SPENDING NEEDS FOR
ACHIEVING SELECTED SDGS

IMF JICA Conference

DEVELOPING ASIA: ACHIEVING INCLUSIVE AND SUSTAINABLE GROWTH WITH SOUND FISCAL MANAGEMENT
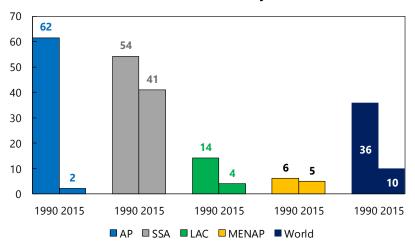
Mercedes Garcia-Escribano (IMF)
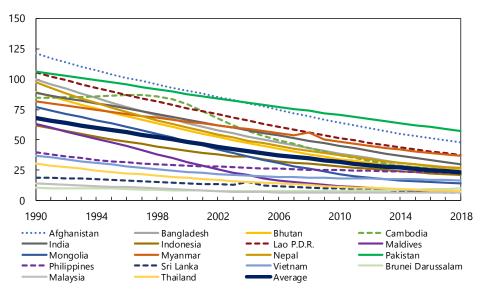February 12-13, 2020

Extreme Poverty by Region, 1990-2015
(Percent of population living on less than US$1.90 a day)

Emerging and Developing Asia: Infant Mortality Rate in 1990-2015 1/
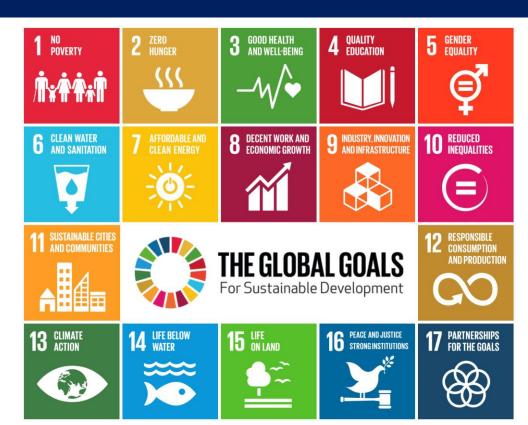(Per 1,000 live births)

Source: IMF staff calculations using World Bank database.
Note: AP = Asia and Pacific (excluding Afghanistan and Pakistan); LAC = Latin America and the Caribbean; MENAP = Middle East, North Africa, Afghanistan, and Pakistan; SSA = sub-Saharan Africa.
1/ Emerging and Developing Asia, for this chart, refers to South Asia (including Afghanistan and Pakistan), Southeast Asia (excluding Singapore), and Mongolia.
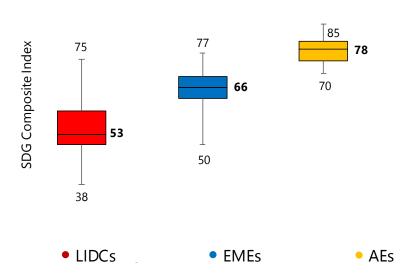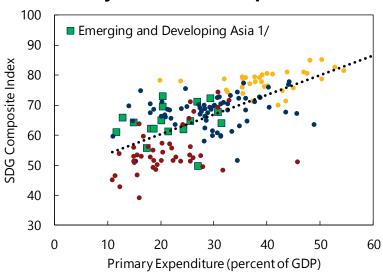
A Comprehensive Development Agenda

Fiscal Policy, Growth and Development

SDG Composite Index Score, By Income Group

SDG Composite Index Score, By Government Expenditure

Source: IMF staff calculations, using data from 2018 SDG Index and Dashboards Report, and IMF World Economic Outlook.
Note: LIDCs refer to low-income developing countries, EMEs to emerging market economies, and AEs to advanced economies.
1/ See slide 2 for countries comprising Emerging and Developing Asia.

Key Questions

❑ How much to spend on education, health, electricity, roads and water?

❑ What role for national governments? How can the private sector and the international community provide support?
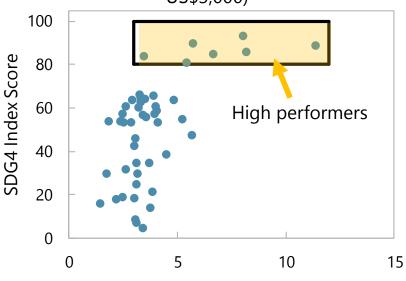
IMF Methodology For Estimating Spending Needs

➢ **Three-step approach**:

1. Identify main **cost drivers**

2. Derive **reference values** for cost drivers **consistent with high SDG sector performance**

3. Estimate **2030 spending** levels given reference values

Example: Education Sector
(Countries with GDP per capita below US$3,000)

Source: IMF staff calculations.

Note: The three-step methodology was applied to education and health sectors. A different approach was used for roads and electricity. A World Bank's model was used for costing water and sanitation needs.

IMF Methodology For Estimating Spending Needs

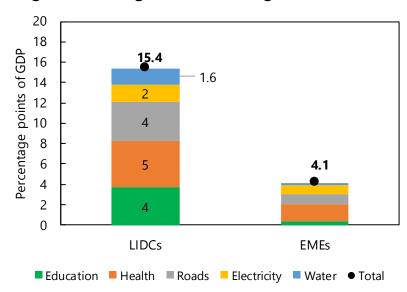**155 countries:** 34 AEs, 49 LIDCs, and 72 EMEs

➤ **Presentation of the results:** *Additional annual spending* **in 2030**

  o Additional refers to the difference between **current level** and estimated level in **2030**

  o Total (i.e. public and private)

➤ **Efficiency**

  o Estimates are consistent with increasing spending efficiency

➤ **Selected SDGs**

➤ **Uncertainties surrounding the estimates**

  o Assumptions and growth projections

LIDCs Face Sizable Spending Pressures

**Additional Spending Needed in 2030 to
Achieve High Outcomes in Selected Sectors**
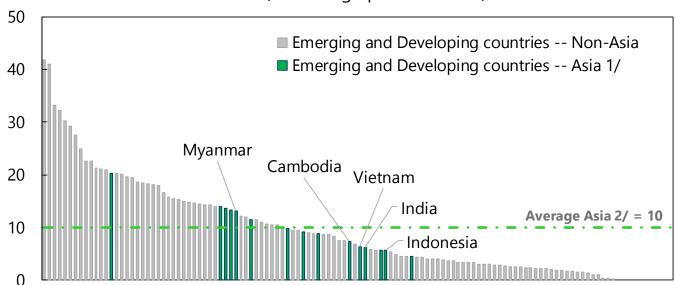(Average, GDP Weighted, Percentage Points of GDP)

Source: Source: Gaspar, V., D. Amaglobeli, M. Garcia-Escribano, D. Prady and M. Soto (2019).

Variation across Countries

**Variation in Additional Spending Estimates in 2030 for
121 Emerging and Developing Countries**
(Percentage points of GDP)

Source: IMF staff calculations.
1/ Emerging and Developing Asia as defined in slide 2.
2/ Simple average of the estimated spending needs for the 15 Emerging and Developing Asian countries displayed in the chart. Estimates for spending needs have been further refined at the country level to account for country-specific circumstances in five of these countries.

Global GDP: A Different Perspective

➢ **Spending needs across EMs and LIDCs combined:**

US$2.6 trillion

(2.5 percent of the 2030 world GDP)

➢ **For LIDCs:**

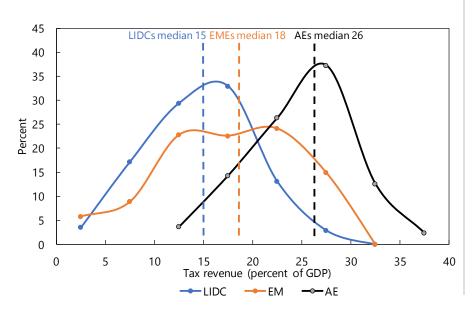US$528 billion

(0.5 percent of 2030 world GDP)

Ownership and Responsibility for Achieving the SDGs

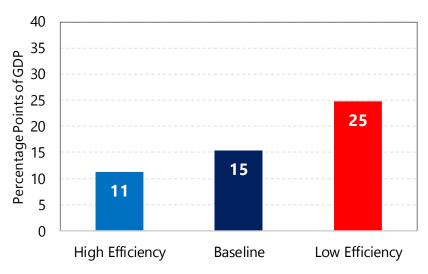# Enabling State Capacity: Collecting More and Spending Better

Distribution of Tax-to-GDP Ratios across Income Groups in 2016
(Percent of GDP)

Source: Gaspar, V., D. Amaglobeli, M. Garcia-Escribano, D. Prady and M. Soto (2019).

LIDCs: Additional Spending Needs in 2030, by Efficiency Scenarios
(Percentage points of GDP)

Source: Gaspar, V., D. Amaglobeli, M. Garcia-Escribano, D. Prady and M. Soto (2019).
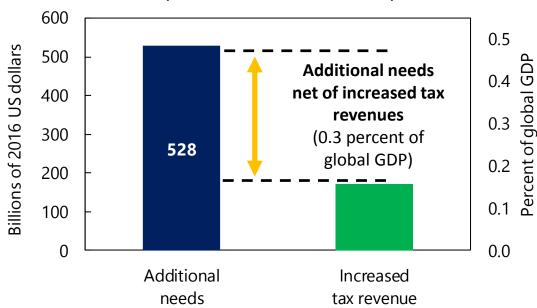
In Search For Financing Solutions: EMEs vs LIDCs

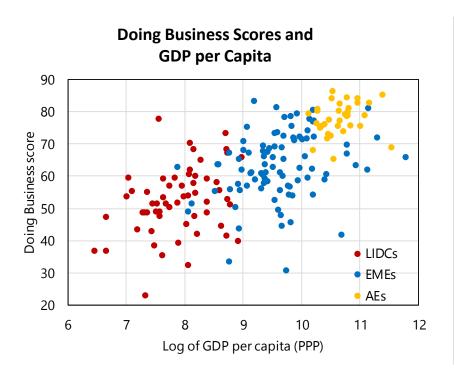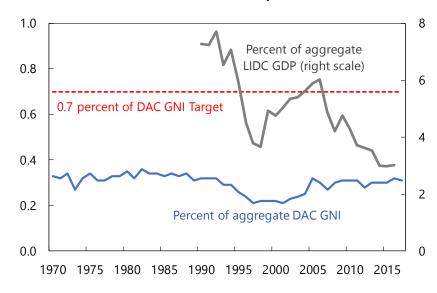**LIDCs: Additional Spending Needs and Increased Tax Revenues in 2030**
(Billions of 2016 U.S. dollars)

Source: Gaspar, V., D. Amaglobeli, M. Garcia-Escribano, D. Prady and M. Soto (2019).

Partnerships: Private Sector and the International Community

Doing Business Scores and GDP per Capita

- LIDCs
- EMEs
- AEs

x-axis: Log of GDP per capita (PPP)
y-axis: Doing Business score

Estimated ODA Net Disbursements from DAC Countries, 1970-2017

Percent of aggregate LIDC GDP (right scale)

0.7 percent of DAC GNI Target

Percent of aggregate DAC GNI

Sources: Sources: World Bank; and IMF World Economic Outlook Database.

Source: Gaspar, V., D. Amaglobeli, M. Garcia-Escribano, D. Prady and M. Soto (2019).

Key Takeaways

- Large efforts needed to fulfill the SDGs in education, health, roads, electricity and water by 2030

- National ownership is key to success

- Increasing tax capacity can help, but not enough for most LIDCs

- Coordinated action by all stakeholders (governments, private sector, donors, and international organizations)

Thank you