SDG Financing in the Developing Countries: Like Clouds and Wind without Rain

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SDG FINANCING IN THE DEVELOPING COUNTRIES:
LIKE CLOUDS AND WIND WITHOUT RAIN

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Abstract

Three years since the adoption of the 2030 Agenda, most countries of the developing South are already in the process of translating the agenda into plans, methods and actions. In fact, while many have taken specific measures to align their national plans, policies and programmes with the agenda, others have conducted data assessment, or put in place institutional structures to provide inter-ministerial guidance to the SDG delivery process. Indeed, certain countries are trying to link the performance of the relevant ministries and officials to their contribution towards SDG implementation. This paper looks at the current state of global financial flows and their implications for the developing South; and in the light of voluntary national reviews (VNRs) presented at the High-Level Political Forums (HLPFs) of 2016 and 2017, assesses progress towards SDG implementation made by Southern countries, reviews and analyses cost estimates for implementing SDGs prepared by various developing countries, and provides other insights from the VNRs. Through the paper, the author sheds light on the disconnect between the global dialogue on SDG financing and the realities on the ground. The paper concludes by highlighting the importance of political will to take the necessary measures for implementing the 2030 Agenda.
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## Acronyms

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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>BDF</td>
<td>Bangladesh Development Forum</td>
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<td>DAC</td>
<td>Development Assistance Committee of the Organisation for Economic Co-operation and Development</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>FfD</td>
<td>Financing for Development</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>HLPF</td>
<td>High-Level Political Forum on Sustainable Development</td>
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<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>NGO</td>
<td>Non-Government Organisation</td>
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<td>ODA</td>
<td>Official Development Assistance</td>
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<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OOF</td>
<td>Other Official Flows</td>
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<td>PPP</td>
<td>Public-Private Partnership</td>
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<td>SDG</td>
<td>Sustainable Development Goal</td>
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<td>USD</td>
<td>United States Dollar</td>
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<td>VNR</td>
<td>Voluntary National Review</td>
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SDG Financing in the Developing Countries

Like Clouds and Wind Without Rain

Debapriya Bhattacharya

One of the derived wisdoms from the experience of implementing the Millennium Development Goals (MDGs) suggests that the absence of an apriori understanding on the financing possibilities of the global agenda did affect its delivery. Thus, widespread satisfaction was expressed when the third Financing for Development (FfD) conference was held in Addis Ababa in July 2015, i.e. before the adoption of the Sustainable Development Goals (SDGs). As the SDGs are rolled out at the country level over the last three years, it may be observed that the state of financing of the SDGs, particularly in the developing countries remains problematic—like clouds and wind without rain.

Global Financial Flows and Implications for the South

Before delving into specific countries’ experience, let us have a brief look at the aggregate picture concerning flow of development finance. A glance at the latest available annual data (2016) from the Organisation for Economic Co-operation and Development (OECD) indicates that gross official development assistance (ODA) flow (in current prices) to developing countries marginally increased from United States Dollar (USD) 105.54 bln in 2015 to 115.52 bln in 2016, while gross other official flows (OOF) decreased during the same period from USD 53.12 bln to USD 51.82 bln (OECD, 2018a). However, the total of ODA and OOF in net terms (in current prices) depicts a fall to USD 106.90 bln from a comparable figure of USD 115.97 bln in 2015 and USD 123.63 bln in 2010. Net flow of non-concessional loans (in current price) indicates a similar picture as it stagnated at UDS 5.11 bln (2016) as against USD 4.38 bln (2015). During 2016, net foreign direct investment (FDI) and remittance flows (in current prices) to developing countries experienced a decline as well. Net FDI fell from USD 643.43 bln (2015) to USD
571.54 bln, while remittance flow (net) fell from USD 334.64 bln to USD 323.15 bln. We observe that the total stock of external debts in the developing countries reached USD 6876.98 bln in 2016 compared to USD 6604.49 bln in the previous year. As a result, the share of total external debt stock rose to 25.19 per cent of total GDP of the developing countries in 2016 compared to 24.28 per cent in 2015 (World Bank, 2018). At the same time, country level experience shows (based on panel data on 44 developing countries derived from World Bank) that the revenue collection (without grants) as a share of gross domestic product (GDP) in the developing countries has stagnated during the first year of the post-2015 period — 24.8 per cent (2015) and 24.10 per cent (2016). While it is not advisable to judge a trend based on one year observation, it may be said that signs of a strong take-off in the financing of SDGs in the developing countries is yet to be seen.

Indeed, from Development Assistance Committee (DAC) countries\(^2\), core support to international non-government organisations (NGOs) including developing country-based NGOs also experienced a decline from USD 1 bln (2015) to 0.82 bln (2016). These figures correspond to 0.76 per cent and 0.57 per cent of total ODA flow from DAC.

Resource flow from non-DAC countries to other developing countries, as per OECD data set, also projects encouraging pictures (in current price). Gross ODA from these sources fell from USD 17.7 bln (2015) USD 14.07 bln and the comparable figures for OOF were USD 3.97 bln and USD 1.09 bln respectively. As a result, the total official flow from non-DAC developing countries to other developing counties between 2015 and 2016 registered a fall from USD 21.67 bln to USD 15.16 bln. The concerned net figures are more on the downside.

Figures relating to disbursements of loans and grants by regional development banks also provide a number of interesting changes. Between 2015 and 2016, flow from Asian Development Bank (2016) and Inter-American Development Bank (2017) stagnated at USD 12.2 bln and USD 10.0 bln respectively; the

\(^2\) The Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC) is a global forum focusing on aid, development and poverty reduction. It comprises of notable aid funders and 30 DAC Members. The observers of DAC are Asian Development Bank, African Development Bank, Inter-American Development Bank, International Monetary Fund, United Nations Development Programme and the World Bank.
comparable figures for African Development Bank (2017) almost doubled from USD 1.62 bln to USD 3.22 bln. Interestingly, while the total disbursement from Inter-American Development Bank stagnated between 2015 and 2016, one may very well notice a redirection of the flows in favour of the upper middle-income countries (e.g. Argentina, Brazil, Columbia and Mexico). In contrast, lower middle-income countries, such as Ecuador, El Salvador and Nigeria experienced reduced flow. A similar review of the African Development Bank data reveals that, notwithstanding the overall surge in disbursement, a number of the low-income countries including Burkina Faso, Democratic Republic of Congo, Mali, Mozambique and Togo received lower disbursement in 2016 in comparison to 2015. It may be noted that almost all of these African nations are conflict countries.

**Financing SDGs at Country level: Assessing progress, Estimating the cost**

Most of the developing countries hit the ground running when it comes to their efforts to implement the SDGs. As a first step towards this, a large number of developing countries took specific measures to align their national plans, policies and programmes with the 2030 Agenda. Even a country like China went on to produce a national plan on implementation of the 2030 Agenda (Ministry of Foreign Affairs of the People’s Republic of China, 2017). A number of countries undertook data assessment exercise to ascertain how equipped they are to undertake a review and follow-up exercise of SDG implementation. Many developing countries have also put in place institutional structures to provide inter-ministerial oversight to the SDG delivery process. Indeed, certain countries (e.g. Bangladesh) are going ahead in trying to relate the performance of the concerned ministries and officials to their contribution towards implementing the SDGs.

A follow-up step observed in the developing countries had been the attempts to measure the financial costs involved in implementing the SDGs in the country context. Given the nature of the 2030 Agenda, this was a challenging business as this involved a lot of assumptions in terms of what exactly being costed (e.g. full or additional), period covered, possible changes in domestic prices, movement in exchange rates, modes of financing of the SDGs, synergies and trade-offs between and among goals etc.
Nonetheless, these assessments included not only cost estimates by a specific SDG or development area, but also indicated the expected financial flow by source. The lack of fiscal space of the developing countries (particularly due to rising recurrent costs) for sustaining SDG implementation is evidenced by these financial need assessments. These cost estimates also went on to assess the financial deficit that the countries may experience in this regard.

Cost estimates for implementing SDGs, prepared by the developing countries, indicate the difficulty in establishing their comparability. Yet, a review of the concerned figures, give us an idea regarding the magnitude of the financing demands. For example, the estimated cost for key priority areas and other development areas in Malawi for the period 2018–2022 amounted to USD 7.37 bln (The Ministry of Economic Planning and Development, 2017). In case of Tanzania, total costing for the period 2016–2021 amounted to USD 47.07 bln (Ministry of Finance and Planning, 2016). Bangladesh came up with a figure “additional unsynchronised cost” of USD 1162.69 bln for the period 2017–2030; for India, the concerned figure is USD 14411 bln for the period 2016–2030. Colombia, interestingly, provided a goal-wise estimate amounting USD 13.66 bln, which was provided by the national budget for 2015. As may be noted, these numbers vary largely due to varying population sizes of the countries as well as due to diverging estimation methodology deployed. If we standardise the abovementioned figures on per capita basis, we find the financing requirements range from USD 74 (Malawi), USD 131 (Tanzania), USD 283 (Colombia), USD 461 (Bangladesh) and 675 (India). Review of another set of country-level estimates provide a measure of the financing gaps per year, e.g. 24.5 per cent (Nepal), 59 per cent (India), 62.5 per cent (Nigeria) and 78 per cent (Bangladesh).

Analysis of the structure of the SDG costings in the developing countries also gives interesting insights. It seems, SDG 9 (Industry, Innovation, and Infrastructures) stands out as the single most important financing item in the following countries, e.g. India (13.18 per cent), Colombia (19.86 per cent),

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4 Author’s calculation based on AidData (2017), World Bank (2018).
Bangladesh (21.52 per cent), Malawi (24.92 per cent) and Tanzania (35.80 per cent). But in most cases, SDG 3 (Good Health and Well-being) and SDG 4 (Quality Education) are invariable figures among the top five big ticket items. Nonetheless, one may observe that the financing priorities are often dictated by contextual circumstances. For Colombia, SDG 16 (Peace, Justice and Strong Institutions) and SDG 10 (Reduced Inequalities) were among the top five financing items, given that it is a post-conflict country with a high incidence of income inequality. In the same vein, SDG 13 (Climate Action) was one of the major financing concerns for Bangladesh as the country remains greatly vulnerable to the adverse effects of climate change. For relatively low-income countries, SDG 2 (Zero Hunger) and SDG 8 (Decent Work and Economic Growth) figured quality prominently within the top five.

In the context of apparent no significant changes in the developing countries regarding higher flow of financial resources towards SDG implementation, one wonders to what extent the international development community had been active on the ground. While numerous meetings and conferences are continuously taking place strategising on implementation of different SDGs, there are very few cases where the international development partners got together at the country level to express their commitments towards financing SDGs. Even if such a meeting happened, it was largely a case of business as usual and did not involve pledging. For example, a regular session of the Bangladesh Development Forum (BDF)—a joint platform of the government and the development partners—was held in January 2018 which was essentially a high-level dialogue on wide ranging policy issues. Only United Nations specifically mentioned at the BDF that it will provide USD 1.2 bln towards the implementation of SDGs in Bangladesh (“UN to fund $1.2b for SDG in Bangladesh,” 2016). It may be noted such platforms of development partners are usually co-chaired by the World Bank, not United Nations, along with the national government (Bangladesh Development Forum, 2018).

**Funding SDGs in the South: Insights from Voluntary National Reviews**

A review of the SDG-aligned national planning documents reveals that the developing countries explicitly recognise that the primary responsibility of delivering the SDGs lies with the government.
Voluntary National Reviews (VNRs) presented at the High-Level Political Forum on Sustainable Development (HLPF) of 2016 and 2017 indicate that the developing countries are motivated to enhance the domestic resource mobilisation efforts. The countries also point out that such mobilisation efforts have to go beyond traditional sources of development finance and seek out innovation finance (OECD, 2018b). For example, Bangladesh (General Economics Division, 2017b), Nepal (National Planning Commission, 2017b) and India (NITI Aayog, 2017) were among the countries that asserted the need for donor countries to uphold their commitment of providing 0.7 per cent of gross national income (GNI) as ODA. The developing countries aspiring to join the high-income group, in the VNR, have emphasised their desire to improve the efficiency of their tax system.

The developing countries [e.g. Philippines in 2016 (National Economic and Development Authority, 2016) and Bangladesh, Jordan and Thailand in 2017 (General Economics Division, 2017b; Ministry of Planning and International Cooperation, 2017; and Ministry of Foreign Affairs, 2017 respectively)] are also expecting that private remittance inflows will also contribute to achieving SDGs by improving household level consumptions as well as by underwriting investments in small and medium enterprises.

The VNRs also show that the developing countries understand that the private sector has to play a substantive role in bridging the financing gap concerning SDG delivery in their respective country [e.g. Philippines and Georgia in 2016 (National Economic and Development Authority, 2016 and Government of Georgia, 2016) and Bangladesh, Ethiopia and Nepal in 2017 (General Economics Division, 2017b; National Planning Commission, 2017b; and National Plan Commission, 2017 respectively)]. In this regard, the role of FDI has been also highlighted. A number of countries mention projects are to be prepared and delivered under public-private partnership (PPP) [e.g. Egypt and Uganda in 2016 (The Arab Republic of Egypt, 2016 and National Planning Authority, 2016) and Bangladesh, Maldives and Nepal in 2017 (General Economics Division, 2017b; Sustainable Development Goals Division, 2017; and National Planning Commission, 2017b respectively)]. Curiously, apart from Denmark (Ministry of Finance, 2017) and Jordan (Ministry of Planning and International Cooperation, 2017), none of VNRs (2016 and 2017) refer to the use of Blended Finance as an innovative mechanism to leveraging private investment with foreign concessional finance. Whatsoever, it transpires based on the review of the VNRs,
that the developing countries are facing the challenge of finding new modalities for influencing the private investment, towards achievement of certain SDGs, by going beyond corporate social responsibility.

The need to finance climate change induced costs have also been mentioned on a number of occasions by the developing countries while presenting their VNRs. A number of countries recognised the imperative to improve their business enabling policy and institutional environment to encourage private investment. In this connection, the need to maintain macro-economic stability has been underscored by the reporting countries to the HLPF in 2016 and 2017 [e.g. Philippines (National Economic and Development Authority, 2016); Azerbaijan, Nepal and Togo (Government of the Republic of Azerbaijan, 2017; National Planning Commission, 2017b; and Government of the Togolese Republic, 2017 respectively).

**Conclusion**

Curiously, very few developing countries raised global systemic concerns in connection with facilitating greater resource flow towards achieving the SDGs. India in its VNR maintained that “subjective assessments of the Indian policy and regulatory environment by global financial institutions and rating agencies raise the costs of private flows to India... This particularly affects long term finance for infrastructure and other investments that are crucial for achieving the SDGs” (NITI Aayog, 2017).

The numbers and observations presented above validates the proportion that no discernible upturn is yet to emerge in the scenario relating to development finance as well to overall financial flows to developing countries in the context of SDG delivery. Indeed, one may observe a serious mismatch between the global discourse on financing for development and the realities on the ground. It often appears that the local offices of the bilateral and multilateral agencies are not adequately interfaced with their respective counterparts regarding the commitments made by the latter. On the other hand, the developing countries having done the policy alignment and cost estimation for implementing SDGs,
have reached a plateau. These countries are yet to strategically position themselves for accessing a greater volume of finance resources for underwriting their financial needs for achieving the SDGs. The emerging global economic environment is not helping in this regard and there seems to be a serious lack of political energy. Thus, it seems, the financing of SDGs in the developing countries currently looks like clouds and wind without rain...
References


Launched in 2012, Southern Voice on Post-MDG International Development Goals (Southern Voice) is a network of 49 think tanks from Africa, Asia and Latin America, which was set up to serve as an open platform to contribute to the global discourse pertaining to the formation of the Sustainable Development Goals (SDGs), the challenges of implementation, monitoring and mid-course review of the SDGs. Southern Voice addresses the existing ‘knowledge asymmetry’ in the global debates and ‘participation deficit’ of the developing countries by generating evidence-based knowledge, sharing policy experiences originating in the Global South, and disseminating this knowledge and experience among key stakeholders. Southern Voice Occasional Papers are based on research undertaken by members of the network as well as inputs received at various platforms of the initiative. The Centre for Policy Dialogue (CPD), Bangladesh hosts the Secretariat of Southern Voice.