
- **Access to diverse financing options:** Involving various stakeholders can provide access to alternative financing sources, expanding the financial options available for retrofitting healthcare facilities. This broader financial pool can help secure the necessary funds for the projects
- **Job creation and economic growth:** Encouraging local workforce participation in retrofitting initiatives can generate employment opportunities within the healthcare industry. Focusing on skills development and training can contribute to economic growth and reduce unemployment rates
- **Cost-effective solutions:** Emphasising cost-effective approaches can be achieved through efficient project management, resource allocation, and implementation strategies. Implementing these measures can help reduce the overall cost of healthcare services
- **Promotion of innovation:** Collaborative efforts in retrofitting healthcare facilities can foster innovation within the healthcare sector. The adoption of new technologies, implementation of innovative processes, and exploration of alternative healthcare delivery models can improve accessibility and quality of services
- **Strengthened collaboration:** Encouraging collaborations between different stakeholders in retrofitting initiatives can strengthen partnerships and facilitate knowledge exchange. This collaboration can foster mutual trust and cooperation, leading to improved healthcare services and overall societal development
- **Advocate for international recognition** of health workers' qualifications to optimise skills utilisation, enhance benefits, minimise negative effects of worker migration, and protect the rights of migrant workers
- **Empower women** by promoting their economic participation and leadership by addressing gender biases and inequities in education and healthcare employment, as well as addressing gender concerns in healthcare reform processes
- **Transform service models** to prioritise prevention and efficient provision of affordable, integrated, community-based primary and ambulatory care, moving away from overemphasis on hospital-based care. Special attention should be given to underserved areas

Encouraging investments in healthcare and retrofitting existing healthcare facilities can bring about several benefits, including improved quality of healthcare services, increased efficiency, access to financing, job creation, cost savings, increased innovation, and improved public-private partnerships. By working together, the government and private sector can accelerate the process of retrofitting healthcare facilities and improve access to healthcare services for millions of people around the world.

Policy Action 4.3: Technology advancement by developing innovative and cost-effective digital infrastructure

The G20 plays a crucial role in addressing global challenges and shaping the future of technology. The World Bank reports that the digital economy's contribution to GDP varies across G20 countries, ranging from around 5 per cent to over 20 per cent, reflecting the varying levels of digitalisation and technological advancement. The G20 holds a pivotal role in recognising and addressing the transformative power of technology. It is essential for the G20 to prioritise and foster international cooperation on technology-related matters.

By leveraging technology as a catalyst for inclusive economic growth, innovation, and sustainable development, the G20 can shape a future that benefits all. Furthermore, the G20 should encourage collaboration among member countries to address challenges such as digital governance, cybersecurity, and ethical considerations. With its influence, the G20 can drive global efforts to harness technology's potential while ensuring fairness, inclusivity, and a sustainable digital future for everyone. According to the International Telecommunication Union (ITU), as of 2021, around 48 per cent of global population remains unconnected to the internet, with significant disparities in internet access and digital skills across G20 countries.

Along with being innovative, another paramount requirement is for the technologies to be cost effective. Cost-effective technologies are vital for the G20 as they drive economic growth, promote sustainability, and offer affordable solutions for social development. By adopting these technologies, countries can optimise resource utilisation, foster innovation, and enhance competitiveness. They also facilitate global collaboration and knowledge sharing, while ensuring inclusive development by reaching marginalised populations. Prioritising cost-effective technologies enables the G20 to address challenges, seize opportunities, and build a prosperous and sustainable future.

Some of the ways the G20 can leverage innovative and cost-effective technology for various aspects are:

Development of economies

- **Economic expansion:** Innovations and invention of new goods and services can foster economic expansion - they may boost productivity, efficiency, and competitiveness, leading to the creation of jobs and economic growth. AI-driven automation can boost productivity, efficiency, and economic growth across industries, streamlining processes and enabling faster decision-making and can address global challenges such as climate change, food security, and urbanisation, by optimising resource management in agriculture, transportation, and energy sectors
- **International trade:** Technology has made it simpler to communicate and distribute information across borders and a large portion of global trade now involves electronic commerce, which has grown significantly in several G20 nations
- **Infrastructure development:** Transportation, energy, and communications infrastructure - all benefit from technology's contributions to infrastructure development. The G20 nations invest in infrastructure, particularly in the development of renewable energy, high-speed rail, and smart cities, all of which call for cutting-edge technology. Digital and smart infrastructure can also increase productivity and efficiency by automating routine tasks and enabling workers to focus on higher-value activities
- **Climate change:** Reduction of greenhouse gas emissions and the promotion of sustainable technology are crucial for combating climate change. To lower their carbon footprints and achieve climate goals, several G20 nations are investing in renewable energy technologies like wind and solar power
- **Healthcare:** Technology has transformed healthcare, resulting in greater health outcomes and easier access to healthcare services. To enhance healthcare delivery and lower healthcare costs, the G20 nations are investing in medical technologies including telemedicine and electronic health records and should also advance the cross-border transfer of healthcare data to enable scientific advances in R&D for healthcare delivery. This can be achieved by mandating data transfer and security measures, interoperability, and harmonisation between different regulatory systems

Creation of global digital goods

- **Accessibility:** Production, exchange, and dissemination of digital information have been made simpler via technological developments. The internet has enabled access to resources, regardless of location or socio-economic status

- **Collaboration and innovation:** People may now work remotely and smoothly share resources thanks to tools like online collaboration platforms, version control software, and cloud computing. The development of decentralised systems that are transparent, secure, and tamper-proof has also been made possible by technological advancements. For instance, the usage of blockchain technology
- **Cost-effectiveness:** It is now more affordable to produce and distribute digital content. For instance, online learning platforms have made it feasible to offer education without the need for physical infrastructure, while cloud computing has greatly lowered the cost of data storage and processing
- **Cross-border linkages:** The generation of global digital public goods depends on cross-border cooperation and collaborations, as different regions may have unique perspectives and expertise that can contribute to their development. Cross-border linkages help ensure that global digital public goods are accessible to people worldwide. Thus, further strengthening these linkages on the basis of respecting nations' legal frameworks and privacy legal protection, is essential
- **Knowledge sharing:** It allows the exchange of knowledge, best practices, and ideas, which further allows nations and companies to benefit from one another's expertise and build on it, resulting in more creative and practical solutions
- **Improved global communication:** The internet and other communication technologies have made it easier for businesses to connect with customers, suppliers, and partners around the world. In the insurance and pension sector for example, they benefit from a long history of leveraging technology to serve customers and deliver and facilitate access to information on products and services that contribute to retirement security and financial well-being. This improved global communication has facilitated cross-border trade and investment, leading to increased economic activity and job creation
- **Financing:** Financing is critical for the development and dissemination of global digital public goods. Many of these goods are created by non-profit organisations or individuals who may not have the financial resources to support their work. Financing can ensure that these products are sustainable and can continue to benefit people worldwide

Technological development of agriculture, education, and businesses

Agriculture

- **Precision farming:** Promote the adoption of precision agriculture techniques, such as GPS technology, remote sensing, and drones, to optimise crop management, reduce input waste, and increase productivity
- **Data analytics:** Encourage the use of data analytics and farm management systems to collect and analyse agricultural data, such as weather patterns, soil conditions, and crop yields. This enables farmers to make informed decisions and implement targeted strategies for improved productivity
- **Smart irrigation:** Support the implementation of smart irrigation systems that utilise sensors and automation to monitor soil moisture levels and deliver water efficiently. This helps conserve water resources, reduce water waste, and ensure optimal irrigation practices
- **Agricultural mechanisation:** Promote the adoption of advanced agricultural machinery and equipment, such as automated harvesters and precision seeders, to increase efficiency, reduce labour requirements, and improve overall productivity
- **Digital marketplaces:** Facilitate the development of digital platforms and marketplaces that connect farmers with buyers, providing access to larger markets, fair prices, and improved market transparency
- **Climate resilience:** Encourage the use of technology to enhance climate resilience in agriculture. This includes the implementation of climate-smart agricultural practices, such as using weather forecasting models and climate monitoring systems, to mitigate risks and adapt to changing climatic conditions

- **Knowledge sharing:** Foster the exchange of agricultural knowledge and best practices through digital platforms, online forums, and virtual training programs. This enables farmers to access information, learn new techniques, and stay updated on the latest advancements in agricultural technology
- **Access to finance:** Promote the use of technology in facilitating access to financial services for smallholder farmers, such as mobile banking and digital payment systems. This helps improve financial inclusion, enables timely access to credit, and supports investment in modern farming technologies

Education

- **Access to digital learning:** Governments can invest in technology infrastructure, such as internet connectivity and devices, to ensure students have access to digital learning resources. This enables learners to access educational content, online courses, and interactive platforms that enhance their understanding and skills
- **Personalised learning:** Technology allows for personalised learning experiences tailored to each student's needs and learning pace. Adaptive learning software and intelligent tutoring systems can provide customised content, assessments, and feedback, helping students to progress at their own pace and focus on areas where they need more support
- **Digital content and open educational resources (OER):** Governments can encourage the development and dissemination of digital educational content and open educational resources. OERs, including textbooks, videos, and learning modules, can be freely accessed and shared, reducing barriers to quality educational materials and expanding learning opportunities for all
- **Teacher training and professional development:** Providing teachers with training and professional development opportunities in educational technology equips them with the skills to effectively integrate technology into their teaching practices. This enables them to use digital tools, online collaboration platforms, and educational software to enhance instruction and engage students
- **Virtual and Remote learning:** Technology enables virtual and remote learning, which can expand access to education, especially in underserved areas or during times of crisis. Virtual classrooms, video conferencing, and online learning platforms can facilitate real-time interactions between teachers and students, fostering engagement and creating opportunities for distance education
- **Data-driven decision making:** Governments can leverage educational data analytics to gain insights into student performance, identify learning gaps, and inform evidence-based decision making. Analysing data on student progress, engagement, and outcomes can help policymakers develop targeted interventions and allocate resources effectively
- **Collaboration and global connections:** Technology facilitates collaboration and global connections among students and educators. Online platforms, video conferencing, and social media can enable cross-cultural exchanges, virtual collaboration on projects, and the sharing of ideas and experiences, promoting global awareness and intercultural competence
- **Digital skills development:** Incorporating digital skills into educational curricula prepares students for the demands of the digital era. Teaching coding, computer literacy, data analysis, and critical thinking skills equips students with the abilities needed for future employment and participation in the digital economy

Businesses

- **Digital transformation:** Embracing technology allows businesses to undergo digital transformation, enabling them to streamline processes, automate tasks, and enhance operational efficiency. This can include adopting digital tools and platforms for communication, project management, customer relationship management (CRM), and supply chain optimisation

- **Online presence and e-commerce:** Technology enables businesses to establish a strong online presence, reach a wider customer base, and engage in e-commerce activities. This can involve creating user-friendly websites, leveraging social media platforms for marketing and customer engagement, and implementing secure online payment systems to facilitate seamless transactions
- **Data analytics:** Utilising data analytics tools and techniques empowers businesses to gain valuable insights into customer behaviour, market trends, and operational performance. This data-driven approach enables informed decision-making, targeted marketing strategies, and the identification of opportunities for business growth and optimisation
- **Remote work and collaboration:** Technology facilitates remote work and collaboration, allowing businesses to access talent globally and operate in a flexible manner. Cloud-based communication and collaboration tools enable teams to work together seamlessly, share information, and collaborate on projects regardless of geographical location
- **Customer experience enhancement:** Technology plays a crucial role in enhancing the customer experience. Businesses can leverage technologies such as chatbots, personalised recommendations, and customer relationship management systems to provide efficient and tailored services, improve customer satisfaction, and foster long-term relationships
- **Automation and Artificial Intelligence (AI):** Automation technologies and AI-powered solutions enable businesses to automate repetitive tasks, optimise workflows, and improve productivity. This can include using chatbots for customer support, implementing robotic process automation (RPA) for data entry, and utilising AI algorithms for predictive analytics
- **Cybersecurity and data protection:** With increased reliance on technology, businesses need to prioritise cybersecurity and data protection. Implementing robust security measures, conducting regular audits, and educating employees about cybersecurity best practices help safeguard sensitive business data and customer information

Technology has levelled the global playing field in capital markets opening up cross border capital flows and investment, and the harmonised adoption of up-to-date digital financial reporting technology is essential to transparency and providing a truly global investment language. In conclusion, leveraging technology is essential for the G20 to address global challenges, drive economic growth, and promote sustainable development. By prioritising cost-effective technologies, the G20 can optimise resource utilisation, foster innovation, and ensure inclusive development. Technology can revolutionise various sectors, including agriculture, education, and businesses, by improving productivity, sustainability, and resilience. Moreover, technology enables the creation of global digital goods, enhances cross-border linkages and knowledge sharing, and facilitates access to finance. By harnessing the transformative power of technology, the G20 can shape a future that benefits all, while ensuring fairness, inclusivity, and a sustainable digital economy.

Annexure

In 2015, the 193 countries that make up the United Nations (UN) agreed to adopt the 2030 Agenda for Sustainable Development. The historic agenda lays out 17 SDGs and targets for dignity, peace, and prosperity for the planet and humankind, to be completed by the year 2030. In short, the 17 SDGs are:

Goal 1: No Poverty: End poverty in all its forms everywhere.

Goal 2: Zero Hunger: End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

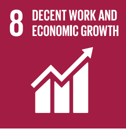
Goal 3: Good Health and Well-being: Ensure healthy lives and promote well-being for all at all ages.

Goal 4: Quality Education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Goal 5: Gender Equality: Achieve gender equality and empower all women and girls.

Goal 6: Clean Water and Sanitation: Ensure availability and sustainable management of water and sanitation for all.

Goal 7: Affordable and Clean Energy: Ensure access to affordable, reliable, sustainable and modern energy for all.



Goal 8: Decent Work and Economic Growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Goal 9: Industry, Innovation, and Infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation.

Goal 10: Reduced Inequality: Reduce inequality within and among countries.

Goal 11: Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient, and sustainable.

Goal 12: Responsible Consumption and Production: Ensure sustainable consumption and production patterns.

Goal 13: Climate Action: Take urgent action to combat climate change and its impacts.

Goal 14: Life Below Water: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development.

Goal 15: Life on Land: Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Goal 16: Peace, Justice, and Strong Institutions: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels.

Goal 17: Partnerships to Achieve the Goal: Strengthen the means of implementation and revitalise the global partnership for sustainable development.

MSMEs and their role in achieving the Sustainable Development Goals

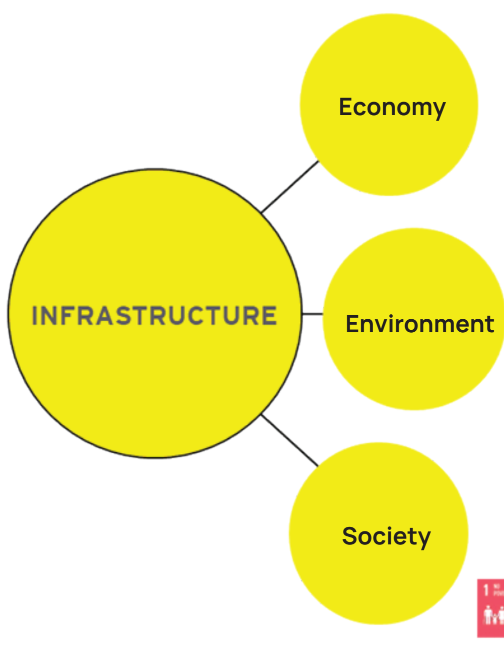
SDGs	MSMEs' role in achieving SDGs
Goal 10. Reduce inequality within and among countries	• MSMEs promote economic inclusion and have the potential to regenerate under-served geographic areas • MSMEs provide incomes to low income and marginalized groups • Increasing productivity of MSMEs can help bridge wage inequality
Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable	• MSMEs provide employment and economic growth in cities
Goal 12. Ensure sustainable consumption and production patterns	• MSMEs as a group have significant cumulative social and environmental impacts • SDG Target 12.7 under this goal promotes public procurement practices that are sustainable • MSMEs have the potential to adopt sustainable business practices • MSMEs can contribute to sustainability reporting
Goal 13. Take urgent action to combat climate change and its impacts	• MSMEs have the potential to make vulnerable populations and households climate resilient • MSMEs are heavy energy users and have the potential to contribute to mitigation • MSMEs can contribute to adaptation of economic activities/sectors
Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	• Small-scale fishery and marine-based enterprises are directly relevant to the goal • Building MSME capabilities to promote sustainability of value chains
Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss	• Agribusinesses and smallholder farmers have a critical role to play in conserving land-based ecosystems
Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	• MSMEs have the potential for promoting good governance principles • MSMEs have a role in conflict/violence prevention
Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development	• MSMEs account for a large share of added value in international trade when indirect linkages are taken into account • MSMEs are a source of partnership to implement SDGs • MSMEs are a source of data for SDG monitoring and reporting • Individual MSMEs have the potential to adopt actions in their business practice to contribute to the goal

Source: Department of Economic and Social Affairs Division, United Nations

The critical role of infrastructure for the sustainable development goals

- Economic Development by creating jobs and economic activity
- Mitigate economic losses arriving from problems
- Indicator of economic value

SDG 8, SDG 9



SDG 6, SDG 7, SDG 11, SDG 13, SDG 14

- Helps in reducing carbon footprints
- Address climate and natural disasters, reduce greenhouse gas emissions and contamination, manage natural capital, and enhance resource efficiency
- Acts as a tool in fossil-fuel reduction
- Removing carbon dioxide from the atmosphere, increasing flood protection and preventing soil erosion

SDG 1, SDG 2, SDG 3, SDG 4, SDG 5, SDG10

- Contribute to sustainable individual livelihoods, as well as broader economic growth, while improving quality of life and enhancing human dignity and ensuring equitable access to all
- Helps in achieving gender equality by providing safety and security and enabling equal access to opportunities and services
- Ensuring equal participation in economic and education opportunities
- A tool in increasing social mobility

Why infrastructure needs to be resilient

- Resilient infrastructure protects the economy by reducing disruptions to industry from shocks and offers greater stability to communities and reduced disruption to their livelihoods.
- If infrastructure has to be less frequently rebuilt or repaired, governments not only save money—they also need to use fewer natural resources. Moreover, using green infrastructure to protect against climate-related floods and intense storms helps communities adapt to the effects of climate change.
- Resilient infrastructure goes beyond the assets explicitly designed for the protection and mitigation of disasters to all systems that support society—such as energy, transport and water—and how they connect with each other.

Source: The Economist Intelligence Unit Limited (Supported by United Nations Office for Project Services)

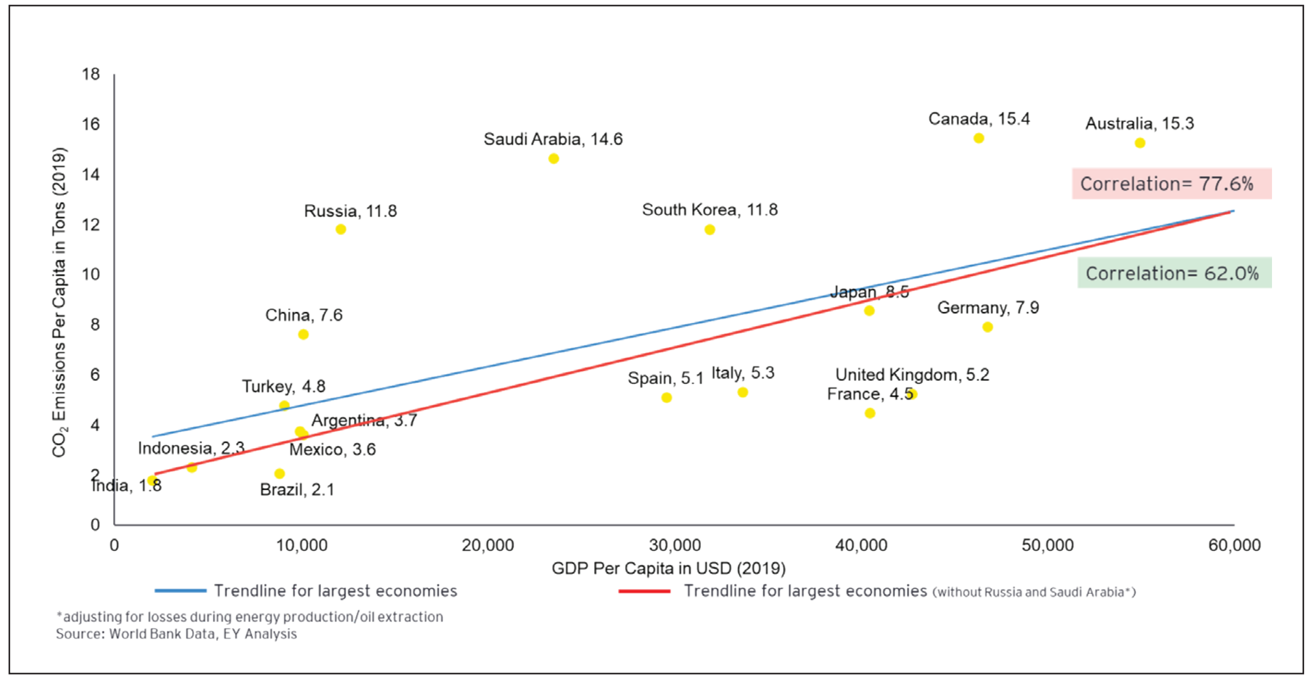
Contribution to GSAF

Country	GDP	Corporate Profits	0.2% of Annual Corporate profits	Country Quota for Gap Filling	Corporate Sector Contribution over 3 years (as per 0.2% of Annual Profit)	Corporate Sector Contribution over 3 years (max. as per country quota)	Government Contribution over 3 years
United States	$22,996.10	$2,771.1	$5.54	$47.79	$16.63	$16.63	$31.16
China	$17,734.06	$3,962.9	$7.93	$6.68	$23.78	$6.68	$0.00
Japan	$4,937.42	$764.0	$1.53	$5.82	$4.58	$4.58	$1.23
Germany	$4,223.12	$1,111.6	$2.22	$6.43	$6.67	$6.43	$0.00
United Kingdom	$3,186.86	$683.9	$1.37	$4.52	$4.10	$4.10	$0.42
India	$3,173.40	$263.1	$0.53	$0.22	$1.58	$0.22	$0.00
France	$2,937.47	$546.6	$1.09	$3.83	$3.28	$3.28	$0.55
Italy	$2,099.88	$349.1	$0.70	$2.24	$2.09	$2.09	$0.14
Canada	$1,990.76	$578.3	$1.16	$3.11	$3.47	$3.11	$0.00
South Korea	$1,798.53	$379.5	$0.76	$1.87	$2.28	$1.87	$0.00
Russia	$1,775.80	$403.4	$0.81	$0.65	$2.42	$0.65	$0.00
Brazil	$1,608.98	$350.8	$0.70	$0.36	$2.10	$0.36	$0.00
Australia	$1,542.66	$444.3	$0.89	$2.77	$2.67	$2.67	$0.11
Spain	$1,425.28	$299.3	$0.60	$1.29	$1.80	$1.29	$0.00
Mexico	$1,293.04	$245.6	$0.49	$0.38	$1.47	$0.38	$0.00
Indonesia	$1,186.09	$339.5	$0.68	$0.15	$2.04	$0.15	$0.00
Netherlands	$1,018.01	$266.6	$0.53	$1.77	$1.60	$1.60	$0.17
Saudi Arabia	$833.54	$486.8	$0.97	$0.59	$2.92	$0.59	$0.00
Türkiye	$815.27	$36.2	$0.07	$0.23	$0.22	$0.22	$0.02
Switzerland	$812.87	$121.3	$0.24	$2.28	$0.73	$0.73	$1.55
Poland	$674.05	$322.4	$0.64	$0.36	$1.93	$0.36	$0.00
Sweden	$627.44	$183.4	$0.37	$1.13	$1.10	$1.10	$0.03
Belgium	$599.88	$174.0	$0.35	$0.93	$1.04	$0.93	$0.00
Thailand	$505.98	$73.0	$0.15	$0.11	$0.44	$0.11	$0.00
Ireland	$498.56	$317.6	$0.64	$1.48	$1.91	$1.48	$0.00
Argentina	$491.49	$97.2	$0.19	$0.16	$0.58	$0.16	$0.00
Norway	$482.44	$223.8	$0.45	$1.29	$1.34	$1.29	$0.00
Israel	$481.59	$75.0	$0.15	$0.74	$0.45	$0.45	$0.29
Austria	$477.08	$124.1	$0.25	$0.76	$0.74	$0.74	$0.02
Nigeria	$440.78	$26.4	$0.05	$0.03	$0.16	$0.03	$0.00
	Total	**$16,020.7**	**$32.04**	**$100.0**	**$96.12**	**$64.29**	**$35.71**

Source: World Bank, Oxford Economics, EY Analysis

Note: In case corporate commitments fall short, governments will bridge the gap by contributing against their respective country quota. For example:
If the US corporate sector contributes USD 16.63 billion out of total US commitment of USD 47.79 billion, the Government would contribute USD 31.16 billion over 3 years.
If the corporate sector contribution meets the country quota (as illustrated in case of China), then there would be no contribution by that country's government.

Correlation between GDP per-capita and carbon emissions per-capita



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Yoshihisa Nomura	Keidanren (Japan Business Federation)	Japan
Zarin Daruwala	Standard Chartered Bank	India

Knowledge partner

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About B20 India

Business 20 (B20) is the official G20 dialogue forum with the global business community. Established in 2010, B20 is among the most prominent Engagement Groups in G20, with companies and business organizations as participants. The B20 leads the process of galvanizing global business leaders for their views on issues of global economic and trade governance and speaks in a single voice for the entire G20 business community.

Each year, the G20 Presidency appoints a B20 Chair (an eminent business leader from the G20 host country), who is supported by a B20 Sherpa and the B20 secretariat. The B20 aims to deliver concrete actionable policy recommendations on priorities by each rotating presidency to spur economic growth and development.

The B20 bases its work on Task Forces (TFs) and Action Councils (ACs) entrusted to develop consensus-based policy recommendations to the G20 and to international organizations and institutions. The B20 officially conveys its final recommendations to the G20 Presidency on the occasion of the B20 Summit.

As India holds the Presidency of G20 in 2023, India will host the eighteenth G20 Summit in New Delhi. The Confederation of Indian Industry (CII) has been appointed as the B20 India Secretariat for India's Presidency. CII, as the B20 India Secretariat, will host the B20 India Summit in New Delhi from 25-27 August 2023.

For queries, **reach us at b20secretariat@cii.in**