

BROOKINGS

QUALITY. INDEPENDENCE. IMPACT.

Financing the SDGs: Moving from Words to Action

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ECOSOC

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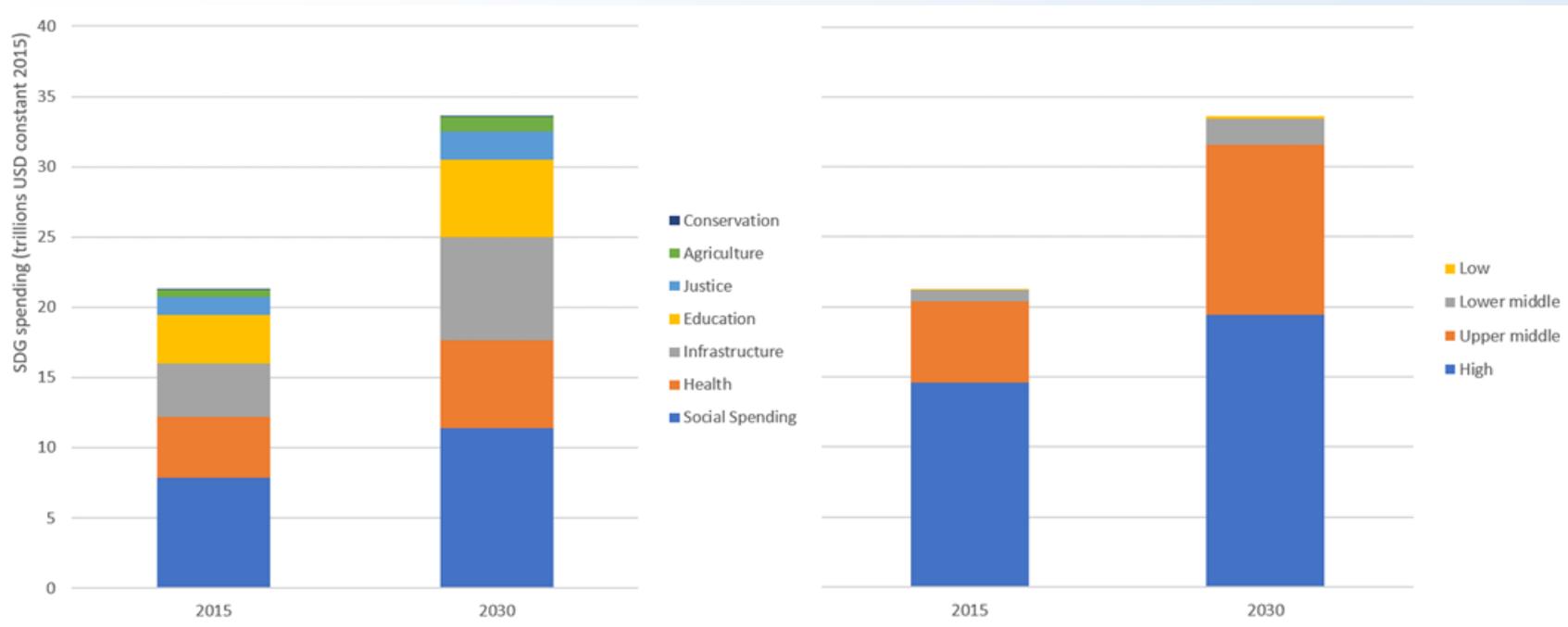
Structure of presentation

- **1** Major surprise
- **2** Key findings
- **3** Operational implications

Source: Kharas and McArthur (2019) “Building the SDG Economy: Needs, spending, and financing for universal achievement of the Sustainable Development Goals”

1 Major Surprise:

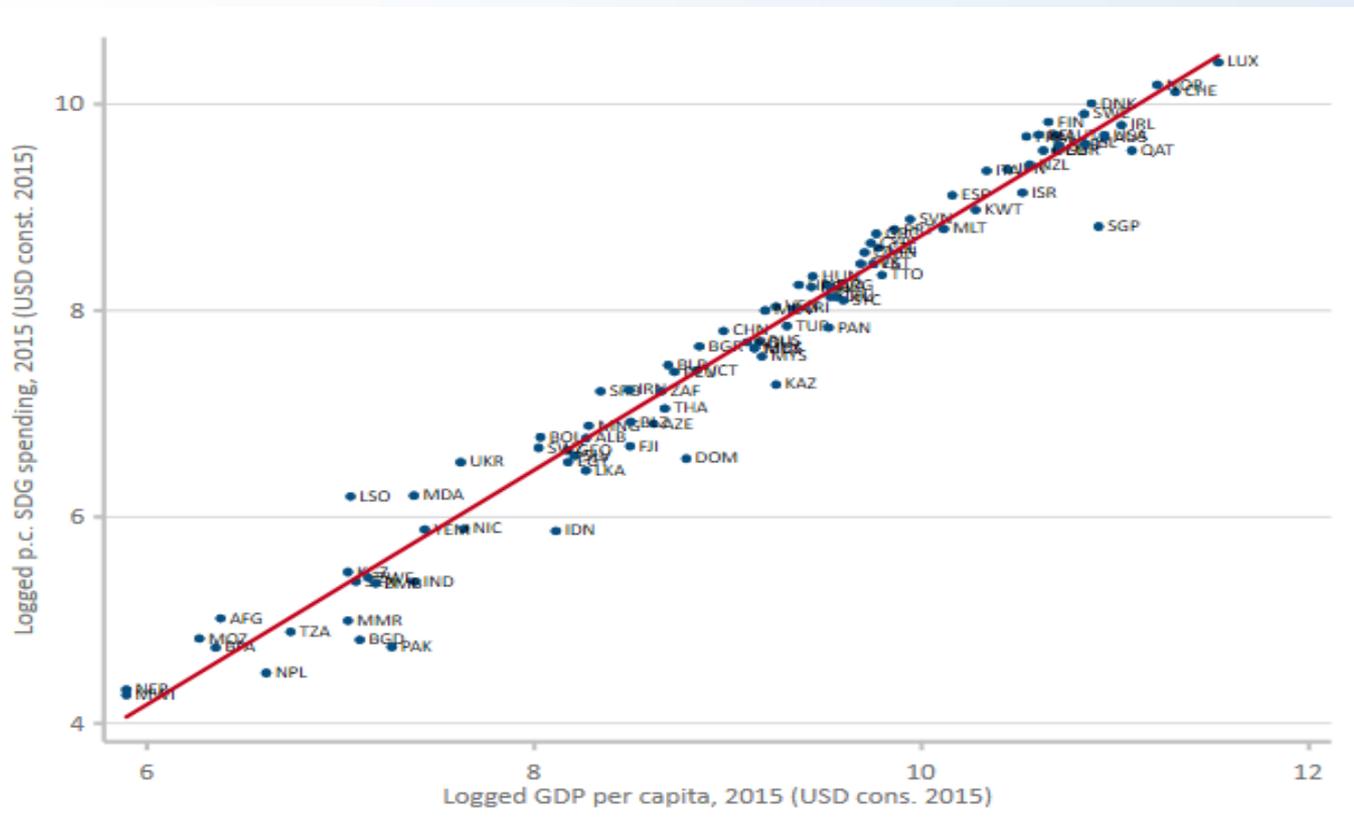
Public spending on the SDGs already exceeds \$21 trillion and could be on track to reach \$33 trillion by 2030



Source: Kharas and McArthur (2019)

1 Major Surprise

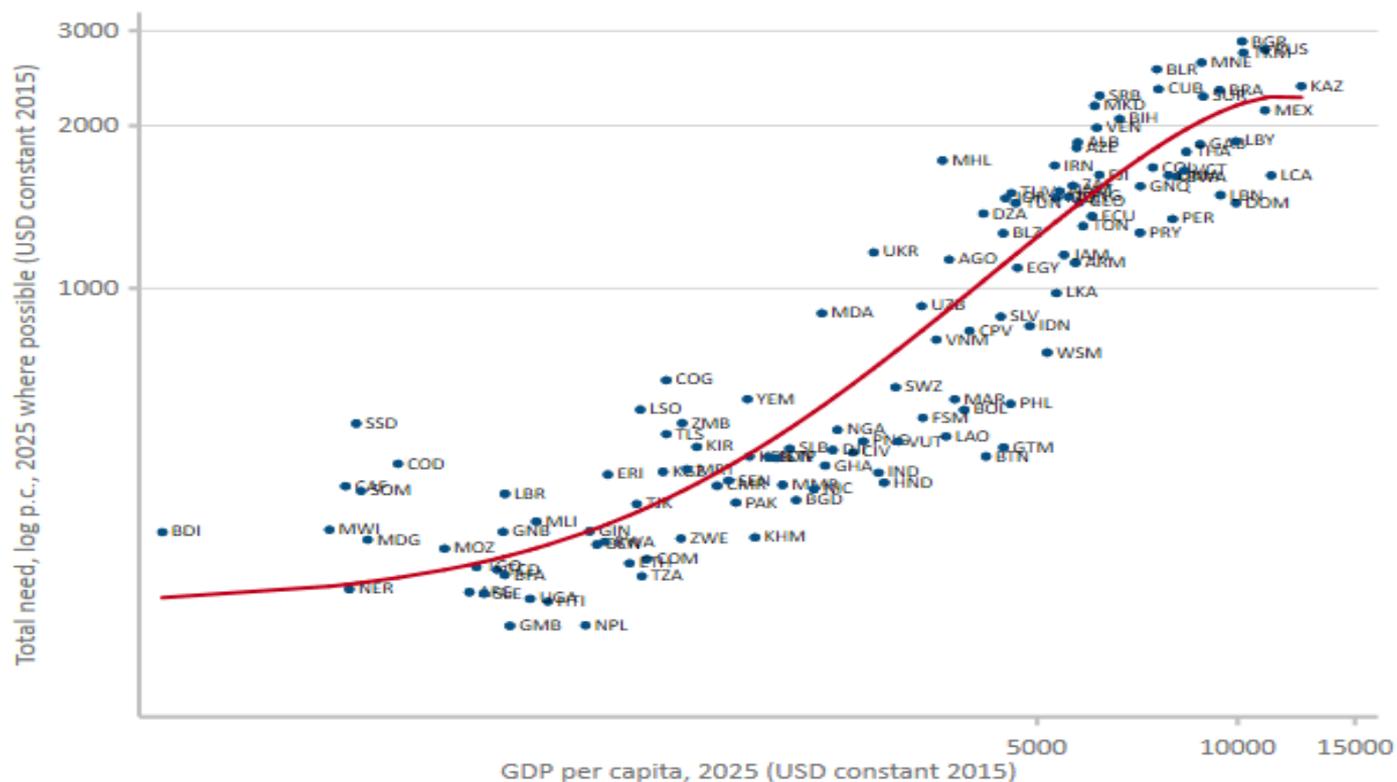
Business-as-usual growth in public spending per capita on SDGs rises with GDP, more than proportionately (elasticity = 1.13)



Source: Kharas and McArthur (2019)

2 Key Findings:

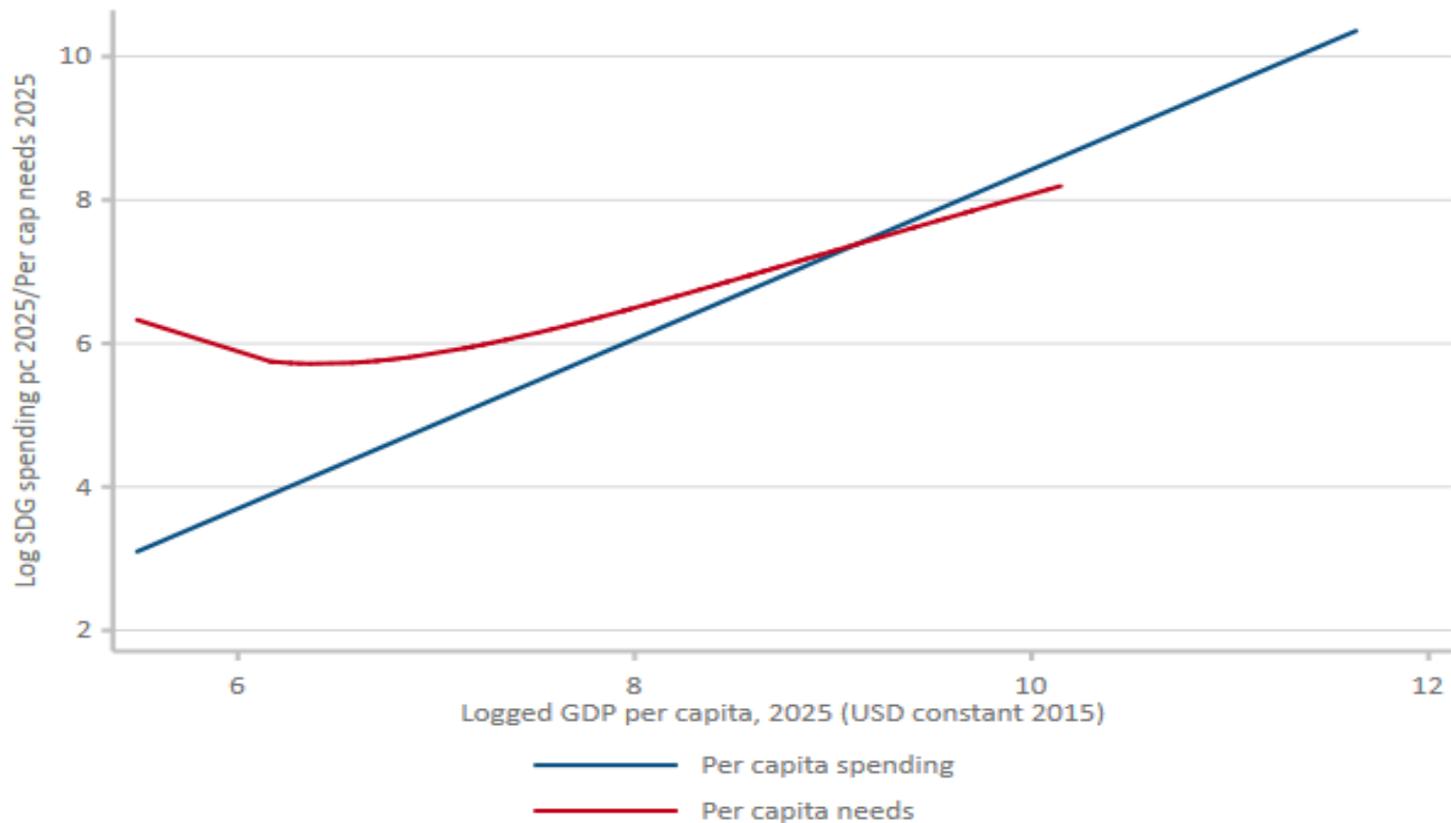
- (i) Minimum public spending needs start at \$340/capita for low income countries, and then steadily rise with income, but less than proportionately



Source: Kharas and McArthur (2019)

2 Key Findings:

(ii) Significant gaps emerge between minimum spending needs and actual spending levels—the total, cumulative gap is at least \$840 billion per year



Source: Kharas and McArthur (2019)

3 Key Implications

- i. DRM: 3 percentage points increase in DRM/GDP could yield \$200 billion, but current DRM structures in developing countries are regressive
- ii. ODA: Achieving 0.7% ODA/GNI target in high income countries could yield around \$200 billion, but replenishments of international organizations do not yet focus on SDG needs and outcomes
- iii. Non-concessional official flows: MDBs could unlock \$1.4 trillion in additional lending with minimal incremental risk and could then mobilize private finance to achieve the required scale for transformative investments

Appendix

3 Key Implications

(i) DRM

- DRM tends to rise with economic growth. Each percentage point of GDP growth increase in DRM could reduce the financing gap by \$70-80 billion, mostly in middle-income countries.
- So 3 percentage points increase in DRM/GDP could yield \$200 billion.
- DRM potential in low-income countries is more modest because GDP is lower and growth rates of GDP are lower.
- But current DRM structures in developing countries are regressive.
- DRM must be part of the SDG financing gap solution but it must be made more equitable.

3 Key Implications

(ii) ODA

- Substantial financing gaps exist in most developing countries, including many upper middle-income countries, in at least some sectors, and cannot be fully funded through DRM.
- If all high income countries were to reach 0.7% of GNI it would provide around \$200 billion/year in additional ODA.
- 8 major replenishments are happening in the next 12-18 months, with total “ask” of \$70 billion. They include: International Development Association, the African Development Fund, the Global Fund, GAVI, the Vaccine Alliance, the Green Climate Fund, the International Fund for Agricultural Development, the Global Partnership for Education, and the International Finance Facility for Education
- Replenishment negotiations should focus squarely on SDG needs and the ability of organizations to deliver resources to meet SDG outcomes.

3 Key Implications

(iii) Official non-concessional flows

- All countries have major needs for putting in place a sustainable capital stock. Half of all capital in developing countries in 2030 has not yet been built.
- Get this right and we will make a major contribution to global sustainability. Get it wrong and the costs to achieve sustainability will be far higher.
- MDBs have a unique role to play in providing non-concessional resources in an efficient and effective way.
- They can already unlock \$1.4 trillion in additional exposure if credit rating agencies adopt new methodologies for rating MDBs and risk tolerance is relaxed to AA+.
- They would then need to mobilize private finance to achieve the required scale for transformative investments.