SDG FINANCING STRATEGIES

Who will pay for the Sustainable Development Goals?

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

Key messages:
• Countries need to select their SDG priorities
Given the number of targets and their cost of implementation, countries need to focus on selected SDG targets

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>Access to 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)

Source: ODI 2014, UNCTAD 2014, UN SDSN 2015

Source: UNCTAD, 2014
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• Official Development Assistance (ODA) will remain a crucial part of the post-2015 development financing
External financing available for developing countries from various sources

Source: Development Committee, 2015
Traditional OECD DAC donors need to fulfil their ODA commitments

ODA from DAC donors between 2004–2013: net disbursement at current prices, USD million

Gap to reach 0.7% ODA contribution among ASEM DAC countries (USD billions), 2014

Traditional OECD DAC donors need to fulfil their ODA commitments.
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• ODA has to be a catalyst to attract other sources of funding to developing countries
Development finance in developing countries

Financing available for developing countries in 2010 from various sources

- Public domestic finance: 49%
- Private domestic finance: 39%
- Private international finance: 10%
- Public international finance: 2%

Components of Post-2015 Sustainable Development Finance

Source: ASEF calculations based on EC, 2013b

Source: Arakawa et al., 2014
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• At the domestic level, a tax system reform would be the most efficient tool to ensure sustainable development
Global and innovative taxes could raise USD 460–480 billion revenue annually

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Potential Revenue</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 (extended to other countries)</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>
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: Merill, 2014
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• To mobilize additional resources, savings managed by primary institutional investors should be explored
Savings managed by primary institutional investors are the largest potential pools of investment for SD

<table>
<thead>
<tr>
<th>Institutional Investors</th>
<th>Assets</th>
</tr>
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<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.

Examples 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
Countries will need to be smart about finding their own way to finance SDGs

- Estimate the costs and potential benefits of SDG targets
- Use existing resources more efficiently
- Find additional financing resources for implementation

Examples for mobilizing resources for SDGs:
1. Budgeting for SDGs (Columbia, Finland)
2. Attracting investments for SDGs (Cambodia, Lao PDR)
Thank you for the attention!