



MACROECONOMIC POLICY AND FINANCING FOR DEVELOPMENT DIVISION

Towards an Integrated National Financing Framework for Pakistan

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Table of Contents

Abstract	5
1. Introduction	6
2. Pakistan’s sustainable development policy priorities and progress	9
3. On integrated national financing frameworks (INFF).....	15
Building block 1: Assessments and diagnostics	15
Building block 2: Financing strategy	16
Building block 3: Monitoring and review	17
Building block 4: Governance and coordination	18
4. On needs and resources to achieve the SDGs	23
5. A rapid assessment	27
5.1 Overview of the survey’s results	27
5.2 Selected challenges to boost financing for the sdgs.....	30
5.3 Opportunities for sdg financing.....	31
5.4 Policy recommendations	34
6. Conclusion	42
References	44
Annex 1: Survey questionnaire	46
Annex 2: Agenda of the focus group discussions	51

Abstract

In the context of a macroeconomic stabilization program and enormous financial needs to implement developmental policies in the key areas of education, health and infrastructure, this paper discusses the potential of Integrated National Financing Frameworks (INFF) to help the country effectively mobilize financial resources to implement its national sustainable development priorities. The paper first overviews Pakistan's sustainable development policy priorities and progress, and it explains

the concept and operationalization of INFF. Subsequently, the paper presents the results of a rapid assessment of the state of SDG financing in Pakistan based on a survey and two focus group discussions with a diverse group of 25 stakeholders from the public and private sectors. Based on this rapid assessment, the rest of the paper discusses challenges and opportunities, and provides policy recommendations, for the country to boost financing for sustainable development.

Keywords: national sustainable development planning, financing of sustainable development, integrated national financing framework, Pakistan.

JEL classification: O2, O53.

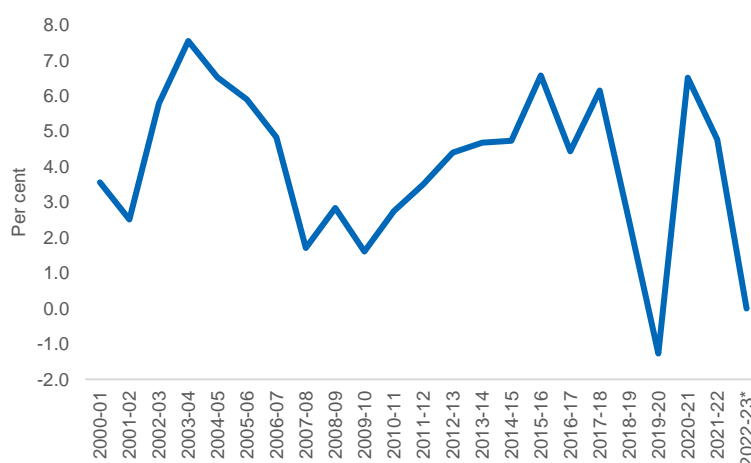
1. Introduction

The Addis Ababa Action Agenda calls for countries to establish integrated national financing frameworks (INFF) to support cohesive nationally owned Sustainable development strategies (United Nations 2015, para. 9). INFFs are planning and delivery tools to finance sustainable development at the national level. By laying out the full range of financing sources available to the country, including domestic public resources, aid and development cooperation, and domestic and international private finance, they facilitate the development of a strategy to increase investment, manage risks and achieve sustainable development priorities as identified in the country's national sustainable development strategy. As such, INFFs are a key tool for governments to operationalise the Addis Ababa Action Agenda at the national level.

Since 2015, the Government of Pakistan has made a sound commitment to ensure that the country's national development and growth

priorities are in alignment with the United Nations Sustainable Development Goals (SDGs), but economic shocks and macroeconomic instability have been major obstacles to gather the necessary financing. Over the last few years, the economy recovered from the COVID-19 pandemic, but the disastrous floods of 2022 had a cost of \$14.9 billion in damages, \$15.2 billion in GDP losses, and \$16.3 billion in rehabilitation expenditures (Pakistan, Finance Division, 2023b). In fiscal year (FY) 2022-23, gross domestic product (GDP) contracted by 0.17 per cent, compared to a growth rate of 6.10 per cent in FY 2021-22 (Pakistan, National Accounts Committee, 2023). Figure 1 shows a time series of the GDP growth rate based on data published by the State Bank of Pakistan. In addition, the inflation rate hovered around 30 per cent in calendar year 2023, and the foreign exchange reserves at the State Bank of Pakistan dropped to an estimated \$5.7 billion in Q2 2023, representing only 1.3 months of imports (figure 2).

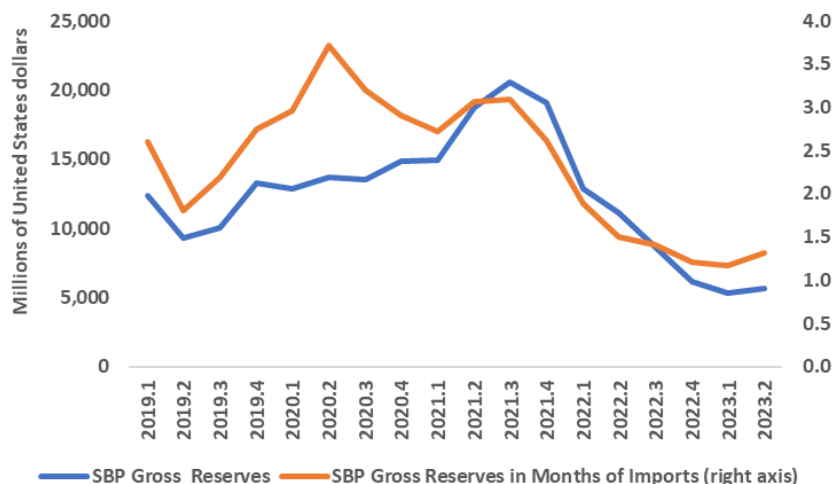
Figure 1: Real GDP growth FY 2001- 2023



Source: ESCAP based on data from State Bank of Pakistan, "Gross domestic product of Pakistan", updated 7 December 2023. Available at www.sbp.org.pk/ecodata/index2.asp.

Notes: From FY 2015-16 based on GDP at market prices and at constant basic prices of 2015-16. Between FY 2000-01 based on GDP at market prices and at constant basic prices of 2005-06.

Figure 2: Foreign exchange reserves Q1 2019 to Q2 2023



Source: ESCAP based on data from State Bank of Pakistan, “Balance of payments on calendar year basis”, updated 18 August 2023. Available at www.sbp.org.pk/ecodata/index2.asp.

These difficulties led the country to implement a fiscal consolidation program supported by a standby agreement with the International Monetary Fund (IMF). In addition to supporting Pakistan’s fiscal adjustment, the program aims to support a return to a market-determined exchange rate to eliminate shortages of foreign exchange, tight monetary policy to reduce inflation, and structural reforms in the areas of energy, governance of state-owned enterprises, and climate resilience (IMF, 2023). In this context, financial resources for the implementation of the 2030 Agenda will be scarce. As such, enhancing the coherence and coordination in the mobilization and use of such resources is of the utmost importance, for which an INFF can help.

As of year-end 2022, 85 countries around the world have adopted INFFs to systematically align planned policy interventions towards the achievement of the Sustainable Development Goals with available public and private financial resources (United Nations, 2023). INFFs are voluntary and country-led. They are embedded within plans and financing structures, enabling gradual improvements, and driving innovation in policies, tools, and instruments across domestic, international, public, and private finance (IATF, 2023a).

Pakistan could consider setting up an INFF. As the Secretary General of the United Nations pointed out, “INFFs help governments chart long-term SDG investment plans and fiscal frameworks based on national priorities, consistent with a sustainable debt trajectory” (United Nations, 2023). As such, an INFF for Pakistan would complement the country’s current efforts toward macroeconomic stabilization through the development of a longer-term framework to both maintain macro stability and enhance financing for sustainable development and climate action.

In fact, macroeconomic stabilization and sustainable development are complementary – and not competing – economic objectives. An example is the pricing of energy. Electricity and fuel prices are an important component of the consumption basket of low-income households, but for oil-importing countries like Pakistan, these prices depend on the international price of crude oil. When this price increases, as was the case since the beginning of 2022, policymakers face the dilemma of passing the increase to the retail prices of electricity and fuels – which can cause social unrest – or absorbing it through subsidies – which can increase the fiscal deficit. One way out of this policy dilemma is to promote strong investments in renewable energy. While this course of action involves a steep capital cost, it

can contribute over the medium- to long-run three major benefits: significant savings in energy imports, an increase in the supply of energy, and eliminating the policy dilemma described above. As such, an INFF can support both sustainable development and macroeconomic stability.

Although the United Nations have taken the lead in the development of the INFF concept and in supporting its implementation, a wide range of development partners have more recently contributed to this global effort. The IMF and the World Bank, for instance, are supporting the INFF process in over 35 countries, and regional development banks are doing so in 20 countries (INFF Facility, 2023). Within the UN system, the INFF Facility, a joint initiative of the United Nations Development Programme (UNDP), the United Nations Department of Economics and Social Affairs (DESA), the Organisation for Economic Co-operation and Development (OECD), the United Nations Children’s Fund (UNICEF), the European Union and the Governments of Italy, Spain and Sweden launched in 2022 helps governments and their partners at the national level implement their INFFs through knowledge exchanges and the provision of technical guidance.

In Pakistan, UNDP and ESCAP have provided support to the Government of Pakistan on financing for development. In November 2022, UNDP established an SDG Investment & Climate Financing Facility in partnership with the Ministry of Finance of the Government of Pakistan. The facility aims at identifying, developing, and leveraging high-impact SDG-aligned climate finance value propositions to attract investments from national and

international investors (UNDP, 2022). In December 2022, ESCAP organized a workshop to discuss the potential of an INFF to address the challenges and opportunities to advance the financing of sustainable development in Pakistan (ESCAP, 2022). In 2023, ESCAP has provided technical assistance to the Federal Bureau of Revenue in the implementation of several digitalization initiatives (ESCAP, 2023). To support the Government of Pakistan and key stakeholders in developing a coherent approach to financing national priorities and the SDGs, UNDP and ESCAP have organized a workshop on “Public Finance for SDGs in Pakistan: An Integrated National Financing Framework Approach” in cooperation with the UNDP’s SDG Investment & Climate Financing Facility, SDG Finance Academy, and the INFF Facility. The present report is an input for that workshop.

The report is organized as follows. After an overview of Pakistan’s sustainable development policy priorities and progress, it discusses the concept and operationalization of integrated national financing frameworks (INFF) as a tool to finance the SDGs and provides a very brief overview of the country’s needs and resources to achieve its sustainable development goals. The report concludes by presenting the findings of a rapid assessment of the state of SDG financing in Pakistan based on a survey and two focus group discussions (FGD) with a diverse group of 25 stakeholders from the public and private sectors conducted in the second half of 2022. The rapid assessment discusses Pakistan’s challenges and opportunities – and provides policy recommendations – to enhance its access to financing for sustainable development.

2. Pakistan’s sustainable development policy priorities and progress

In 2014, the Government of Pakistan outlined seven pillars for its sustainable development strategy in a document entitled *Pakistan 2025: One Nation - One Vision* (table 1). The purpose of the document is to represent an aspirational destination that will serve as a guide for the development of an effective strategy and roadmap to achieve the country’s national goals

and aspirations (Pakistan, Ministry of Development and Reform, 2014, p. 3). The document emphasizes the need to address gaps in the country’s human and social capital to take full advantage of Pakistan’s youth bulge and move towards a knowledge-based society (Pakistan, Ministry of Planning, Development and Reform, 2014, p. 26).

Table 1: Pillars of Pakistan Vision 2025

Pillar	SDGs
1. People first – Developing social and human capital and empowering women	1, 3, 4, 5
2. Growth – Sustained, indigenous, and inclusive growth	8, 10, 12, 13, 14, 15
3. Governance – Democratic governance, institutional reform, and modernization of the public sector	16
4. Security – Energy, water, and food security	2, 6, 7, 11
5. Entrepreneurship – Private sector and entrepreneurship-led growth	9
6. Knowledge economy – Developing a competitive knowledge economy through value addition	9, 4
7. Connectivity – Modernizing transport infrastructure and regional connectivity	9, 17

Source: ESCAP based on Pakistan, Ministry of Planning, Development and Reform (2014, p. 10).

To achieve these pillars, the document emphasizes the need for a transformational redirection of the country’s policies and not just an extrapolation of “what was or was not achieved in the past” (Pakistan, Ministry of Planning, Development and Reform, 2014, p. 26). For that purpose, the document warns that “certain pre-requisites must be met based on lessons learnt from [Pakistan’s]

history and the success of other nations” (Pakistan, Ministry of Planning, Development and Reform, 2014, p. 28). The document refers to these pre-requisites as “key enablers,” and highlights that “without these in place, the development strategy cannot give optimal results. Table 2 describes the five key enablers.

Table 2: Key enablers to achieve Pakistan Vision 2025

Enabler	Excerpt from the document
1. Shared vision	“Transformational change is impossible if the citizenry at large does not take ownership and contribute positively to the process of change.”
2. Political stability and continuity of policies	“No country has developed with instability and chaos.”
3. Peace and security	“There is an urgent need to integrate peace-building assessments into the development discourse so that the development efforts can deliver maximum dividends in terms of enhancing security and stability.”
4. Rule of law	[The] “establishment and application of the rule of law – which includes but is not limited to enforcing contracts, regulating the market, breaking barriers to competition and the protection of the fundamental rights of every Pakistani citizen – is a necessary condition for the realization of the Vision.”
5. Social justice	“Without social justice the gains from development are lost due to resulting inequality, exploitation and conflict.”

Source: ESCAP based on Pakistan, Ministry of Planning, Development and Reform (2014, pp. 28-30).

Pakistan’s progress towards meeting the SDGs was documented in its first and second voluntary national reviews (VNR) of, respectively, 2019 and 2022. The 2019 VNR noted that Pakistan integrated the SDGs into its national development agenda in February 2016 and launched a National SDGs Framework in 2018. The latter consisted of a national vision, plan, and strategy to optimize, prioritize, and localize the full potential of SDGs in Pakistan. The country established task forces in the National and Provincial Parliaments to review progress and facilitate legislative support for implementation, and it instituted seven SDGs Support Units at the Federal and Provincial Government levels to facilitate vertical and horizontal coordination among stakeholders (Pakistan, 2019).

Consistently with Pillar 1 of Pakistan Vision 2025, Pakistan launched a national poverty alleviation program called Ehsaas (Compassion) to expand social protection, safety nets and support human capital development, complementing and expanding an on-going robust social protection program

for poor women, and a new universal health coverage initiative, the Sehat Sahulat Program, to provide health insurance coverage for those in need. On environmental policy, the 2019 VNR announced a five-year country-wide tree plantation drive, the 10 Billion Tree Tsunami, to restore depleted forests and mitigate climate change (Pakistan, 2019). As important actions to address implementation challenges, the document highlights (i) innovative financing modes, (ii) building synergies and clearly defining roles and responsibilities at the federal, provincial and local levels, (iii) building robust partnerships among all stakeholders, and (iv) seeking technology transfer from developed economies (Pakistan, Ministry of Planning, Development and Reform, 2019, p. 67).

The 2022 VNR emphasized the impact of the COVID-19 pandemic on the country’s SDG priorities, particularly in the health sector and in accelerating the digitalization of the economy through mobile phone applications that improved service delivery. On SDG governance, the VNR emphasizes the establishment of the National Economic Council sub-committee on

SDGs, chaired by the Minister of Planning, to provide oversight and strategic guidance at the highest level, and the implementation 20 sub-groups of parliamentary task forces on SDGs to facilitate passing of SDG-related legislation (Pakistan, 2022).

Table 3 below summarizes progress in selected available SDGs indicators from Cheema, and others (2021). The publication synthesizes progress in the SDGs through an SDGs index based on national data from reliable sources. This index increased from 53.1 in 2015 to 63.5 in 2020. While the availability of SDG indicators is still partial, the table includes some very useful information to assess progress in Pakistan’s sustainable development. Based on the availability of indicators, the table shows

good progress in the “people first” and “security” pillars of Pakistan Vision 2025. Within the former, the exception is in the education area, where the primary school completion rate and illiteracy rate have been stagnant. Within the latter, the table shows good progress particularly in renewable energy and food security. The other pillars have less information available but seem, overall, to have made progress although at a slower pace. Some highlights include a fast increase in access to the internet and increased access to banking. Areas of concern include the high percentages of informal employment and youth not in education, employment and training, and the low and declining share of public revenues in the GDP.

Table 3: Progress in SDGs, by pillar of Pakistan Vision 2025

Pillar	SDGs	Progress in selected available indicators
1. People first	1 No poverty	The proportion of the population living below the national poverty line decreased from 29.5 per cent in 2013-14 to 21.9 per cent in 2018-19, implying that 9.3 million people were lifted out of poverty in 5 years. However, the proportion of government spending on essential services (education, health, and social protection) increased marginally from 23 per cent in 2014-15 to 24 per cent in 2019-20.
	3 Good health and well-being	The number of mothers dying during pregnancy and live births dropped from 276 per 100,000 in 2006-07 to 186 per 100,000 in 2019. Births attended by skilled health personnel increased from 58 per cent in 2014-15 to 68 per cent in 2019-20. The under-5 mortality rate dropped from 66 per 1,000 in 2014-15 to 62 per 1,000 in 2018-19. The proportion of women of reproductive age need for family planning satisfied by modern methods increased from 47 per cent in 2012-13 to 49 per cent in 2017-18. The proportion of the target population covered by national vaccination programs increased from 54 per cent in 2012-13 to 66 per cent in 2017-18.

Table 3. (continued)

Pillar	SDGs	Progress in selected available indicators
	4 Quality education	Primary completion rate stagnated at 67 per cent between 2015 and 2020, and the gap between the primary completion rates of males and females remained at 9 per cent during this period. The secondary completion rate increased from 50 per cent in 2015 to 59 per cent in 2020, and the national literacy rate stagnated at 60 per cent during the same period. While more girls were enrolled in schools, large deficiencies and disparities persist in the provision of basic services to schools across the country.
	5 Gender equality	The proportion of ever-partnered women and girls aged 15 years and older subjected to physical, sexual, or psychological violence by a current or former intimate partner in the previous 12 months, dropped from 18 per cent in 2012-13 to 13.6 per cent in 2017-18. The proportion of women in managerial positions increased from 2.7 per cent in 2014-15 to 4.53 per cent in 2018-19. The proportion of seats held by women in the national parliament increased from 19.1 per cent in 2013 to 19.7 per cent in 2018.
2. Growth	8 Decent work and economic growth	The proportion of informal employment decreased from 73 per cent in 2014-15 to 72 per cent in 2018-19. During the same period, the unemployment rate increased from 5.9 per cent to 6.9 per cent and the proportion of the youth not in education, employment, or training remain at 30 per cent. Between December 2015 and December 2020, the number of bank branches and ATMs per 100,000 people increased, respectively, from 10 to 12.5 and from 5.65 to 7.57.
	10 Reduced inequalities	The percentage of the population living below 50 per cent of median income increased from 4.1 per cent in 2015 to 4.4 per cent in 2018.
	12 Responsible consumption and production	Total renewable electricity capacity increased from 8,088 megawatts in 2015 to 12,896 megawatts in 2019. During the same period, solar electricity generation capacity increased from 230 megawatts to 1,328.9 megawatts.
	13 Climate action	Greenhouse gas emissions increased 2.5 per cent between 2015 and 2016 to 375.03 million tons.

Table 3. (continued)

Pillar	SDGs	Progress in selected available indicators
	14 Life below water	The proportion of fish stocks within biologically sustainable levels remained at 30 per cent between 2015 and 2020.
	15 Life on land	Forest area as a proportion of total land remained unchanged around 5 per cent between 2015 and 2020.
3. Governance	16 Peace, justice, and strong institutions	Birth registration of children under 5 years increased from 34 per cent in 2012-13 to 42.2 per cent in 2017-18. Between 2015 and 2018 the homicide rate decreased from 4.75 per 100,000 to 3.88 per 100,000.
4. Security	2 Zero hunger	The prevalence of undernourishment declined from 20.2 per cent in 2015 to 16 per cent in 2019. Between 2012-13 and 2017-18 the prevalence of stunting and wasting in children under 5 dropped, respectively, from 44.8 per cent to 37.6 per cent and from 11 per cent to 7.1 per cent. The prevalence of anaemia among pregnant women dropped from 52 per cent in 2011 to 35.5 per cent in 2018.
	6 Clean water and sanitation	The share of the population with access to safely managed drinking water services increased from 93 per cent in 2014-15 to 94 per cent in 2019-20. During the same period, the share of the population with access to safely managed sanitation services and a hand-washing facility with soap and water increased 73 per cent to 83 per cent.
	7 Affordable clean energy	The share of renewable energy in total final energy consumption increased from 0.77 per cent in 2014-15 to 3.63 per cent in 2018-19. Reliance on clean fuel for cooking increased from 41.3 per cent in 2014-15 to 47 per cent in 2018-19. The percentage of the population with access to electricity increased from 93 per cent in 2014-15 to 96 per cent in 2019-20.
	11 Sustainable cities and communities	The percentage of urban dwellers living in slums, informal settlements or inadequate housing dropped from 45 per cent in 2014 to 38 per cent in 2018.
5. Entrepreneurship	9 Industry, innovation and infrastructure	The proportion of small-scale industries in total industry value added increased from 8.4 per cent in 2014-15 to 10.5 per cent in 2019-20. The percentage of the population owning a mobile phone increased from 45 per cent in 2018 to 46 per cent in 2020. In 2019-20 88 per cent of the rural population lived within 2 km of an all-season road.

Table 3. (continued)

Pillar	SDGs	Progress in selected available indicators
6. Knowledge economy	9 Industry, innovation and infrastructure	See above.
	4 Quality education	See above.
7. Connectivity	9 Industry, innovation and infrastructure	See above.
	17 Partnership for the goals	Total government revenue as a proportion of the GDP decreased from 14.3 per cent in 2014-15 to 11.2 per cent in 2019-20. Fixed internet broadband subscriptions per 100 inhabitants increased from 23 per cent in 2016-17 to 43 per cent in 2019-20.

Source: ESCAP based on Cheema and others (2021).

Note: All the SDG indicator data reported in the third column of the table are at the national level.

In June 2023 Pakistan’s National Economic Council approved the “5Es Framework to Turnaround Pakistan,” prepared by the Ministry of Planning, Development and Special Initiatives. The 5Es Framework provides a short to medium-term plan for achieving Vision 2025 and proposes initiatives and strategies to address the challenges of Pakistan’s socio-economic development. The five Es are the following: 1) Exports to increase foreign exchange reserves and contribute to sustainable economic growth; 2) E-Pakistan to leapfrog industrial development by leveraging Information and Communications Technologies; 3) Environment to mitigate the impacts of climate change and address water and food security; 4) Energy and infrastructure with a

focus on renewable energy, energy efficiency, and climate resilient infrastructure; and 5) Equity and empowerment to unlock Pakistan’s potential for growth and prosperity (Pakistan, Ministry of Planning, Development and Special Initiatives, 2023).

From the short review in this section, it is clear that Pakistan has a strong planning framework to achieve its sustainable development goals. The value addition of integrated national financial frameworks, which are discussed in the next section, is to complement planning frameworks such as Vision 2025 or the 5 Es with a financing framework to ensure that various initiatives and strategies contained in such the plans can be funded and implemented.

3. On integrated national financing frameworks (INFF)

The concept and operationalization of INFFs were clarified in the *Financing for Sustainable Development Report 2019* produced by the United Nations, Inter-Agency Task Force on Financing for Development (IATF). The report emphasizes that INFFs can and should rely on existing financing policies and that their main value addition is to help align them with sustainable development, as well as adding additional policies that are missing for that purpose (IATF, 2019, p. 11). The report points out that most national development plans do not provide details about how they would be financed and that those that do often focus only on the annual government budget as a source of investment. As such, they risk remaining a vision rather than becoming a vehicle for change. The value of INFFs, then, is to complement sustainable development strategies, which lay out *what* needs to be financed, with an indication on *how* they will be financed and implemented (IATF, 2019, p. 12).

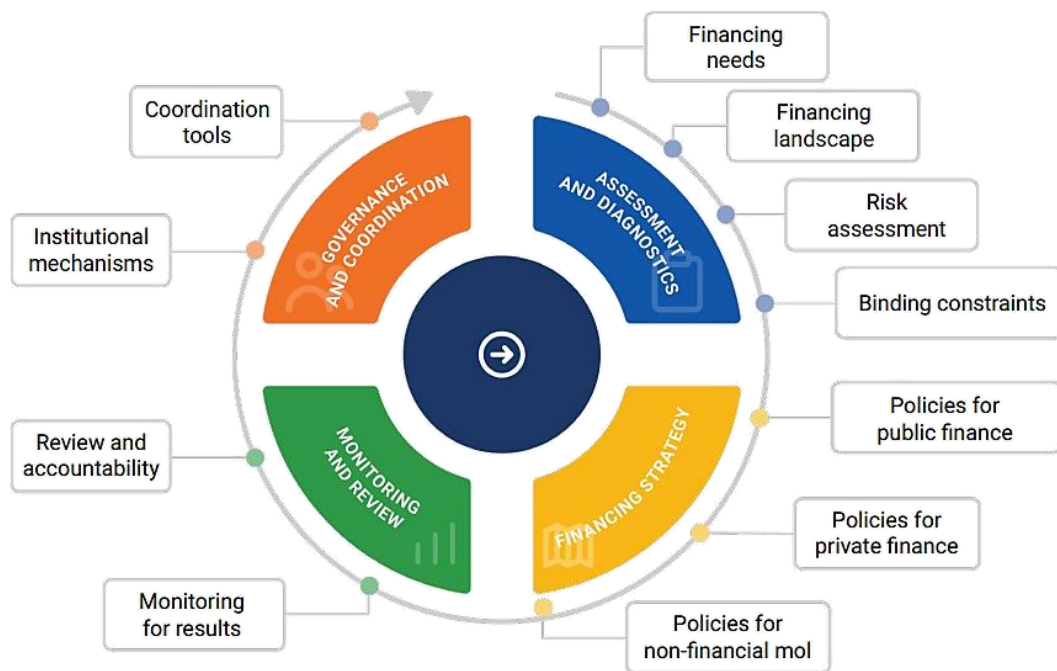
The design and operationalization of INFFs includes four main building blocks: (i) assessment and diagnostics; (ii) the financing strategy; (iii) monitoring, review, and accountability; and (iv) governance and coordination. The building blocks and their components are shown in figure 3 and described with some detail below. The adoption of an INFF by a government is typically announced during an inception phase, which

includes three steps: (i) a scoping exercise, including stakeholder mapping; (ii) identification of an institutional home for the process; and (iii) development of a draft INFF roadmap for next steps (IATF, 2020b, p. 7). However, the main importance of the inception phase is political, for the government to fully commit to implement the INFF process. A key element of the INFF process is national ownership. National governments should be in the lead throughout the process, although the international community, including development partners, can provide technical support.

BUILDING BLOCK 1: ASSESSMENTS AND DIAGNOSTICS

The first component, the financing needs assessment, aims to estimate the financial resources required to implement national sustainable development priorities and to support the identification of possible financing options (IATF, 2020a, p. 6). The second component, the financing landscape assessment, aims to provide a comprehensive picture of the country's financing trends, challenges and opportunities – looking across the full range of resources included in the Addis Ababa Action Agenda, i.e. domestic, international, public, and private (IATF, 2020a, p. 7).

Figure 3: INFF building blocks and their components



Source: United Nations, Inter-agency Task Force on Financing for Development (2019, p. 16).

The third component, the risk assessment, aims to strengthen governments' understanding of risks to sustainable development financing, and to support the design of risk-informed financing strategies (IATF, 2020a, p. 9). The fourth component, the diagnosis of binding constraints, builds on findings from the previous three components to deepen the analysis of impediments hindering effective mobilization and use of financing for sustainable development, and their root causes. It aims to identify constraints that, if removed, would have the greatest impact on the country's ability to finance sustainable development, thus guiding the prioritization of policy reforms (IATF, 2020a, p. 11).

BUILDING BLOCK 2: FINANCING STRATEGY

Although most countries have a wide range of national financing policies in place, these are often fragmented, were developed in an uncoordinated way, and may not fully align with the country's sustainable development strategy.

An integrated financing strategy seeks to bring these policies and instruments together, promoting coherence both with sustainable development objectives and between different financing policy areas (public and private financing and macro-systemic issues). The financing strategy can support the prioritization of financing policy actions that best respond to national goals, needs, and constraints (IATF, 2023b, p. 2).

The first step in the formulation of a financing strategy is to establish its scope and objectives. The scope may be limited to specific sectors or policy areas or address the full range of financing sources and their contributions to the national development plan. The financing strategy may propose ways to coordinate existing budgetary and financing processes and link them to the national development plan. The objectives of the financing strategy may focus narrowly on matching needs assessments to resources such as public revenues, aid, and private financing, or it may include a broader examination of the country's financing policies,

regulatory frameworks, and other aspects of the enabling environment with the objective of aligning finance with sustainable development. This broader approach may help mobilize private financing, reducing the need for public funding of sustainable development. Regardless of the scope and objectives, it is important that the development of a financing strategy involves both public and private stakeholders from the outset (IATF, 2023b, p. 16).

The second step is to identify policies, legal or regulatory measures, financing instruments, and processes that can support the achievement of the objectives defined in the previous step. For guidance, policymakers can consider the following two questions: (i) what is already in place? And what are their strengths, weaknesses, and gaps? and (ii) what further opportunities exist? These questions can be answered through a mapping exercise covering all relevant government actions and actors, as well as support efforts by financial institutions, international organizations, and non-state actors (IATF, 2023b, p. 19).

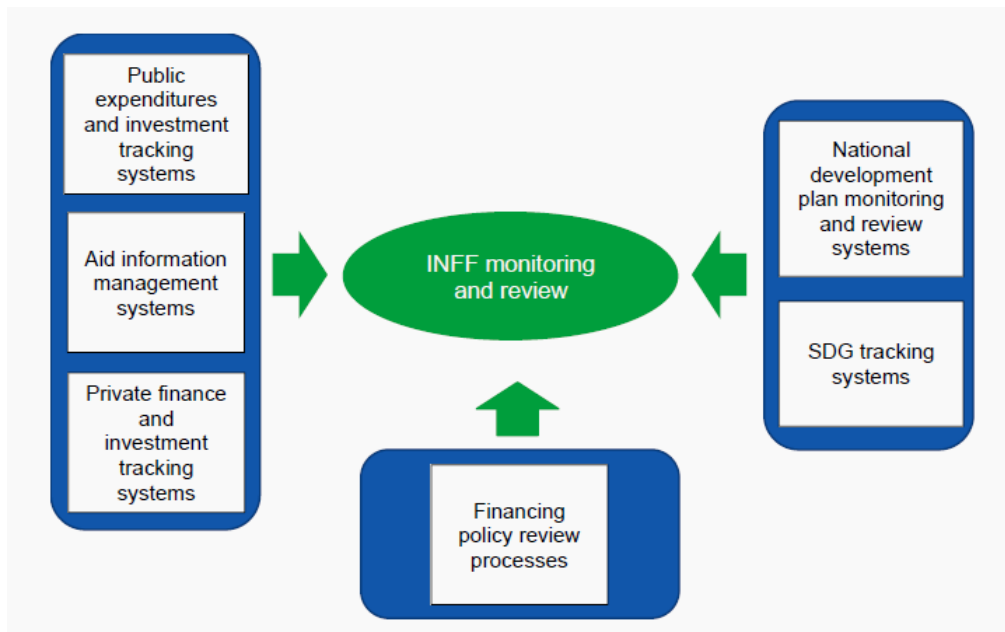
The third step is to conduct an assessment to prioritize policy solutions identified in the previous step. This assessment can leverage information from existing policy assessments at the national, sectoral, or project-specific levels. Its goal is to foster integrated thinking and

creative approaches to mobilize finance, avoiding fragmented decision-making and considering financing policies in different areas alongside each other to increase their impact (IATF, 2023b, p. 21). The fourth and final step, operationalization, brings the previous steps together to formulate a holistic financing strategy laying out (i) the financing objectives it seeks to achieve, (ii) how existing financing policies and instruments can be brought together, and (iii) the reforms, new policies and instruments needed to complement them. (IATF, 2023b, p. 28).

BUILDING BLOCK 3: MONITORING AND REVIEW

The monitoring and review building block brings together existing planning, budgeting, and similar systems to track the volumes and impacts of all types of finance (public, private, international, domestic) as well as the implementation of relevant financing policies and strategies vis-à-vis identified national sustainable development objectives (figure 4). As such the value of this building block is both to integrate existing tracking systems across types of finance and to provides a framework to link them to planning and results frameworks related to national development plans and/or SDG strategies (IATF, 2021b, p. 5).

Figure 4: INFF monitoring and review as an “integrator system”



Source: United Nations, Inter-agency Task Force on Financing for Development (2021b, p. 6).

The key elements of the monitoring and review block are the following: (i) a theory of change (TOC) or similar logical framework to ensure a common understanding of the rationale, effects, barriers and enablers of the INFF; (ii) Indicators to identify which data should be regularly collected and reported on to monitor progress against the TOC, including data from existing financial monitoring frameworks and indicators from national development plans or sectoral plans; (iii) SMART (specific, measurable, achievable, relevant, and time-bound) targets to establish common objectives for what needs to be completed by when, in order to achieve the outcomes identified in the TOC; (iv) data systems and capacity to enable regular reporting on identified indicators; and (v) adequate resources, including human resources within national government to ensure the system is effectively implemented and remains functional over time (IATF, 2021b, pp. 10-11).

BUILDING BLOCK 4: GOVERNANCE AND COORDINATION

The need for strong governance and coordination arrangements for the implementation of an INFF emanates from the fact that no single institution can develop and sustain an INFF on its own, nor can a successful INFF rely on a single process to be implemented and managed over time. In fact, an integrated approach to financing national priorities requires bringing together a variety of stakeholders both from within and outside government and to be supported by a variety of processes to guide policy formulation and implementation across different areas and facilitate information sharing and coordination among different stakeholders (IATF, 2021a, p. 5). Table 4 provides a comprehensive list of actors for the governance and coordination block of INFF, along with their potential role and typical challenges.

Table 4: Actors for the governance and coordination block of INFF

Actors	Potential roles/contributions	Potential challenges
Government		
Head of State or Government	Provides high-level political leadership; custodian of overarching national priorities; ensures political buy-in.	Competing priorities; focus on achievements that can be recognized within electoral cycle.
Ministry of Planning	Articulates and coordinates implementation of national development plans based on political priorities.	May lack political clout and impact vis-à-vis line ministries; in some contexts, rivalry with Ministry of Finance.
Ministry of Finance	Allocates domestic public finance; costs policies and identifies financial needs; implements fiscal policies; sets and implements public revenue and expenditure strategies.	Lack of visibility on financing beyond on-budget resources.
Revenue Authority (if not within Ministry of Finance)	Oversees public revenue administration, including tax collection and administration; enforce revenue laws and regulations (e.g., customs); can represent a catalyst for revenue administration reform.	Limited capacity and resources; limited/ untimely data exchanges with other government entities, such as Ministry of Finance.
Central Bank	Oversees monetary policy and financial sector development.	Mandate often does not include link to sustainable development priorities.
National Public Development Bank(s)	Implements public investment programs; can help catalyze private investment in specific sectors (including with support from DFIs/ MDBs).	Limited capacity and resources; governance challenges related to adequate levels of independence and accountability.
Ministry of Foreign Affairs	Engages with development partners; oversees inflows and outflows of development cooperation.	Limited coordination with Ministry of Finance; often limited capacity to consider financing-specific issues.
Line Ministries (e.g. infrastructure/ public works; education; health; environment/ natural resources)	Provide leadership and expertise on sector-specific outcomes and related resource requirements; develop regulatory frameworks; cost sectoral priorities.	Lack of political clout beyond specific sector; sectoral thinking.

Table 4. (continued)

Actors	Potential roles/contributions	Potential challenges
Ministry of Local Government (or equivalent) ^a	Supports and coordinates local governments; can facilitate engagement with local governments, including on financing issues and reforms.	Lack of political clout (especially in highly centralized systems); limited capacity and resources.
Local Governments	Implement sustainable development policies at the local level; collect local revenues; allocate public spending at the local level.	Limited revenue generation power and capacity and/or issues related to revenue sharing with central government; lack of comprehensive functional role; different budgeting codes to central government entities/agencies.
Parliaments	Provide oversight and accountability; track whether budgets are aligned with national priorities/ SDGs.	Lack of resources to cover wide range of technical issues.
Supreme Audit Institutions	Inspect effectiveness of financing policies and related processes (e.g. including in relation to multi-stakeholder participation, and extent to which synergies are exploited and duplication of efforts avoided).	Lack independence; may lack specific mandate to address sustainable development financing issues.
National Statistics Bureaus	Collect data and evidence that can support financing policymaking, and enhance transparency and accountability.	May lack a mandate and/or resources to collect relevant data on sustainable finance.
National Disaster Risk Management Authorities/ National Sendai Framework Focal Points	Can ensure INFFs and related financing policies are risk-informed from a multi-hazard perspective.	Limited engagement with Ministry of Finance.
Non-government		
Development partners	Provide resources, including technical assistance, capacity building and expertise.	Priorities not always in line with national government; fragmentation and lack of coordination; sectoral approaches (for those with specialized mandates).

Table 4. (continued)

Actors	Potential roles/contributions	Potential challenges
Development Finance Institutions/ Multilateral Development Banks	Provide resources; can help catalyze private investment in specific sectors.	May not engage with / have limited awareness of national priorities and plans; limited pipeline of productive investment projects.
Domestic businesses, investors, and commercial banks (e.g. chamber of commerce/ private sector commission/ industry and banking associations, including SMEs/ investor networks)	Contribute to domestic resource mobilization; create jobs; provide investment.	Misaligned investment incentives and interests, including tendency to focus on short-term returns; can create risk (e.g. disaster and financial risks); difficult to hold accountable to sustainable development outcomes (including tax avoidance); power dynamics; rent-seeking.
Foreign businesses and investors	Contribute to domestic resource mobilization; create jobs; contribute to knowledge transfer; provide investment; participate in innovative financing mechanisms.	Misaligned investment incentives and interests, including tendency to focus on short-term returns; can create risk (e.g. disaster and financial risks); difficult to hold accountable to sustainable development outcomes (including tax avoidance); power dynamics; rent-seeking.
Philanthropy (e.g. national and international foundations active in the country)	Provides resources and other forms of cooperation.	Difficult to hold accountable to government priorities/ priorities do not necessarily reflect government needs.
Civil society (e.g. advocacy groups/ national and international NGOs / faith-based organizations / informal forms of representation)	Provides resources; holds governments and other providers of finance accountable for spending/ investment decisions; tracks impact of financing, including at the subnational/ community level and on different population groups; can elevate views of citizens to level of governments, including those of underserved and hard-to-reach constituencies.	Diverse and fragmented; limited capacity and resources; limited access to government; sectoral thinking; may not be broadly representative.

Table 4. (continued)

Actors	Potential roles/contributions	Potential challenges
Academia	Provides insight, evidence and policy recommendations that can help take decisions in different financing policy areas.	Limited resources and/or access to policy makers.

Source: United Nations, Inter-agency Task Force on Financing for Development (2021a, pp. 6-8).

Note: ^a Ministry of Inter Provincial Coordination in the case of Pakistan.

A key task of INFF is to coordinate the vast array of actors listed in table 4 to enhance the coherence of financing policies and their effectiveness in providing resources for the achievement of national sustainable development objectives. This involves both improving intra-governmental coordination and improving collaboration and alignment with non-state actors, especially development partners and the private sector. Improved coordination can overcome policy silos, enhance joint planning, reduce duplication of efforts, increase efficiencies, and lead to a better management of risks, trade-offs and inconsistencies in the formulation and implementation of financing policies (IATF, 2021a, p. 14).

To improve coordination existing institutional frameworks for the management of a national development plan or strategy provide a useful starting point. The main goal is to facilitate links between financing and planning while avoiding the need to set up new governance structures. In some cases, statutory measures may be needed to overcome siloes and clearly define roles, responsibilities, and lines of accountability (IATF, 2021a, p. 30). An alternative starting point to existing frameworks for the management of a national development plan could be to relay and expand existing coordination mechanisms, such as steering committees or working groups, that focus on

specific sectors or financing policy areas. Specific coordination mechanisms to ensure alignment between central and local governments should also be considered in financing policy areas of special relevance to sub-national stakeholders, such as infrastructure financing or disaster preparedness (IATF, 2021a, p. 31).

To align finance with sustainable development, several countries have developed screening tools to assess the contribution of policies, including financing policies, to developmental objectives. These tools can strengthen coherence of policy reforms by ensuring that only policies with a positive or neutral impact on identified priorities are pursued (IATF, 2021a, p. 33). The annual budget process can also play a useful role in mainstreaming sustainable development priorities across ministries and agencies. For example, in Finland all ministries are required to reflect on the sustainable development contributions of the priorities identified in their budget proposals. The budget process can also incentivize greater coordination in the budget preparation stage. In Bangladesh, for example, a predefined monetary amount is set aside for climate adaptation purposes, but it can be accessed only by ministries that cooperate on the budgeting of adaptation plans (IATF, 2021a, p. 34).

4. On needs and resources to achieve the SDGs

In a 2021 study, staff from the International Monetary Fund estimated that Pakistan would require additional annual spending of 16.1 per cent of GDP in 2030 from the public and private sectors combined to achieve the SDGs in critical sectors (Rollo and others, 2021):

- 5.7 per cent of GDP for education to raise enrollment rates, improve essential infrastructure, and increase the quantity and quality of teachers. The additional expenses would be allocated to (i) increase the teacher wage bill to hire more teachers to support higher enrollment and reduce class size; and (ii) raise capital spending to build more schools and improve school infrastructure such as the availability of bathrooms, electricity, drinking water, and the existence of boundary walls.
- 5.4 per cent of GDP in health to increase the number of doctors and medical personnel. These expenses would allow a 50 per cent increase in the number of doctors and a six-fold increase in the number of other medical personnel.
- 0.7 per cent of GDP to be invested every year between 2020 and 2030 for the supply of electricity to keep up with an expected increase of 78 per cent between 2019 and 2020 due to population growth and higher per capita income. The total estimated investment is USD 24.5 billion up to 2030.

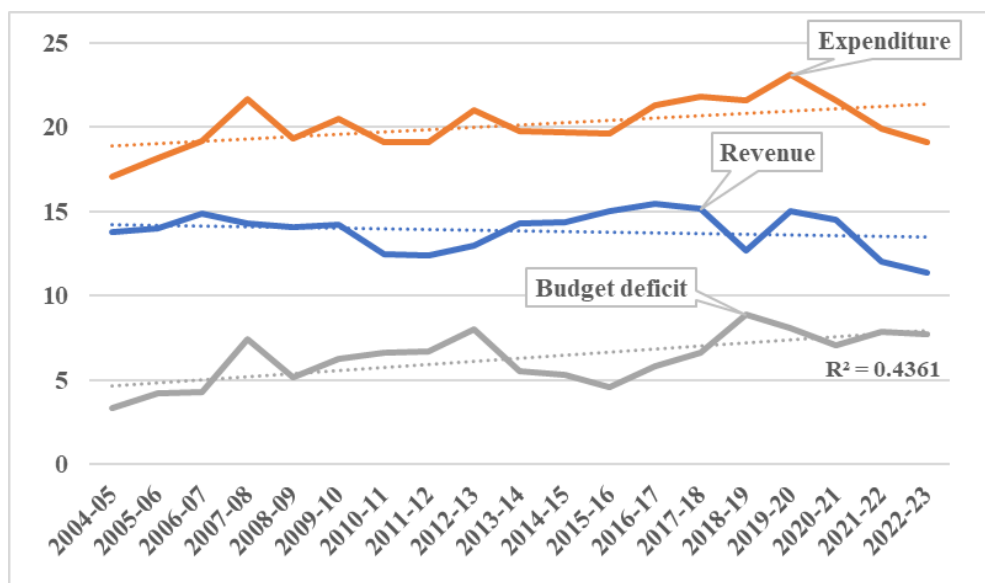
- 2.3 per cent of GDP to be invested in roads each year between 2020 and 2030 to increase rural access to roads from 61 percent to 75 percent by 2030. This will require 94,146 additional kilometers of all-weather roads for a cost of USD 76 billion by 2030.
- 2 per cent of GDP to be invested each year between 2020 and 2030 to close the gap in safely managed water and sanitation. This will require USD 55 billion to be mostly allocated to rural areas.

Given the size of the spending needs and the challenges that must be addressed to achieve a high performance in SDGs, the paper recommends to scale-up the available financing well before 2030. The paper notes that the analysis does not reflect the impacts of COVID-19 pandemic, which may both increase health spending needs and reduce the resources available to finance them. The paper also points out that high fiscal deficits in Pakistan and the need for fiscal consolidation to reduce public debt limit the availability of resources to move towards achieving the SDGs in the short run, underlying the need for creating considerable fiscal space. Noticing that Pakistan's tax-to-GDP ratio, at 11 percent, is low compared to its peers, the paper emphasizes the need for a medium-term revenue strategy with structural tax reforms to create space for SDG spending (Brollo, Hanedar and Walker, 2021, p.16).

The paper also emphasizes the need for strengthening coordination between the federal and provincial governments for meeting the SDGs. As the eighteenth amendment of 2010 to the Constitution of Pakistan devolved a range of responsibilities to Pakistan’s four provinces, including those related to health, education, and water and sanitation, the provinces have discretion over public spending that is key for achieving the SDGs. While the paper notices the establishment of SDG support units support coordination between different levels of government, it underlines the need to further strengthen coordination through uniform data collection processes to monitor progress towards the SDG targets. The paper also highlights the importance of better coordination on the revenue side because a greater harmonization of tax regulations and procedures will improve the efficiency and transparency of the tax system, reducing the administrative burden for taxpayers, and improving revenue performance (Brollo, Hanedar and Walker, 2021, p.17).

How realistic is an increase in 16 percentage points of GDP by 2030 to achieve the SDGs in the key sectors discussed above? A look at the consolidated federal and provincial expenditures, revenues, and budget deficits suggest that this will be a major challenge (figure 5). Between fiscal years 2004-05 and 2022-23 expenditures, revenues and the fiscal deficit averaged, respectively, 13.9 per cent, 20.1 per cent, and 6.3 per cent of GDP. During this period, expenditures trended up, increasing from an average of 19.1 per cent of GDP over 2004-09 to 21.1 per cent of GDP over 2018-23, while revenues trended slightly down, from an average of 14.2 per cent of GDP to 13.1 per cent of GDP over the same sub-periods. As a result, the budget deficit increased 3 percentage points of the GDP, from an average of 4.9 per cent in 2004-09 to 7.9 per cent in 2018-23.

Figure 5: Consolidated federal and provincial expenditure, revenue, and budget deficit, fiscal years 2004-05 to 2022-23



Source: ESCAP based on Pakistan, Finance Division, “Fiscal operations” (various years). Available from www.finance.gov.pk/fiscal_main.html.

The budget deficit figures suggest that enacting structural tax reforms to enhance fiscal space will be an important priority for the achievement of the SDGs, as noted by the IMF paper. A look at the expenditure side of the budget suggests the need for gradual reforms in the allocation of expenditures as well. According to figures from the 2023-24 federal government budget (Table 5), interest payments represent 50.4 per cent of

total expenditures, followed by defence expenditures (12.5 per cent), transfers to provinces and others (7.9 per cent) and subsidies (7.4 per cent). The Federal Public Sector Development Program (PSDP) comes fourth with 6.6 per cent of the total expenditures, which seems relatively low in the face of the financial needs to achieve the SDGs.

Table 5: Summary of Pakistan budget 2023-24

	Billion Rs.	Percent of expenditure	Percent of the GDP
Expenditure	14,484	100.0	13.7
Current	13,344	92.1	12.6
Interest payments	7,303	50.4	6.9
Pension	801	5.5	0.8
Defence	1,804	12.5	1.7
Transfers to provinces & others	1,408	9.7	1.3
Subsidies	1,064	7.3	1.0
Running of the civil government	714	4.9	0.7
Provision for emergency	250	1.7	0.2
Development and net lending	1,140	7.9	1.1
Federal PSDP	950	6.6	0.9
Net lending	190	1.3	0.2
Gross revenue receipts	12,378	85.5	11.7
Tax revenue (FBR)	9,415	65.0	8.9
Non-tax revenue	2,963	20.5	2.8
Less provincial share	(5,399)	(37.3)	(5.1)
Net revenue receipts	6,979	48.2	6.6
Provincial surplus	600	4.1	0.6
Overall fiscal deficit	(6,905)	(47.7)	(6.5)
Non bank borrowing	1,906	13.2	1.8
Net external receipts	2,724	18.8	2.6
Bank borrowing	2,860	19.7	2.7
Privatization proceeds	15	0.1	0.0
Primary deficit	398	2.7	0.4
Memo item: Nominal GDP	105,817		

Source: ESCAP based on Pakistan, Finance Division, "Federal Budget 2023-24: budget in brief" (2023a, pp. 7, 9).

Notes: PSDP, the Public Sector Development Program, aims to improve the country's socioeconomic conditions and achieve macroeconomic and development objectives and targets set by the government. Net lending is the difference between disbursement and recovery of loans by public sector enterprises.

However, provincial governments have important responsibilities in funding development expenses. In 2022-23, for instance, out of a total of PKR 1,893 billion or 2.2 per cent of GDP, the provinces contributed about two thirds.¹ In addition, budgetary categories such as transfers and subsidies may have a developmental impact which is not captured in the budget statistics. To know exactly how governments are allocating expenditures to achieve the SDGs, budget

tagging is a useful tool. By allowing to track, report, monitor, and review expenditures on the SDGs, budget tagging facilitates the integration of the SDGs into the public planning and budget cycle. It also helps evaluate the effectiveness of SDG spending and identify areas that require additional financing. In addition, budget tagging contributes to enhancing transparency, both raising public awareness and strengthening accountability in the use of public funds (Poghosyan and others, 2021).

1 See "Table 3: Pakistan: summary of consolidated federal and provincial expenditure 2022-23". Available at [July_June_2022_23.pdf](#) (finance.gov.pk) (accessed

12 January 2024).

5. A rapid assessment

In the second half of 2022, ESCAP conducted a rapid assessment of the state of SDG financing in Pakistan based on a survey and two focus group discussions (FGD) with a diverse group of 25 stakeholders from the public and private sectors.² One of the FGDs were conducted with survey respondents predominantly from the non-government sector and the other with respondents predominantly from relevant government ministries.³ Each discussion had a duration of two hours. After the FGDs key informant interviews were conducted to validate the recommendations. The participants of the FGDs were also invited to a workshop to further discuss the results (ESCAP, 2022).

5.1 OVERVIEW OF THE SURVEY'S RESULTS

Of the 25 participants in the survey, ten were from public organizations, eight from private organizations, and seven from non-profit organizations, both domestic and international. Although most of them were based in Islamabad, followed by Rawalpindi and Karachi, their activities covered wide areas of Pakistan. The range of developmental issues they covered was very diverse, ranging from waste management, road safety, renewable energy, and climate action to financial inclusion, maternal and child health, education, and gender equality. Over eighty per cent of the

participants indicated that their activities are expected to have a favourable impact on gender equality. Most of the activities reported are multi-year with yearly renewal of budgets. The annual budgets vary considerably, ranging from 4 organizations with budgets under PKR 1 million to 4 organizations with budgets over PKR 1 billion and a median of PKR 18.7 million. Two thirds of the activities reported started after 2018.

Over two thirds of the participants reported a single source of financing, but the sources of financing reported by the 25 participants were diverse: 19 per cent from the government's budget; 17 per cent each from grants by a donor's aid agency and own resources; 11 per cent from grants by an international foundation or NGO; 6 per cent each from loans by Pakistani banks, loans by international banks, and a private-public partnership; and 3 per cent each from government subsidies or tax breaks, loans by a Pakistani development or public bank, and a capital contribution by a foreign company partner. Bank loans were received mostly by private sector participants in renewable energy and financial inclusion.

Around three quarters of the participants reported that their activities were being implemented on time and within the budget allocated. Those that experienced delays provided the following explanations: (i) political instability and administrative delays; (ii) market

2 The survey questionnaire is available in annex 1. The agenda of the FGDs is in annex 2.

3 The separation of government and non-government

participants in the FGDs was expected to minimize divergence of views among participants and facilitate reaching a conclusion.

conditions, including inflation and disruptions caused by the COVID-19 pandemic and the 2022 floods; (iii) additional time to implement new policies requiring changes in companies' operations; (iv) challenges in working with public institutions, including bureaucratic delays; and (v) local or community issues. Participants that experienced cost over-runs attributed them mostly to inflation and disruptions in supply chains. One participant attributed cost over-runs to new compliance requirements and a weak internal management system that compromised the accountability of implementing units.

Seventy-one per cent of the participants indicated that there are other issues besides financing that affect the implementation of their activities. These include the following: (i) lack of coordination across different levels of national and provincial government, (ii) poor governance arrangements that set out the roles and responsibilities of contributing agencies, (iii) need to improve management and coordination of activities among key stakeholders, (iv) shortcomings in legislation; (v) cumbersome procedures; (vi) needs for trainings, monitoring, supplies, procurement and capacity building; (vii) inflation and foreign exchange instability; (viii) community issues, including land clearance; (ix) political uncertainty and immature market structures; (x) pervasiveness of the informal economy; (xi) difficulties to retain talent who often get better-paying jobs abroad; and (xii) lack of reliable partners in the development sector and governments' red tape.

Eighty per cent of participants considered that their activities need to be scaled up to achieve the desired impact on currently planned SDG targets. Among these, 90 per cent indicated that they have plans to scale up their activities. Seventy-five per cent of participants believed that current sources of funding and financing will be insufficient to scale up their activities. When asked how much the annual increase in the annual budget for their activities as a percentage of their current annual budget

should be, the median and average responses were, respectively, 100 per cent and 300 per cent.

The participants mentioned the following additional sources of financing to scale up their activities: public-private partnerships (PPP) 17.5 per cent, grants by a donor's aid agency 16 per cent, grants by an international foundation or NGO, a capital contribution by a foreign company partner, and grants by a national foundation or NGO 11 per cent each, government's general budget and loans by multilateral development banks 9.5 per cent each, government subsidies or tax breaks 5 per cent, loans by Pakistani development or public banks 3 per cent, and loans by Pakistani private banks, private donations, bonds issued in the national market, and other 1.5 per cent each.

The participants provided several suggestions to enhance the availability of funding and financing for sustainable development in Pakistan. Selected suggestions include the following: (i) strengthening budget preparation and execution to ensure budgets are more realistic and efficiently spent; (ii) improve coordination and cooperation between government agencies and build a monitoring and evaluation system; (iii) control inflation because it ruins all planning, financing, and ROI computations; (iv) enhance the transparency of public spending to ensure accountability for funding and its usage and stop all leakages and wastage of resources.; (v) improve technical capacities to prepare project proposals; and (vi) improve regulations and simplify processes.

The following conclusions can be extracted from the survey results:

- Although three quarters of the participants have had no problems in implementing their activities on time and within existing budgets, 80 per cent indicated that the funding available is largely insufficient to achieve the desired impact on targeted SDGs. The

additional funding needs are significant, averaging an increase of 300 per cent from the current available funding.

- In addition to a need for additional funding, participants expressed a desire to access additional sources of financing to the ones they currently have access. These include grants by a national foundation or NGO, loans by multilateral development banks, and bonds issued in the national market to which participants current did not report to have access. Among sources of financing, they currently have access, participants expressed interest in enhancing access to most to public-private partnerships and a capital contribution to a foreign company partner.
- Over seventy per cent of the participants pointed out to issues other than financing that impede the implementation of their activities. Some of these issues – e.g. inflation, exchange rate instability, political uncertainty, or the pervasiveness of the informal economy – pertain to the current macroeconomic and political context or are structural in nature, which makes them difficult to resolve. Other issues – such as lack of coordination across different levels of national and provincial government, poor governance arrangements, shortcomings in legislation, cumbersome procedures, and red tape, or needs for capacity building – are fundamental to improve the effectiveness of financing for development and could be addressed if there is political will.
- Many of the participants' suggestions on actions to enhance the availability of financing for sustainable development are particularly important and should be

considered in the design and implementation of a future INFF in Pakistan:

- *Strengthening budget preparation and execution to ensure budgets are more realistic and efficiently spent* – public budgets are a key tool in any financing strategy to achieve the SDGs both for the planning and execution of investments in sustainable development and as a monitoring mechanism to improve the implementation of development policies. Instruments such as SDG budget tagging are important components of the monitoring and evaluation building block of INFF and can play a useful role in improving the effectiveness of public budgets for the achievement of national development plans and the SDGs.
- *Improve coordination and cooperation between government agencies and build a monitoring and evaluation system* – This suggestion is at the core of the monitoring and evaluation and governance and coordination building blocks of INFF. Its goal is to contribute to improving the efficiency and effectiveness of public financing for development purposes, contributing to maximize value for money.
- *Enhance the transparency of public spending to ensure accountability for funding and its usage and stop all leakages and wastage of resources* –

- Transparency and accountability are key for the monitoring and evaluation building block of INFF. In addition to ensuring that resources are used for their intended purposes, transparency in and accountability for the use of resources can raise public awareness about and support for the government's actions on sustainable development.
- *Improve technical capacities to prepare project proposals and improve regulations and simplify processes* – These elements can be part of a financial strategy to achieve the SDGs, the second building block of an INFF which, as noted above, may include an examination of the country's financing policies, regulatory frameworks, and other aspects of the enabling environment with the objective of aligning finance with sustainable development.

5.2 SELECTED CHALLENGES TO BOOST FINANCING FOR THE SDGS

Monitoring and review

Study participants noted that while there has been a monitoring system for the achievement of the SDGs since their adoption by the government, the same is not true for their financing. A monitoring mechanism for the financing of the SDGs is needed to ensure the matching of available funding and needs.

Non-Government sector ownership

There is a strong need to raise the level of awareness about the SDGs at national level.

Lack of ownership in the non-government sector and shallow commitments by financial institutions are key deterrents in attaining the SDG targets. In addition to raising public awareness about the SDGs, it is critical that financial institutions are engaged in providing financing to achieve SDG targets.

Narrow financial markets

Mature financial markets are key to funnelling financing and investment. Pakistan's financial markets need to widen their scope, in addition to deepening their current focus areas. While debt financing is limited and non-collateral financing is almost non-existent, the country also needs to follow green financing examples from other countries.

Blended finance

In Pakistan, there is a considerable untapped potential available through instruments like guarantees, insurance, currency hedging, technical assistance grants and first loss capital from development agencies, development banks and forward-leaning foundations to scale up financing for sustainable development. In the absence of a common, official conceptual framework of blended finance, data collection and analyses are not comparable. As a result, there is no consistent picture of the size and scope of blended finance or its development impact. In addition, a lack of transparency and accountability undermines official efforts to build the case for increased use of blended finance instruments and undermines public trust in this approach.

Lack of transparency

The proliferation of market-based standards without clear rules for disclosure or assessment of definitions and methodologies, such as impact measurement metrics, could mislead investors and contribute to market distortions and SDG-washing. The risk of SDG washing could undermine the credibility of the

sustainable finance market and divert potential investors from it. Thus, ensuring transparency and comparability of standards is a first step towards consolidation and eventually harmonization of standards.

Lack of coherence

Lack of (or wrong) incentives and fragmented regulations lead to a sub-optimal allocation of assets – helped by information asymmetries, failure to factor in risks associated with negative environmental and social externalities, or long-term sustainability objectives. Government subsidies, such as energy subsidies, sometime support misalignment and fail to guide finance towards existing SDG financing needs. High-perceived risks coupled with small-sized investment projects can stifle investors interest in developing countries, even when they are increasing their absorptive capacity and softening policy constraints. Any effort to better align incentives and adjust policies to increase coherence with sustainable development can help enhance access to finance.

5.3 OPPORTUNITIES FOR SDG FINANCING

Private sector engagement

Participants of the study noted that the government's support for public-private partnerships has provided opportunities for the private sector to play an important role in economic development. A further engagement of the private sector requires financial markets, investment instruments, and institutional mechanisms to safeguard the interest of investors and other stakeholders in the market. The country, thus, has important opportunities to develop these markets, instruments, and mechanisms to attract financing for the SDGs. The participants of the study also emphasized that the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) needs to play a role in suggesting market mechanisms to the

government. This would not only bring more ownership to the business community but also improve the relationship between government and non-government stakeholders.

Financial instruments for international financiers

It is important to develop debt or equity instruments for international financiers to fund SDG activities. A promising example is sukuk bonds, which Pakistan has been placing in the international bonds markets. Their scope may be extended to climate bonds, green bonds, or gender bonds. Securitization may also be considered for the financing of projects such as including dams, motorways, power, or housings.

Securitization involves bundling cash flows from underlying assets, such as loans or leases, and transforming them into tradable securities. This approach can be applied to various SDG-related projects. Examples include (i) the securitization of infrastructure projects' revenue streams to allow investors to participate in long-term infrastructure investments in dams, motorways, or power projects; and (ii) the securitization of housing projects to provide affordable housing options and generate funding for urban development projects.

Green real estate financing

The absence of active real estate investment trusts (REITs) has long clogged the inflow of investment into the sector, but these could be promoted to attract public investment into construction projects, with a focus on the green housing sector. This sector has a multidimensional social and commercial scope linked to the attainment of targets in various SDGs and may be financed through green REITs. In the short term, incentives, such as discounted loan for ecological construction, may be awarded to construction material producers so that they introduce products and practices for ecological housing.

Renewable energy and climate finance

Accounting for 0.6 per cent of global CO₂ emissions in 2018, Pakistan ranked 27th amongst the world's top CO₂ emitters (Mako and others, 2022). Pakistan's profile as a relatively high-emissions and low GDP per capita country may allow it to attract concessional mitigation-oriented climate finance based both on its potential threat to the climate and relative poverty. Pakistan has enormous hydro, solar and wind potential. Only 14 per cent of the estimated hydropower potential of around 60,000 MW is currently exploited. If the solar power potential (mainly in Baluchistan) is utilized, all the country's existing energy needs could be met with solar power alone. However, the cost will be high, as transitioning to the proposed energy mix will require investments in the grid, changes to operational procedures, and proper planning of Variable Renewable Energy (VRE) expansion with storage facilities.

The Government of Pakistan's has planned to investment of USD 101 billion in the energy transition by 2030 (Gopal and Wang, 2023). However, as the costs of renewable energy alternatives have fallen compared to fossil fuel options, non-concessional financing of renewable energy investments has become the norm. Because investors expect to cover their costs and provide an adequate return on investment, investments in renewable energy would not qualify for concessional climate finance. Globally, of about USD 324 billion in recent annual funding for renewable energy, a large proportion was financed through commercial debt and private equity.

The power sector in Pakistan – which consists of power generation companies, power transmission companies, and power distribution companies – is affected by two major issues: debt and a power shortfall of 7,000 MW. The solution to both, which have long been proposed, is the production of cheap power and an increase of the national grid's capacity to

40,000 MW, 10,000 MW more than the current peak season energy demand (Mako and others, 2022). The construction of Diemer-Basha dam, planned to be completed in 2028, is expected to bridge major fraction of the power shortfall. However, its effectiveness is threatened by climate changed-induced volatility in glacial water discharge and natural disasters in the catchment areas. Production of the green power through solar, wind, tidal, and nuclear sources is being seen as a more sustainable solution, but this requires financing. A financial exchange for the power sector to offer and trade debt and equity instruments would not only facilitate the influx of investment into Pakistan's power sector, but also provide a long-term solution to the sector's debt and power shortfall issues.

Enhance entrepreneurial capacity

Start-ups are of key importance in achieving most of the SDG targets in Pakistan, for which they need financing and the promotion of an entrepreneurial culture among the youth. To promote the latter, a necessary condition is to reduce poverty, for which funding from the EHSAAAS program (formerly known as BISP or Benazir Income Support Program) is valuable. However, poverty is still prevalent in many areas of the country, suggesting that the elimination of poverty would require more than just these interventions. In this context, Pakistan Poverty Alleviation Fund (PPAF) may play a useful role. Instead of paying a monthly stipend to poor households, this program empowers beneficiaries through the provision of micro loans and training to enhance their entrepreneurial capacity.

Support at project design stage

The successful implementation of policies requires ownership by their implementers. For that purpose, there is a need to enhance Pakistan's local expertise and capacity, particularly at the design stage of projects, and before attracting any funding for achieving

specific SGD targets. Ideally this capacity may be jointly developed by the Ministry of Finance the Ministry of Planning and Special Initiatives.

Innovative financial markets

The absence of market mechanisms to attract funding is a key issue in Pakistan. Start-ups and entrepreneurial ventures find it difficult to access the right source of finance. The existing financial markets offer more barriers than opportunities and facilitation. Lack of legislation on semi-formal financing usually leads to exploitation from the lender's side. The State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) need to look at innovations in financial markets and instruments by other countries and incorporate good practices to reduce barriers of access to finance. This is particularly important for climate projects, which great growth potential in Pakistan. Green financial markets and instruments must be promoted in Pakistan.

Green banking

The study participants that were aware of the green banking guidelines issued by the State Bank of Pakistan in 2017 (State Bank of Pakistan, 2017), expressed the need to enhance them by requiring financial institutions to assess the environmental impact of all their loan portfolio rather than just allocating a proportion of it to green projects. Green banking complements the need for innovative green markets and instruments to be developed, which could include the offering of green, environmental, or climate insurance instruments.

Corporate social responsibility (CSR)

Although the budgets for CSR of larger commercial entities support directly or indirectly various SDG targets, it is necessary to enhance awareness and understanding of SDGs by such businesses to ensure ownership, along with sponsorship, to achieve desired targets and

impact. A coordination mechanism of CSR activities is also required to generate synergies through knowledge-sharing and enhanced collaboration between private and public entities.

Social impact of SDG targets

It is important to consider social, as well as economic and financial, impacts of SDG-related projects, including on community building. Although PPPs are usually implemented to support large infrastructure projects, in KPK there have been instances of small PPP initiatives to support marginalized communities in areas such as education or skill development.

Widening the tax base and taking advantage of carbon credit markets

Although the Federal Board of Revenue (FBR) has been meeting its tax collection targets for many years, there is a need for expanding the tax base in a sustainable manner, not merely by providing occasional amnesties for non-declared incomes. An option to consider is to develop a carbon tax. As an example, Singapore implemented a carbon tax in January 2019, with an initial tax rate of S\$ 5 per ton of CO₂e until 2023. The tax rate will be increased to S\$ 25 in 2024 and S\$ 45 from 2026 with the aim of creating incentives for businesses and individuals to reduce their carbon footprint in line with national climate goals. From 2024, companies may use high quality international carbon credits to offset up to 5 per cent of their taxable emissions (Singapore, National Climate Change Secretariat, n.d.). In addition, Singapore has signed MoUs with many countries, including Bhutan and Viet Nam, to cooperate on the trading of carbon credits under the terms of Article 6 of the Paris Agreement. Through such arrangements, Singapore's companies will be able to buy carbon credits to reduce their carbon tax liabilities since 2024. Sellers of carbon credits will also benefit by accessing

financing for carbon-reducing projects (Ruehl, 2023).

Agriculture commodity futures market

The agriculture sector of Pakistan requires massive reforms to improve the price visibility to growers, middlemen, and consumers within the production distribution, and sales channels. In addition, international buyers of Pakistan's agricultural produce need a platform to forward buy agricultural commodities and perishables. The absence of an effective commodity exchange has been a major obstacle to the growth of the agriculture sector. Pakistan Mercantile Exchange (PMX), established a few years ago, has restricted the scope of futures' trading to cotton, wheat, corn, and soybean. The scope needs to be extended to all agricultural commodities and perishables. This would not only open up Pakistan's agriculture sector to international investors but also contribute significantly towards economic development. In addition, the benefits would reach farmers, contributing to the eradication of poverty and hunger. In the short term, the Ministry of Agriculture and Food security, along with agriculture associations and PMX, could benchmark a wider range of products – such as

dried and trans products, olives and its oils, and fruits – to list in PMX.

GSS bonds and market infrastructure

Pakistan's first green euro bond issued by Pakistan Water and Power Development Authority (WAPDA) through J.P. Morgan, Standard Chartered Bank, Deutsche Bank and Habib Bank in 2021 raised USD 500 million (Business Recorder, 2021). The transaction was oversubscribed six times, reaching USD 3 trillion and showing a strong appetite for Pakistan's green, social and sustainability (GSS) bonds. In Pakistan, the lack of supply of labelled GSS bonds is a major constraint, but so is the lack of an adequate market infrastructure to provide the foundation for capital market depth and liquidity. This includes exchanges and trading platforms, clearing houses, credit risk assessment, custodians, and fiduciaries, without which GSS bond markets will be difficult to scale up.

5.4 POLICY RECOMMENDATIONS

The recommendations summarized in table 6 reflect the focus group discussions and subsequent key informant interviews.

Table 6: Recommended policy directions and actions for INFF implementation

Recommended direction	Recommended actions and measures	Status, characteristics and development, actions taken
<p>1. Enhance the alignment of public funding with national development priorities and improve methodological approaches and practices for analysis and decision-making.</p>	<p>SDG tagging, costing models for prioritized targets, cost-effectiveness analyses, and related methodologies piloted and integrated into the national planning agenda.</p> <p>Promotion of the green banking concept and approaches introduced by State Bank of Pakistan.</p> <p>Implementation of effective data collection tools and mechanisms to reinforce national monitoring and the statistical eco-system, and introduction of an SDG performance measurement system.</p>	<p><i>Favourable factors</i></p> <p>National priorities have been reflected in some strategic documents.</p> <p><i>Challenges</i></p> <p>Limited use of cost-effectiveness analysis and costing exercises.</p> <p>Lack of policy coherence and misalignment of incentives, with government taxes and subsidies failing to guide finance towards SDG needs.</p> <p>Poor planning and reporting at the activity level.</p>
<p>2. Increase the efficiency of public investment and public finance management.</p>	<p>Better investment climate and favorable environment for both domestic and foreign investors; including though improvements in sectoral planning, public investment and capital budgeting management, and spending reviews.</p>	<p><i>Favourable factors</i></p> <p>A public finance reform program is in place. The regulatory framework strives to support better budgetary management (Public Finance Management Act of 2019).</p> <p>Entrepreneurship Promotion Fund, Skill Development Fund, and tax incentives.</p> <p><i>Challenges</i></p> <p>Low level of maturity of the financial markets.</p> <p>Structural weaknesses, such as weak tax administration, a difficult business environment, low tax-to-GDP ratio, and insufficient resource mobilization.</p>

Table 6. (continued)

Recommended direction	Recommended actions and measures	Status, characteristics and development, actions taken
<p>3. Align private sector financing with national development priorities and the SDGs by improving institutional and cooperative mechanisms for public-private partnerships (PPP).</p>	<p>New partnership schemes based on enlarged participation and multistakeholder engagement, private sector sensitization and awareness-raising campaigns in key leading sectors of the economy, exploring avenues for cross-sectoral cooperation and developing partnerships both at the national and regional levels.</p>	<p><i>Favorable factors</i></p> <p>Better project management and planning for major investment projects to enhance effectiveness, efficiency, and sustainability of results both for public and private implementers.</p> <p><i>Challenges</i></p> <p>Low awareness about the SDGs and their alignment with financing among private sector entities.</p> <p>Substantial efforts and resources are lost due to re-tendering.</p> <p>Insufficient use of PPP mechanisms for the implementation of social and community-level projects.</p>
<p>4. Tackle climate and environmental challenges by financing climate adaptation, the appropriate use and rehabilitation of natural resources, green energy initiatives, and increased contributions by the private sector.</p>	<p>Strong emphasis on the natural comparative advantages of the country enabling the most effective use and rehabilitation of natural resources and eco-systems.</p> <p>Exploring and identifying multiple and stable sources of financing.</p>	<p><i>Favorable factors</i></p> <p>Some banks have started to incorporate green financing solutions in their offering based on policy directives – for example, HBL with Agha Khan Development Initiative is offering green project consulting and financing, and other green incentivized financing solutions.</p> <p>Insurance companies are also considering climate impacts in underwriting procedures, for example by providing innovative solutions for residential construction.</p> <p><i>Challenges</i></p> <p>Climate change and disaster risk reduction are critical priorities for the country, but funding for adaptation and mitigation is low.</p>

Table 6. (continued)

Recommended direction	Recommended actions and measures	Status, characteristics and development, actions taken
<p>5. Reduce challenges facing SMEs, increasing support to them through investment and a favorable environment to support economic diversification and the use of blended finance.</p>	<p>Deepen the country's SME development strategy, building on the SME Policy 2021, by providing better conditions for companies working in priority areas and sectors with solid potential for growth, including through encouraging green technologies, products and consumption and promoting eco-friendly industries.</p> <p>Introduce common reporting standards for actors involved in blended finance and ensure transparency of big projects' data and better accountability Availability of impact measurement metrics for investors.</p>	<p><i>Challenges</i></p> <p>The lack of a common conceptual framework presents challenges in terms of data collection, analysis, and comparability.</p> <p>There are no common reporting standards for actors involved in blended finance, and the data that does exist is typically contained in a range of disparate datasets.</p> <p>Banks' collateral requirements, mainly accepting real estate collateral, and high-interest rates.</p> <p>Much of the data is not publicly available and, where figures are available, data from different actors may be inconsistent or incompatible.</p> <p>Lack of Impact measurement metrics.</p> <p>Poor engagement of the private sector in coordination mechanisms and policy dialogue.</p>
<p>6. Ensure debt sustainability.</p>	<p>Increase the efficiency of debt management, aligning debt management with sustainable development, and introducing fiscal and/or debt management reforms and innovative solutions such as bond issuance and security market development.</p>	<p><i>Favorable factors</i></p> <p>Amendments to the Fiscal Responsibility and Debt Limitation Act in June 2022 included limiting government guarantees to 10 per cent of GDP, the publication of a medium-term macro-fiscal framework, and to institutionalize debt management functions in a single office reporting to the Finance Secretary^a</p>

Table 6. (continued)

Recommended direction	Recommended actions and measures	Status, characteristics and development, actions taken
		<p>In July 2023, the Executive Board of the IMF approved a 9-month Stand-By Arrangement for USD 3 billion to support the authorities' economic stabilization program</p> <p>The sukuk market is offering an option for the financing of the public debt – in August 2023, the government raised PKR 371 billion through the issuance of GOP Ijarah Sukuk related to the Islamabad Expressway project^b</p> <p><i>Challenges</i></p> <p>Total public debt as of June 2023 was 74.3 per cent of GDP, up from 73.9 per cent of GDP in June 2022, with domestic debt representing over 60 per cent of the total.^c</p>
<p>7. Ensure gender equality to attract funding from international markets, and achieve inclusive and sustainable development</p>	<p>Empower women entrepreneurship, expand the participation of women in decision making process at the national and community levels, and support female-headed organizations.</p> <p>Mainstream gender equality in the INFF.</p>	<p><i>Favorable factors</i></p> <p>The State Bank of Pakistan and the Government of Pakistan launched a number of financial incentives to improve gender balance, especially in banking and entrepreneurship.</p> <p>Special clauses added in grants and fundings to encourage female participation.</p>
<p>8. Increase the profitability and improve the governance of state-owned enterprises (SOEs) and align their activities and operations with development priorities.</p>	<p>Enhance SOEs' access to financial services, and support job creation in and business development of SOEs.</p>	<p><i>Challenges</i></p> <p>Ineffective governance of SOEs to leverage investments and generate additional financial resources.</p> <p>High risk of launching projects due to inconsistent support and continuity of incentives.</p>

Table 6. (continued)

Recommended direction	Recommended actions and measures	Status, characteristics and development, actions taken
<p>9. Increase budget revenues and strengthen resource mobilization.</p>	<p>Introduce structural tax reforms, including environmental tax reforms.</p> <p>Broaden the tax base by improving tax administration.</p> <p>Improve fiscal management and institutionalize mechanisms to support sound fiscal management and stabilize revenue streams.</p> <p>Introduce innovative financial instruments to enhance resource mobilization, combining bonds, multilateral development funds, venture capital, and development assistance.</p> <p>Optimize the use of resources to increase SDG performance and spending efficiency.</p> <p>Strategically reprioritize budget items, include emergency funds or buffers in budgets, and diversify sources of financing.</p>	<p><i>Challenges</i></p> <p>It has been estimated by the IMF that Pakistan needs additional annual spending of about 16 percent of GDP in 2030 to make substantial progress in critical SDG sectors.</p> <p>High fiscal deficit, low tax-to-GDP ratio, high interest payments, untargeted subsidies, loss-making state-owned enterprises, and rigidity of current expenditures.</p>
<p>10. Increase the utilization of the workforce in the mid-to long-term through expanding financing through public-private partnerships and philanthropic investment in functional and skill-based formal and non-formal education at all levels</p>	<p>Include public and private partnerships financing philanthropic funding in a multi-year strategy for human resource development.</p> <p>Optimize the use of resources to increase SDG performance and spending efficiency.</p> <p>Consider innovative financing options for non-formal education for secondary education to address the country's low secondary completion rate.</p>	<p><i>Challenges</i></p> <p>An estimated 22.8 children aged 5-15 are out of school, representing 44 per cent of the population in this age group.^d</p> <p>Public expenditure on education in Pakistan, at 1.7 per cent of GDP in fiscal year 2022-23, is the lowest in the region.^e</p>

Table 6. (continued)

Recommended direction	Recommended actions and measures	Status, characteristics and development, actions taken
11. Undertake reforms of the judicial system to fight corruption.	Digitize court operations and provide public funding to enhance speed and accuracy and to reduce the backlog of corporate cases.	<p><i>Challenges</i></p> <p>Pakistan ranks 140 out of 180 countries in the 2022 Corruption Perceptions Index.^f</p> <p>The judicial system has a large number of ongoing cases and a large backlog.</p>
12. Strengthen reporting on SDG impacts.	<p>Extending digitized reporting and monitoring to include district and tehsil levels, as well as a wider group of private stakeholders.</p> <p>Enhance timely reporting structures and tools.</p>	<p><i>Challenges</i></p> <p>Currently, stakeholders at local constituencies are not actively engaged in direct and timely data generation and reporting into the system. Therefore, only a top-down and often partial view is considered to inform a financial strategy.</p>
13. Enhance disaster risk management through additional funding and insurance.	A detailed mapping of the impact of disasters, along with sound advocacy, is required. There is also a dire need for a national disaster risk financing strategy to be devised along with innovative financing instruments that can cater to potential post-disaster losses and create fiscal space for the government.	<p><i>Favorable factors</i></p> <p>The National Disaster Management Authority is an autonomous and constitutionally established federal authority mandated to deal with the whole spectrum of disasters and their management in the country.</p> <p><i>Challenges</i></p> <p>A disaster recovery fund has been established under the National Disaster Management Authority, but the scale and frequency of disasters have had a much higher impact than expected.</p> <p>There are substantial shortfalls in public funding for disaster mitigation, response, and recovery.</p>

Table 6. (continued)

Recommended direction	Recommended actions and measures	Status, characteristics and development, actions taken
14. Enhance last-mile financing for entrepreneurs, with a focus on micro-enterprises.	Enhance access to financing for entrepreneurial ventures that are in the scaling and sustaining phase of their activities – such ventures need directed and well-structured support and financing for quick returns.	<p><i>Favorable factors</i></p> <p>Start-up activity has surged in Pakistan, led by the IT sector, as businesses emerge to meet labor-market demands – although the country still lags its peers.</p>

Source: ESCAP based on focus group discussions and key informant interviews with stakeholders.

Notes: ^a Pakistan, Ministry of Finance, “Debt policy statement January 2023” (Debt Management Office, 2023).

^b “Historic Sukuk issuance: Rs.371bn generated for Islamabad Expressway”, *Pakistan Today*, 9 August 2023.

^c State Bank of Pakistan, “Pakistan’s debt and liabilities summary”, 2023. Available at www.sbp.org.pk/ecodata/index2.asp (accessed 24 September 2023).

^d UNICEF Pakistan, “Education: giving every child the right to education” (n.d.).

^e Ahmad Ahmadani, “Education sector receives a marginal boost for 2023-24”, *Pakistan Today*, 9 June 2023.

^f Transparency International, “Corruption Perception Index, year 2022” (accessed 26 September 2023).

6. Conclusion

Since 2015, the Government of Pakistan has made a sound commitment to ensure that the country's national development and growth priorities are in alignment with the United Nations Sustainable Development Goals (SDG). However, the additional annual spending by 2030 that will be required to achieve the SDGs in critical sectors such as education, health, electricity, water and sanitation, and roads has been estimated at 16.1 per cent of GDP. Considering the evolution of the consolidated federal and provincial expenditures, revenues, and budget deficits over the last twenty years, during which the latter increased from an average of 4.9 per cent of GDP in 2004-09 to 7.9 per cent of GDP in 2018-23, there is no doubt that the estimated required increase in expenditures represents an enormous challenge. Overcoming this challenge is even more complex in the current macroeconomic context, in which the country is undertaking a fiscal consolidation program to control inflation and stabilize its external accounts.

In this context, it is of the utmost importance to enhance the effectiveness in the mobilization and use of public and private financial resources. For this purpose, the introduction of an integrated national financing framework (INFF) can help. As pointed out by the Secretary General of the United Nations, "INFFs help governments chart long-term SDG investment plans and fiscal frameworks based

on national priorities, consistent with a sustainable debt trajectory" (United Nations, 2023). As such, an INFF for Pakistan would complement the country's current efforts toward macroeconomic stabilization through the development of a longer-term framework to both maintain macro stability and enhance financing for sustainable development and climate action.

The main value proposition of INFFs is to complement sustainable development strategies, which lay out *what* needs to be financed, with an indication on *how* they will be financed and implemented. A key building block of an INFF is the financing strategy. Although most countries have a wide range of national financing policies in place, these are often fragmented, were developed in an uncoordinated way, and may not fully align with the country's sustainable development strategy. An integrated financing strategy seeks to bring these policies and instruments together, promoting coherence both with sustainable development objectives and between different financing policy areas. While the financing strategy may focus narrowly on matching needs assessments to resources such as public revenues, aid, and private financing, it may also include a broader examination of the country's financing policies, regulatory frameworks, and other aspects of the enabling environment with the objective of making improvements.

INFFs rely on existing planning, budgeting, and similar systems to track the volumes and impacts of all types of finance. Their value is to integrate existing tracking systems across various types of finance and to provide a framework to link them with the objective to facilitate the attainment of national development plans and/or SDG strategies. A key task of an INFF is to enhance the coherence of financing policies and their effectiveness in providing resources for the achievement of national sustainable development objectives. This involves both improving intra-governmental coordination and improving collaboration and alignment with non-state actors, especially development

partners and the private sector. A very useful tool to integrate the SDGs into the planning and budget cycle is budget tagging. By allowing to track, report, monitor, and review expenditures on the SDGs, budget tagging helps evaluate the effectiveness of SDG spending and identify areas that require additional financing.

Launching an INFF in any country requires a strong political commitment at the highest level. If that commitment materializes in Pakistan in the near future, policy makers and other key stakeholders could consider the recommended policy directions and actions for INFF implementation included in table 6 for further discussion and deliberation.

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Annex 1: Survey questionnaire

CHALLENGES AND GAPS IN FINANCING THE SUSTAINABLE DEVELOPMENT GOALS IN PAKISTAN

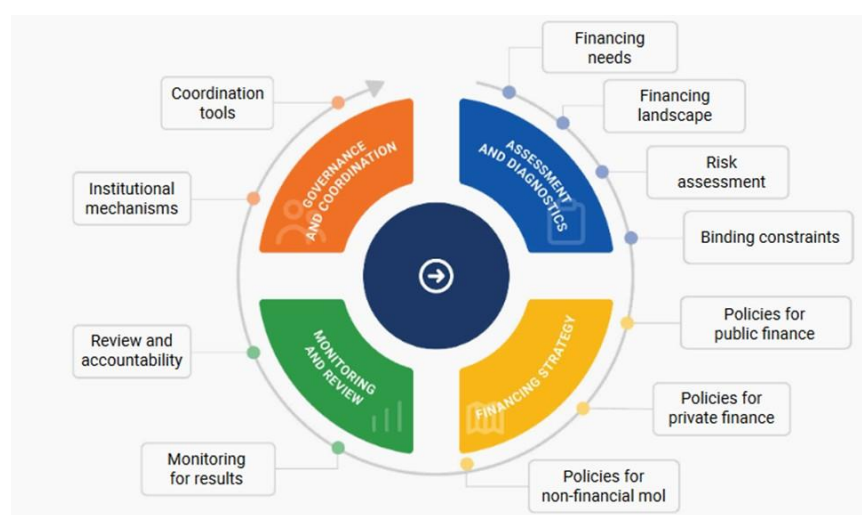
* Required

Introduction

An Integrated National Financial Framework (INFF) is a planning and delivery tool to help countries strengthen planning processes and overcome existing impediments to financing Sustainable Development Goals (SDGs <https://pakistan.un.org/en/sdgs>) at the national level. It lays out the full range of financing sources – domestic public resources, aid and development cooperation, and domestic and international private finance – and allows countries to develop a strategy to increase investment, manage risks and achieve sustainable development priorities as identified in a country's national sustainable development strategy.

The purpose of this questionnaire is to provide initial and up-to-date information on the first building block of an INFF for Pakistan: assessment and diagnostic. This includes analyzing financing needs (e.g. via costing exercises) and the financing landscape, to create a baseline understanding of the financing gap. It also involves assessing risk and identifying policy, institutional and capacity binding constraints to shape the focus of the financing strategy.

An INFF has four building blocks (<https://inff.org/about#building-blocks>), as illustrated below:



Instructions

The questions focus on the main activity of your organization, or an activity of your organization you are very familiar with. The activity can be a project, a program, or an intervention that is related to the Sustainable Development Goals. Please answer all the questions as accurately as possible. Please select an activity of your organization that is related to sustainable development and that you are

familiar with. The chosen activity cluster could be a project, a program, or an intervention. The rest of the questionnaire will be related to this activity with a focus on its financing. As a reference UN has listed its SDG related activities and their budget on the following link. Also attached as annexure. You select activity/activity cluster based on SDG/Priority/Work done.

SECTION 1. RESPONDENT'S DATA

Name:

Job title:

Which organization are you a part of presently? *

Which department within your organization are you associated with? *

What type of organization is it? Mark only one. *

- Public
- Private
- Other:

In which city is your job based? *

SECTION 2. SUSTAINABLE DEVELOPMENT ACTIVITY CLUSTER

Please select an activity of your organization that is related to sustainable development and that you are familiar with. The chosen activity cluster could be a project, a program or an intervention. The rest of the questionnaire will be related to this activity with a focus on its financing.

- a. Title or name of the activity/activity cluster:
- b. Brief description of the activity and its goals (100 words maximum):
- c. Please select the main target or targets of the Sustainable Development Goals that this activity will help achieve:
- d. Please list the goal or goals of any relevant National Development Plan or Strategy (if any) that the activity will help achieve:

SECTION 3. BUDGET, FUNDING AND FINANCING

All figures should be PKR

- a. What is the time horizon for this activity? * Mark only one.
 - Single Year
 - Multi Year
- b. In which year did the activity start or is scheduled to start? *
- c. Select the years in which there was an annual budget allocated to the activity you have mentioned. Check all that apply.
 - 2019
 - 2020
 - 2021
 - 2022
- d. For each of the years selected above, how much budget was allocated for the said activity.

You are kindly requested to mention the year and then the allocated budget in the space below.

- e. Please indicate what were the sources of funding for the said activity. Select the sources that are applicable. Check all that apply.
- Government's general budget (national, provincial, or local)
 - Government subsidy or tax break
 - Grant by a national foundation or NGO
 - Grant by an international foundation or NGO
 - Grant by a donor's aid agency
 - Loans by Pakistani private banks
 - Loans by Pakistani development or public banks
 - Loans by multilateral development banks
 - Loans by international private banks
 - Bonds issued in the national market
 - Bonds issued in the international market
 - A public-private partnership
 - A capital contribution by a foreign company partner
 - Other:
- f. From the financing options that you selected above, please mention what was the approximate percentage share of the overall allocated budget for that specific option. (For example, if you selected loans by Pakistani private bank and loans by international private banks, then your answer would look like, 1) Pakistani Private Bank - 75%, 2) International Private Bank - 25%)

SECTION 4. EVALUATION OF THE ACTIVITY AND CHALLENGES

- a. Is your activity on track against the planned timeline? * Mark only one.
- Yes
 - No
- If "No" then what may have been, in your opinion, the main problems or reasons for the deviation?
- b. Is the funding / financing for the activity sufficient? Mark only one.
- Yes
 - No
- If "No" then please explain your reasoning for this conclusion
- c. Is your activity on track with planned budget? Mark only one.
- Yes
 - No
- If you selected "No", then please explain below why you think that is the case?

d. Beyond financing, are there any other issues that challenge the implementation of the activity? Mark only one.

Yes

No

If "Yes," please elaborate: [Please consider a broad spectrum of possible challenges, including legal/regulatory issues, norms and procedures, human resources, social norms, etc.]

SECTION 5: GOING FORWARD

a. With regards to currently planned SDG target or targets, do you think that your activity will need to be scaled-up to achieve the desired impact? * Mark only one.

Yes

No

b. If you selected "Yes", are there plans to scale it up? Mark only one.

Yes

No

c. If the activity is scaled up, will current sources of funding / financing be sufficient? Mark only one.

Yes

No

d. How much of an increase do you think will be required in terms of the approximate annual cost of scaling it up between 2023 and 2030? [in Percentage increase of the current budget]

e. What additional sources of funding, in your opinion, should be engaged to scale up the activity. Please select the options you think are relevant. Check all that apply.

Government's general budget (national, provincial, or local)

Government subsidy or tax break

Grant by a national foundation or NGO

Grant by an international foundation or NGO

Grant by a donor's aid agency

Loans by Pakistani private banks

Loans by Pakistani development or public banks

Loans by multilateral development banks

Loans by international private banks

Bonds issued in the national market

Bonds issued in the international market

A public-private partnership

A capital contribution by a foreign company partner

Other:

- f. From the financing options that you selected above, please mention what should be the approximate percentage share of the overall allocated budget for that specific option. (For example, if you selected loans by Pakistani private bank and loans by international private banks, then your answer would look like, 1) Pakistani Private Bank - 75%, 2) International Private Bank - 25%)
- g. Beyond financing, are there any other issues that you foresee will challenge the scaling up of the activity? Please elaborate: [Please consider a broad spectrum of possible challenges, including legal/regulatory issues, cumbersome procedures and red tape, human resources, social norms, etc.]

SECTION 6: FINAL QUESTIONS

- a. Is your activity expected to have an equally favourable impact across genders. Mark only one.
 - Yes
 - No
- b. If “No,” please explain why and suggest ways in which the activity could be modified to have an equally favourable impact across gender, e.g. for men, women and others.
- c. What issues/aspects/bases should be improved to enhance availability of funding / financing for sustainable development in Pakistan?
- d. What innovative financial tools, instruments and mechanisms, such as green bonds, sustainability bonds, sustainability-linked bonds, blended finance, debt for climate swaps, do you think could be useful to enhance financing for sustainable development in Pakistan? Please elaborate:
- e. Does your organization participate in consultations including other organizations /stakeholders on how to improve access to financing for sustainable development in Pakistan? Mark only one.
 - Yes
 - No
- f. Please elaborate your answer to the above question.
- g. What mechanism for engaging views of various stakeholders and coordination could, in your view, be useful to improve access to funding / financing for sustainable development and the SDGs?
- h. Any further insight that you would like to contribute for Financing the SDGs and/or for policy improvement in Pakistan'

THANK YOU FOR FILLING THE SURVEY

- Do you want to receive further information about financing the SDGs * Mark only one.
- Yes
 - No

Annex 2: Agenda of the focus group discussions

	Activity	Details	Allotted time
1	Overview	Overview of the SDGs, survey, financing, gaps, and INFF.	5 minutes
2	Survey findings	Presenting the survey findings to the participants	5 minutes
3	Participants response and discussion	Floor opened for the participants to share insights and express opinions on the questions asked within the survey	100 minutes
4	Summary and conclusion	Summary of findings and conclusion endorsed by the participants Participants invited to a workshop to take place later in 2022	10 minutes