Can Developing Countries like Pakistan Successfully Finance SDG 2030?

The 2030 SDGs of the UN, while well-intentioned, presume a uniformity of achievement across the globe. In this post, Fatima Nadeem and Abid Rehman argue that despite their best intentions, low and middle income countries like Pakistan will find it extremely difficult to achieve those goals, even with their best intentions; a more realistic way forward may be to harness and share resources and ideas common to similarly economically weak countries, rather than presume that all countries will reach 2030 targets irrespective of their endemic structural specificities.

Sustainable Development Goals (SDGs) of the United Nations are idealistic benchmarks that seek to see the world in a better place by 2030, with the aim of eradicating poverty at all levels, achieving complete gender equality, sustainable cities and communities, and providing quality education to all, amongst other objectives. These are highly ambitious and meeting them depends entirely on one resource — money, public financing to be more precise.

These goals, while socially and objectively responsible, seem to be made with an élite mindset which completely disregards the difference in wealth, economic and social conditions of individual countries, and puts them on the same scale to be assessed. Thus far, the closest to achieve these 17 SDGs is Sweden, followed closely by Denmark and Norway, with Finland in fourth place; affluent Western European countries take the next slots. It is important to note that all these are developed countries with high Gross Domestic Product (GDP) per capita, and very little debt from international organisations.

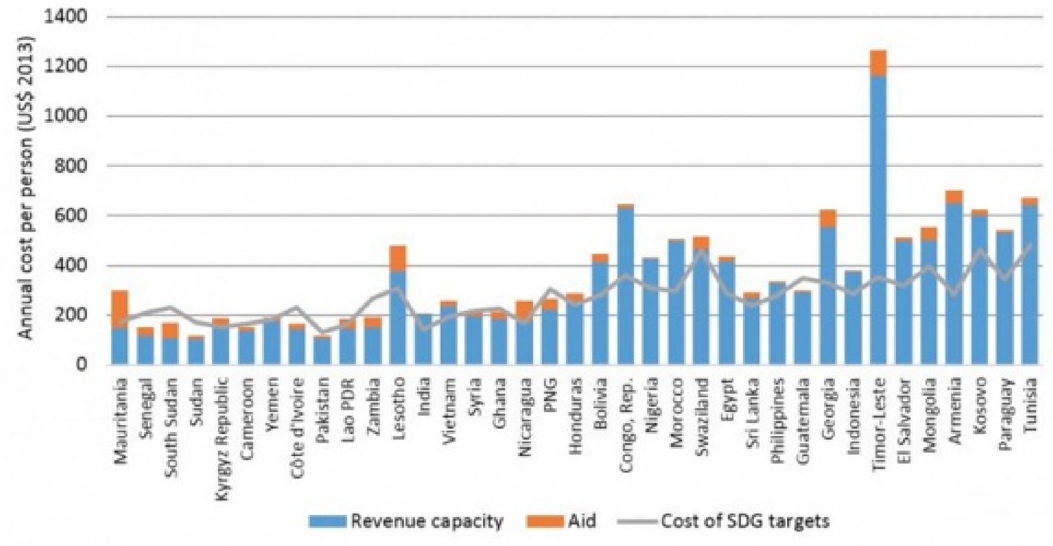
Official development assistance (ODA) should have played a crucial role in helping the developing countries achieve these goals; however, with USA (Pakistan's major donor) under President Trump having taken the lead in nationalist and isolationist policies, this has taken a backseat. But even with such support (Pakistan is amongst the top 10 ODA recipients globally), ODA measures up to 1.3% of its Gross National Income (GNI). Along with this, according to UN Intergovernmental Committee of Experts, in August 2014, the estimated total cost to meet SDGs by 2030 would come to 'trillions of dollars a year'. This being a general estimate, not at individual country level, there is no accurate measure as yet to correctly predict how much money it would take for Pakistan to meet all the listed SDGs.

Placing hopes on developing countries to be able to fulfil SDGs at the same time and speed as developed countries leaves much to be desired, and appears like a set-up for failure. Specifically, a country like Pakistan, where more than 63% people live in rural areas; a country that has one of the lowest tax-to-GDP ratio in South Asia (12.6%); with its agricultural sector being taxed only partially; an ever-present untaxed informal sector; and constant hindrances to revenue mobilisation, this will be a near-impossible task to achieve. Reforming these will help pave a path to financing its own development, but so far this does not seem to be the case.

Nonetheless, Pakistan has shown great determination towards meeting the SDGs, and has included them in its national development agenda in February 2016, being the first country to do so. Prime Minister Imran Khan, in September 2019 in New York, also spoke of ways to generate domestic and general resources to be able to achieve the SDGs. He also addressed the major challenges developing countries face when implementing their national development priorities — how developing countries are being failed by their leaders, many of whom are involved in money-laundering, corruption and tax evasion. This leads to an illicit outflow of money from the country which deprives the people of these developing countries from resources that are necessary to meet SDGs and other national goals.

The principal reason why it is unrealistic to expect many of the developing countries to successfully incorporate the SDGs at all levels is because most of the goals rely heavily on public finance, specifically those relating to poverty, education, and health. Devpolicy Blog compares the public finance available with the cost of key SDG targets; potential government revenue is combined with the existing levels of aid to make an assumption for the total amount of public finance available. Table 1 (below) shows a correct representation of where Pakistan, along with a few other lower-middle income countries (LMICs), stands in the hopes of achieving the SDGs.

Table 1: Public Finance Available vs Cost of Key SDG targets: LMICs



Countries ranked by GNI per person (Atlas Method) from left to right. © Devpolicy blog.

So far, Pakistan appears to have less chance in meeting the SDGs as compared to other LMICs, with its revenue capacity far below the annual US$200 per person, and dependency on aid. Pakistan is heavily in debt, with its public debt and liabilities amounting to PKR 44.2 trillion/US$270 billion, which is 107% of the GDP of Pakistan. Being deeply in debt, and forced to borrow from multilateral and bilateral creditors, and commercial lenders, Pakistan's external debt continues to grow as it borrows more and more to repay its old loans, which could potentially mean that the country is now caught in a debt trap. According to Dawn.com, 'Since July 1, 2018, the government has accumulated $23.6bn in foreign debt. The external debt rose by $10.7bn in the last financial year and $8.4bn in 2018-19 with debt servicing becoming the largest budget expense.' With loans of such levels to repay, it is not surprising to assume that the country will face difficulties in meeting the SDGs.

Coming back to the curve of LMICs mentioned above, Pakistan can possibly be able to meet the cost of SDGs if the division of aid is done in a different manner. Considering countries like Indonesia, Congo, Paraguay, Morocco, etc. that have the revenue capacity to meet the costs of the SDGs, a portion of the aid given to them should be provided instead to developing countries like Pakistan, which otherwise would face extreme difficulties in meeting the SDGs.

Other possible ways include cooperation between countries from the global South that can help fund development by exchanging low-cost solutions, which could prove to be beneficial for both the lenders and recipients. Take the example of the China-Pakistan Economic Corridor (CPEC): China is investing billions of dollars in Pakistan, building its infrastructure and improving travel/trading routes while looking after their own economic and political interests as well.

By linking country-level SDGs with the national allocation processes, most developing countries (including Pakistan) would have a fairer chance of coming closer to achieving the SDGs. But this can only be achieved if the country has a smooth-running, regulatory environment along with strict rules and accountability measures in place for different market systems. This would give developing countries a better chance at attracting capital, particularly from organisations that are dedicated to achieving specific SDGs, or achieving them in broader terms.

Besides this, getting major companies and industry leaders to lead the way in achieving SDGs could become an example for the people of the country as well as a source of motivation for policy-makers to meet the SDGs. By integrating SDG perspectives across all major companies, the government will not have to bear the whole burden of the SDGs alone, and in fact combined effort from the whole country is needed to meet these goals. Considering how different companies like Nike, Huawei, Discovery channel, etc. are all making various efforts to include specific SDGs in their work and planning, the developing countries should consider this step as well in their private sector.

Finally, innovative development financing can help with meeting the SDGs as well. If Pakistan improves its resource allocation and budgeting, makes use of a supportive policy, and uses stricter measures of accountability and better regulations, the path to achieving SDGs can be shortened. Bangladesh, for instance, have had a 10% (2.5 million people) reduction in rural poverty over the past two decades through their hugely successful micro-financing facilities. Meeting the requirements to fulfil SDG targets is proving to be extremely difficult for Pakistan but it should not be impossible through proper budgeting, resource allocation, regulations, and a multi-pronged financing approach.

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