SDG FINANCING STRATEGIES

Who will pay for the Sustainable Development Goals?

Dora Almassy
Central European University
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# SDG Investment Gap

SDG annual investment requirements in various sectors (billion USD)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Minimum estimation</th>
<th>Maximum estimation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food security and agriculture</td>
<td>50</td>
<td>260</td>
</tr>
<tr>
<td>Health</td>
<td>37</td>
<td>140</td>
</tr>
<tr>
<td>Education</td>
<td>22</td>
<td>250</td>
</tr>
<tr>
<td>Water and sanitation</td>
<td>26,8</td>
<td>260</td>
</tr>
<tr>
<td>Climate change and energy</td>
<td>434</td>
<td>1470</td>
</tr>
</tbody>
</table>

Total annual SDG investment needs in developing countries (mid-range) versus current annual investments (trillion USD)

- Total annual investment needs: 3,9 trillion USD
- Current annual investment: 1,4 trillion USD
- Annual investment gap: 2,5 trillion USD

Source: ODI 2014, UNCTAD 2014, UN SDSN 2015

Source: UNCTAD, 2014
Who will pay for the Sustainable Development Goals?
An Output of the Asia-Europe Environment Forum (ENVforum)

Key messages:
- Official Development Assistance (ODA) will remain a crucial part of the post-2015 development financing.
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ODA from DAC donors between 2000–2016: net disbursement at current prices, USD million

Source: OECD, 2018
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Key messages:

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• ODA has to be a catalyst to attract other sources of funding to developing countries
External financing available for developing countries from various sources

Source: OECD, 2018
Development finance in developing countries

Financing available from various sources in ASEAN countries

- Domestic public financing: 39%
- International public financing: 7%
- International private financing: 22%
- Domestic private financing: 32%

Components of Post-2015 Sustainable Development Finance

Source: UNDP and ASEAN, 2017

Source: Arakawa et al., 2014
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- ODA has to be a catalyst to attract other sources of funding to developing countries
- Additional domestic funding can be channelled towards SDG implementation with improved taxation, budgeting and financing practices
## Taxes could raise USD 460–480 billion revenue annually

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Revenue Potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon pricing (USD 25/ton carbon)</td>
<td>USD 300 billion annually (OECD/IEA statistics)</td>
</tr>
<tr>
<td>Financial Transaction Duty</td>
<td>EUR57 billion fund per year (World Bank, 2013)</td>
</tr>
<tr>
<td>Currency Transaction Tax (0.005% on the four main currencies)</td>
<td>USD 40 billion yearly (UNTT, 2013)</td>
</tr>
<tr>
<td>Billionaire tax (1%)</td>
<td>USD 40–50 billion (EP, 2014)</td>
</tr>
<tr>
<td>Solidarity Air Ticket Levies</td>
<td>USD 1–10 billion annually (UNTT, 2013 and EP 2014)</td>
</tr>
<tr>
<td>Levy on sport revenues (a 0.4% levy on the five largest European football leagues)</td>
<td>USD 45 million</td>
</tr>
</tbody>
</table>
Internalizing externalities, starting with pricing for CARBON

1991: EUR 27/t CO₂
2012: EUR 118/t CO₂
Revenues: 4.6–4.9% of total revenues. Administrative costs: 0.1% of total tax revenues.

Revenues from energy and CO₂ taxes in Sweden in EUR million

Source: Based on Withana et al. 2014.

GDP and GHG: 1990 = 100

Carbon tax begins

Source: Jaccard, 2011
By cutting ineffective fuel and agricultural subsidies, by 50% and 25%, respectively, countries could mobilize a USD 395 billion fund annually.

Fossil-fuel subsidies, health and education (% of expenditure), 2011

Source: Merrill, 2014
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• Private resources represent an untapped potential for financing the SDGs
Savings managed by primary institutional investors are the largest potential pools of investment for SD

<table>
<thead>
<tr>
<th>Institutional Investor</th>
<th>Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sovereign Wealth Funds</td>
<td>more than USD 6 trillion</td>
</tr>
<tr>
<td>Pension funds</td>
<td>total USD 33.9 trillion</td>
</tr>
<tr>
<td>Insurance companies</td>
<td>USD 24.4 trillion in assets in 2012</td>
</tr>
</tbody>
</table>

If 10% of total assets of such funds were invested in sustainable development, this would amount to an estimated USD 6.43 trillion.

For catalysing private financing for development objectives:

• Public-private partnerships
• Guarantees and Risk Insurance
• Performance-based instruments:
  • Pull mechanisms for innovations
  • Advanced Market Mechanisms
  • Social impact bonds
External financial flows to developing countries

Source: OECD, 2017
Countries will need to be smart about finding their own way to finance SDGs

- Estimate the costs and potential benefits of SDG targets and map available resources
- Coordinate budgeting and financing among institutions
- Use existing resources more efficiently
- Find additional financing resources for implementation

Examples for mobilizing resources for SDGs:

- Budgeting for SDGs (Norway, Germany, Thailand, Malaysia, Indonesia)
- Directing tax revenues towards SDGs (France, Germany)
- Improving accountability and transparency (Czech Republic, France)
- Involving businesses in SDG financing (France, Indonesia)
- Seeking international funding beyond ODA (Malaysia)
Thank you for the attention!