

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

Hamza Ali Malik

**Director, Macroeconomic Policy and
Financing for Development Division,
UN-ESCAP**

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Main Messages

- **The UN is stepping up its works 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 East and North-East Asia are modest relative to their financing flows**
 - Donor countries in the subregion can support countries with large financing gaps
- **East and North-East Asia is regressing in achieving two SDGs: sustainable cities and climate action**
 - Calls for stronger municipal finance and climate finance

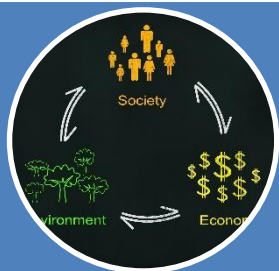
Overview of the presentation

1. **UN financing frameworks to support the implementation of the 2030 Agenda for Sustainable Development**
2. **SDG investment needs and financing flows in East and North-East Asia**
3. **Lagging SDGs in East and North-East 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



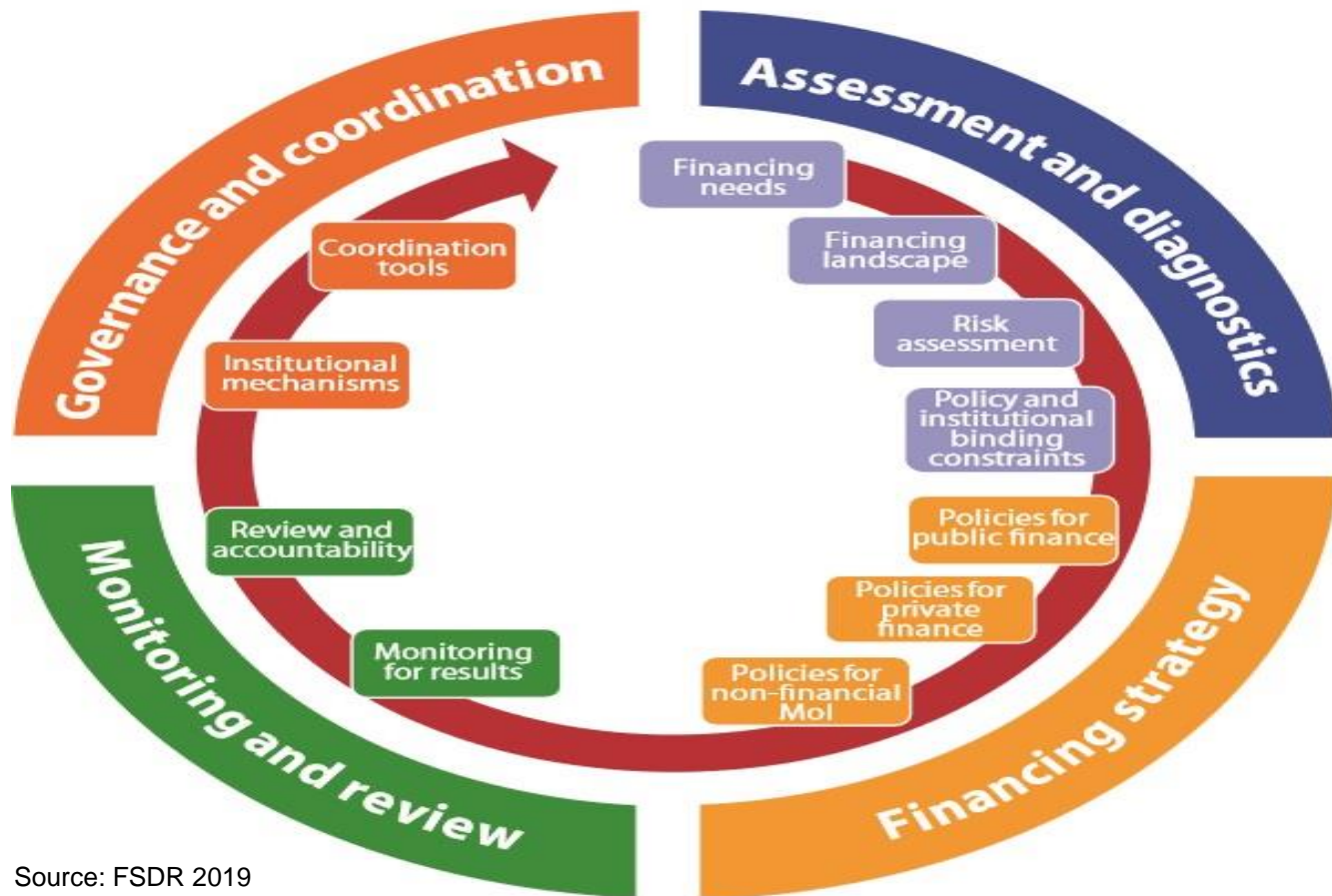
UN Secretary-General's Roadmap: 6 action areas

Advocacy	1 Integrate the SDGs and Paris Agreement into economic & financial policies and practice	2 Scale-up Climate Finance	3 Highlight the needs of LDCs and SIDS
	4 Establish Global Platforms	5 Strengthen Partnerships with IFIs	6 Accelerate the work of the UN System

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**



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From 17 Goals to 3 dimensions...

spanning **people**, **prosperity** and **the planet**

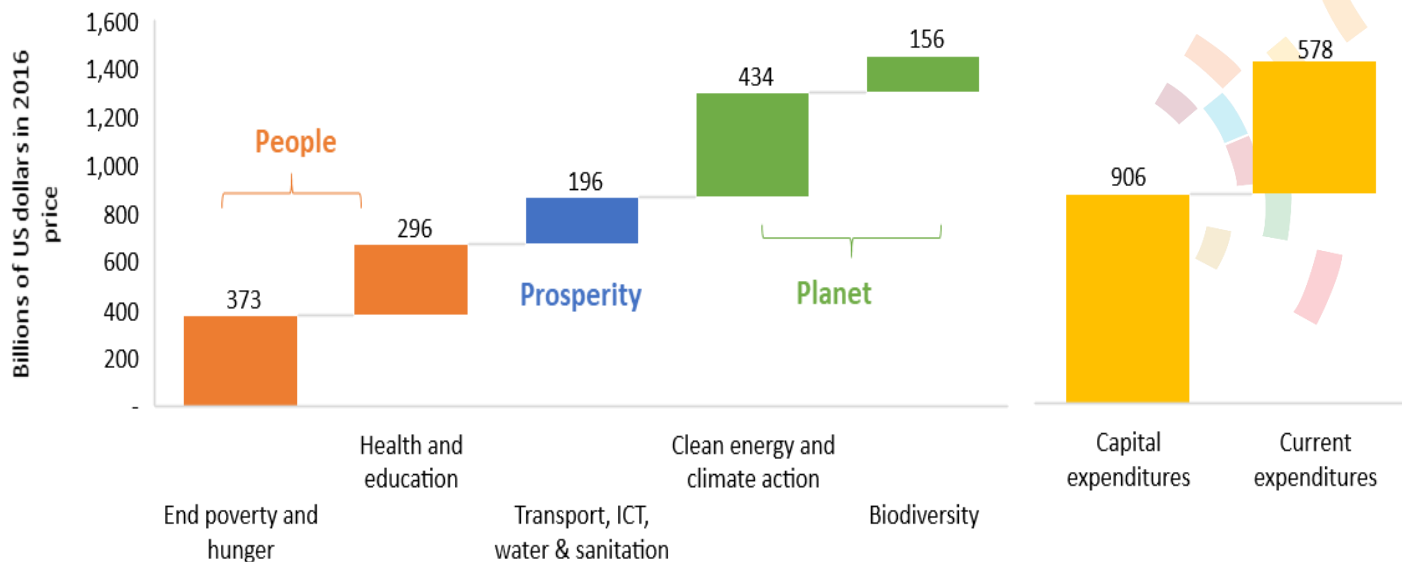


General methodology and main challenges

- Builds on costing models used by specialized agencies
e.g. DESA, FAO, IEA, UNESCO, UNICEF, WHO
- **Intervention- and unit cost**-based costing for most social and infrastructure sectors
- **Integrated models** for energy and the environment
- Some SDGs do not have clear numerical **targets**
- Establishing a **baseline** is challenging for some SDG sectors, e.g. current SDG investment level

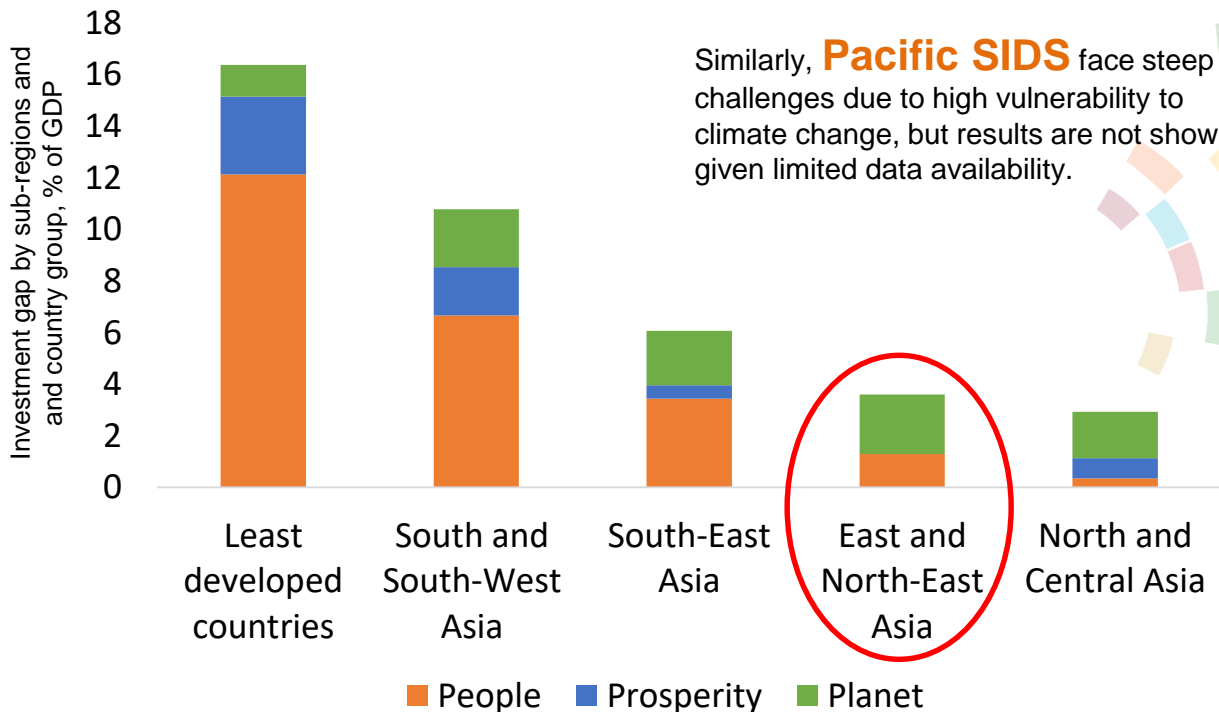
An investment gap of **\$1.5 trillion per year** or **5% of GDP** for developing Asia-Pacific countries

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



Source: ESCAP Survey 2019

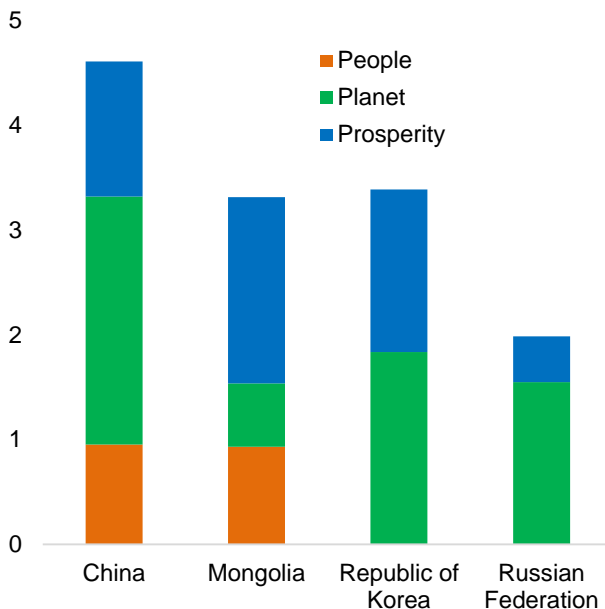
Investment gaps rise to 16% of GDP in **LDCs** and 10% of GDP in **South Asia**



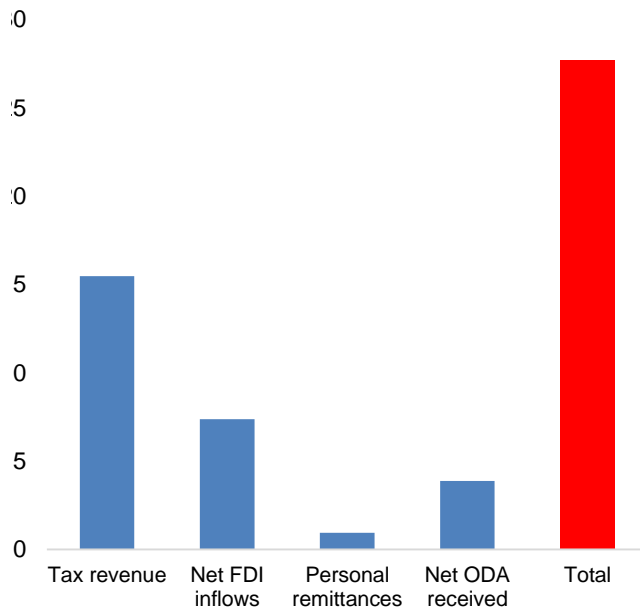
Source: ESCAP Survey 2019

East and North-East Asia: SDG investment needs are modest relative to their financing flows levels

Additional investment needs (% of GDP)



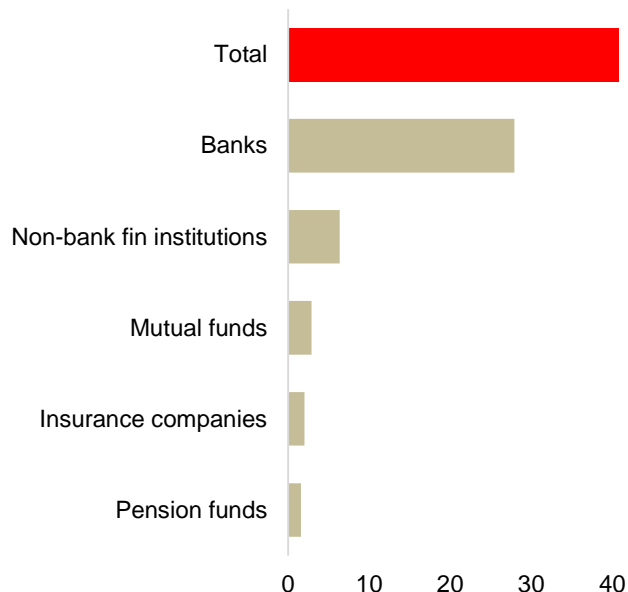
Level of financing flows (% of GDP)



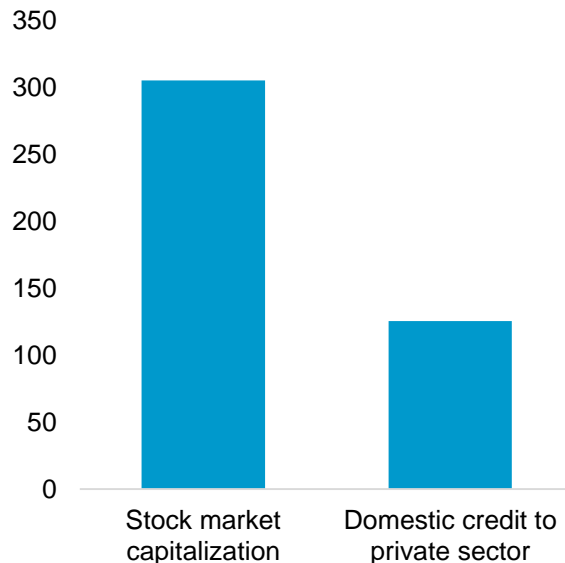
Note: For RoK and Russia, 'additional investments' for 'people' are very small, and cover only cash transfers for the poor (no data on social protection, education and health; also estimates on health are not available for any country). Thus, country-level cost estimates are not comparable, because they have different levels of data availability. e.g., had Mongolia has data on "clean energy", its total cost could be higher than that of China.

Large potential for mobilizing private finance for sustainable development in East and North-East Asia

Assets of financial institutions (trillion USD)



Stock markets and private credit (% of GDP)



Source: Global financial development database and World Development Indicators database.

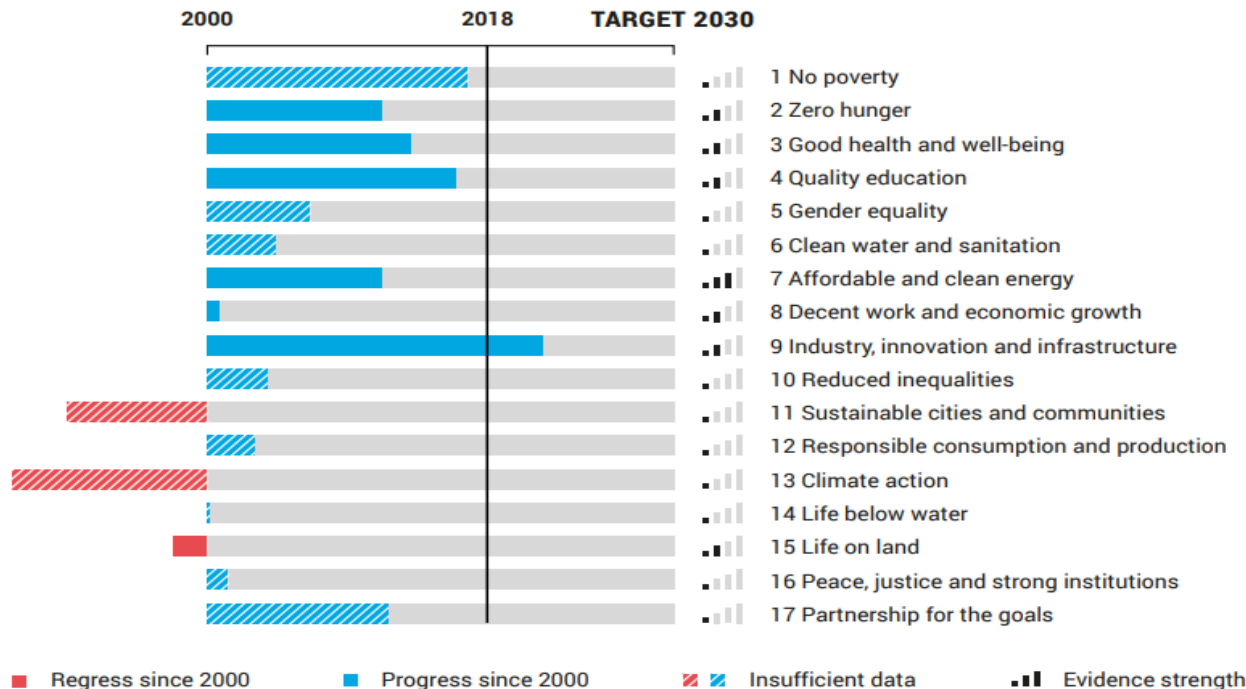
Supporting other Asia-Pacific countries with large financing gaps

- ODA provided by China, Japan, Republic of Korea and Russian Federation amounted to about \$20 billion in 2016.
- Positive developments
 - China introduced the Institute of South-South Cooperation and Development to share its development experiences
 - Japan, Republic of Korea and Russian Federation issued multilateral aid strategies that explicitly support the SDGs
- Some remaining challenges
 - Fulfilling ODA commitments
 - Cooperation among donors (recipient countries, sectors)
 - Use of technologies to transfer aid to the poor

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East and North-East Asia is regressing on sustainable cities and climate action



Source: ESCAP SDG Progress Report 2019

Sustainable cities: Challenges in the context of East and North-East Asia

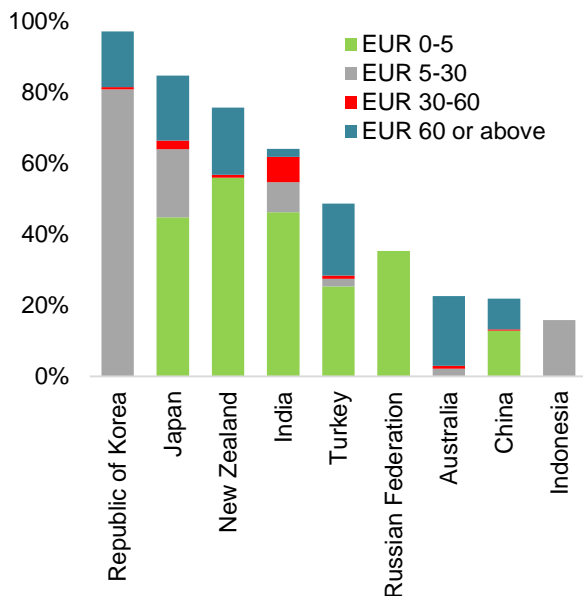
- **Large financing needs for urban infrastructure and services**
 - The world is facing a record pace of rural-urban migration
 - Asia-Pacific is home to 17 of 28 world's mega cities
- **Ensuring sustainable, efficient and accountable municipal finance**
 - Maintaining sustainability and predictability of municipal public revenue is key
 - Rationalizing revenue-sharing and expenditure assignments between central and local governments

ESCAP's recent works on municipal finance

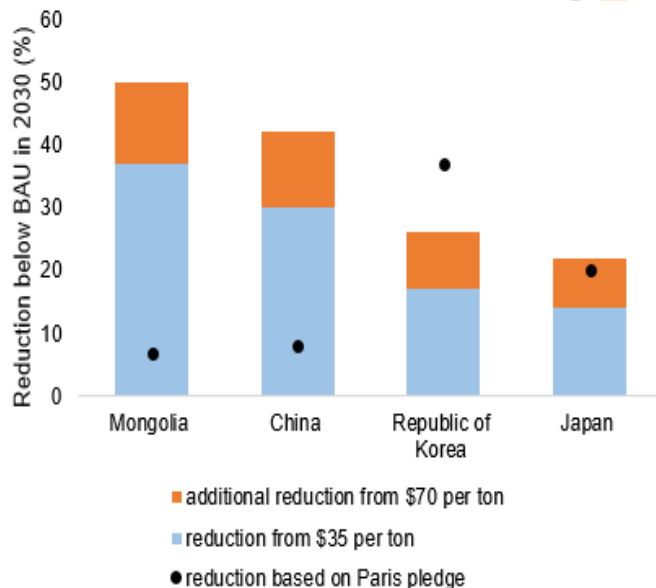
- Analytical work: A book chapter on “Metropolitan city finances in Asia-Pacific”
 - Consolidated municipal finance strategies
 - Integrated consideration of governance structure, revenue sharing and expenditure assignment
 - Review of different local revenue mobilization options
- Capacity building: Workshops on subnational public revenue mobilization
 - Case studies on China, India and Philippines
 - Different strategies are needed for different local legal, institutional and socio-economic contexts
 - Fragmented and overlapping governance structure undermines revenue collection and expenditure efficiency
 - Local policy objectives and incentives for officials matter
 - Increasing focus on alternative revenue options

Climate action: Addressing market failures is critical for meeting environment and climate goals

Proportion of emissions priced today



Potential CO2 reduction from carbon tax in 2030



Source: ESCAP, based on OECD's *Effective carbon rates 2018* and IMF's *Fiscal policies for Paris climate strategies 2019*.

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

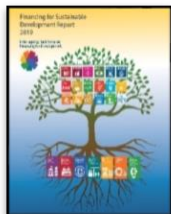
Increasing private sector involvement to promote sustainable development

- Workshops to increase awareness on ESG factors among financial institutions
- Ongoing Asia-Pacific survey on green financial institutions

Takeaway messages

- Integrated national financing strategies help countries to plan and implement their financing strategies more holistically
- East and North-East Asia needs to spend an additional 3.6% of GDP per year to achieve the SDGs by 2030
 - The subregion can afford such investments, while also helping others with large financing gaps
- East and North-East Asia is facing a regressing trend on sustainable cities and climate action
- ESCAP is working with member countries on enhancing city finance and climate finance through analytical products and capacity-building projects

Thank you!



DESA Financing for Sustainable Development Report 2019

www.developmentfinance.un.org/fsdr2019



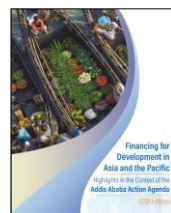
ESCAP Economic and Social Survey of Asia and the Pacific 2019

www.unescap.org/publications/economic-and-social-survey-asia-and-pacific-2019



ESCAP Asia and the Pacific SDG Progress Report 2019

<https://www.unescap.org/publications/asia-and-pacific-sdg-progress-report-2019>



ESCAP Financing for Development in Asia and the Pacific 2019

www.unescap.org/resources/financing-development-asia-and-pacific-highlights-context-addis-ababa-action-agenda-2019