State and Business in Financing the Goals of Sustainable Development

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Abstract
Sustainable development remains the main priority of the global community, but the implementation of the Sustainable Development Goals (SDGs) faces serious financial difficulties. The COVID-19 pandemic has significantly exacerbated the problem of uneven access to finance, widening the gap between developed and developing countries. The events of 2022, in particular the war in Ukraine, further complicated the global economic situation, leading to a sharp increase in food and energy prices, as well as a deterioration in financial conditions. These factors have significantly narrowed the fiscal space for many developing countries, increasing the risk of a fiscal crisis. The article analyzes the main sources of financing for sustainable development, such as public spending and foreign investment, which currently face serious obstacles. It highlights the challenges of mobilizing sufficient financial resources from both domestic and international sources, as well as the importance of foreign direct investment for economic growth, job creation and environmental sustainability. The authors emphasize the need for urgent and balanced actions to prevent a long-term crisis in the financing of the Sustainable Development Goals and to ensure the basic conditions of existence, health care and general well-being of the population.

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Until 2019, the world faced growing global risks that threatened the achievement of sustainable development goals. The COVID-19 pandemic acted as a catalyst, exposing these risks and creating a deep financial gap between countries' capabilities and real challenges. The pandemic not only impacted health care but also significantly worsened the macroeconomic stability of many nations, increasing inequality and exacerbating economic resilience issues. Additionally, the war in Ukraine, rapid rises in food and energy prices, and deteriorating financial conditions provided another blow to many countries. The war in Ukraine put additional pressure on global markets, increasing the volatility of prices for key resources, including energy and food products. Countries already struggling with the consequences of the pandemic found their recovery efforts even more challenging due to financial instability and a worsening debt crisis. As a result, the most vulnerable nations, particularly those with significant debt burdens and severe fiscal constraints, lost their ability to achieve proper economic development. Many countries were forced to reassess their priorities, including those related to achieving Sustainable Development Goals (SDGs), jeopardizing global efforts for sustainable development.

Despite some positive signals, such as the gradual recovery of the labor market and decreased inflationary pressure in some countries, global macroeconomic prospects remain extremely unstable and unpredictable. For the poorest and most vulnerable nations, these prospects seem even more unrealistic. On one hand, they face increasing debt burdens that limit their ability to finance key economic projects. On the other hand, fiscal constraints prevent governments from effectively responding to new challenges, exacerbating economic problems and threatening further deepening of poverty.

Recent banking crises in the United States and Switzerland, which led to the bankruptcy of some financial institutions, also highlighted systemic weaknesses in financial regulation and oversight. These events underscore the need to review the global financial architecture to ensure a more resilient and secure financial system capable of better responding to macroeconomic shocks. Gaps in financial regulation could lead to cascading effects on international markets, further complicating the task of achieving sustainable development.

Thus, the contemporary challenges facing the global economy require new solutions, including a review of approaches to sustainable development financing, enhancement of international cooperation effectiveness, and strengthening of financial instruments to counter global crises. Only comprehensive and coordinated actions will help mitigate negative impacts and restore the path to sustainable development for all countries.

The purpose of this article is to examine the interaction between the state and business in the financing of Sustainable Development Goals (SDGs), with a focus on studying models and tools of cooperation that can enhance the effectiveness of financial resource mobilization.

The primary sources of funding for sustainable development, especially in developing countries, include public resources and private sector financial contributions. Internal public resources continue to be a key mechanism through which governments can support the achievement of SDGs. However, the global financial and economic crisis caused by the COVID-19 pandemic, along with high levels of debt and limited fiscal capacities in many countries, has significantly undermined the ability of states to finance important economic initiatives.

Today, the well-being and stable economic development of any country depend on the government's ability to mobilize resources through an effective internal taxation system and rational management of the funds obtained. Internal public resources play a fundamental role in achieving the SDGs by financing various public goods and services such as healthcare, education, infrastructure, and social programs. They also contribute to reducing social and economic inequality through mechanisms for redistributing national income, including progressive taxation systems and social transfers (Baldwin & di Mauro).

Fiscal measures also impact the behavior of households and businesses, creating incentives for investment and growth through tax benefits or, conversely, regulations that restrict certain harmful practices. Countercyclical measures, which involve increasing government spending during economic downturns and cutting back during periods of expansion, help mitigate the effects of crises and stabilize the macroeconomic cycle. Specifically, during crises, governments can increase spending on social programs and infrastructure projects, which supports the economy, creates jobs, and stimulates consumer demand.

Fiscal policy is not just a tool of financial management but also a crucial component of sustainable structural transformations that can influence the long-term competitiveness of the economy. Government investments in human capital, innovation, and infrastructure lay the foundation for economic growth and improved quality of life for the population. Moreover, the fiscal system promotes conditions for inclusive growth by ensuring a fair distribution of national wealth and supporting the most vulnerable segments of society (Fornaro &Wolf, 2020).

Private investments also play a significant role in financing sustainable development, particularly through the development of public-private partnerships. The private sector can provide substantial financial resources for infrastructure projects, innovation development, and job creation. This is especially relevant for countries with limited government budgets, where collaboration with businesses can become a key factor in achieving economic stability and sustainable development.

For many developing countries, attracting external resources such as international aid, loans from international financial institutions, or investments from foreign enterprises is also important (Fetzer, et al. 2020). However, external financing often comes with its own risks, such as increasing debt burdens, which can weaken a country's fiscal sustainability. Therefore, countries need to balance between attracting external resources and developing their own capacities to ensure financial independence and long-term resilience.

In conclusion, internal public resources remain a fundamental element of sustainable development financing, but they need to be effectively combined with private investments, external financial resources, and innovative economic management approaches. Only through a comprehensive approach, including fiscal system reform, private sector stimulation, and strengthening international cooperation, can countries achieve the Sustainable Development Goals and ensure the long-term sustainability of their economies.

The effectiveness of a country's tax system and the efficient functioning of the public sector are closely interconnected and mutually reinforcing, creating favorable conditions for economic growth. The tax system plays a crucial role in ensuring the country's financial stability, allowing taxpayers to contribute to societal development, while enabling governments to provide necessary public goods and services. This creates the foundation for building an effective economic infrastructure that supports long-term economic growth (Financing for Sustainable…, 2023).

The tax system is not only a mechanism for collecting funds to finance government programs but also an important tool through which the government influences macroeconomic processes. For example, government instruments such as taxes, subsidies, and grants can affect the overall dynamics of economic development by directing resources to sectors that require special attention or are of strategic importance to the country's economy. The effective functioning of such mechanisms is possible only with close interaction among all economic actors— from government bodies to private companies and households.

Effective management of public revenues and expenditures is a critical factor in increasing taxpayer trust. When citizens and businesses perceive that their tax contributions are used effectively, it encourages them to engage more actively in tax processes. Trust in the government regarding the fair and transparent use of resources also boosts support for other aspects of public policy, such as reforms and structural changes. Specifically, effective financial management enables the government to invest in key areas such as education, healthcare, infrastructure, and social protection, which in turn strengthens the economy and society as a whole.

Implementing structural changes requires sustained political will as well as a significant amount of time to achieve tangible results. However, these reforms are fundamental for enhancing the efficiency of public administration and strengthening the capacity of the public sector. The better organized and functioning public administration is, the easier it is for a country to adapt to global challenges and economic changes.

Recent events, such as the sharp rise in energy prices due to the war in Ukraine, have highlighted the need for adapting government policies, particularly in the area of revenues. High fossil fuel prices have generated additional profits for energy companies, opening opportunities for revising the tax system to redistribute these resources. Considering the relevance of climate change issues, governments can use high energy prices as an incentive to reduce dependence on fossil fuels while providing support to businesses and households most affected by the increased cost of energy.

Taxes on windfall profits resulting from fluctuations in energy prices could become an important element of a modernized tax system. The revenues generated could be directed towards addressing social justice issues, particularly by providing assistance to vulnerable populations most affected by rising prices of goods and services.

Moreover, effective tax policy must consider global challenges and adapt to them. Further improvement of tax mechanisms aimed at regulating windfall profits and promoting sustainable development will help countries overcome the consequences of economic crises and ensure long-term stability.

The prospects for sustainable development during the period of the Sustainable Development Goals (SDGs) from 2015 to 2023 have proven insufficient to bridge the existing gap between developed and developing countries. Moreover, this gap has widened under the influence of various global challenges. Without effective strategies to address this issue, the financial gap could evolve into a persistent barrier to achieving the SDGs, threatening global resilience and equitable development.

The need for financial resources to achieve the SDGs is steadily increasing; however, available funding does not match the dynamic growth of these needs. This became evident during the COVID-19 pandemic, which not only destabilized the global economy but also led to a significant reduction in funding for many sustainable development programs. The war in Ukraine, which caused global instability and a sharp rise in food and energy prices, also negatively impacted the economies of many countries, especially developing ones. This, in turn, led to increased levels of poverty and hunger and slowed progress towards achieving many SDGs.

It is important to note that ongoing economic and social crises in many parts of the world have complicated governments' fiscal capacities and reduced the private sector's investment potential, making sufficient funding for sustainable development projects impossible. Additionally, the instability of global markets and financial conditions exacerbates the pressure on national budgets and infrastructure projects.

To change the situation, international and national organizations, governments, and the private sector must focus on a long-term approach to financing sustainable development while addressing urgent short-term crises. This includes implementing innovative financing mechanisms, attracting investments, developing public-private partnerships, adapting tax systems, and promoting responsible investment activities.

Furthermore, it is necessary to enhance measures to ensure financial accessibility for developing countries by creating new global financial instruments and support mechanisms aimed at reducing inequality and strengthening their economies. Otherwise, the significant gap in access to resources and opportunities will become a long-term obstacle to sustainable development worldwide.

Conclusion

The prospects for sustainable development from 2015 to 2023 have proven inadequate for bridging the economic gap between developed and developing countries. Global crises, such as the COVID-19 pandemic and the war in Ukraine, have further exacerbated the problem of inadequate funding for the SDGs. Achieving sustainable development requires long-term financial strategies, including innovative mechanisms, public-private partnerships, and effective resource management, to prevent the deepening of financial gaps and inequality.

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