Bangladesh has become a frontrunner in implementing SDGs, setting an example of the best practice in mainstreaming global goals and targets into the national plan with an effective drive in SDGs implementation by involving all stakeholders. The purpose of this paper is to provide an overview of cost assessment and strategy for financing SDGs in the light of Bangladesh perspective. The estimates based on report by GED that an additional amount, over the current provision of investment related to SDGs by domestic and external sources, would be USD 928.48 billion at 2015-16 constant prices. This amount would be required for SDGs implementation over the period of FY 2017-FY 2030, which is 19.75 per cent of the accumulated GDP under 7th FYP extended growth scenario. The annual average cost of SDGs would be USD 66.32 billion (at constant prices) for this period. Five potential sources of gap financing have been suggested in this report which are: private sector financing (42.09%), public sector financing (35.50%), public-private partnership (PPP) (5.59%), external financing (14.89%), of which foreign direct investment (9.95%), and foreign aid and grants (4.94%) and finally non-government organization (NGO) (3.93%) on average per annum. To harness the SDGs financing, there are specific roles for the government, private sector, development partners and NGOs to play in synergistic manner.

During the last decade, the change of the socioeconomic landscape of Bangladesh has been evident. Bangladesh rose as an emerging economy maintaining on an average consistently above 6 percent of growth. In the wake of global recession, Bangladesh economy proved to be resilient as the major economic indicators remained healthy during the period. In 2015, Bangladesh crossed the threshold of lower middle income country status fulfilling the criteria set by the World Bank. Bangladesh, one of the success stories of the MDGs, has also become a frontrunner in implementing SDGs, setting an example of the best practice in mainstreaming global goals and targets into the national plan with an effective drive in SDG implementation by involving all the key relevant ministries of the government as well as involving the private sector, CSOs, NGOs, development partners and wider stakeholders what is called as “whole of society approach”. The government has undertaken several measures as an initial implementation preparation of SDGs. The 7th five year plan, the national medium developmental plan has well integrated the SDGs as the starting period of SDGs and 7th plan coincided. The government has also completed Mapping of Targets in the implementation of SDGs, Data Gap Analysis for SDGs. The National Monitoring and Evaluation Framework for SDGs in Bangladesh, and National Action Plan to Achieve SDGs in Bangladesh are on the way to get finalized.

It is evident that challenges that concern countries worldwide irrespective of how developed they are, such as climate-change, migration, conflict, cannot only be dealt with isolated efforts by individual countries. This aspiring agenda is a reminder of the challenges the world faces to this date, as many countries were not able to make sufficient progress on every single goal under the MDGs.

With regard to the above, an exercise is needed so as to provide a well-defined work plan that highlights all the actions necessary to attain significant progress in the SDGs in Bangladesh. A thorough needs assessment study helps us to identify the needed
key development interventions and to develop a well-defined roadmap in devising action plans. This is expected to provide an estimate of the annual resource gap and an opportunity to revise the government interventions and financing strategies accordingly. The purpose of this paper is to provide an overview of cost assessment and strategy for financing SDGs in the light of Bangladesh perspective. In the first part SDG cost assessment will be elaborated in succinct manner. The next part will look into the financing options the country can avail and the later part, challenges of SDGs financing will be highlighted. The final part will be dedicated to looking ahead of overcoming the challenges by outlining the role of major actors.

Two possible scenarios have been considered to come up with the SDG financial Need Assessment. Firstly, the BAU scenario, where average annual growth rate of real GDP has been considered to be 7 percent from FY2017 to FY2030. Secondly, the 7th five year plan (7FYP) extended growth scenario for achieving SDGs in Bangladesh, where it is projected that the GDP growth rate would be 9 percent by FY2030 due to boost of SDGs implementations. This suggests a SDG plus scenario where the growth rate of real GDP is more than the requirement under SDG8. According to the 7FYP extended growth scenario, the aggregate GDP at constant 2015-16 prices for the period FY2017-FY2030 would be BDT 498,900.3 billion (USD 5,004.99 billion). On an average, the annual GDP at constant prices during this period would be BDT 35,635.73 billion (USD 357.50 billion). In contrast, the total GDP at constant prices based on the BAU growth scenario during FY2017-FY2030 would be BDT 460,814.95 billion (USD 4,646.33 billion), and the annual average GDP would be BDT 32,915.35 billion (USD 331.88 billion). Around 80 percent of the 169 targets of SDGs have been covered in the costing exercise. Diversified method has been applied in the cost estimation. In some cases, multiple methodologies are used for different targets under the same goal. For most of the goals, Multiplicative Factor Analysis (MFA) procedure is applied to calculate the total cost per annum. This costing procedure takes into account the cost required to achieve certain targets, while considering several factors including quantity, quality, efficiency, sustainability and capacity building. The other methods applied for this study include poverty gap analysis, Incremental Capital-Output Ratio (ICOR) analysis, investment requirement for certain sectors and block allocation for some targets. For few goals and targets, current programs under national budget have been used as the base for the cost estimation and these programs are considered to scale up for better coverage.

### Table: Financing Strategy for Implementation of SDGs (US $ in billion)

<table>
<thead>
<tr>
<th></th>
<th>FY17-FY20</th>
<th>FY21-FY25</th>
<th>FY26-FY30</th>
<th>FY17-FY30</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total additional amount from domestic sources (85.11% of total)</td>
<td>107.72</td>
<td>257.49</td>
<td>430.87</td>
<td>796.09</td>
</tr>
<tr>
<td>Total additional amount from external sources (14.89% of total)</td>
<td>22.07</td>
<td>43.15</td>
<td>67.17</td>
<td>132.39</td>
</tr>
<tr>
<td>Total additional amount from both domestic and external sources (100%)</td>
<td>129.79</td>
<td>300.65</td>
<td>498.04</td>
<td>928.48</td>
</tr>
<tr>
<td>Annual average additional amount from domestic sources</td>
<td>26.93</td>
<td>51.50</td>
<td>86.17</td>
<td>56.86</td>
</tr>
<tr>
<td>Annual average additional amount from external sources</td>
<td>5.52</td>
<td>8.63</td>
<td>13.43</td>
<td>9.46</td>
</tr>
<tr>
<td>of which FDI</td>
<td>2.73</td>
<td>6.45</td>
<td>10.70</td>
<td>6.91</td>
</tr>
<tr>
<td>Grants and aid</td>
<td>2.79</td>
<td>2.17</td>
<td>2.74</td>
<td>2.55</td>
</tr>
</tbody>
</table>

Source: SDGs Financing Strategy, GED, Planning Commission 2017
The total additional unsynchronized cost (estimation of costs of implementation for each target not considering interactive effects with other targets) for the SDGs has been estimated to be BDT 118,274.59 billion (USD 1162.76 billion) at constant 2015-16 prices during the period FY2017-FY2030. After removing overlaps through the process of synchronization for each year, the total additional synchronized cost for the implementation of SDGs has been estimated to be BDT 94,711.65 billion (USD 928.48 billion) at constant prices, which is 19.75 percent of the accumulated GDP under 7FYP extended scenario during the period FY2017-FY2030. The additional synchronized cost taking interaction effects of goals to each one is smaller for the initial period of implementation and the cost increases gradually for the later periods (Table A). The additional synchronized cost of implementing SDGs would be BDT 11,100.27 billion (USD 129.79 billion) during the period FY2017-FY2020, which would increase to BDT 54,466.91 billion (USD 498.04 billion) for the period FY2026-FY2030. Similarly, the annual average additional synchronized cost of SDGs will be BDT 6,765.12 billion (USD 66.32 billion) for the period FY2017-FY2030.

Figure B shows that the additional synchronized cost for all 17 goals would be 10.16 percent of the projected GDP (at 2015-16 constant prices) under 7FYP extended growth scenario in FY2017 which would increase to 24.06 percent in FY2030. Under BAU growth scenario, the estimated total additional cost of SDGs would be 10.18 percent of the projected GDP (at 2015-16 constant prices) in FY2017, which would increase to 28.14 percent in FY2030.

Figure C shows that, since the major synchronization is done among the SDG7, SDG8 and SDG9, an aggregated synchronized additional amount of BDT 55,135.27 billion (USD 535.64 billion) for SDG7, SDG8 and SDG9 would be required during the period FY2017-FY2030, which would be about 59.12 percent of total additional cost of SDGs. In contrast, the least cost would be incurred for the implementation of SDG17, which would be BDT 16.96 billion (USD 0.18 billion).
Source of financing
Five potential sources of gap financing have been suggested in the report. They are: Private Sector Financing, Public Sector Financing, Public-Private Partnership (PPP), External Financing, of which foreign direct investment and Foreign Aid and Grants and finally Non-Government Organization (NGO). The external source has an average share of around 15 percent. On average, public sector would account for around 34% of the financing requirement, whereas private sector has the share of around 42% during 2017-30 period. The average share of PPP is 6%. The external sources have an average share of around 15% where the share of FDI is 10% and that of foreign aid is 5%. Finally, the NGOs would contribute around 4% for the same period.

Challenges of financing
It is pertinent to shed light on the challenges regarding the proper implementation of SDGs in Bangladesh. One of the main challenges in achieving SDGs is vast improvement in implementation of projects and programmes. Delays in project implementation have deleterious impact on cost as well as on the intended benefits. Improving tax-effort by 9 percentage points over the next 13 years will not be easy. NBR must embark on new initiatives based on reforms; automation; capacity development and audit to improve revenue mobilization in Bangladesh. Access to climate funds critically depends on our capacity to negotiate with the development partners. In this context, Bangladesh has identified areas of strengthening. These should be ensured on a priority basis. The 7FYP states that the international experience with the implementation of infrastructure through PPPs suggests that this policy has worked best when the legal framework is well-thought out and when and the management of the initiative involves competent professional staff. The legal framework needs to lay down clear rules of engagement, the incentive framework and dispute resolution mechanism that compares favourably with international good practice. Government needs to work on these two important areas.

Moving forward
UNESCAP (2016) estimated that by 2030 it will cost 10% of GDP in India and 20% of GDP in Bangladesh to initiate the social investment package. South Asian countries require greater resources to meet the infrastructure gap. Larger domestic and external resources can be stimulated through the following strategies: (i) Domestic Resource Mobilization: Improving the tax base and reinforcing tax administration and compliance can boost domestic resources. Also, identifying the loopholes and closing them to prevent tax leakages is essential. (ii) Harnessing private investments and public-private partnerships for sustainable development: PPPs have shown considerable success in addressing specific urban infrastructure needs since they can contribute to enhancing public investments. Countries have also stimulated private sector to contribute to the corporate social responsibility to increase public resources. (iii) Regional and international cooperation for sustainable financing: Potential for regional cooperation is immense in South Asia. This can be used to meet the resource financing needs of the relatively less developed capital markets from the more developed capital markets. SAARC Development Fund, South Asian Development Bank and the New Development Bank can all contribute to raising capital.
Role of public sector

Public sector would account for around 34% of the financing requirement. The major role of the government will be to expand the resources and strengthen capacity to mobilize that resource.

Enhancing the SDG orientation of the Budget: The budget is expected to be more oriented on SDGs, as it is the main instrument for the government at hand in implementing SDGs action plans.

Bond Financing: The government may buy foreign exchange reserves in the local currency and convert it into bonds and treasury bonds.

Deregulation of Energy Prices:
A full deregulation involves – (i) determination of fuel prices according to the market demand and supply condition; and (ii) opening up the market to more than one agency. In the first stage Bangladesh may adopt option 1 whereby fuel prices would be determined by the market forces. Such a move would not only reduce fiscal burden – releases public funds for other priority activities including SDGs.

Debt-Financing:
A debt level of 30-35 percent perhaps suggests that SDG resource gap financing may be accomplished through increased debt financing.

Enhanced Tax Effort:
Average tax effort indices show that our tax effort is lowest among comparators implying that Bangladesh lags far behind its tax revenue potential. Thus, tax effort may be increased further by 2 or 3 percent of GDP through invoking appropriate reforms.

Intensify actions to attract FDI:
The government has invited Japan, China and India to set up SEZs, and these countries have also shown their interests in doing so. If properly materialized, these SEZs will have the potentials of receiving substantial FDIs from these countries and also from Singapore, USA, UK, Malaysia and Thailand among others.

Role of private sector

Private sector has historically been playing an important role in economic development in Bangladesh. Almost all past medium term development plans have relied on private financing to implement the plans. In the 7FYP, private sector is expected to finance 77.3% of the total outlays. It is thus envisaged in this report that the largest portion of SDGs implementation resource gap would come from the private sector. Private sector is considered to contribute about 37.03 percent of total additional cost in FY2017 which will increase to 46.27 percent in FY2030. The contribution of external sources is expected to decrease from 18.35 percent of total additional cost in FY2017 to 13.25 percent in FY2030 which indicates that external dependency of Bangladesh will decrease over time. Private sector is estimated to contribute 42 percent of total financing.

Role of DPs

Although the role of DPs in the development process has been shrinking over time, they are still considered a major player as far as socio economic development is concerned. Foreign aid is expected to contribute to 5% of total SDG financing.

- Continue and upgrade support to Policy and Implementation;
- Strengthen the role of DPs for localization of SDGs realigning their country strategies with enhanced fund provisions;
- Scale up investment in health and education sector (Supply side intervention);
- Reinforce the action for building resilience against climate change and disaster;
- Enhance support to capacity building and sustainability;
- Promote actions that have lasting impact on the societal progress—particularly human development;

Role of NGOs

NGOs can play a significant role in implementing SDGs at the grass root levels by operating in the remote areas and helping people to combat the adverse effects of climate change. It has been estimated that around 5 percent (on average) of the total additional resource requirement may be contributed by the NGOs. In addition to micro-finance services, NGOs can be largely concentrated in following sectors relating to human development: (1) Health, Nutrition and Population; (2) Education; (3) Water, Sanitation and Hygiene; (4) Skill Development; (5) Disaster, Environment and Climate Change; (6) Rural Development; (7) Urban Development; (8) Agriculture and Food Security; (9) Migration; (10) Gender Justice and Women Empowerment; and (11) Poverty eradication.

Reference

