

FINANCING FOR DEVELOPMENT IN INDIA

A CIVIL SOCIETY PERSPECTIVE



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Financing Development in India

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Intro

The Heinrich Böll Stiftung is a German foundation and part of the Green movement that has developed worldwide as a response to the traditional politics of socialism, liberalism, and conservatism. We are a green think-tank and an international policy network, our main tenets are ecology and sustainability, democracy and human rights, self-determination and justice. We place particular emphasis on gender democracy, meaning social emancipation and equal rights for women and men. We are also committed to equal rights for cultural and ethnic minorities. Finally, we promote non-violence and proactive peace policies. To achieve our goals, we seek strategic partnerships with others who share our values.

Our eponymous, Heinrich Böll, personifies the values we stand for: protection of freedom, civic courage, tolerance, open debate, and the valuation of art and culture as independent spheres of thought and action.

Our India Liaison Office was established in 2002 in New Delhi.

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Financing for Development in India -A civil society perspective



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Executive Summary

Financing for development forms an important pillar for supporting development agenda of a country. Ever since the adoption of the Addis Ababa Agenda for financing, there has been dedicated effort by global multilaterals to emphasize financing as the core enabler for achieving Agenda 2030. Taking inspiration from this mandate, national governments have been striving for increasing their financing portfolio and exploring policy measures that provide the push for realizing their developmental aspirations. India has considerably sought to use this time period in exploring the financial support for its own specific development objectives. However, there are structural realities that do not allow financial resources to make the needed impact on the ground. Because of this, development at the ground level remains at sub-par level and status-quo continue to nurture their nefarious designs which arrest all prospects of progress and growth. Plummeting levels of socio-economic development have a catastrophic effect which have huge potential of upsetting all present forms of interventions made towards attaining meaningful and qualitative change. As such, financing development forms an important aspect for delivering a qualitative and holistic change that can lead towards effective results. With a raging COVID-19, development in India has had a tremendous backslide, as all efforts are being made towards having a positive economic recovery. Post-COVID-19, there will have to be informed efforts undertaken to lift millions who slipped into poverty and hardship. For this, the Indian government requires to expand its financing capacity and allow for an increased budgetary allocation and financial support base that empowers people. As such, there will be a need to revisit multilateral frameworks, align with international standards and pursue an inclusive approach in policy actions. For this civil society needs to be effectively co-opted in policy forums with their suggestions and inputs reaching decision-makers. Globally, civil society has been proactively participating in debates and forums on financing, with their suggestions being recorded by institutions such as OECD, World Bank/IMF, G20 etc. But such participation is virtually absent from the national context. Therefore, this research paper tries to introduce the concept of financing for development to civil society organizations across the country who are tirelessly involved in development efforts in their means and measures. It is vital for Indian civil society to become aware of these concepts and ensure that the government acts according to the international standards and mechanisms which provide financing for development. As such, the study seeks to demystify the conceptual basis behind financing for development with an outlay of international and national modalities involved in this thematic area.

INTRODUCTION TO FINANCING FOR DEVELOPMENT (FFD)

According to the United Nations- Financing for Development is concentrated in enhancing the follow-up to the agreements and commitments reached during the three major international conferences on Financing for Development: in Monterrey, Mexico in 2002; in Doha, Qatar in 2008; and in Addis Ababa, Ethiopia in 2015. The process builds on the deliberations held under the financing for development rubric and combines major United Nations conferences and summits in the economic and social fields, including the 2030 Agenda and the Sustainable Development Goals (SDGs).

The most recent Addis Agenda strives to create a new global framework for financing sustainable development, that is centered around achieving the outcomes of the 2030 Agenda and search financing for the SDGs. The Agenda seeks to calibrate all domestic and international resource flows, policies, and international agreements and build upon synergy of economic, social and environmental priorities. It tries to include all the SDG means of implementation targets into a comprehensive financing framework, and serves as a nodal point for governments, international organizations, the business sector, civil society, and philanthropists for achieving concrete deliverables.

The specific action areas of the Addis Agenda are:

- Domestic public resources;
- Domestic and international private business and finance;
- International development cooperation;
- International trade as an engine for development;
- Debt and debt sustainability;
- Addressing systemic issues;
- Science, technology, innovation and capacity building¹.

Approach of Financing for Development

The Financing for Sustainable Development Office (FSDO) was instituted to promote and support an integrated, cross-cutting and holistic approach to the Financing for Development follow-up. The Addis Agenda established an annual ECOSOC Forum on Financing for Development (FfD Forum), an intergovernmental process with inclusive participation for to discuss the follow-up and review of the financing for development outcomes and the means of implementation of the 2030 Agenda. The intergovernmentally agreed conclusions and recommendations of the FfD Forum also feed into the High-level Political Forum on Sustainable Development (HLPF).

The Addis Agenda moreover called on the Secretary-General to convene an Inter-Agency Task Force on Financing for Development with a mandate to:

- Report annually on progress in implementing the Addis Agenda and other Financing for Development outcomes and the means of implementation of the 2030 Agenda on Sustainable Development
- Advise the intergovernmental follow-up process on progress, implementation gaps and recommendations for corrective action, while taking into consideration the national and regional dimensions.
- The Task Force's annual report is the major substantive input to the ECOSOC Forum on Financing for Development follow-up and supports the deliberations of the HLPF.

¹ What is Financing for Development <https://www.un.org/sustainabledevelopment/financing-for-development/>

The Addis Ababa Declaration for Financing Development²

The declaration calls resolves, member states to increasing financing for development initiatives with a multifaceted goal to –

- End poverty and hunger, and to achieve sustainable development in its three dimensions through promoting inclusive economic growth, protecting the environment, and promoting social inclusion.
- Committing to respecting all human rights, including the right to development. Ensuring gender equality and women’s and girls’ empowerment.
- Promoting promote peaceful and inclusive societies and advance fully towards an equitable global economic system in which no country or person is left behind, enabling decent work and productive livelihoods for all, while preserving the planet for our children and future generations.

Making national governments respond to financing needs

The Addis Ababa declaration makes it necessary for governments in building a cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks. It is necessary for each country has primary responsibility for its own economic and social development and that the role of national policies and development strategies cannot be overemphasized. At the same time, national development efforts need to be supported by an enabling international economic environment, including coherent and mutually supporting world trade, monetary and financial systems, and strengthened and enhanced global economic governance.

Blended Finance

The Addis Agenda recognizes the role that blended finance, including public-private partnerships, can play in financing for sustainable development, while also acknowledging the importance of using blended finance appropriately and effectively. By shifting some of the risk or cost of a project from the private to the public sector, blended finance can enhance risk-return profiles for private creditors or investors. Concessional and non-concessional public finance can thus help to “crowd in” commercial finance for SDG investments that would otherwise not have materialized. Blended finance can potentially also create demonstration effects that can incentivize commercial replication, thereby supporting the development of local financial markets. When ODA is used for blended finance, it is thus important to maintain principles of development effectiveness, including country ownership.

Examining the Global Context of Financing³

According to the Inter-Agency Task Force Group’s report on “Financing for Sustainable Development Report, 2020”- *The financing landscape has changed dramatically since the adoption of the Addis Ababa Action Agenda. Digital technology has transformed key aspects of financial systems. There has also been rapidly growing interest in sustainable investing, in part due to greater awareness of the impact of climate and other non-economic risks on financial returns. The economic and financial shocks associated with COVID-19—such as disruptions to industrial production, falling commodity prices, financial market volatility, and rising insecurity—are derailing the already tepid economic growth and compounding heightened risks from other factors. These include the retreat from multilateralism, a discontent and*

³Addis Ababa Action Agenda on Financing Development https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf

⁴ <https://www.gcedclearinghouse.org/sites/default/files/resources/190153eng.pdf>

distrust of globalization, heightened risk of debt distress, and more frequent and severe climate shocks. Together, these make sustainable finance more difficult—and further undermine the ability to achieve the Sustainable Development Goals (SDGs) by 2030. Amid these destabilizing trends, the 2020 Financing for Sustainable Development Report of the Inter-Agency Task Force finds that the international economic and financial systems are not only failing to deliver on the SDGs, but that there has been substantial backsliding in key action areas. Governments, businesses and individuals must take action now to arrest these trends and change the trajectory.

With the COVID-19 raging across the world, there has been a discernible trend of a universal ‘economic backslide’ which has considerably affected development agenda of countries. According to the World Bank’s “Global Economic Outlook”

Both the immediate and near-term outlook for the impact of the pandemic and the long-term damage it has dealt to prospects for growth. The baseline forecast envisions a 5.2 percent contraction in global GDP in 2020, using market exchange rate weights—the deepest global recession in decades, despite the extraordinary efforts of governments to counter the downturn with fiscal and monetary policy support. Over the longer horizon, the deep recessions triggered by the pandemic are expected to leave lasting scars through lower investment, an erosion of human capital through lost work and schooling, and fragmentation of global trade and supply linkages⁴.

According to KPMG, the global economic outlook will not recover soon and the recent scenarios paint a bleak picture for recovery-

- As a consequence of the COVID-19 health crisis, and the subsequent global disruptions to aggregate supply and aggregate demand, world GDP is expected to fall sharply during the first half of 2020, with the KPMG Central and Downside scenarios showing real falls of 11% and 12% respectively between the December quarter 2019 and the June quarter 2020.
- The recovery path modelled in this analysis shows world GDP is not expected to return to December 2019 levels until the end of the 2021Q2 under the Central scenario and 2021Q3 for the Downside scenario.
- Different countries and territories are expected to experience divergent recovery paths, with the shape of that path for each location influenced by the interplay between their experience in containing and managing the spread of COVID-19 and the underlying socio-economic characteristics of each country or territory.
- The analysis reveals trade exposed countries may take proportionally longer to recover in the scenario where the C19 pandemic becomes drawn out compared to less trade exposed states. Simply, the longer the pandemic continues, the more damaging it becomes to world trade⁵.

The Inter-Agency Task Force Group’s report on “Financing for Sustainable Development Report, 2020 outlines the following trends will critically affect the development scenario:

- Slowing economic growth: global growth is expected to slow markedly in 2020, to significantly below the decade-low growth of 2.3 per cent in 2019, with high risk of a global recession.

¹ The Global Economic Outlook During the COVID-19 Pandemic: A Changed World, <https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world>

⁵ COVID-19 and Global Economy, <https://home.kpmg/xx/en/home/insights/2020/06/covid-19-and-the-global-economy.html>

- **Declining Assistance:** Official development assistance (ODA) fell by 4.3 per cent in 2018, and ODA to least developed countries (LDCs) fell by 2.1 per cent.
- **Growing Financial Risks:** Short-term financial market volatility has increased due to COVID-19. Prior to that, an extended period of low interest rates had incentivized riskier behaviour throughout the financial system. Financial intermediation has steadily migrated to non-bank financial intermediaries (who hold over 30 per cent of global financial assets).
- **High Debt Risk:** Debt risks will likely rise further in the most vulnerable countries. Forty-four per cent of least developed and other low-income developing countries are currently at high risk or in debt distress. That's a doubling of debt risk in under five years (it was 22 per cent in 2015). This number could rise as COVID-19 and related global economic and commodity price shocks put increasing pressure on some countries, particularly oil exporters.
- **Increasing Trade Restrictions:** Substantial new trade restrictions have been introduced: the trade coverage of import-restrictive measures are almost 10 times larger than two years prior. The World Trade Organization's Appellate Body, meanwhile, no longer has enough members to rule on trade disputes. The COVID-19 crisis compounds the impact of these restrictions and significantly disrupts trade in goods and services. This crisis also disrupts global value chains, with merchandise exports expected to fall by a minimum of \$50 billion.
- **Increasing Environmental Shocks:** Greenhouse gas emissions continue to rise, posing risks to sustainable development. Between 2014–2018, the estimated number of weather-related loss events worldwide increased by over 30 per cent compared to the preceding five years. In this environment, many countries—and especially least developed countries, small island developing States, and other vulnerable countries—will not be able to achieve the SDGs by 2030.

India's development scenario⁶

India has maintained a 7 percent in the last decade while the GDP growth rate has witnessed considerable plummeting in the last few years. Growth patterns varied from 7.0 percent in 2017-18 to 6.1 percent in 2018-19, and to 4.2 percent in 2019-20 with recent estimates pegging a near zero growth rate. Discernible slowdown was witnessed on the demand side investment, exports, and private consumption; and to manufacturing, construction, and various service activities on the production side. The growth plummeting was seemingly seen to be due to long-standing structural rigidities in key input markets, and continuing balance sheet stress in the banking and corporate sectors, which were exacerbated more recently by stress in the non-banking segment of the financial sector, increased risk aversion among banks and corporates, and a subdued global economy. The impact of COVID-19 on the economy has come in two phases. Initially, the main economic impacts of COVID-19 were due to supply disruptions from China, and concentrated in activities such as tourism, aviation, and other services. Thereafter, as the virus spread across the world, denting the economic outlook and impairing investor sentiment, it further impacted growth, investment, exports, and remittances. India implemented stringent lockdown and social distancing measures to curb the spread of the COVID-19 pandemic, resulting in a quasi-standstill in economic activity in the first two months of the current fiscal year.

The International Monetary Fund has cut India's growth forecast for 2020-21 to 1.9%, down from its earlier estimate of 5.8% in January this year. Informal sector workers and members of lower income groups have been hit particularly hard as their wages disappear. The International Labour Organization

⁶ India Development Update, 2020

<https://openknowledge.worldbank.org/bitstream/handle/10986/34367/India-Development-Update.pdf?sequence=1&isAllowed=y>

estimates that 400 million people in India are at risk of sinking deeper into poverty.

According to the Centre for Monitoring Indian Economy (CMIE), in India more than 122 million people lost their jobs in April 2020, out of them largely were the small traders and wage laborers. According to a phone survey of 4,000 workers conducted by Centre for Sustainable Employment, around 80% of urban workers in the sample lost jobs with a sharp decline in the earnings of farmers and those who were self employed in sectors other than agriculture⁷.

Affect of COVID-19 on socio-economic landscape of India⁸

The immediate response to the announcement of the national lockdown was the attempted flight of millions of migrant workers from Indian cities back to their rural residences. For these workers, who survive on daily wages and work in India's large informal sector the shutdown of economic activity meant that they had no means of livelihood in their places of work, nor the family support systems that they needed to survive without any source of income for a prolonged period. With the attempted return migration of these workers back to their villages, there was a considerable risk of community transmission in rural India if some of these workers were carrying the coronavirus. The unexpected announcement of the national lockdown and the lack of preparation by the national government in India meant that the mass exodus of migrant workers became a chaotic event. lockdown policies along with the global economic contraction associated with the COVID-19 pandemic will affect the poor and the vulnerable both in the rural and urban sectors. In the rural sector, falling crop prices for winter-sown crops is likely to have a large negative effect for the large workforce employed in the agricultural sector

India's government announced a nearly US\$23 billion economic package on 26 March 2020 to support the poor, providing rations of grains and pulses, free gas cooking cylinders to 83 million families, and cash transfers of US\$6.65 a month to about 200 million women. it could be argued that a one-time mass mobilization of resources and administrative machinery that is necessary to allocate the food, cooking gas cylinders, and cash transfers to the poor may well be within the capabilities of the Indian state. In this case, it would be necessary for the national and state governments to scale up welfare programmes and consider moving to universal basic income programmes as targeted schemes may not be optimal in the current environment, where the majority of the population are facing severe hardship.

Looking at Post-COVID development scenario⁹

The world after COVID-19 will look significantly different with structural changes in production, consumption and work patterns. As India emerges from this crisis, it will be critical to re-orient the policy matrix towards a calibrated reconstruction of the economy and to build resilience in an uncertain world. However, the government of India feels there are certain policy instruments which can be used towards easing the post-covid recovery through a calibrated approach.

Enhancing resilience of India's agriculture, building efficient and sustainable agrarian supply chains

Agriculture has emerged as a resilient silver lining in the current scenario. Policy priority towards building efficient and sustainable agrarian supply chains for a persistent increase in farmer incomes has got reinforced more than ever before. Such a dynamic shift towards promoting deregulation and liberalization of the agricultural sector is already underway with the Government announcing landmark reforms in this direction.

⁷ Thomas (2020). See <https://scroll.in/article/963284/indias-poor-may-have-lost-rs-4-lakh-crore-in-the-coronavirus-lockdown>

⁸ COVID-19 and Socioeconomic Impact in India: Case of India, UNU WIDER
<https://www.wider.unu.edu/publication/covid-19-and-socioeconomic-impact-asia>

⁹ Monthly Economic Review, 2020, Ministry of Finance, Department of Economic Affairs
https://dea.gov.in/sites/default/files/MER_August%202020.pdf

Deepening structural reforms in factor market and boosting infrastructure to reignite manufacturing

The fundamental change in the world order also invokes realignment in the conventional perceptions on efficiency versus resilience of the manufacturing sector. Deep-seated and wide-ranging structural reforms in land, legal, labour and capital markets to reverse the slowdown in manufacturing and to boost risk appetite are pertinent in this regard. This warrants fast-tracking of the existing Government initiatives in the factor market space. Government has also provided a necessary push to targeted mega infrastructure projects as part of the National Infrastructure Pipeline to reignite the manufacturing sector.

Leveraging ICT and startups for reconstructing a resilient and innovative services sector

With COVID-19 necessitating business closures and pushing footfalls drastically below normal levels, the services sector continues to be the worst hit with demand for services plummeting across the globe. With the services sector being the biggest employer in the nation, building sufficient flexibility for service organizations for the duration of the pandemic response and beyond is paramount for India's eventual economic recovery. Leveraging India's ICT revolution and upscaling

Strengthening an AtmaNirbhar's Bharat position in global value chains

To pivot and strengthen India's position in emerging global value chains amid changing trade dynamics, re-aligning policy incentives in favour of labour intensive export sectors is a pressing need. In addition, India needs to anchor its strengths in the area of generic drugs and pharmaceuticals exports and regain its market share in active pharmaceutical ingredients (APIs). Given the nature of the COVID-19 disease the world is fighting, inability of even one country to address the shortages of vaccine, will have huge negative externalities for the entire world. India can emerge as one of the forerunner in supporting easy, affordable and equitable access to the COVID-19 vaccine as and when it is available to administer.

Harnessing digital finance to unleash the true potential of financial inclusion

The digital payment infrastructure created as part of JAM trinity has enabled a timely and targeted fiscal relief response to the pandemic. Going forward, wide-spread deployment of online and offline digital payment acceptance infrastructure, particularly in remote areas, is key to unleashing the true potential of financial inclusion in an increasingly digitized post-covid world.

Skilling, upskilling and re-skilling for preparedness against labour market shocks

In the face of unprecedented pandemic induced job losses, the employer-employee relationship also demands structural changes. Moving away from fixed job roles, and engendering role flexibility in the workforce will enable businesses to better meet post-pandemic challenges. Skilling, upskilling and reskilling of the labour force is pre-eminent to enable it to be better-prepared and adaptive to the changing business environment.

Preventive health care ecosystem for resilience against tail-end events like COVID-19

India's multipronged health response to the COVID-19 crisis ranging from social distancing to aggressive test-track-treat strategies has provided a necessary foundation for future disease preparedness. Relentless efforts towards building a preventive health care ecosystem will also provide the much-needed stimulus to economic activity by creating more employment and mitigating labour productivity losses.

⁶ India Development Update, 2020

<https://openknowledge.worldbank.org/bitstream/handle/10986/34367/India-Development-Update.pdf?sequence=1&isAllowed=y>

A REVIEW OF DEVELOPMENT IN INDIA

India has achieved much in the last 25 years. Since the early 1990s, when reforms began, growth rates have been higher and more stable, the economy has become more modern and globally integrated, macroeconomic stability has improved, and the average citizen is better educated and lives longer. In addition, the business environment and governance standards have improved, there is political stability, and the geopolitical environment is relatively stable.

Looking back at the last 50 years, India's average growth has accelerated slowly but steadily across sectors - agriculture, industry and services - and become more stable. This is reflected in increasing labor productivity and total factor productivity. The long-term trend toward acceleration and stability has, however, not been linear. There have been periods when growth accelerated rapidly, and periods when it slowed relative to the longterm trend. We note two such deviations. First, during 2004–08, there was a rapid pace of growth, with the average growth rate reaching an unprecedented high of 8.8 percent a year. This can be attributed to a combination of external and domestic factors. Among external factors, high growth reflected a global economic boom in which large parts of the world economy, including the Indian economy, grew rapidly. In the wake of the 2008–09 global financial crisis, the Indian economy slowed. This was reflected most remarkably in a slowdown in investment, exports, credit, manufacturing, and construction. It can be attributed to the broader macroeconomic management of the economy, including an excessive fiscal response to the crisis that led to worsening macroeconomic stability and slowed recovery¹⁰.

Scope of India's development programs

Poverty Alleviation and Hunger Eradication¹¹

The country with huge dimensions covering an area more than of 3.2 million square km along length and breadth and with more than 130 crore population at hand strives to improve the living standard of all and to ensure providing basic amenities include quality food to all its citizens. Poverty alleviation has been one of the guiding principles of the planning process in India. The role of economic growth in providing more employment avenues to the population has been clearly recognised. The growth-oriented approach has been reinforced by focusing on specific sectors which provide greater opportunities to the people to participate in the growth process. The various dimensions of poverty relating to health, education and other basic services have been progressively internalised in the planning process. Central and state governments have considerably enhanced allocations for the provision of education, health, sanitation and other facilities which promote capacity-building and well-being of the poor. India has continued its programme of economic reforms to achieve sustained growth. The reforms have included fiscal consolidation, inflation targeting, improved governance all around, accelerated infrastructure development, curbing of corruption, Aadhaar Act, Insolvency and Bankruptcy Act, Goods and Services Tax (GST), further liberalization of Foreign Direct Investment (FDI), closure of sick Public Sector Units and Page | 4 much more. Growth has enabled the Government to sustain social spending to target the poverty directly. In order to alleviate poverty, the country is focussing on generating meaningful employment by developing agricultural infrastructure, productive assets and entrepreneurship-based livelihood opportunities. The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), world's largest cash transfer programme, has generated over 2 billion person-days' of employment during the last year. It is aimed to reduce extreme poverty as well as enhance the infrastructure and purchasing power in rural areas. Similarly, the Deen Dayal Antyodaya Yojana-National Livelihoods Mission provides skilled employment to marginalized communities. 1.3 Various schemes of Government of India are aimed to directly and indirectly alleviate poverty and to eradicate hunger in the country. A few important ones are listed as following:

¹¹ India Development Update, 2018 <http://documents1.worldbank.org/curated/en/814101517840592525/pdf/India-development-update-India-growth-story.pdf>

¹² SAARC Social Chapter, 2019 http://mospi.nic.in/sites/default/files/publication_reports/SAARC18.pdf

- National Rural Employment Guarantee Scheme (MGNREGA)
- Deen Dayal Antyodaya Yojana (DAY)-National Rural Livelihood Mission (NRLM) and National Urban Livelihood Mission (NULM)
- National Social Assistance Programme (NSAP)
- Green Revolution, the umbrella scheme
- Rashtriya Krishi Vikas Yojana (RKVY)
- Krishi Unnati Schemes
- Pradhan Mantri Fasal Bima Yojana (PMFBY)
- Rashtriya Pashudhan Vikas Yojana (White Revolution)
- Price Stabilisation Fund
- Pradhan Mantri Jan Dhan Yojana
- Pradhan Mantri Jeevan Jyoti Bima Yojana
- Atal Pension Yojana (APY)
- Targeted Public Distribution System (TPDS)
- National Food Security Act (NFSA), passed in 2013
- Antyodaya Anna Yojana
- National Mission on Food processing (SAMPADA)

Health Programs

In recent years India has made ground-breaking progress in reducing the maternal mortality ratio (MMR) by 77% from 556 per 100000 live births in 1990 to 130 per 100000 live births in 2016. The Urban-Rural divide traditionally seen in institutional births has been largely closed. Overall 75% of rural births are now supervised as compared to 89% in urban areas. XIV National Health Profile 2019 India has attained significant progress in achieving immunization coverage through Universal Immunization Programme (UIP) which provides prevention against six vaccine preventable diseases. In 2013, India along with South East Asia Region, declared commitment towards measles elimination and rubella/ congenital rubella syndrome (CRS) control by 2020. MR vaccine campaign is targeted towards 410 million children across the country. 'Mission Indra dhanush' aimed to fully immunize more than 90% of newborns by 2020 through innovative and planned approaches. A total of 528 districts were covered during the various phases of this Mission. India has come a long way in immunisation but has to traverse far before achieving its targets. National health programmes, launched by the Government of India, have been playing crucial roles in tackling several serious health concerns. Malaria has been a problem in India for centuries, at one time a rural disease, diversified under the pressure of developments into various ecotypes. Both the cases reported and deaths due to malaria have come down over the years. The malarial death rate in India declined to 0.02 deaths per lakh population in 2018 from 0.10 deaths per lakh population in 2001. To achieve malaria-free country by 2027 and elimination by 2030, National Strategic Plan (NSP) 2017-22 for Malaria Elimination has been developed by National Vector Borne Disease Control Programme. For effective implementation of various elimination strategies, the focus of the programme is laid on district-level rather than State-level. Revised National TB Control Programme (RNTCP) is another programme implemented under National Health Mission. It has achieved millennium development goals in 2015 by halting and reversing the incidence of TB. The programme was initiated with the objective of ensuring access to quality diagnosis and care for all TB patients. Several notable activities such as notification of TB; case-based, web-based recording and reporting system (NIKSHAY); standards of TB care in India; Composite indicator for monitoring programme performance; scaling up of the programmatic management of drug resistant TB services etc. were implemented in the past. NIKSHAY, the web based reporting for TB programme has enabled to capture and transfer of individual patient data from the remotest health centres of the country¹².

¹² National Health Profile, 2019 <http://www.cbhidghs.nic.in/showfile.php?lid=1147>

Education Programs¹³

The Government of India is committed to achieving the Sustainable Development Goal (SDG- 4) for education – “Ensure inclusive and quality education and promote lifelong learning for all” by 2030. With a view to achieve the goal of universalization of elementary education, the Right to Free and Compulsory Education (RTE) Act, 2009 had been enacted in 2010 that provides a justiciable legal framework entitling all children between the ages of 6-14 years free and compulsory admission, attendance and completion of elementary education. It provides for children’s right to an education of equitable quality, based on principles of equity and nondiscrimination. India has made significant progress in quantitative indicators such as enrolment levels, completion rates and other physical infrastructure like construction of school buildings/class rooms, drinking water facilities, toilet facilities appointment of teachers etc. at elementary school level. The vision is to ensure education of equitable quality for all to fully harness the Nation’s human potential, and as a recognition of this vision, a number of initiatives are being taken.

Gender Equality and Women Empowerment¹⁴

India’s Goal for 2030 is to empower all women to live and development of the country, in an environment free from violence and discrimination. Women and girls in India experience inequalities in access to healthcare, education, nutrition, employment and asset ownership. Decision making at home and in public sphere is where women lag considerably behind. 919 females per 1000 males in 2011, declining from 927 in 2001. Women continue to lag behind in education as compared to 82 percent for males in 2011. Concerted efforts are made towards combating gender inequality by focusing on education of the girl child, providing access to health care facilities to girls and women, and ensuring access to livelihood opportunities. The participation of women in Panchayati Raj Institutions is having a positive impact on decision making opportunities for women in public sphere. India’s commitment towards undertaking reforms for ensuring equal opportunities and dignity of life for women, namely through legislations such as Protection of Women from Domestic Violence Act, 2005, Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, Prohibition of Child Marriage Act, 2006, Medical Termination of Pregnancy Act, 1971, and the Equal Remuneration Act, 1976. Targeted national level schemes and programmes, such as the Beti Bachao, Beti Padhao campaign, Sukanya Samridhi Yojana, MUDRA Yojana and Pradhan Mantri Ujjwala Yojana the targets of Goal 5.

Financing Development in India

India faces huge development gaps which require access to capital investment in order to close the gaps and allow for relief and humanitarian-based growth. Critically important, is the role of searching financial instruments that will assuage these roadblocks and allow for flow of finance that is used for development initiatives. As, SDGs attain critical debt for future development, their financing and integration with national programs will be essential for attain meaningful headway.

According to the Center for Global Development to meet the Sustainable Development Goals (SDGs), the world must ramp up development financing from billions to trillions of dollars. It is imperative to think beyond aid, to private finance, and unlocking developing countries’ own resources. The roles of financiers and developing country partners in mobilizing and allocating aid needs to change so that the international community can focus not only on country-by-country development, but also on pressing shared problems, such as climate change and the threat of pandemics. At the same time that the world is looking to scale up development financing, the development financing system is becoming more complex. The emergence of

¹³ Annual Report, 2016-17, Ministry of Human Resources, https://www.education.gov.in/sites/upload_files/mhrd/files/document-reports/HRD%20AR%202016-17%20SE.pdf

¹⁴SDG Index Baseline Report, 2018, NITI AYO, http://niti.gov.in/writereaddata/files/SDX_Index_India_21.12.2018.pdf

new multilateral development agencies and national development banks add resources to the mix but raise the question of whether new models of international cooperation are needed to maximize the leverage of scarce financing¹⁵.

Examining the Development Financial Institutions in India

An efficient and robust financial system acts as a powerful engine of economic development by mobilising resources and allocating the same to their productive uses. It reduces the transaction cost of the economy through provision of an efficient payment mechanism, helps in pooling of risks and making available long-term capital through maturity transformation. By making funds available for entrepreneurial activity and through its impact on economic efficiency and growth, a well-functioning financial sector also helps alleviate poverty both directly and indirectly.

In a developing country, however, financial sectors are usually incomplete in as much as they lack a full range of markets and institutions that meet all the financing needs of the economy. For example, there is generally a lack of availability of long-term finance for infrastructure and industry, finance for agriculture and small and medium enterprises (SME) development and financial products for certain sections of the people. The role of development finance is to identify the gaps in institutions and markets in a country's financial sector and act as a 'gap-filler'. The principal motivation for developmental finance is, therefore, to make up for the failure of financial markets and institutions to provide certain kinds of finance to certain kinds of economic agents¹⁶.

¹⁵ <https://www.cgdev.org/topics/sustainable-development-finance>

¹⁶ Evolution, objectives and financial position of Financial Institutions in India, Reserve Bank of India, <https://m.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=387#1>

DEVELOPMENT FINANCIAL INSTITUTIONS IN INDIA ¹⁷

The first development finance institution was the Industrial Finance Corporation of India, set up in July 1948 to provide long-term financing for India's industries. State financial corporations were then created, coming into effect in 1952, to support State-level SMEs with industrial credit. In 1955, the Industrial Credit and Investment Corporation of India was created as the first development finance institution in the private sector, with the support of the World Bank in the form of a long-term foreign exchange loan and backed by a similar loan from the Government of the United States of America. The establishment of other specialized financial institutions followed, including the Agriculture Refinance Corporation, Rural Electrification Corporation and Housing and Urban Development Corporation. Finally, IDBI was created in 1964, coming into existence as an apex lending institution, together with the Unit Trust of India as an investment institution, both starting as subsidiaries of the Reserve Bank of India. The build-up of a system of development finance institutions in 1948–1964 can be characterized as the first phase of development banking in India. Once fully in place, the role of India's development finance institutions gradually grew in importance, as providers of long-term financing to different sectors of the economy of India. In 1970–1971, disbursements by all development finance institutions amounted to only 2.2 per cent of India's gross capital formation, but grew steadily, to reach 10.3 per cent in 1990–1991 and 15.2 per cent in 1993–1994.

This period, from 1964 to the mid-1990s, can be characterized as the second phase of the evolution of India's development banking. In this phase, the number of development finance institutions further expanded, with the establishment of the Industrial Investment Bank of India in 1971, National Bank for Agriculture and Rural Development and Export–Import Bank of India in 1982 and Small Industries Development Bank of India in 1990 (Organization for Economic Cooperation and Development (OECD), 2015). Following the balance of payments crisis in 1991, India took steps towards the liberalization of the country's financial sector and external accounts, starting a third phase in which the importance of development banking declined, particularly after 2000–2001. This occurred as liberalization resulted in the conversion of some development banking institutions into commercial banks, as well as in the decline of the amount of resources mobilized by other financial institutions. As a result of this liberalization process, by 2011–2012, financial assistance disbursed by development finance institutions amounted to only 3.2 per cent of gross capital formation. As a proportion of the financial system as a whole, between the early 1970s and late 1980s, their loans accounted for over two thirds of total disbursements. Between financial liberalization in the early 1990s and early 2000s, this share declined to 30 per cent; after 2004, it declined further, to 1.7 per cent.

Two notable examples of conversion from development finance institutions into commercial banks have been the Industrial Credit and Investment Corporation of India in 2002 and IDBI in 2004. The counterpart of this process has been the growing role of domestic and foreign private firms in the financial sector. Following liberalization, they were granted greater flexibility in mobilizing resources, and in lending and investing resources. At the same time, with the transformation or closing down of the larger development finance institutions, small industry focused financial institutions such as the Small Industries Development Bank of India have taken on a growing role, along with investment institutions such as the Unit Trust of India. The importance of development finance institutions in India is clear from the fact that their contribution to total capital formation has grown significantly over the years, with 70 per cent of the total directed to the private sector and taking the form of loans, as well of underwriting and direct subscriptions of shares and debentures. Aggregate disbursements as a ratio of net capital formation in the private sector rose from 24 per cent in 1970–1971 to 80 per cent directly before the 1991 crisis. This provision of long-term industrial finance was a major source of support for investment in the country, and constituted an important method by which to address the limitations of the financial system that prevailed prior to

¹⁷ Rolde of Development Banks in Promoting Growth and Sustainable Development in the South, UNCTAD, 2016, https://unctad.org/system/files/official-document/gdsecidc2016d1_en.pdf

independence. The sectors that development finance institutions have targeted over the years are wide ranging, and include manufacturing, services, agribusiness, construction, energy and infrastructure, in addition to social sectors such as health and education (OECD, 2015)

DFI's in India

There are some DFIs which are established directly by the statute. The statute prescribes the regulator for the institution. Currently, NABARD, NHB, SIDBI, and EXIM Bank are the only four statutory DFIs. The Reserve Bank of India regulates them under the Banking Regulation Act 1949.

The remaining are incorporated as non-banking financial corporations (NBFCs) under the Indian Companies Act 1956. Depending on the nature of their activities, they register with different types of regulatory agencies. The RBI, SEBI, NHB, IRDA, and Registrar of Companies are all regulators for different kinds of NBFCs¹⁸.

- National Bank for Agriculture and Rural Development: NABARD came into existence on 12 July 1982 by transferring the agricultural credit functions of RBI and refinance functions of the then Agricultural Refinance and Development Corporation (ARDC). It was dedicated to the service of the nation by the late Prime Minister Smt. Indira Gandhi on 05 November 1982. Set up with an initial capital of Rs.100 crore, its' paid up capital stood at Rs.14,080 crore as on 31 March 2020. Consequent to the revision in the composition of share capital between Government of India and RBI, NABARD today is fully owned by Government of India¹⁹.
- National Housing Bank: Was set up to promote a sound, healthy, viable and cost effective housing finance system to cater to all segments of the population and to integrate the housing finance system with the overall financial system. Promoting a network of dedicated housing finance institutions to adequately serve various regions and different income groups. Augmenting resources for the sector and channelise them for housing. Making housing credit more affordable. Supervising the activities of housing finance companies based on supervisory power derived under the Act²⁰.
- Small Industries Development Bank of India (SIDBI) set up on 2nd April 1990 under an Act of Indian Parliament, acts as the Principal Financial Institution for Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for co-ordination of functions of institutions engaged in similar activities²¹.
- EXIM Bank: Export-Import Bank of India is the premier export finance institution of the country that seeks to build value by integrating foreign trade and investment with the economic rise of India. The Bank has been guided by expertise at the Board level, by senior policy makers, expert bankers, leading players in industry and international trade as well as professionals in exports, imports or financing. With offices spread across India and in select locations of the world, the bank aspires to boost the businesses of industries and SMEs²².

¹⁸ Evolution, objectives and financial position of Financial Institutions in India, Reserve Bank of India, <https://m.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=387#1>

¹⁹ nabard.org/content.aspx?id=2

²⁰ <https://nhb.org.in/>

²¹ <https://www.sidbi.in/en/about-sidbi>

²² <https://www.eximbankindia.in/about-us>

Non-Banking Financial Institutions²³

Non-banking financial institutions (NBFIs) are a group of diverse financial intermediaries which, in a bank-dominated financial system like India, serve as an alternative channel of credit flow to the commercial sector. Among the various institutions that perform this function¹, those regulated by the Reserve Bank are all-India financial institutions (AIFIs), non-banking financial companies (NBFCs), primary dealers (PDs) and the most recent addition, housing finance companies. NBFCs are government/public/private limited companies, which specialise in delivering credit to a wide variety of niche segments, ranging from infrastructure to consumer durables. PDs came into existence in 1995 and act as market makers in the government securities (G-secs) market, besides ensuring that primary issuances of G-secs are subscribed. HFCs extend housing finance to individuals, co-operative societies and corporate bodies and lease commercial and residential premises to support housing activity in the country²⁴.

- **Growth:** In terms of year-on-year (YoY) growth rate, the NBFC sector beat the banking sector in contributing to the economy every year. On average, this segment grew by 22% every year, in its initial stages
- **Profitability:** NBFCs have been more profitable than the banking sector because of lower costs. This enabled them to offer cheaper credit to customers.
- **Enhancing the Financial Market:** An NBFC caters to the urban and rural poor companies and plays a complementary role in financial inclusion. These financial companies bring much-needed diversity to the market by diversifying the risks, increasing liquidity in the markets thereby bringing efficiency and promoting financial stability to the financial sector. **Infrastructure Lending:** NBFCs by lending to infrastructure projects, contribute largely to the economy. This is very important for the growth of a developing country like India. The amount involved is quite large, the projects being risky, with no surety of returns, and profits occurring after a longer time-frame. These factors deter banks from financing these projects. Since their inception, NBFCs have contributed more to infrastructure lending than banks.
- **Promoting Inclusive Growth:** All the top NBFC in India cater to a wide variety of customers – both in urban and rural areas. They finance projects of small-scale companies, which is important for the growth in rural areas. They also provide small-ticket loans for affordable housing projects. Microfinance provided by them plays an important role to attain stable financial inclusions. All these activities by the institution with an NBFC License help promote inclusive growth in the country.
- **Upliftment in the Employment Sector:** With the growth in operations of the small industries and businesses, the policies of NBFCs are uplifting the job situation. More opportunities for employment are arising with the influence of the NBFCs in the private as well as government sectors. The business activities in the private sector provide more employment opportunities and occupation practices. And NBFC plays a key role in their growth and stability.
- **Mobilization of Assets:** With more public preferring to deposit in NBFCs because of their higher rate of interest, NBFCs allow mobilization of resources; funds, and capitals. Due to their easier norms for investing, these companies create a balance between intra-regional income and asset distribution. Turning the savings into investments, these companies contribute to economic development as compared to traditional bank practices. Proper organization of capital helps in the

²³ <https://www.eximbankindia.in/about-us>

²⁴ <https://m.rbi.org.in/Scripts/PublicationsView.aspx?id=19367>

development of the trade and industry, leading to economic progress. They operate not intending to maximize their profit and are, therefore, engaged in activities that generate zero or very low revenue.

- **Financing for Long-Term:** NBFC plays a key role in providing firms with funds through equity participation. As against traditional banks, NBFCs supply long-run credit to the trade and commerce industry. They facilitate to fund large infrastructure projects and boost economic development. Long-term finance permits growth with stable and soft interest rates. The economy thrives when businesses of SSIs and MSMEs flourish.
- **Raising the Standard of Living:** NBFCs collaborate with the government for the upliftment of the society. The NBFCs attract deposits from the general public and convert it into capital for industrial and other sectors for smooth economic development. The rise in businesses consequently raises the demand for workforce and creates employment opportunities raises the purchasing power of individuals and, subsequently, raising demands. This works to upgrade the living standards of a society. Also, foreign deposits are attracted to these financial institutions and support economic process and development.

India's public financing and domestic resource mobilization

Domestic Resource Mobilization (DRM) — the process through which countries raise and spend their own funds to provide for their people – is the long-term path to sustainable development finance. DRM not only provides governments with the funds needed to alleviate poverty and deliver public services, but is also a critical step on the path out of aid dependence²⁵. India's tax revenue collection declined for much of the 1990s, as reforms to consumption taxes struggled to keep pace with revenue losses arising from the decline in trade taxes that followed market liberalization. The tax-to-GDP ratio declined from a peak of 17.5% in 2007 to 15.5% in 2009 as a result of countercyclical fiscal policies introduced to help the country weather the global economic crisis. Tax revenues slowly recovered to their pre-crisis levels in 2014. In general, India's tax performance has kept pace with the broader trend for LMICs, including when reducing taxes as a fiscal stimulus during the financial crisis. While India outperformed the average for LICs prior to its graduation to LMIC status in 2009, its current performance is below average for its income status (although by regional standards it is performing relatively well²⁶).

Tax to GDP ratio

The tax ratio during the first forty years of planned development in India came from indirect taxes, which more than tripled, from 4 per cent of GDP in 1950–51 to 13.5 per cent in 1991–92, including the state taxes ratio which has been static at about 5 per cent. Since then, however, revenue from indirect taxes has fallen back to around 11 per cent of the GDP. The tax GDP ratio of central indirect taxes used to be about 8 per cent in 1990-91, and gradually came down to 6 per cent in the mid-nineties and to 5 per cent in 2008-09 to 4.5 per cent in 2010-11. Such a sudden fall happened because of reductions in customs tariffs and excise duties on account of WTO guidelines and Chelliah Committee reports advising reduction in duties and tariffs. Therefore, during this period, a major impetus was given by the direct taxes whose ratio improved to close to 6 per cent. The state taxes ratio in the same period has been about 5 per cent from 1985-86 till 1999-2000 and thereafter improved to 5.5 per cent in 2007-08, to 6.14 per cent in 2011-12 and to 7 per cent in 2013-14. This happened because of the introduction of VAT as also computerisation of state VAT departments.

²⁵ <https://www.usaid.gov/what-we-do/economic-growth-and-trade/domestic-resource-mobilization>

²⁶ Tax Revenue in India: Trends and Issues, Pratap Singh, Institute for Social and Economic Change <http://www.isec.ac.in/WP%20448%20-%20Pratap%20Singh%20-%20Final.pdf>

Private Finance

Private finance plays a critical role in helping us to meet the SDGs. Imagine: shifting just 1% of total global financial assets – estimated at USD 382 trillion – could bridge the existing financing gap. Moreover, by joining forces, the public and private sectors can ensure that existing investments are better aligned with the 2030 Agenda; and help bridge the estimated USD 2.5 trillion annual investment gaps for delivering the Goals²⁷. It is generally agreed that public resources will not be sufficient to meet the investment gap required to achieve the Sustainable Development Goals (SDGs). According to estimates, there is currently an annual shortfall of USD2.5 trillion in developing countries (despite the combined amount of private capital flows, personal remittances, official development assistance (ODA) and private grants), which could work against achieving the SDGs in these countries. In order to successfully move forward, bringing in private actors as partners in development is indispensable. Increasingly recognized by the international community as a means to help bridge the funding gap to achieve the SDGs, blended finance aims at enhancing the quality of partnership between the public and private sector by maximizing synergies while setting clear impact targets towards sustainable development²⁸.

India's Private Financing Measures

India uses private financing mainly for closing its infrastructure gaps. While many advanced economies and fiscal constrained developing countries have developed their physical infrastructure successfully either through private participation or through public-private partnership (PPP) model, in India, private participation in the process of infrastructure development has received lacklustre response. PPP is defined as “the transfer to the private sector of investment projects that traditionally have been executed or financed by the public sector” (IMF, 2004). Any arrangement made between a state authority and a private partner to perform functions within the mandate of the state authority, and involving different combinations of design, construction, operations and finance is termed as Ireland's PPP model.

The PPP is sometimes referred to as a joint venture in which a government service or private business venture is funded and operated through a partnership of government and one or more private sector companies. Typically, a private sector consortium forms a special company called a special purpose vehicle (SPV) to build and maintain the asset. The consortium is usually set up with a contractor, a maintenance company and a lender. It is the SPV that signs the contract with the government and with subcontractors to build the facility and then maintain it²⁹.

²⁷Remarks by Angel Gurría, OECD Secretary-General, Private Finance for Sustainable Development (PF4SD) Conference, <http://www.oecd.org/development/private-finance-for-sustainable-development-conference-paris-january-2020.htm>

²⁸Blended Finance: An Overview, IFC, 2019,

https://www.idfc.org/wp-content/uploads/2019/10/blended-finance-a-brief-overview-october-2019_final.pdf

²⁹Public-Private Partnership in Indian Infrastructure Development: Issues and Options, L. Lakshman,

https://www.rbi.org.in/scripts/bs_viewcontent.aspx?id=1912

Table 1: Schemes and Modalities of PPP	
<p>Schemes</p> <p>Build-own-operate (BOO)</p> <p>Build-develop-operate (BDO)</p> <p>Design-construct-manage-finance (DCMF)</p>	<p>Modalities</p> <p>The private sector designs, builds, owns, develops, operates and manages an asset with no obligation to transfer ownership to the government. These are variants of design-build-finance-operate (DBFO) schemes.</p>
<p>Buy-build-operate (BBO)</p> <p>Lease-develop-operate (LDO)</p> <p>Wrap-around addition (WAA)</p>	<p>The private sector buys or leases an existing asset from the Government, renovates, modernises, and/or expands it, and then operates the asset, again with no obligation to transfer ownership back to the Government.</p>
<p>Build-operate-transfer (BOT)</p> <p>Build-own-operate-transfer (BOOT)</p> <p>Build-rent-own-transfer (BROT)</p> <p>Build-lease-operate-transfer (BLOT)</p> <p>Build-transfer-operate (BTO)</p>	<p>The private sector designs and builds an asset, operates it, and then transfers it to the Government when the operating contract ends, or at some other pre-specified time. The private partner may subsequently rent or lease the asset from the Government.</p>

Source: Public Private Partnership, Fiscal Affairs Department of the IMF.

Recommendations for effective PPP’s for private financing

The use of PPPs for the delivery of basic services by state and municipal governments would be stimulated by the provision of central funds to support their payments under PPPs. Any additional funding of PPPs should be complemented by a more rapid development of capacities to monitor the fiscal costs of PPPs. PPP program need to develop a cross-sectoral PPP unit although the role that this unit plays is sometimes restricted to information dissemination and the preparation of guidance material. The design response to two key issues – the role of a cross-sectoral unit visà-vis line ministries and the role of a national unit in sub-national PPPs – will be driven by the business practices within governments and the fiscal, and other, relations between the center and the states³⁰.

³⁰India: Building Capacities for Public-Private Partnerships, World Bank, 2004, <https://www.un.org/esa/coordination/Alliance/Ex-PPP%20in%20India.pdf>

CIVIL SOCIETY RECOMMENDATIONS

1. India needs to play a wide-ranging systemic reform of the current system of global economic governance that emphasizes on promoting financing for development of SDGs and development goals.
2. The Indian government should integrate the adoption of new approaches to economic development that prioritize socio-economic developmental rights over financial interests and economic growth.
3. The promotion of economic recovery from the current crisis across the country based on a clear development path provided by key global policy frameworks already adopted by the international community. including the Paris Climate Agreement with its national commitments, and the 2030 Agenda for Sustainable Development with its 17 Sustainable Development Goals.
4. The establishment of a new, long-term, national public financing system to mobilise and disburse the financial resources required to enable fulfilment and realization of sustainable development goals
5. Using COVID-19 public health fund (PM-Cares) to be used for humanitarian purposes and to help vulnerable and marginalized sections of society with relief and support.
6. Sustained support for the transformative role of public finance in stimulating a global economic recovery including a strengthened role for Public Sector Banks (PSBs) for financial support.
7. An obligation on development finance institutions to ensure that blended finance adheres to development effectiveness principles, and that robust transparency and accountability systems apply, including the appointment of ‘public interest’ bodies to monitor the expenditure of blended finance and to ensure that it delivers value for the public realm.
8. Pegging adherence to tax rules and decision-making processes to transparent UN intergovernmental Tax Commission and Tax Convention that address tax havens, tax abuse by multinational corporations and other illicit financial flows.
9. The alignment to international development financing standards with (i) individual country priorities which have been agreed following extensive public consultation, and (ii) Integrated national financing frameworks
10. Making available financing civil society to increase its ongoing access to adequate, predictable, diversified and sustainable financial resources, and support its role in monitoring and implementing international sustainable development policy frameworks
11. Creating multi-stakeholder platforms and public consultation with civil society for inputting their concerns on policy frameworks.

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