

## Mind the gaps - SDG progress and SDG investment needs











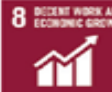





Estimation of SDG investment gaps provides useful insights on specific interventions required to achieve the Goals and on the scale of financial requirements to fund these ambitions. However, costing figures alone do not provide a full picture on how to plan and prioritize policies to achieve the Goals. To gain a better understanding of priorities, it would be necessary to zoom out and consider the investment gaps together with the progress indicators on the Goals.

For a bird's eye view on where we are for each Goal, we can roughly categorize the Goals into five different categories as summarized in the table below.

### Category (1): Largely on track (substantial additional investment required but within reach)

Goals 1 to 4 form the first category where progress on major indicators has been largely on track, with few notable exceptions at the target level. On *Goal 1 (end poverty)*, the cost to lift the poor above the poverty line through cash transfers would not be high. However, the real challenge would be to truly enable the poor to participate in economic activities so that poverty reduction could be sustained even after cash transfers cease. Although difficult to cost, this would require well-conceived and targeted interventions to expand employment opportunities for the poor and support for

Table 1. Mind the gap between progress and investment<sup>1</sup>

Category	Goal progress	Financial requirement	Goals
(1) Goals which are achievable but require sustained effort and targeted investment in certain aspects	Progress made but not enough <sup>1</sup>	Substantial but within reach	   
(2) Goals where large and continuing investments would be needed	Clearly off-track	Significant scaling up needed	   
(3) Goals where additional substantial spending would be required	Mixed but likely to miss the targets	Unclear but potentially significant	 
(4) Goals requiring cross-cutting interventions but cannot be allocated a specific price tag	Mixed	Unclear; hard to isolate specific interventions for investment	 
(5) Goals depending more on vision and policy than on money spent	Likely to miss the targets	Insignificant or less applicable	   

Source: ESCAP.

the development of local businesses and small and medium-sized enterprises. It would also require improved public social spending and social protection. As this cost estimation reveals, providing universal social security benefits accounts for some 90 per cent of the investment gap for ending poverty.

On *Goal 2(end hunger)*, the policy thrusts implied by the cost estimation are consistent with those suggested by the progress indicators on the Goal. Increasing agricultural productivity and eliminating stunting, in particular, are two targets where Asia and the Pacific is off-track by a wide margin. Interventions on these targets account for three quarters of the additional investment needed to achieve Goal 2.

On *Goal 3(good health and well-being)*, increasing the number of health workers is a priority. The region is projected to miss this target by a wide margin, and this is also where the largest investment is required.

On *Goal 4 (quality education)*, the region has progressed relatively well on increasing the primary and secondary enrollment rates and on reducing the adult illiteracy rate. In contrast, the region lags far behind on equal and affordable access to tertiary education. However, to achieve this target, Asia-Pacific developing countries would need to invest a significant amount, exceeding the total budget for universal pre-primary to upper-secondary education. This could be too much of a burden on the limited public coffers of many developing countries. Ideally, tertiary education should generate enough return in future individual income to incentivize private spending, especially in the context of fast-growing household income and vibrant economy. The most immediate priorities should still be basic education from the pre-primary to secondary levels.

### **Category (2): Clearly off-track (significant scaling up in investment needed; requires external support)**

Goals 7, 13, 14 and 15 belong in the second category, where the current trajectory is not promising, and significant investments are required to bring the region on track. On *Goal 7 (access to affordable and clean energy)*, despite significant efforts, progress on the targets has been uneven. Renewable energy's share in the overall energy mix at the median has remained largely unchanged between 2000 and 2018, despite several successful examples in the region. It is worth noting that the \$450 billion required annually for renewable energy and energy efficiency improvements to achieve Goal 7 is the largest amount required for achieving any single Goal.

*Goal 13 (climate action)* is among the Goals where Asia and the Pacific has achieved little progress between 2000 and 2018.<sup>2</sup> On greenhouse gas emissions and exposure to natural disasters, the region is expected to miss all targets. The challenge is compounded by the fact that many developing countries in the region still need to industrialize. Converting to a greener path for development and structural transformation and achieving Goal 13 targets would require investments much greater than the current levels, along with ambitious policy interventions that may be economically costly in the short run despite generating lasting benefits in the long run, as illustrated by the model simulation on a resource efficiency package. Importantly, the interventions require not only cutting across public-private boundaries but also national

and regional borders. Efforts made by the Asia-Pacific region would have to be complemented by efforts made by other developing and developed regions, and vice versa. Innovative mechanisms would be required to address this gigantic global coordination challenge.

*Goals 14 and 15 (preserving life/ecosystems below water and on land, respectively)* share similar challenges as Goal 13. Based on current trajectory, Asia and the Pacific will miss most of the targets and may even regress on some. Many cross-cutting interventions are needed to deliver on these Goals, and significant scaling up of investment is required over the current levels. As with Goal 13, coordinated actions beyond national and regional borders would be necessary, and Asia-Pacific countries should be prepared to take up their fair share of responsibility in such a collective agenda.

However, few developing countries in the region, except for the most economically advanced ones, would be able to shoulder all the financing requirements for achieving these four Goals. Especially for least developed countries and small island developing States, the investment needed would be far beyond their financial capacity. Therefore, strengthened external support will be indispensable.

### **Category (3): Mixed progress but likely to miss the targets (potentially significant additional financial requirement)**

Goals 6 and 11 belong in the third category where, despite progress achieved in certain aspects, the region is still confronted with serious challenges which may require huge additional investments not yet accounted for. *Goal 6(water and sanitation)* seems to be a low-hanging fruit at first glance, based on the investment gap estimation of \$10 billion per year to set up water and sanitation infrastructure in rural and urban areas. Yet, the real challenge is with water stress and changes in water-related ecosystems. In both of these aspects, Asia and the Pacific is expected to completely miss the targets and would be in a worse situation by 2030 than in 2000. Although there is a lack of reliable ways to cost interventions to address water stress and restore water-related ecosystems, China's \$62 billion South–North Water Transfer Project<sup>3</sup> to address water shortage in its northern provinces could shed some light on the scale of additional investment needed.

For *Goal 11 (sustainable cities and communities)*, while the costs for essential urban infrastructure and services have mostly been captured by cost estimations of other Goals, one multifaceted item is still remaining: ensuring adequate, safe and affordable housing for all and upgrading slums. Asia and the Pacific is home to the world's largest urban slum populations ESCAP and UN-Habitat (2015); 35 per cent of urban residents in South Asia were estimated to have been living in slums in 2012 (United Nations, 2014). Historical experience suggests that, without comprehensive public interventions, private housing expenditure alone would not solve the slum problem in developing countries. A reliable costing estimation for slum upgrading and providing affordable housing for all is difficult to develop due to lack of accurate data on slum populations and the unclear division of labour between the public and private sectors. However, the required additional investment on affordable housing alone could easily be in trillions of dollars over the years.<sup>4</sup>

#### Category (4): Mixed progress (unclear; hard to isolate specific interventions for investment)

A fourth category comprises *Goal 8 (decent work and economic growth)* and *Goal 9 (industry, innovation and infrastructure)*. For these two Goals concerning macroeconomic performance, it is without doubt that substantial public interventions and investments would be required. However, due to their cross-cutting nature, it is hardly feasible to isolate the specific interventions<sup>5</sup> required which have not already been captured by costing estimations for other Goals. Success in achieving these two Goals would rely on the joint force of a host of financial and non-financial interventions to improve the overall efficiency and quality of economic performance, rather than on a handful of individual interventions.

#### Category (5): Likely to miss the targets (insignificant or less applicable)

*Goal 5 (gender equality)*, *Goal 10 (reduced inequalities)*, *Goal 12 (responsible consumption and production)* and *Goal 16 (peace, justice and strong institutions)* fall into the last category, where successfully achieving the targets hinges much more upon changes in vision, culture and non-financial interventions than upon monetary inputs.

On gender equality, for instance, targeted investments to provide gender-sensitive public infrastructure and services would be necessary. Yet, the major policy thrusts should be directed towards eliminating all kinds of discrimination against women, promoting public awareness and support for gender parity, and creating a fair, safe and friendly environment for women to realize their potential in all professions and positions.

Responsible consumption and production is another area where urgent action would be required. So far, the Asia-Pacific region has the worst-performing record for its efforts to achieve this Goal, with all the indicators monitored having either deteriorated between 2000 and 2018 or registered zero progress. To reduce wasteful consumption and production and change consumption behaviour towards one that is more responsible, advocacy, education and policy changes to internalize the social-environmental costs of irresponsible consumption or production into market price signals would play a foremost role.<sup>6</sup>

These four Goals are perfect examples demonstrating that financial interventions are important in the pursuit of the Goals, but not necessarily the most important in all cases. For countries with narrow fiscal space or with many urgent development priorities competing for the limited public financing that is available, directing part of their policy focus to these four Goals, which could be achieved with minimal financial burden, would be an advisable strategy.

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#### Endnotes

1. For Goal 2 (zero hunger), if indicators on Target 2.4 (sustainable agriculture) and Target 2.5 (generic diversity of seeds and species) are also taken into account, the overall progress of Asia and the Pacific towards the Goal would be clearly off track.

2. The other Goals with little progress include: Goal 6 (clean water and sanitation), Goal 8 (decent work and economic growth), and Goal 12 (responsible consumption and production).

3. For more details, including a map of the area concerned, see [www.water-technology.net/projects/south\\_north/](http://www.water-technology.net/projects/south_north/).

4. As an example, China spent the equivalent of \$278.2 billion on shantytown redevelopment in 2017 alone. For details, see [www.reuters.com/article/us-china-economy-property/china-ploughs-144-billion-into-shantytown-redevelopment-so-far-in-2018-idUSKBN1L10WC](http://www.reuters.com/article/us-china-economy-property/china-ploughs-144-billion-into-shantytown-redevelopment-so-far-in-2018-idUSKBN1L10WC).

5. Infrastructure investment in transport and ICT are the two exceptions which have been costed for this Goal.

6. Investment to enhance resource and material efficiency would also play an important role, and the financing required would be substantial. However, quantifying the financing need and attribute it to a specific Goal is difficult, when it is cross-cutting and serves multiple Goals and objectives.

The MPFD Policy Briefs aim at generating a forward-looking discussion among policymakers, researchers and other stakeholders to help forge political will and build a regional consensus on needed policy actions and pressing reforms. Policy Briefs are issued without formal editing. This issue was prepared by Zheng Jian. It benefited from inputs and comments and suggestions from Daniel Jeongdae Lee and Sweta Saxena (Macroeconomic Policy and Financing for Development Division, ESCAP); Gemma Van Halderen and Arman Bidarbakht Nia (Statistics Division). For further information on this issue, please contact Hamza Ali Malik, Director, Macroeconomic Policy and Financing for Development Division, ESCAP ([escap-mpdd@un.org](mailto:escap-mpdd@un.org)).