The Role of Financing in Supporting the Implementation of the Sustainable Development Goals

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Third South Asia Forum on the Sustainable Development Goals

Dhaka, Bangladesh
9 December 2019
Main Messages

- The UN has stepped up its efforts on financing for development at the regional and country levels
  - SG’s roadmap on financing the 2030 Agenda, and development of integrated national financing frameworks

- SDGs investment needs in South and South-West Asia are large relative to their financing flows
  - The largest needs pertain to ensuring people’s well-being

- South and South-West Asia is regressing in achieving SDGs on climate issues and clean water and sanitation
  - Calls for stronger climate finance and larger fiscal resources
Overview of the presentation

1. UN financing frameworks to support the implementation of the 2030 Agenda for Sustainable Development

2. SDG investment needs and financing flows in South and South-West Asia

3. Lagging SDGs in South and South-West Asia and ESCAP’s support on financing strategies
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UN Secretary-General’s 2019-2021 Roadmap for Financing the 2030 Agenda: 3 objectives

- Align global economic policies and financial systems with 2030 Agenda
- Enhance sustainable financing strategies and investments at regional and country levels
- Seize potential of financial innovations, technologies and digitalization for equitable access to finance
## UN Secretary-General’s Roadmap: 6 action areas

<table>
<thead>
<tr>
<th>Advocacy</th>
<th>1</th>
<th>Integrate the SDGs and Paris Agreement into economic &amp; financial policies and practice</th>
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<tbody>
<tr>
<td></td>
<td>2</td>
<td>Scale-up Climate Finance</td>
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<td>3</td>
<td>Highlight the needs of LDCs and SIDS</td>
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<td>Engagement</td>
<td>4</td>
<td>Establish Global Platforms</td>
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<td>5</td>
<td>Strengthen Partnerships with IFIs</td>
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<td>6</td>
<td>Accelerate the work of the UN System</td>
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Integrated national financing frameworks: overview

- Most national development plans are not accompanied by financing strategies.

- Integrated national financing frameworks help:
  - Align financing with long-term priorities
  - Focus on binding constraints to mobilize resources
  - Identify targeted policies and reforms
  - Facilitate sequencing of reforms
Integrated national financing frameworks: building blocks

Source: FSDR 2019, UN
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Framework to estimate SDG investment requirements: An example from ESCAP

- Considered five major investment areas:
  - achieve **basic human rights** through no poverty and hunger (Goals 1 and 2);
  - develop **human capacities** through health, education and gender (Goals 3, 4, and 5);
  - increase the provision of **enabling infrastructure**, covering transport, ICT and water and sanitation (Goals 6, 9, 11, and 17);
  - **secure humanity’s future** through clean energy and climate action (Goals 7 and 13); and
  - **live in harmony** through sustainable consumption and production, and biodiversity (Goals 8, 12, 14, and 15).
From 17 Goals to 3 dimensions...
spanning **people**, prosperity and the planet
An investment gap of $1.5 trillion per year or 5% of GDP for developing Asia-Pacific countries

Annual average investment gap across SDG areas
(Developing Asia-Pacific region, 2016-2030)

- End poverty and hunger: 373 billions
- Health and education: 296 billions
- Prosperity: 196 billions
- Clean energy and climate action: 434 billions
- Planet: 156 billions
- Capital expenditures: 906 billions
- Current expenditures: 578 billions

Source: Survey 2019, ESCAP
Investing in PEOPLE to realize basic human rights and human capacities

- Universal access to quality education
- Universal health coverage
- Agricultural productivity
- Nutrition-specific interventions
- Social protection floor
- Targeted cash transfer

![Graph showing additional investment in PEOPLE per year in billions, United States dollar]

Additional investment in PEOPLE per year:
- 317 billion
- 158 billion
- 21 billion
- 32 billion

![Icons representing the four pillars of sustainable development]
Investing in PLANET to secure our future through clean energy and climate action and living in harmony with nature

- Biodiversity
- Energy efficiency
- Renewable energy
- Universal access to clean cooking
- Universal access to electricity
Investing in **PROSPERITY** to improve access to infrastructure

- Water and sanitation
- Information and communications technology
- Transport
Investment gaps rise to 16% of GDP in **LDCs** and 10% of GDP 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.

Source: ESCAP Survey 2019
Large SDG investment needs in South and South-West Asia, especially on “people”

Note: Country-level cost estimates are not comparable as they have different levels of data availability.

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South and South-West Asia is regressing on **climate issues** and lagging on **infrastructure**

![Graph showing progress on SDGs in 2000, 2018, and target 2030](image_url)

- **2000**: 
  - 1 No poverty
  - 2 Zero hunger
  - 3 Good health and well-being
  - 4 Quality education
  - 5 Gender equality
  - 6 Clean water and sanitation
  - 7 Affordable and clean energy
  - 8 Decent work and economic growth
  - 9 Industry, innovation and infrastructure
  - 10 Reduced inequalities
  - 11 Sustainable cities and communities
  - 12 Responsible consumption and production
  - 13 Climate action
  - 14 Life below water
  - 15 Life on land
  - 16 Peace, justice and strong institutions
  - 17 Partnership for the goals

- **2018**: 
  - Progress since 2000
  - Insufficient data

- **TARGET 2030**: 
  - 1 No poverty
  - 2 Zero hunger
  - 3 Good health and well-being
  - 4 Quality education
  - 5 Gender equality
  - 6 Clean water and sanitation
  - 7 Affordable and clean energy
  - 8 Decent work and economic growth
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Source: ESCAP SDG Progress Report 2019
Climate action: Addressing market failures is critical for meeting environment and climate goals

Proportion of emissions priced today

Climate action: Carbon tax could help cut CO₂ emissions below the business-as-usual scenario

Key areas of ESCAP’s work on climate finance

1. Mainstreaming climate finance into policymaking process
   - Incorporating environmental, social, and governance (ESG) factors into national policies
   - Support national initiatives on sustainable finance

2. Climate finance instruments
   - Technical assistance to support the issuance and trading of green bonds
   - Upcoming online learning tools on innovative climate finance instruments

3. Increasing private sector involvement to promote sustainable development
   - Workshops to increase awareness on ESG factors among financial institutions
   - Ongoing Asia-Pacific survey on green financial institutions
**Enhancing fiscal resources is key to achieving the SDGs in South and South-West Asia**

- **Large investment needs to ensure people’s well-being**
  - The subregion needs to spend at least 6% of GDP more per year to ensure people’s well-being by 2030
  - Ending poverty and hunger, providing social protection, and ensuring access to decent education and healthcare are government’s fundamental responsibilities

- **Lagging progress on providing public infrastructure**
  - Regressing on delivering clean water and sanitation
  - Limited progress on improving transport & ICT connectivity
  - Room to leverage private finance is constrained by less enabling business environment and high infrastructure project risks
Tax revenue collection improved recently in most South and South-West Asian economies...

Source: ESCAP Financing for Development in Asia-Pacific 2019
...but remains below potential in several countries

**Estimated tax gaps in selected Asia-Pacific economies (% of GDP)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Tax Gap (% of GDP)</th>
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<tbody>
<tr>
<td>Bangladesh</td>
<td>7.5</td>
</tr>
<tr>
<td>Bhutan</td>
<td>6.7</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>6.2</td>
</tr>
<tr>
<td>Maldives</td>
<td>5.8</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4.7</td>
</tr>
<tr>
<td>Cambodia</td>
<td>3.0</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>2.1</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1.8</td>
</tr>
<tr>
<td>China</td>
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</tr>
<tr>
<td>Philippines</td>
<td>1.5</td>
</tr>
<tr>
<td>Malaysia</td>
<td>1.3</td>
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</tbody>
</table>

**Common reasons**

- Widespread tax evasion and tax fraud
- Large informal sector
- Weak corporate and public governance
- Suboptimal design and implementation of tax policies

Source: ESCAP Survey 2014
Examples of ESCAP’s works on public finance: Analytical products

- “Tax Policy for Sustainable Development in Asia and the Pacific” (2018, book)
  - City finance, tax incentives, progressive taxes, green taxes

- “Financing for Development in Asia and the Pacific: Highlights in the context of the Addis Ababa Action Agenda” (annual report)
  - Data monitoring on public finance, tracking country-level fiscal reforms

- “Economic and Social Survey of Asia and the Pacific 2018”, with a thematic chapter on resource mobilization
  - Potential tax revenue increases from improving tax administration and expanding the tax base
Examples of ESCAP’s works on public finance: **capacity building activities** and **intergovernmental work**

- **Capacity building activities**
  - Workshop “Mainstreaming the SDGs into planning, budgetary, financing and investment processes”
  - Workshop “Fiscal governance for sustainable growth and development in Asia and the Pacific”
  - Workshops on subnational public revenue mobilization

- **Intergovernmental work**
  - A proposal to establish a region-wide tax cooperation platform for Asia and the Pacific
    - To strengthen the region’s voices in global tax forums
    - To better address new taxation challenges, e.g. digital economy, illicit financial flows, and tax evasion of MNCs beyond borders
Takeaway messages

- Integrated national financing strategies help countries to plan and implement their financing strategies more holistically.

- South and South-West Asia needs to spend at least 10% of GDP additional per year to achieve the SDGs by 2030.
  - Such investment needs, which are mostly on ensuring people’s well-being, are large relative to the subregion’s financing flows.

- South and South-West Asia is facing a regressing trend on climate issues and a limited progress on infrastructure.

- ESCAP is working with member countries on enhancing climate finance and fiscal resources through analytical research and technical capacity-building workshops.
Thank you!

DESA Financing for Sustainable Development Report 2019
www.developmentfinance.un.org/fsdr2019

ESCAP Economic and Social Survey of Asia and the Pacific 2019

ESCAP Asia and the Pacific SDG Progress Report 2019

ESCAP Financing for Development in Asia and the Pacific 2019