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A Post-Pandemic Assessment of the Sustainable Development Goals

Dora Benedek, Edward Gemayel, Abdelhak Senhadji, and Alexander Tieman

With substantive contributions from

Magdi Ahmed, Olusegun Akanbi, Aqib Aslam, David Bartolini, Svetlana Cerovic, Hua Chai, Ricardo Fenochietto, Klaus Hellwig, Yujin Kim, Narine Nersesyan, and Roberto Perrelli

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Prepared by Dora Benedek, Edward Gemayel, Abdelhak Senhadji, and Alexander Tieman[1]

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Authors' E-mail Address: DBenedek@imf.org, EGemayel@imf.org, ASenhadji@imf.org, ATieman@imf.org

[1] This note was prepared under the overall guidance of Abdelhak Senhadji. The team comprised Dora Benedek and Alexander Tieman (team leaders), Edward Gemayel, Magdi Ahmed, Olusegun Akanbi, Aqib Aslam, David Bartolini, Svetlana Cerovic, Hua Chai, Ricardo Fenochietto, Klaus Hellwig, Yujin Kim, Narine Nersesyan, and Roberto Perrelli. The note benefited from helpful comments from IMF departments and assistance with production by Von Allena and Zane Goins.

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EXECUTIVE SUMMARY

The COVID-19 pandemic hit countries' development agendas hard. The ensuing recession has pushed millions into extreme poverty and has shrunk government resources available for spending on achieving the United Nations Sustainable Development Goals (SDGs). This Staff Discussion Note assesses the current state of play on funding SDGs in five key development areas: education, health, roads, electricity, and water and sanitation, using a newly developed dynamic macroeconomic framework. This framework permits the analysis of development strategies and their financing while imposing macroeconomic consistency. It is applied to four case studies to gauge the financial resources needed to achieve the SDG targets in these areas and offers policy options to meet these needs. Based on our case studies, which may not be fully representative, we estimate that on average the public and private sectors will together have to spend some 14 percent of GDP additionally every year between now and 2030 to meet the SDGs in the five sectors, some 2½ percentage points—or 21 percent more—than before the pandemic.

Meeting the SDGs will require extraordinary efforts from all stakeholders. Without such efforts, the SDGs will remain out of reach by 2030. Country authorities will need to pursue a very ambitious reform agenda to raise long-term growth, mobilize domestic revenue, and improve the management of public sector assets. The private sector needs to play a larger role in development, including through investments in SDG-related projects. Governments can facilitate this by ensuring macroeconomic stability and improving governance and the business climate. Reforms to enhance spending efficiency are critical in an environment of scare resources. In particular, there is significant scope to increase the impact of investment on growth by enhancing public investment management. We estimate that such domestic reforms can generate enough resources to fill up to half of our case study countries' SDG spending needs. But even with such comprehensive domestic reforms, the SDGs will be significantly delayed—by a decade or more according to our estimates—without further action. Achieving the SDGs by 2030 would require an extraordinary effort from the international community as well. For instance, increasing official aid to the United Nations target of 0.7 percent of gross national income would largely cover the financing gap.

These efforts should continue beyond 2030. The framework also highlights the long-term benefits of incremental but sustained reforms. In particular, policies that invest in people improve living standards substantially and reduce inequality. The analysis in this note makes it clear that developing economies will not be able to achieve alone the developmental goals set in 2015. Solidarity is beneficial to all. More than half of world population growth between now and 2050 will come from sub-Saharan Africa, making it potentially the fastest-growing market in the world. A global effort to support low-income developing countries' success is in everyone's interest.