

# Financing change: The financial community, eco-efficiency and sustainable development

Hongzhi Zhao

**Abstract:** *This paper seeking to provide a comprehensive insight of development finance and issue between finance and sustainable development furthermore, examining development finance perspective, financing mechanisms for sustainable development and examines whether available financing instruments contribute to achieve the sustainable development goals (SDGs) in which significant progress is still required in developing countries. The study conducts a literature review of Reports, policy documents and academic literatures on financing mechanisms for sustainability development. After I identify the types of financing instruments suggested by UN to finance sustainability development I linked them with the SDGs they would contribute towards achieving, considering the potential link of the instrument with the SDGs and its targets. In addition, the financing programs available from the public sector, non-governmental organizations (NGOs), the financial sector and multilateral credit agencies were examined. The results obtained show that the main financing sources for sustainable development are located within the public sector due to the absence of a developed financial market in developing countries, and that the existing financial instruments do not address the SDGs where most attention is required. The study findings highlight the need for greater coordination among all parties to make efficient use of the scarce resources available to enable it to meet SDGs.*

**Keywords:** Financing Sustainable Development, Development Finance Perspective, Finance Instrument for Sustainable Development

## 1. Introduction

Financing the Sustainable Development Goals (SDGs) in developing countries is a major challenge. Three years after the Addis Ababa Action Agenda (AAAA) in 2015 called on all actors - public and private - to co-ordinate better and mobilize more financial resources, the outlook is not encouraging: external finance - which many developing countries continue to depend on heavily - has been going down, largely due to the drop in private flows, and co-ordination remains poor. The trend must be reversed: financing the sustainable development of poor countries is an investment in the well being of all nations. OECD countries must face the challenge: urgent and bold action is needed to implement the AAAA with their partners and fulfill the promise of the 2030 Agenda for Sustainable Development at home and abroad. Mobilizing more finance for developing countries is not enough; the quality – i.e. the “sustainable development footprint” – of all finance must be enhanced. Development Finance is a broad discipline with key components extending critical areas of human life. In this light Development Finance entails Sustainable Development requiring equilibrium in the use and exploitation of environmental resources for economic prosperity in the aim to ensure and protect the interests of future generations. Understanding Development Finance requests to be carefully aware of required integrated principles of Sustainable Development and recognition in the design of policies and their implementation (P.K. RAO,

2003). This study seeks to find out the relationship that could be derived between finance and Sustainable Development after defining it, coming out with relevant reforms for integrating financial economic and environmental issues, as well as reforms or amendments of international financial institutions and their policies for environment protection, lender liability, producer liabilities and financial aspects of meeting environmental and development goals including the Sustainable Development Goals.

## 2. Sustainable Development

Sustainable Development is both a way of looking at the world with a focus on the interlink ages of economic, social, and environmental change, and a way of describing our shared aspirations for a decent life, combining economic development, social inclusion, and environmental sustainability. It means that Sustainable Development is a new specialty in the area Development Finance discipline seeking to combine the ideal of economic prosperity including social excluded or poor based communities or countries taking into account environmental changes for non environmental sustainability towards a life of dignity for all. In a nutshell, Sustainable Development is both an analytical theory and a “normative or ethical framework, a newly described era through the recently adopted global goals, the Sustainable Development Goals (SDGs).

**The Sustainable Development Goals**

1.	End poverty in all its forms everywhere	8.	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	15.	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainable manage forests, combat desertification, and halt and revers land degradation and halt biodiversity loss
2.	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	9.	Build resilient infrastructure. Promote inclusive and sustainable industrialization and foster innovation	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

3.	Ensure healthy lives and promote well-being for all at all ages	10.	Reduce inequality within and among countries	17.	Strengthen the means of implementation and revitalize the global partnership for sustainable development
4.	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	11.	Make cities and human settlements inclusive, safe, resilient and sustainable		
5.	Achieve gender equality and empower all women and girls	12.	Ensure sustainable consumption and production patterns		
6.	Ensure availability and sustainability management of water and sanitation for all	13.	Take urgent action combat climate change and its impacts		
7.	Ensure access to affordable, reliable, sustainable and modern energy for all	14.	Conserve and sustainable use the oceans, seas and marine resources for sustainable development		

### **The link between Finance and Sustainable Development: financing Sustainable Development**

It is truly recognized that there is a strong link between Finance and Sustainable Development. Finance stands as an engine for economic activity. It is also true that it enhances the process of Sustainable Development. Greening a given economy requires applying a newly brought finance area namely climate finance. Since climate management or forecast is an essential issue to be considered while searching to find some economic ventures such agricultural development projects, energy development projects that have impact in promoting Sustainable Development in line with planetary boundaries stated by ecological scientists.

Finance is also finding means of resources through the search of Sustainable Development that is the adoption of green taxes for curbing environmental damage and also using the tax revenue potential for effecting desirable income redistribution policies, debt relief and the role of environmental protection, reform of international financial institutions and their policies for the protection of the environment and seeking ways of meeting SDGs.

The problem of inappropriate financing in the context of external shocks forces indeed states that developing countries adopt adjustments that are in line with the requirements of Sustainable Development. Likewise, multilateral financial institutions need to make sure that their policies and operations are governed by the following requirements:

- A new charter of articles that explicitly include the role of environmental protection;
- Admit lender liability for wrong advice in economic, environmental or other matters to borrow countries; and
- Forgive and/or write off loans that were ill designed by the lenders (PK.RAO, 2003).

All these considerations mean that Finance in the purpose of promoting development also takes into account lives of future generations and the environment protection in the aim

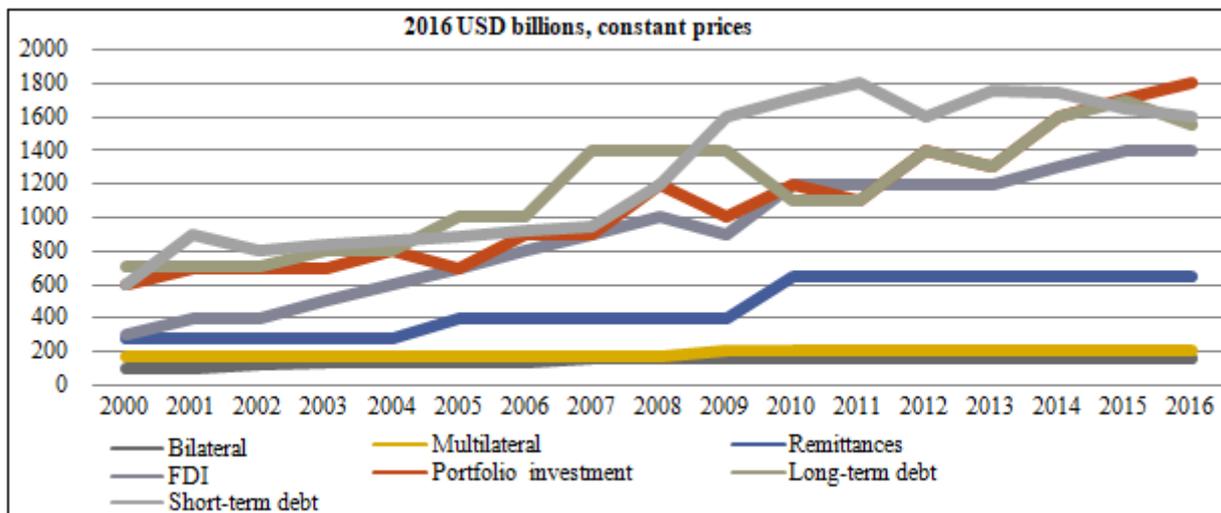
of enhancing a better Sustainable Development financing process.

### **Financing Sustainable Development**

Empirically many initiatives have been taken by international organizations in the view of financing development as a whole and sustainable Development in particular. In line with the SDGs a financing framework to support them and a framework agreement on climate change since the SDGs takes a holistic approach to development, encompassing the economic; social, and environmental dimensions. The July 2015 'Financing for Development Conference held in Addis Ababa adopted an outcome document outlining a global framework for financing development to support the SDGs and the next 15 years of development as SDGs are scheduled from 2015-2030 agenda. This initiative seeks to promote Sustainable Development and shared prosperity.

In the mood of financing Sustainable development in the spirit of the scheduled SDGs some ideas are attempting to fall into actions that are creating new micro insurance Products for remittance service providers witnessed in India. The initiative aims to improve the lives of lower- class families in India through risk reduction, financial literacy, worker empowerment, remittance growth, potential increase MFI and RSP profits. Furthermore, other ideas in promoting and financing Sustainable Development issues are also to be taken into account the case of innovative Public Private Partnership model for promoting financial deepening and inclusion.

International actors, both public and private, contribute substantive amounts of cross-border finance to developing countries. The volume of external finance available to developing countries has substantially increased to USD 1.7 trillion in 2016 from USD 675 billion in 2000. But recent trends are sobering, with total external finance declining by 12% between 2013 and 2016 (Figure 1).



**Figure 1:** External Financing to Developing Countries (2000-16)  
Sources: OECD, 20018, World Bank 2018

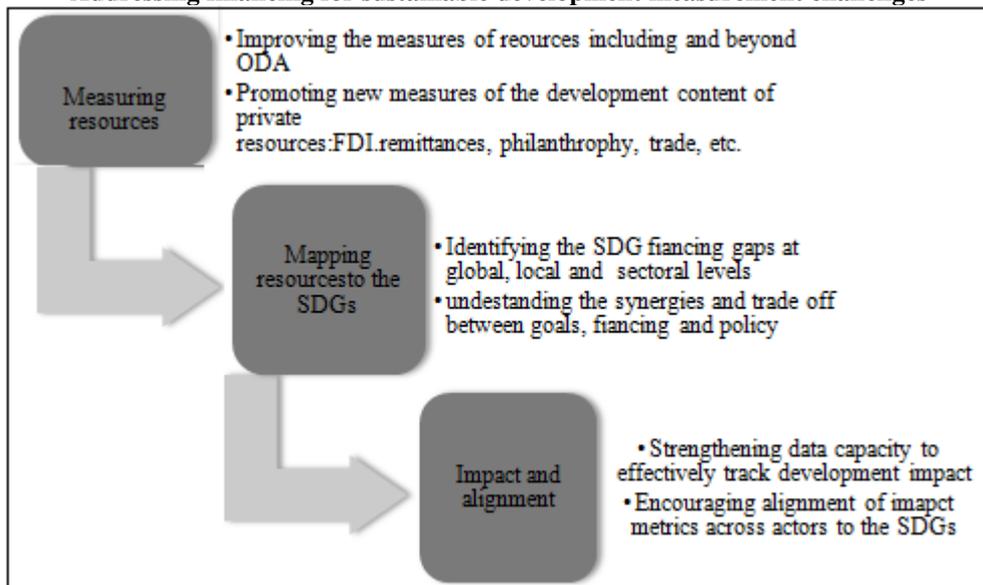
**Better policies are needed to increase the sustainable development footprint of finance and to manage the risks**

A further shift is needed to strengthen policy design. In order to increase the efficiency of the FSD global system, policy interventions should contribute to increasing the development footprint of its actors by seizing new opportunities and better regulating the market by managing new risks.

**Three opportunities to maximize the impact of finance on sustainable development**

Increasing the catalytic and dynamic effects of ODA and other sources of finance	Increasing the development footprint of each actor	Investing in enablers to better mobilize domestic resources
<b>Effectiveness</b>	<b>Partnerships</b>	<b>Capacity Building</b>

**Addressing financing for sustainable development measurement challenges**



**Sustainable Development Finance Mechanisms**

Apart from micro insurance products for remittance services providers in order to improve the lives of lower –class families the case of India through risk reduction. There are other funding mechanisms adequate for enhancing Sustainable Development financing.

**Automated warehousing receipt system**

Developing such a financing mechanism improves access to customized funding for smaller farmers in developing countries rice value chain for instance. This initiative calls for a Public Private Partnership pattern that the potential of private sector capabilities, and public sector resources to

improve smaller farmer’s access to financing using movable assets namely inventory as collateral to secure loans and get access to agricultural inputs (This solution will be implemented on the grounds of a consortium where government agencies, private sectors partners including agribusiness and small and medium size enterprises (SMEs), financial institutions such as microfinance institutions and smallholders farmers and cooperation succeeding in such a solution requires a clear understanding of roles and responsibilities, risk and benefits sharing, mainstreaming of efficiency-enhancing information technology innovation and measures to ensure equational involvement of both genders(men and women).

### **Empowering communities in the control of mining royalty funds**

This example of funding mechanisms in the idea of supporting Sustainable Development is focused on the Peruvian case study. The goal here is to set up a strategy that improves the effectiveness of how mining royalties are allocated in addressing the needs of the population. The use of qualitative indicators is recommended in order to prioritize projects objectively. The involvement of an external agent of information and control is responsible to the task of informing the population on how local government's stakeholders are spending mining royalties. This initiative expresses and implements the principle of accountability and good governance where any citizen or representatives of communities act on the behalf of the entire communities in the light of having insight about the royalties funds are used on the grounds strategically in order to meet various communities needs and enhancing local Sustainable Development namely investments in infrastructure and capacity building. A proposed mechanism by which civil society may raise its complaint to the level of the National controller, where the office is to investigate the validity of such claims that is seeking for requested feedback in the field helped by a project incubator that is responsible to finance, implement and monitor initiatives of various projects.

### **Impact Bonds Development**

This funding mechanism aims to enhancing the participatory involvement or development of economic agents in creating Sustainable market demand for the case study of open fires and inefficient cook stoves. This initiative is mostly dedicated to the developing world where it is noticed an inefficient cook stoves for meal preparation resulting in the production of toxic smoke that kills over 4 million people per year. Access to clean cook stove technology for citizens at the bottom of the economic pyramid can be directly improved through a participatory model of Development Impact Bonds (DIBs) (idem). The proposed bond that could be Diaspora bond model or philanthropic institutions or NGOs bonds enhance the current structure of DIBs financially, while also building in an innovative component that backs local training; education and knowledge sharing. This model not only provides enhanced financial access to clean cook stove technology, but also provides the resources to train local individuals on the maintenance, distribution and sales of the cook stoves by doing so the model becomes an income-generating pattern. This empowers citizen involvement and adoption.

### **An initiative to enhance and transform non Profit sector: the case of Philippine by Impact PH**

Hereby, we focus on the issue of enhancing and transforming the nonprofit sector. The case study of Philippines is henceforth underlined that is analyzing each social sector issue and identifying the most effective initiatives. The aim here is to drive philanthropy to the extent of the most effective companies. This initiative is encouraged by Impact PH as a strategy to increase shareholders' access to the information on registered non-profit organization and social sector objectives that trust and make better decisions, galvanize stakeholders regulatory agencies, non profit networks, non profits organizations and

the donor community, to increase oversight transparency, accountability and impact; develop the needed tools to find, analyze, and support causes stakeholders care about. There Impact PH generates a list of Philippine non profits comprehensively organized in the aim of enhancing and transforming the Philippine non profit sector through information, creating big impact or beneficiaries through increasing access to information oversight, transparency and accountability to enhance non-profits' impact and grow charitable giving (idem) PP 67-70.

Therefore Impact PH is pursuing four primary objectives namely:

- Enable intelligence for the social sector.
- Enlighten donors and other stakeholders.
- Build better non-profits.
- Solve social sector issues.

### **3. Development Finance Perspectives**

As a broad field of study, Development Finance entails several perspectives that stand as critical and relevant for economic prosperity, environmentally sustained and human development purposes. Specifically, diverse and several perspectives constitute essential challenges of Development Finance discipline. Namely, we can state financial sector development especially advocated for the developing world, attainment of Sustainable Development Goals (SDGs) scheduled for the 2015 – 2030 world agenda with 17 specific goals across several domains.

The perspective of financial inclusion where financial system-excluded economic agents are called on to reap the benefits of the financial system or expanding financial services in areas especially rural places where financial institutions are still yet to exist. Furthermore, the perspectives of keeping a sustained development in respect of planetary boundaries and enhancing renewable energy is also a critical outlook are to promote the era of Sustainable Development. Since Sustainable Development entails several and innovative types of finance (climate, green, infrastructure finance, blended) that were not brought forward or seen the day in the previous decades.

#### **1) Attaining the SDGs: a crucial world challenge for present and future generations**

At the UN Sustainable Development Summit on September 25, 2015 the world leaders have adopted a new set of Sustainable Development Goals of outstanding ambition and committed themselves to working tirelessly for the full implementation of this agenda 2030. So 17 Sustainable Development Goals (SDGs) and 169 targets will lead global policy on a wide range of issues related to poverty alleviation and inequality, democracy, sustainable consumption, climate change, and ecosystem preservation. These challenges are called to implemented for the sake of human progress. The 17 specific SDGs merit to be reviewed.

#### **a) No poverty**

Eradicating poverty in all its forms remains one of the greatest challenges facing humanity. While the numbers of people living in extreme poverty dropped by more than half

between 1990 and 2015 from 1.9 billion to 836 million – too many are still struggling for the most basic human needs. Globally, more than 800 million people are still living on less than USD1.90 a day, many lacking access to adequate food, clean drinking water and sanitation. Rapid economic growth in countries like China and India has lifted millions out of poverty, but progress has been uneven. Women are more likely to live in poverty than men due to unequal access to paid work, education and property. Progress has also been limited in other regions such as South Asia and Sub-Saharan Africa, which account for 80 percent of those living in extreme poverty. New threats brought on by climate change, conflict and food insecurity, mean even more work is needed to bring people out of poverty. The SDGs are a bold commitment to finish what we started, and end poverty in all forms and dimensions by 2030. This involves targeting the most vulnerable, increasing access to basic resources and services, and supporting communities affected by conflict and climate – related disasters (United Nations Development Programme, 2017).

#### **b) Zero Hunger**

Rapid economic growth and increase agricultural productivity over the past two decades have seen the number of undernourished people drop almost half. Many developing countries that used to suffer from famine and hunger can now meet the nutritional needs of the most vulnerable. Central and East Asia, Latin America and the Caribbean have all made huge progress in eradicating extreme hunger. These are all huge achievements in the line with the targets set out by the first Millennium Development Goals. Unfortunately, extreme hunger and malnutrition remains a huge barrier to development in many countries. 759 million people are estimated to be chronically undernourished as of 2014 often as a direct consequence of environmental degradation, drought and loss of biodiversity over 90 million children under the age of five are dangerously underweight. And one person in every four still goes hungry in Africa. The SDGs aim to end all forms of hunger and malnutrition by 2030, making sure all people – especially children – have access to sufficient and nutritious food all over year round. This involves promoting sustainable agricultural practices: supporting small-scale farmers and allowing equal access to land, technology and markets. It also requires international cooperation to ensure investment in infrastructure and technology to improve agricultural productivity. Together with the other goals set out here, we can end hunger by 2030. (UNDP, 2017)

#### **c) Good health and well-being**

We have made huge strides in reducing child mortality, improving maternal health and fighting HIV/AIDS; malaria and other diseases since 1990, there has been an over 50 percent decline in preventable child deaths globally. Maternal mortality also fell by 45 percent worldwide. New HIV/AIDS infection fell by 30 percent between 2000 and 2013 and over 6.2 millions lives were saved from malaria. Despite this incredible progress, more than 6 million children still die before their fifth birthday every year. 16,000 children die each day from preventable diseases such as measles and tuberculosis. Every day hundreds of women die during pregnancy or from childbirth related

complications. In many rural areas, skilled professionals attend only 56 percent of births. AIDS is now the leading cause of deaths among teenagers in sub-Saharan Africa, a region still severely devastated by the HIV epidemic. These deaths can be avoided through prevention and treatment, education, immunization campaigns, and sexual and reproductive healthcare. The Sustainable Development Goals make a bold commitment to end the epidemics of AIDS, tuberculosis, malaria and other communicable diseases by 2030. The aim is to achieve universal health coverage and provide access to safe and affordable medicines and vaccines is an essential part of this process as well (UNDP).

#### **d) Quality education**

Since 2000, there has been enormous progress in achieving the target of universal primary education. The enrolment rate in developing regions reached 91 percent in 2015, and the worldwide number of out of school has dropped by almost half. There has been dramatic increase in literacy rates, and many more girls are in schools than ever before. There are all remarkable successes. Progress has been taught in some developing regions due to high levels of poverty, armed conflicts and other emergencies. In western Asia and North Africa; ongoing-armed conflicts has been an increase in the number of children out of school. This is a worrying trend while sub-Saharan Africa made the greatest in primary school enrolment among all developing regions- from 52 percent in 1990, up to 78 percent in 2012 – large disparities still remain. Children from the poorest households are up to four times more likely to be out of school than those of the richest household. Disparities between rural and urban areas also remain high. Achieving inclusive and quality education for all reaffirms the belief that education is one of the most powerful and proven vehicles for sustainable development. This goal ensures that all girls and boys complete free primary and secondary schooling by 2030. It is also to provide equal access to affordable vocational training, to eliminate gender and wealth disparities, and achieve universal access to a quality higher education (UNDP, 2017).

#### **e) Gender equality**

Ending all forms of discrimination against women and girls is not only a basic right, but it is also crucial to accelerating sustainable development. It has been proven time and again, that empowering women and girls has a multiplier effect, and helps drive up economic growth and development across the board. Since 2000, UNDP, together with our UN partners and the rest of the global community has made gender equality central to our work; we have seen remarkable progress since then. More girls are now in school compare to 15 years ago, and most regions have reached gender parity in primary education women now make up to 41 percent of paid workers outside of agriculture, compared to 35 percent in 1990. The SDGs aim to build on these achievements to ensure that there is an end to discrimination against women and girls everywhere. There are still huge inequalities in the labor market in some regions, with women systematically denied equal access to jobs. Sexual violence and exploitation, the unequal division of unpaid care and domestic work, and discrimination in public office, all remain huge barriers affording women

equal rights to economic resources such as land, and property are vital targets to realizing this goal so in ensuring universal access to sexual and reproductive health. Today, there are more women in public office than ever before, but encouraging women leaders will help strengthen policies and legislation for greater gender equality (UNDP, 2017).

#### **f) Clean water and sanitation**

Water scarcity affects more than 40 percent of people around the world, an alarming figure that is projected, to increase with the rise of global temperatures as a result of climate change. Although 2.1 billion people have gained access to improve water sanitation since 1990, dwindling supplies of safe drinking water is a major problem impacting every continent. In 2011, 41 countries experience water stress 10 of which are close to depleting their supply of renewable freshwater and must now rely on alternatives sources. Increasing drought desertification is already worsening these trends by 2050, it is projected that at least on in four people will be affected by recurring water shortages. Ensuring universal access to safe and affordable drinking water for all by 2030 requires we invest in adequate infrastructures, provide sanitation facilities, and encourage hygiene at every level. Protecting and restoring water-related eco-systems such as forests, mountains, wetlands and river essential if we are to mitigate water scarcity. More international cooperation is also needed to encourage water efficiency and support treatment technology in developing countries (UNDP, 2017).

#### **g) Affordable and clean energy**

Between 1990 and 2010, the number of people with access to electricity has increased by 1.7 billion and as the global population continues to rise so will the demand for cheap energy. A global reliant on fossil fuel and the increase of greenhouse gas emissions is creating drastic changes to our climate system. This is impacting every continent. Efforts to encourage clean energy have resulted in more than 20 percent of global power being generated by renewable sources as of 2011. Still one in seven people lack access to electricity and as the demand continues to raise these needs to be a substantial increase in the production of renewable energy across the world. Ensuring universal access to affordable electricity by 2030 means investing in clean energy sources such as solar, wind and thermal. Adopting cost-effective standards for a wider range of technology could also reduce the global electricity consumption by buildings and industry by 14 percent. This means avoiding roughly 1,300 mid-size power plants. Expanding infrastructure and upgrading technology to provide clean energy in all developing countries is crucial goals that can both encourage growth and help the environment.

#### **h) Decent work and economic growth**

Over the past 25 years the number of workers living in extreme poverty has declined dramatically, despite the lasting impact of the 2008 economic crisis and global recession in developing countries, the middle class now makes up more than 34 percent of the total employment a number that has almost tripled between 1991 and 2015. However, as the global economy continues to recover we are seeing slower growth, widening inequalities and not enough jobs to keep up with a growing labor force. According to the

International Labor Organization more than 204 million people were unemployed in 2015. The SDGs promote sustained economic growth, higher levels of productivity and technological innovations. Encouraging entrepreneurship and job creation are key to this, as are effective measures to eradicate forced labor, slavery and human trafficking with these targets in mind, the goal is to achieve full and protective employment and decent work, for all women and men by 2030.

#### **i) Industry, innovation and Infrastructure**

Investment in infrastructure and innovation are crucial drivers of economic growth and development with over half the world population now living in cities, mass transport and renewable energy are becoming ever more important as are the growth of new industries and information and communication technologies. Technological progress is also keys to find last solutions to both economic and environmental challenges such as providing new and promoting energy efficiency. Promoting sustainable industries, and investing in scientific research and innovation are all important ways to facilitate sustainable development. More than 4 billion people still not have access to the Internet, and 90 percent are from the developing world. Bridging this digital divide is crucial to ensure equal to information and knowledge, as well as foster innovation and entrepreneurship.

#### **j) Reduced inequalities**

It is well documented that income inequality is on the rise, with the richest 10 percent earning up to 40 percent of total global income. The poorest 10 percent earn only 2 percent and 7 percent of total global income. In developing countries, inequality has increased by 11 percent if we take into account the growth of population. These widening disparities require the adoption of sound policies to empower the bottom percentile of income earners, and promote economic inclusion of all regardless of sex, race or ethnicity. Income inequality is a global problem that requires global solutions. This involves improving the regulation and monitoring of financial markets and institutions, encouraging development assistance and Foreign Direct Investments to regions where the need is greatest. Facilitating the safe migration and mobility of people is also keys to bridging the widening divide (UNDP, 2017).

#### **k) Sustainable cities and communities**

More than half of the world's population now lives in urban areas. By 2050, that figure will have risen to 6.5 billion people- two thirds of all humanity Sustainable development cannot be achieved without significantly transforming the way to build and manage our urban spaces. The rapid growth of cities in the developing world, coupled with increasing rural to urban migration, has led to a boom in mega cities. In 1990, there were ten mega-cities with 10 million inhabitants or more. In 2004, these are 28 mega-cities, home to a total 453 million people. Extreme poverty is often concentrated in urban spaces and national and city governments struggle to accommodate the rising population in these areas. Making cities safe and sustainable involves investment in public transport, creating green public spaces, and improving urban planning and management in a very way that is both participatory and inclusive (UNDP, 2017).

**l) Responsible consumption and production**

Achieving economic growth and sustainable development requires that we urgently reduce our ecological footprint by changing the way we produce and consume goods and resources. Agriculture is the biggest user of water worldwide, and irrigation now claims close to 70 percent of all freshwater for human use. The efficient management of our shared natural resources, and the way we dispose of toxic waste and pollutants, are important targets to achieve this goal. Encouraging industries, businesses and consumers to recycle and reduce waste is equally important, as is supporting developing countries to move towards more sustainable patterns of consumption by 2030. A large share of the world population is still consuming far too little to meet even their basic needs. Having the per capita global food waste at the retailer and consumer levels is also important for creating more efficient production and supply chains. This can help with food security, and shift us towards a more resource efficient economy.

**m) Climate action**

There is no country in the world that is not experiencing first hand drastic effects of climate change. Greenhouse gas emissions continue to rise and are now more than 50 percent higher than their 1990 level. Further, global warming is causing long-lasting changes to our climate system, which threatens irreversible consequences if we do not take actions now. The annual average losses from earthquakes, tsunamis, tropical cyclones and flooding amount to hundreds of billions of dollars requires investment of US Dollar 6 billion annually in disaster risk management alone. The goal aims to mobilize US Dollar 10 billion annually by 2020 to address the needs of developing countries and help mitigate climate-related disasters. Helping more vulnerable regions, such as land locked countries and islands states, adapt to climate change must go hand in hand with efforts to integrate disaster risk measures into national strategies. It is still possible, with the political will and a wide array of technological measures, to limit the increase in global mean temperature to two degrees Celsius above pre-industrial levels. This requires urgent collective action.

**n) Life below water**

The world's oceans their temperature, chemistry, currents and life-drive global systems that make the Earth habitable for humankind. How we manage this vital resource is essential for humanity as a whole, and to encounter balance the effects of climate change. Over three billion people depend on massive and coastal biodiversity for their livelihoods. However, today we are seeing 30 percent of the world fish stocks over exploited, reaching below the level at which they can produce sustainable yields. Oceans also absorb about 30 percent of the carbon dioxide produce by human, and we are seeing a 26 percent rise in ocean acidification since the beginning of the industrial revolution. Marine pollution, an overwhelming majority of which comes from land-based services is reaching alarming levels, with an average of 13,000 pieces of plastic litter to be found on every square kilometer of ocean. The SDGs aim to sustainably manage and protect marine and waste ecosystem from pollution, as well as address the impacts of ocean acidification. Enhancing conservation and the sustainable

use of ocean-based resources through international law will also help mitigate some of the challenges facing our oceans.

**o) Life on land**

Human life depends on the earth as much as the ocean for our sustenance and live hoods. Plant life provides 80 percent of our human diet and we rely on agriculture as an important economic resource and means of development. Forests account for 30 percent of the Earth-s surface, providing vital habitats for millions of species and sources for clean air and water as well as being crucial for combating climate change. Today we are seeing unprecedented land degradation, the loss arable land at 30 to 35 times the historical rate. Drought and desertification is also on the rise in each year, amounting to the loss of 12 millions hectares and affect poor communities global, of the 8,300 animal breeds known 8 percent are extinct and 22 percent are at risk of extinction. The SDGs aim to conserve and restore the use of terrestrial ecosystems such as forests, wetlands, dry lands and mountains by 2020. Halting deforestation is also vital to mitigating the impact of climate change. Urgent action must be taken reduce the loss of natural habitats and biodiversity which are part of our common heritage.

**p) Peace, justice and strong institutions**

Without peace, stability, human rights and effective governance, based on the rule of law – we cannot hope for sustainable development. We are living in a world that is increasingly divided. Some regions enjoy sustained levels of peace, security and prosperity. While other fall into seemingly endless cycles of conflict and violence. This is no means inevitable and must be addressed. High levels of armed violence and insecurity have a destructive impact on a country's development, affecting economic growth and often resulting in long standing grievances that can last for generations. Sexual violence, crime, exploitation and torture are also prevalent where there is conflict or no rule of law, and countries must take measures to protect those who are most at risks. The SDGs aim to significantly reduce all forms of violence, and insecurity. Strengthening the rule of law and promoting human rights is key to this process as is reducing the flow of illicit arms and strengthening the participation of developing countries in the institution of global governance (UNDP, 2017).

**q) Partnerships for goals**

The SDGs can only be realized with a strong commitment to global partnership and cooperation while Official Development Assistance from developed countries increased by 66 percent between 2000 and 2014, humanitarian crises brought on by conflicts or natural disasters continue to demand more financial resources and aid. Many countries also require Official Development Assistance to encourage growth or trade. The world today is more interconnected than ever before. Improving access to technology and knowledge is an important way to share ideas and foster innovation. Coordinating policies to help developing countries manage their debt, as well as promoting investment for the least developed, is vital to achieve sustainable growth and development. The goals aim to enhance North- South and South- South cooperation by supporting national plans to achieve all the targets. Promoting international trade, and helping developing

countries increase their exports, is all part of achieving a universal rules-based and equitable trading system that is fair and open, and benefits all. Backgrounds of the Sustainable Development Goals (SDGs) were born at the United Nations conference on Sustainable development held in Rio de Janeiro in 2012. The objective was to produce a set of universal goals that meet the urgent environmental, political, and economic challenges facing our world. The SDGs replace the Millennium Development Goals (MDGs), which started a global effort in 2000 to tackle the indignity of poverty and hunger, preventing deadly diseases and expanding primary education to all children, among other development priorities. For 15 years, the MDGs drove progress in several important areas: reducing income poverty, providing much needed access to water and sanitation, driving down child mortality, and drastically improving maternal health. They also kick started a global movement for free primary education, inspiring countries to invest in their future generations. Most significantly, the MDGs made huge strides in combating HIV/AIDS and other treatable diseases such as malaria and tuberculosis (UNDP, 2017).

## 2) Promoting innovative kinds of finance specialist in order to address specific challenges of development issues

### a) Climate finance

Reconciling the fight against climate change and development is central to many international development institutions such as the Agency Franchise de Development which constitute their given strategy. The case of COP 21 which stands as one of the agreement to address the fight against climate change and its outcomes on the world economy where concrete commitments on the integration of climate change within financial system. Thus, climate finance is a new field of finance discipline that seeks to address the issue of mobilizing financial resources in an effective way while taking into account mitigating the negative effects of climate change on funding development projects (Perspectives on Development Finance, 2015). Precisely, financing clean energy and transport, sustainable forest management, and resilience measures, thereby substantially increasing the scale the finance provided. There is Climate Investment Funds billion of dollars involved. As climate finance refers to financing channeled by national, regional, and international entities for climate change mitigation and adaptation projects and programs in this extent. These measures include specific supports mechanisms and financial aid for mitigation and adaptation of activities to spur and enhance the transition towards low carbon, climate resilient growth and development through capacity building, research and development and economic development. The United Nations has taken the pace by putting in place climate convention obligations to provide "new and additional financial resources" and in a larger sense to refer to all financial flows relating to climate change mitigation and adaptation (Wikipedia, 2017).

### b) Infrastructure finance

Public deficits, increased public debt to GDP ratios and at times the inability of the public sector to deliver efficient investment spending have in many economies led to a

reduction in the level of public funds allocated to infrastructure. In this light, infrastructure can be finance using different channels and commit different financial structures and tools. Namely listed stocks and bonds are marker-based instruments with well-established regulatory frameworks (OECD, 2015). It has been recognized that traditionally banks have been providers of infrastructure loans. Efforts are underway to develop new financial instruments and techniques for infrastructure finance. Namely Developments in the equity market for investments in infrastructure are pledging and the creation of a liquid market for project bonds can be a good complement to syndicated loans for project finance. The securitization of bank loans could help support lending and diversify risks, while also assisting in the development of transparent capital market instruments (OECD, 2015). Infrastructure finance seeks to broaden the financing options to facilitate investment in infrastructure, improving the understanding about opportunities and challenges of financing instruments alternatives to traditional tools. Likewise, it is also requested to addressing the risks that is policy actions needed to mitigate risks and secure prospects bankability. Promoting a common understanding of infrastructure financing and related risks is also a critical component or challenge of infrastructure finance implying uncertainty reduction and risk perception address. Other actions also stand challenging and relevant for the progress of infrastructure find stated as follow:

- Identify the scope for enhancing infrastructure financing approaches and methods, including the development of infrastructure as an "asset class"
- - Optimize the role of governments, NDBs
- Enable more fine-tuned financial regulatory framework
- Provide a framework for addressing data gaps in infrastructure financing

In terms of financing instruments and channels, we point out the use of corporate finance as the dominant channel in private infrastructure finance. More recently, as a result of increase budgetary constraints, the financing of infrastructure has increasingly taken the form of project finance. This technique has later emerged to be the financial solution for infrastructure involving public entities in the role of either regulator or counterparty. In addition, Project Finance has been an increasingly popular technique to attract private capital, most notably investment in projects characterized by high specificity, low-re-deployable value and high intensity of capital (OECD, 2015).

### c) Green finance

Green finance refers to any financial instruments or investment namely equity, debt, grant, purchase and sale or risk management tool (for example investment guarantee, insurance product or commodity, credit or interested rate derivative, etc. issued under contract to a firm, facility, person, project or agency, be it public or private in the exchange for the provision of positive environmental externalities that are real, verified and additional to business as usual, whereby such positive externalities result in the creation of transferrable property rights recognized within international, regional, national and sub-national legal frameworks (climate Mundial, 2017). Climate finance stand

as one of the challenges that face Development Finance especially in the area of Sustainable Development in the angle of environmental protection. Climate finance is an emerging form of green finance available for projects in developing countries that help reduce emissions or adapt climate change. This is achieved either via increasing the revenues available to public and private development projects such as tariff support or carbon finance, or by improving project capital structure, for example by decreasing the cost of debt and equity. This new finance discipline is a growing sector in international development and environmental finance. Governments of the World are continually raising more resources available for this field of study and engaged to raising USD100 billion per year by 2020 from public and private sources under the Paris Agreement on climate change.

### 3) Greening the economy

The green economy is defined as an economy that aims at reducing environmental risks and ecological securities and that aims for Sustainable Development without degrading the environment. It is closely related with ecological economies, but has more politically applied focus, the 2011 UNEP Green Economy Report argues that to be green an economy must not only be efficient, but also fair. Fairness implies recognizing global and country level equity dimensions particularly in assuring a just transition to an economy that is low-carbon, resource efficient and socially inclusive. Greening the economy implies an economy that improves human well-being and social equity while reducing environmental impacts. Thus, Development Finance has a more ambitious goal to create a new “green economy” that embodies the concept of Sustainable Development. Greening the economy generates growth in income and employment is carried out by public and private investments that reduce carbon emissions and pollution, enhance energy and resources efficiency and prevent the loss of biodiversity and ecosystem services. Likewise, the concept of green economy does not necessarily reject economic growth but instead seeks to foster growth that is adequate with sustainability. It explicitly rejects the standard job vessels the environment protection (Jonathan M. Harris and Brian Roach, 2017).

### 4) Expanding Financial inclusion at national and international scales

One of the greatest challenges that face Development finance is to expand financial inclusion especially digitalization of daily economic agents activities for instance digital payment one of the exciting sectors for promoting economic development. Digital payment can advance financial inclusion and reduce the cost of transaction across the economy, unleashing new efficiencies in other areas that promote development, including health, education, infrastructure and women’s empowerment (perspectives on Development Finance, 2015). Thus, including financial excluded-economic agents especially those dwelling in rural areas at the developing world stands a crucial, relevant and very challenging perspectives that seeks to achieve Development Finance nowadays. According to the 2008 World Bank Report, payments systems worldwide, a

snapshot, outcomes of global payment systems survey, found financial inclusion spurs “broader and stronger economic growth by deepening financial intermediation not only at national scales but also world widely or international and increasing efficiency of and access to payment, savings, insurance and credit services. However, governments cannot undertake financial inclusion alone, it is adequate to take collaborative action with the private sector, donors and NGOs to realize the development potentials of payments for instance. The shift of financial inclusion at giant scales may not be easy especially, government leadership, and public private collaboration will make it more successful and allow developing nations to more rapidly achieve the reduced costs, increased transparency, financial and women’s empowerment that can come from financial inclusion especially digital payments.

### 5) Giving access to middle income economies and low income economies

The facility to issue bonds at international financial markets Development Finance discipline is also focused on bringing in new financial tools or mechanisms to enhance and allow middle income economies and low –income economies to issue bonds in the international financial markets in order to fund development projects in their own countries. These countries are not connected to international financial markets whereby it is difficult for them to promote their economic performance and embellish their credit rating. It is appropriate and critical for these countries to get access to these international financial markets in order to keep in touch with potential investors and attract Foreign Direct Investments in their economies. Furthermore, they need to get access to these international financial markets constitute an assessment assignment for credit rating agencies in the aim to publish their economic performance. Various financial tools are available such as bonds for instance Eurobonds issued by governments, diaspora bonds and many more.

### 6) Investing in people as a key to making agriculture sustainable

Agriculture stands as one of the pillar in curbing poverty worldwide through seeking to cancel hunger and malnutrition in our lifetime. This means more financing and investment in agriculture to meet food security needs of the world as well to increase economic growth and family income particularly in rural areas. The main focus is the poor, the majority of whom are food insecure and live in rural communities. Development Finance also regards the issue of adopting holistic foods systems approach that enables us to examine how finance and investment all those in the system from the farmer to the consumer and their entire communities. The impact on the environment and the poor should not be neglected (perspectives on development Finance, 2015). Appropriate financing instruments and services are critical for inclusion of households into competitive values chains. It is relevant to understand that no one can be excluded from financial resources if Sustainable Development is going to be achieved. However, financial resources themselves are only a mere part of investment needed. The most critical investment is in

people. We should invest on people through capacity development, education and social services. Furthermore, it is recognized that a successful use of finance entails capacity development to improve opportunities of small farms households for instance and results of finance and investments for them and those providing funding. Investment in research and technology along with extension programmes to share and apply the learning in order to become or stay competitive in nowadays' world economy. Investing in people as a key to making agriculture sustainable also calls for a regard on social and economic inclusion.

### 7) Social and economic inclusion

Development Finance main targets is to promote both social and economic inclusion. Social inclusion is all about bringing in or considering social impact of any given economic policies or development projects in line with communities' needs and aspirations. Likewise, social inclusion is defined as the process of improving terms of participation in society, particularly for people who are disadvantaged though enhancing opportunities, access to resources, voice and respect for rights. Economic inclusion entails all various opportunities that could be found or discovered in a given development projects and the effective use of their impacts on the related economic agents. Furthermore, economic inclusion points out the opening up of economic opportunities to underserved social groups and is integral to achieving a transition towards sustainable market economies. An inclusive market economy ensures that anyone regardless of their gender, place of birth, family backgrounds, age or other circumstances over which they have no control, has full and fair access to labor markets, finance and entrepreneurship, more generally economic opportunity. Promoting an inclusive market-based system is about efficient resource allocation rather than being social policy choice (Economic Inclusion Strategy, 2017-2021) both social and economic inclusions are interrelated in the angle of the search of economic prosperity and human living conditions improvement. These SDGs that are to be fulfilled by 2030 under UN supervisory capacity are mainly focused on both social and economic inclusion without putting aside the environmental protection and limits of planetary boundaries for a world living the era of Sustainable Development.

### 8) Energy efficiency

Sustainable Development seeks to keep global warming below 2 Celsius. Reaching these aims requires various mitigation measures amongst which energy efficiency stands prior, particularly, promoting a low-carbon society. Energy efficiency is considered to be one of the critical measures, which serves on a relevant tool to relieve pressure on energy supply.

Empirically, efforts to promote energy efficiency have been made in many countries, and been made in many countries, and we observe remarkable progress on the ground. For instance, the world energy outlook 2014 issued by the International Energy Agency underlines that new efficiency efforts will have the effect of canceling total oil demand

growth by an estimated 23 m/b (million barrels per day) in 2040 more than the current oil production (perspectives on Development Finance, 2015). Furthermore, it is pointed that finance needs to be increased from USD 177 billion in 2020 to USD 290 billion in 2035. Answering this huge financial demand, many institutions provide various types of financial services. The IDFC organized an internal working group for energy efficiency in 2012, with the purpose of sharing experiences, exploring new financial tools, and identifying concrete measures to strengthen interbank financial corporation amongst its members. IDFC members produced a working paper in October 2014 in supporting energy efficiency from the supply side. This working paper identifies three major barriers to the promotion of energy efficiency that is institutional and organizational, financial and economic, and knowledge and information. To tackle these challenges, IDFC members came out with a comprehensive package composing of financial, technical and other assistance programs, added value to their energy efficiency programs. Through business models which rely on local private financial institutions, this ability to provide risk-sharing mechanisms in enlarging access to energy efficiency investment and through engagement with government to undertake the energy policy reforms requires to advance energy efficiency (Perspectives on Development Finance, 2015).

### 9) Sustainable Urban Development

Cities are considered as important engines of economic growth producing more than 80 percent of national income. However, cities are vulnerable to a number of social and environmental perils, especially climate change-related risks and other natural disasters. Some 1 billion people currently live in slums, with limited access to basic services, and this number is expected to rise to 2 billion by 2030. Cities account for the great majority of global energy use, natural resource consumption, green gas emissions and solid waste. Through the challenges well-managed urban development could give rise to cities, which are more conducive to economic growth and social Inclusion and more environmentally sustained and resilient to climate change. The concept of Sustainable Urban Development (SUD) has been attracting ever-increasing attention at cross-border scales. Indeed, "Make cities and human settlements inclusive, safe, resilient, and sustainable is goal 11 of Sustainable Development Goals proposed by the open working group, which is expected to be incorporate in the post 2015 Development agenda. There are three pillars of sustainable urban Development that is social development including education and health, food and nutrition, green housing and building, water and sanitation, green public transportation, green energy access, recreation areas and community support. Economic Development by its side points out the following green productive growth, creation of decent employment, production of distribution of renewable energy, technology and innovation(R and D). Environmental management calls for forest and soil management, waste and recycling management, energy efficiency water management (including fresh water), air quality conservation and adaptation to and mitigation of climate change. Furthermore, urban governance is also requested, namely planning and decentralization, support

of local, national, regional and global links strengthening of civil and political rights and reduction of inequities.

#### **10) Triangular cooperation**

Development Finance also seeks to promote multilateral or triangular cooperation for instance collaboration among development partners has become common as financing becomes more focused, budgets are more carefully scrutinized and partners aim to get more development impact from their given investments. Deepening cooperation within the development finance sector is a key to success or an important tool to ensure that value is added to exciting relationships and the impact of the given investment is quantifiable and positive to recipient countries or partners. Crosscutting triangular cooperation is required to determine each member's individual experience with various patterns of cooperation. Triangular or multilateral cooperation promote knowledge sharing experiences and practices among peers for mutual benefits. The cooperation can be single event collaboration with a particular sector for instance energy generation, multi year programme on a wide range of sectors. In short, triangular or multilateral cooperation is a kind of way that leads to a refinement of the patterns of commitment among members for economic performance achievement.

#### **11) Country risk Analyses and credit ratings**

Development Finance perspectives is also taking into account sovereign credit rating since it plays an important influence on the working of capital flows and access to capital markets, and consequently on the incidence of debt burden in a specific time range, on dampening of financial shocks and consumption smoothing. It is truly recognized that credit ratings have been influenced largely by sovereign debt and related aspects. Country risk entails the inability of a country to generate sufficient foreign exchange resources to pay for its external debt obligations. Further, a government should identify the main economic risks to which it is directly exposed and to which it is indirectly exposed through the economy as a whole. This can be handled by carrying out a risk audit. Sovereign credit rating in the context of Development Finance is a significant and perhaps not yet fully recognized in academic field of studies and policy practices. The rating initiative is carried out by various groups of private agencies whose targets are to providing market guidance to potential and existing investors. It is not required to take into consideration various economic development perspectives.

#### **12) Financing Instruments for Sustainable Development**

To achieve the SDGs, the work of the international financial community, the private financial sector and the public financial sector must be coordinated. According to the Organization for Economic Co-operation and Development (OECD), public and private savings, especially in favorable market conditions, should be sufficient to meet the demands of the three main investment categories in this respect: to satisfy the basic needs for the progress of society; to create infrastructure for sustainable development; and to provide global public goods (this category refers, above all, to the

necessary response to the threat of climate change). Governments have relatively little control over agents in the private sector, who largely determine the pace of progress towards achieving the SDGs. Nevertheless, in those areas where some influence can be exerted, governments must do so effectively and consistently. Certain economic instruments form an important part of the set of environmental policy tools available. These, together with regulations and public investment, can help reduce the costs of obtaining environmental improvements, although such policies can never be cost-free. The challenge is to identify and adopt instruments that combine environmental and economic policies, that provide flexibility, are moderate in the use of scarce resources, motivate changes in behavior and generate resources for the financing of environmental infrastructure. Such instruments may include fees for use, charges according to environmental impact and pollution taxes. These options comply with most of the above conditions, are especially suitable for the integration of environmental and economic policies and can be designed to advance sustainable development. These instruments promote sustainable development in three ways: by motivating a behavioral change to reduce environmental impacts, and therefore, the magnitude of the necessary investments; by generating income that can be used to finance these investments; and by fostering, directly or indirectly, a redistribution of society's resources towards healthier and more sustainable activities, from the environmental standpoint.

The international financial community, the private financial sector and the public financial sector must all work in close coordination if the SDGs are to be achieved. These financial efforts can be classified into three types: concessional public financing (multilateral organizations), public borrowing through the markets and private financing.

## **4. Conclusion**

The chapter focused on the issue of linking finance and Sustainable Development to human betterment and poverty alleviation perspectives. Before, coming out with the critical relationship between both valuable concepts, we attempt to define what Sustainable Development is all about. The relationship between Finance and Sustainable development stands in the perspectives of achieving the SDGs as a whole and social sectors issue in particular. Various financial mechanisms were discovered and brought forward to illustrate how Sustainable Development issues can be achieved in various angles of economic activities. Micro insurance products remittances services providers in India, Mining royalty funds control for Empowering Communities in Peru, Impacts Bonds Development in the developing World and Enhancing and transforming the Nonprofit sector in Philippine. We understand that innovative financial approach results lead to community's empowerment and society transformation for the purpose of Sustainable Development and human development. Another funding mechanism that was not developed is also taken into account at this conclusive stage: introducing internet-based funding mechanisms for World Bank operations that stands as a new source of Development Finance as a crowd funding market place estimated to raise USD15 billion in 2015 and reach

USD 93 billion by 2025. This proposal outlines how the World Bank can test new funding mechanisms using internet-based donation platforms by making them crowd funding-friendly. Specifically, it is all about externally financed outputs with crowd funding organizations and trust funds that can be replenished by outlined funding campaigns. All these funding mechanisms enhancing Sustainable Development in various endeavors drive us to find out the relevant perspectives of this broad discipline that stands Development Finance.