Asia-Pacific SDG Financing Requirements and the Role of Cooperation

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Overview

• Many countries in Asia-Pacific region have mainstreamed the SDGs into their national plans, but few have examined the financial implications.
• SDG costing can help mobilize resources as well as allocate them to priority areas.
• This presentation summarizes ESCAP’s recent assessment of SDG investment needs in Asia-Pacific region.
• It also discusses the role of cooperation in bridging the financing gap for Asia-Pacific, and particularly highlights the recently established ESCAP Infrastructure Financing and PPP Network for Asia-Pacific
ESCAP Survey 2019 on SDG investment needs in Asia-Pacific region
Inclusive and sustainable development scenario
How much would it cost to achieve the Sustainable Development Goals?

Using various costing models, ESCAP’s *Economic and Social Survey 2019* finds that an additional investment of $1.5 trillion per year would allow Asia-Pacific developing countries to end extreme poverty and ambitiously move towards universal health coverage, quality education and enabling infrastructure, while staying on track to limit climate change.
Annual average additional investment needs
Annual average additional investment needs

Annual average, 2016-2030
$ billions in 2016 constant prices

People

669
Annual average additional investment needs

Annual average, 2016-2030
$ billions in 2016 constant prices

- People: 669
- Prosperity: 196
Annual average additional investment needs

**People**: $669 billion in 2016 constant prices

**Prosperity**: $196 billion in 2016 constant prices

**Planet**: $590 billion in 2016 constant prices
Annual average additional investment needs

(Developing Asia-Pacific region, 2016-2030)

<table>
<thead>
<tr>
<th>Category</th>
<th>Billions of US dollars in 2016 price</th>
</tr>
</thead>
<tbody>
<tr>
<td>End poverty and hunger</td>
<td>373</td>
</tr>
<tr>
<td>Health and education</td>
<td>296</td>
</tr>
<tr>
<td>Prosperity</td>
<td>196</td>
</tr>
<tr>
<td>Clean energy and climate action</td>
<td>434</td>
</tr>
<tr>
<td>Planet</td>
<td>156</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>578</td>
</tr>
<tr>
<td>Current expenditures</td>
<td>/표준</td>
</tr>
</tbody>
</table>
Just under a dollar per person per day

- Clean energy for all
- Protection for nature
- Sustainable infrastructure for all
- No poverty & zero hunger
- Health and education

≈ $1

$1 = 12¢ + 37¢ + 43¢
Investment gap varies significantly across the region, rising to more than 16% of GDP in **LDCs** and more than 10% in **South Asia**

Similarly, **Pacific SIDS** face steep challenges due to high vulnerability to climate change, but results are not shown given limited data availability.
Investing in **PROSPERITY** through enabling infrastructure

- **Water and sanitation**
- **Information and communications technology**
- **Transport**

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Bar chart showing additional investment in the PROSPERITY per year in billion, United States dollar:

- **126** billion
- **56** billion
- **14** billion
Methodology and considerations

General methodology

- Projection of future infrastructure demand based on economic, demographic, urbanization variables
- Estimation of public and private flows to infrastructure

**Transport** (roads and railways)

- Project-based country-specific unit costs
- Resource optimization holds a high promise

**ICT** (mobile and fixed-broadband)

- High- and low-cost scenarios based on ITU data
- Critical for the digital economy

**Water and sanitation**

- Within the premises, readily accessible, free from contamination
- Challenges of water stress and water-related ecosystems
Investment needs vs. current flows in transport, ICT and WSS infrastructure
Meeting the investment needs through improved financing
Most countries with high SDG investment needs have limited access to affordable financing.
Governments should actively engage private sector to meet the required investment

Source: UNCTAD (2014)
Role of Regional Cooperation in financing SDG needs
Regional financial cooperation could help match surplus savings with investment needs

Source: ESCAP Survey 2018
A declining trend of private sector involvement in infrastructure investment


- Nevertheless, this trend is not homogeneous across subregions
  - East and North-East, and South-East Asia show a >50% increase
  - South and South-West, and North and Central Asia show a ~50% decrease

- The energy sector was the most negatively affected, with a reduction of 48% of private participation in investment

Source: PPI Database, World Bank
Cross-border infrastructure is fundamental, but comes with additional challenges

❖ Development of seamless connectivity is a pillar of the Bangkok Declaration on Regional Economic Cooperation and Integration (RECI)

❖ Cross-border infrastructure is a pre-requisite for a greater and freer movement of people, goods, energy and information, but exhibit additional risks that must be recognized and addressed:
  • Large investment requirements and lengthy maturation cycles
  • Differing or opaque rationales, and greater political risks
  • Potentially greater foreign currency liabilities
  • Differences in regulatory and policy frameworks
  • Institutional capacity and coordination issues
  • Differing technical standards
Role of the ESCAP Infrastructure Financing and PPP Network
Regional initiatives have the potential to mitigate these challenges

Belt and Road Initiative

- Largest initiative, covering countries in Asia, Africa and Europe
- Constitutes a channel for countries to access MDB and DFI financing
- Establishes long-term commitments that reduce political risks
- Addresses environmental concerns through the BRI Green Investment Principles

Infrastructure Financing and PPP Network of Asia and the Pacific

- Platform for dialogue and homogenization of policies and objectives
- Promotes cooperation in the identification and prioritization of cross-border infrastructure projects
- Aims at improving the institutional capacity of member states
- Engages with the private sector to secure additional sources of finance

Economic and Social Commission for Asia and the Pacific
UN Value Added

Comparative Advantage of UNESCAP

Member States Driven

Focus on Asia and the Pacific

Consideration for Country Context and Countries with Special Needs

Sustainable Development Goals

Inclusive Economic Growth

ESCAP Sustainable Business Network
Current Network members
# Activities of the Network

<table>
<thead>
<tr>
<th>Capacity building</th>
<th>Knowledge sharing</th>
<th>Platform for dialogue</th>
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<tbody>
<tr>
<td>• Build the capacities of public authorities for increased private sector participation and investment in infrastructure</td>
<td>• Help countries gain an understanding of PPP concepts and other infrastructure financing options</td>
<td>• Promote regional cooperation and the alignment of efforts with regard to infrastructure finance</td>
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<td>• Improve the capacity of decision-makers for implementing PPP policies</td>
<td>• Enhance knowledge on PPP institutions, project pipelines and investment demands.</td>
<td>• Bring together representatives from member-states and private sector to discuss infrastructure finance issues</td>
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Role of the private sector in the Network

The private sector plays a key role in the implementation and financing of infrastructure projects.

- Participation in meetings and workshops
- Active engagement in the Network in membership form
- On-going and continued dialogue with ESCAP
- Partnership with member states