IDDRI
SUSTAINABLE DEVELOPMENT & INTERNATIONAL RELATIONS

SEI

IDOS German Institute of Development and Sustainability

SciencesPo

Financing sustainable development: insights from Ghana, Indonesia, Mexico, and Senegal

Damien Barchiche, Elise Dufief (IDDRI), Ivonne Lobos Alva (Stockholm Environment Institute), Niels Keijzer (German Institute of Development and Sustainability), George Marbuah (Stockholm Environment Institute and African Development Bank)

Delays in implementing the Paris Agreement on climate change and the 2030 Agenda and its Sustainable Development Goals (SDGs) increasingly appear to come partly from unmet financing needs and from the international financial architecture's failure to channel resources to the world's most vulnerable economies at the necessary scale and speed. As no country can finance the SDGs and other development agendas by freeing up more financial resources alone, systemic changes are needed in both public and private finance. The UN Secretary-General has therefore called for an 'SDG Stimulus', consisting for the international community and multilateral development banks (MDBs) in particular in significantly scaling up funding for global public goods, and for countries in aligning all forms of finance with the SDGs.

With a view to better analysing concrete challenges to address SDG financing in developing economies, this *Study* focuses on the global picture and examines the state of play, recent initiatives, and prospects for financing the SDGs in Ghana, Indonesia, Mexico, and Senegal. It seeks to answer the following question: how and under what conditions can partner countries further align their development plans and policies with the 2030 Agenda and the SDGs to better finance their objectives?

KEY MESSAGES

Alignment and effective SDG financing are possible when **four main conditions** are met.

Avoiding SDG-incompatible finance. For many countries–notably OECD and BRICS countries–achieving the 2030 Agenda is just as much about financing more as it is about financing less and in a more sustainable way. Examples include less financing for approaches that compromise specific SDGs (e.g., fossil fuel subsidies) and making difficult policy decisions that require short-term costs to achieve long-term sustainability gains.

Combining long-term financing with long-term planning. Development financing strategies provide public and private investors with clarity and predictability, and make it possible for those key actors to better grasp the sequence of investments across relief, recovery, and long-term structural transformation. Planning efforts should also seek to avoid lock-in situations and path dependencies where short-term recovery expenditure could hamper long-term goals of reducing inequalities or advancing environmental protection, and even increase vulnerabilities.

Better understanding the cost and benefits of SDG financing at country level. A clear understanding of allocation and spending on public services and public investments that contribute to the SDGs can help identify funding shortfalls. Double-counting investment needs in particular should be avoided while synergies between different types of investment should be prioritized.

Aligning SDG financing instruments with countries' needs and priorities. SDG budgeting tools can be the cornerstone of strengthening financing for the SDGs in countries and establish more coherent links between the SDGs and development strategies, as well as their implementation. However, as case studies in Africa, Asia and Central America, these tools only prove relevant if they do not add complexity to the administration but are well integrated into and supportive of existing national or local processes and strategies. And international partners should fully align with such national strategies.

STUDY

N° 03
September
2023

Financing sustainable development: insights from Ghana, Indonesia, Mexico, and Senegal

Damien Barchiche, Elise Dufief (IDDRI), Ivonne Lobos Alva (Stockholm Environment Institute), Niels Keijzer (German Institute of Development and Sustainability), George Marbuah (Stockholm Environment Institute and African Development Bank)

This study was initiated and coordinated by IDDRI and prepared in cooperation with researchers from the Stockholm Environment Institute (SEI) and the German Institute of Development and Sustainability (IDOS). The views expressed are the authors'. George Marbuah authored the case study on Ghana, Niels Keijzer on Indonesia, Ivonne Lobos Alva on Mexico, and Elise Dufief on Senegal.

1. INTRODUCTION

The United Nations 2030 Agenda for Sustainable Development "Transforming Our World" and its sustainable development goals (SDGs) were adopted in September 2015. Eight years later, halfway to the deadline, our world has indeed transformed, but not in the way that was hoped. The UN Secretary-General's SDG progress report published in May 2023 was clear: only 12% of the SDG targets are on track. Progress on 50% is weak and insufficient, and worst of all, the world has stalled or gone into reverse on more than 30% of the SDGs. Recently published scientific works are very clear: the political impact of the 2030 Agenda has so far been essentially discursive, i.e. changing the way we debate and envision sustainable development, but without triggering normative and transformative impact at the required scale.[1]

Although the Agenda is universal in nature and requires dedicated action and fundamental reforms by all countries, over the last eight years SDG trends have particularly worsened in developing countries. These states are disproportionately affected by unsustainable development models and their side effects–notably global warming–whilst historically doing the least to contribute to global emissions. Moreover, these countries face a diversity of challenges that include, but are not limited to, the impacts of the COVID-19 pandemic, climate change and armed conflicts. Compared to 2015 when the SDGs were adopted, these recent cascading crises, linked to multiple environmental, economic and social factors, each fuelling the intensity of the others, have amplified the challenges to be met to achieve the SDGs. However, taking account of the interconnections was the starting point when drawing up the 2030 Agenda for Sustainable Development.

These and other crises call into question the ability of world leading economies to collectively address growing inequalities and continue the fight against poverty in a world of increased competition and constrained resources. But they have also offered an opportunity to challenge existing socio-economic models and the most appropriate ways to "build back better", meaning in a more sustainable way.

The inability of the current international architecture to fulfil its essential objectives and support stable long-term funding for the SDGs is a recurring issue.[2] Delays in implementing the Paris Climate Agreement and the 2030 Agenda appear increasingly to result from unmet financing needs, at least partly,[3] stemming from, among other causes, the inability of the international financial architecture to channel resources at the necessary scale and speed to the world's most vulnerable economies. For the UN Secretary-General, this failure poses a growing and systemic threat to the multilateral system itself, as it leads to increased disparities, geo-economic fragmentation and geopolitical divides across the globe.[4] At the beginning of 2023, 52 low and middle-income developing countries, representing more than 40% of the world's poorest population, were either in debt distress or at high risk of debt distress; 25 of these countries have external debt service repayments in excess of 20% of their total revenues.[5] This led the UN to call for a $500 billion annual stimulus plan for sustainable development[6] in an attempt to link necessary efforts for the SDGs with ongoing discussions on the reforms of international financial architecture, and with multilateral development banks in particular, to better address the needs of poor and vulnerable countries.[7]

The 2023 edition of the Global Sustainable Development Report (GSDR) attempts to summarize the failures in implementing the SDGs and what can be done to save them, stressing in

1 https://www.nature.com/articles/s41893-022-00909-5

2 https://www.un.org/sites/un2.un.org/files/our-common-agenda-policy-brief-international-finance-architecture-en.pdf

3 https://www.oecd-ilibrary.org/docserver/9fea4cf2-en.pdf?expires=1686727896&id=id&accname=ocid195751&checksum=566BAD1CB6C5A8A432EAA0D161348E26

4 https://www.iddri.org/en/publications-and-events/blog-post/summit-new-global-financing-pact-what-conditions-success

5 PNUD, 2023.

6 https://news.un.org/en/story/2023/02/1133637

7 See https://nouveaupactefinancier.org/en.php

particular the need for transformational change to put the world on a sustainable path. Particularly in developing economies, the 2030 Agenda faces two related challenges: initiating the necessary transformations; and financing them now and over the long term. The GSDR's findings are clear: if nothing is done to reverse the trend, the SDGs will remain unattainable by 2030, or even 2050.

While the global picture is cause for concern and needs to be addressed as such, the changes and reforms needed to ensure progress towards the agenda will differ from one country and region to the next. Moreover, despite facing challenges and considerable fiscal constraints, the advances and promising approaches to SDG financing made in different parts of the world need to be acknowledged and considered by other countries. This study seeks to provide this perspective by reviewing the trends and approaches in SDG financing in four countries: Ghana, Indonesia, Mexico and Senegal.

Problem statement – evidence sources and methods

Development needs are growing, and the SDGs now seem out of reach at the global level. Nevertheless, to continue fighting against inequality and poverty, multiple tools have been developed to support partner countries in their efforts to finance their sustainable development plans and strategies. In recent years, three main tools have emerged with the objective to provide a more encompassing overview of all available funds from a partner country perspective: Integrated National Financing Frameworks (INFFs), SDG budgeting and SDG bonds. Such tools enable analyses at various scales (international, regional, national and local) and by various development actors (public and private, from the cooperation and finance world). While no aggregated information exists on SDG budgeting and SDG bonds, as of April 2023 more than 85 countries are using the INFF approach, a diverse group of countries that include 31 Least Developed Countries, 21 Small Island Developing States and 31 countries in fragile settings.[8]

As part of an effort to elevate the debate on financing SDGs in developing countries, IDOS, IDDRI and SEI have joined forces to better analyse the practical challenges that act as an impediment to addressing SDG financing in developing economies. We seek to answer the following question: how and under what conditions can partner countries further align their development plans and policies, or equivalent, with the 2030 Agenda and the SDGs to better finance their objectives?

The first part of this report seeks to establish a global overview of sustainable development financing and, regarding the use of the three previously mentioned tools, to better understand what is at stake both at the international and national levels. This section is mostly based on existing public information and databases, with further additions from interviews with representatives of international organizations.

The second part focuses on four country cases (Ghana, Indonesia, Mexico and Senegal). These cases describe current SDG financing approaches, while identifying and exploring existing challenges at the implementation level. We then put forward options for a more efficient implementation of emerging approaches, and where necessary, propose alternative approaches and adjustments to support partner country financing of their sustainable development trajectories. The objective here is to illustrate the perspectives and efforts of the four countries regarding financing and implementing sustainable development to meet national needs and contribute to global agendas. Each case study also explores sub-regional and local dynamics to identify potentially innovative and dynamic practices in the implementation of these plans.

Depending on contexts and available resources, this section was accomplished using existing (national and international) public information and databases, commissioned reports and academic literature, with the addition of interviews and informal consultations with key experts and stakeholders based in these countries. The four case studies were each conducted by different researchers and have some variations in terms of the research methods used. This approach was pertinent given the limited timeframe of the study and the purpose of the case studies to identify overall trends, patterns, prospects and challenges in the financing of the 2030 Agenda and its SDGs. The conclusion and policy implications taken from the study also take this aspect into account.

2. SETTING THE SCENE – GLOBAL OVERVIEW

2.1. The global landscape for financing sustainable development

Seven years have passed since the adoption of the Addis Ababa Action Agenda (AAAA), the outcome document of the third UN conference on Financing for Development. While the first conference convened in Monterrey in 2002 in the aftermath of 9/11 and the 2008 conference was mired by the then unfolding global economic and financial crisis, the 2015 conference expressed a similar degree of enthusiasm that also resulted in the adoption of the 2030 Agenda and the Paris Agreement later that year.

At the conference, the heads of state and government and their high representatives acknowledged that the central challenge to be addressed was "financing and creating an enabling environment at all levels for sustainable development in the spirit of global partnership and solidarity."[9] As such, right from the start of the detailed outcome document, and fully in line with the emphasis of the 2030 Agenda, the AAAA acknowledged that mobilizing additional finance would be

8 Source: https://inff.org/assets/resource/state-of-inffs-2023-slides_global-1683813002.pdf

9 https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf

necessary, although insufficient on its own to promote global development. In addition, there is a need for a radical departure from the "business as usual" scenario, to phase out the financing of "global public bads", and to ensure policy coherence for sustainable development to ensure the optimal effectiveness of additional finance.

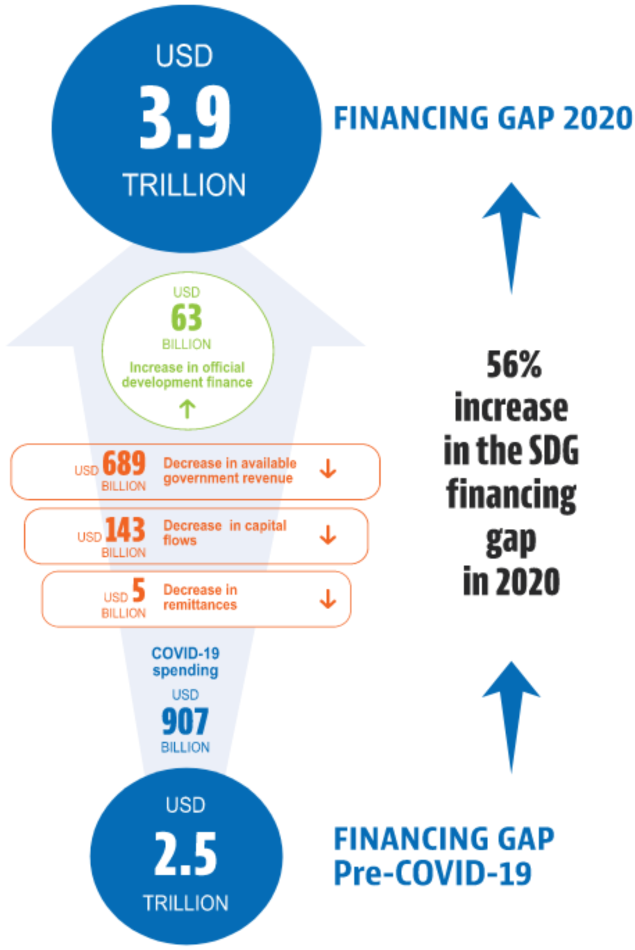
Moreover, the representatives acknowledged the gains made in the preceding years leading to the agenda as adopted in Addis Ababa: considerably increased economic activity and financial flows, progress made in mobilizing sources from an ever diversifying number of actors (including domestic resource mobilization in developing countries), considerable scientific and technological advances, as well as progress in global trade and debt management.

The global financial situation in 2023 shows that this optimistic landscape has endured several setbacks, with many developing countries failing to make progress towards the 2030 Agenda or even seeing some SDGs worsening compared to the 2015 baseline. The COVID-19 pandemic in particular affected many countries and exacerbated their public finances and public debt situation, with many of these countries only just successfully having recovered from the 2008 financial crisis. Another key factor is the increased competition between international cooperation providers and the strong reliance on loans in their portfolio, with many developing economies accumulating increased levels of debt in recent years. Constraints on public finance emerged at the same time as fossil fuel subsidies and other environmentally harmful policy measures reached an all-time high of 1 trillion USD in 2022.[10] Under these conditions, the OECD has evaluated the SDG financing gap to have grown from USD 2.5 trillion to at least USD 3.9 trillion per year, while expecting, under the current situation, that this gap will increase by USD 400 billion in the years ahead.[11] A specific concern are the growing inequalities between and within countries that are increasing at an accelerated pace, with long term, interconnected consequences for all countries. Figure 1 shows how the SDG financing gap increased during the pandemic.

Regardless of all the changes, Official Development Assistance (ODA) remains a key resource for the financing of the SDGs. Preliminary ODA figures for 2022 show a complicated picture in this regard: while global ODA levels rose to an all-time high from USD 186 billion in 2021 to USD 204 billion in 2022, this increase was, however, mostly derived from European countries, and generally associated with public expenditure on hosting refugees and providing aid to Ukraine. While important and absolutely necessary, the Ukraine-related ODA increases cannot be considered as a contribution to the financing of the 2030 Agenda - as most of these increases target the Ukraine emergency, rather than furthering the long-term, transformative goals of the 2030 Agenda. The OECD's preliminary figures show that ODA to Least-Developed Countries in 2022 decreased by 0.7% in real terms, while African states saw ODA decrease by 7.8% in real terms. Figure 2 shows this trend over time.

Given its relatively small size as a financial flow, ODA can at best play a catalytic role in supporting domestic dynamics and existing cooperation efforts, with its effectiveness being sustained through the broad-based ownership of all involved stakeholders. ODA alone will never be sufficient to finance the SDGs. In view of this, it is all the more concerning that the government budgets of developing economies are under considerable pressure over debt repayments, exacerbated by a combination of short-term debt accumulated during the pandemic and a challenging macroeconomic outlook. Hence, the SDG financing challenge extends to practically all relevant flows of international finance.

FIGURE 1. The SDG financing gap in developing countries increased by at least 56% in 2020

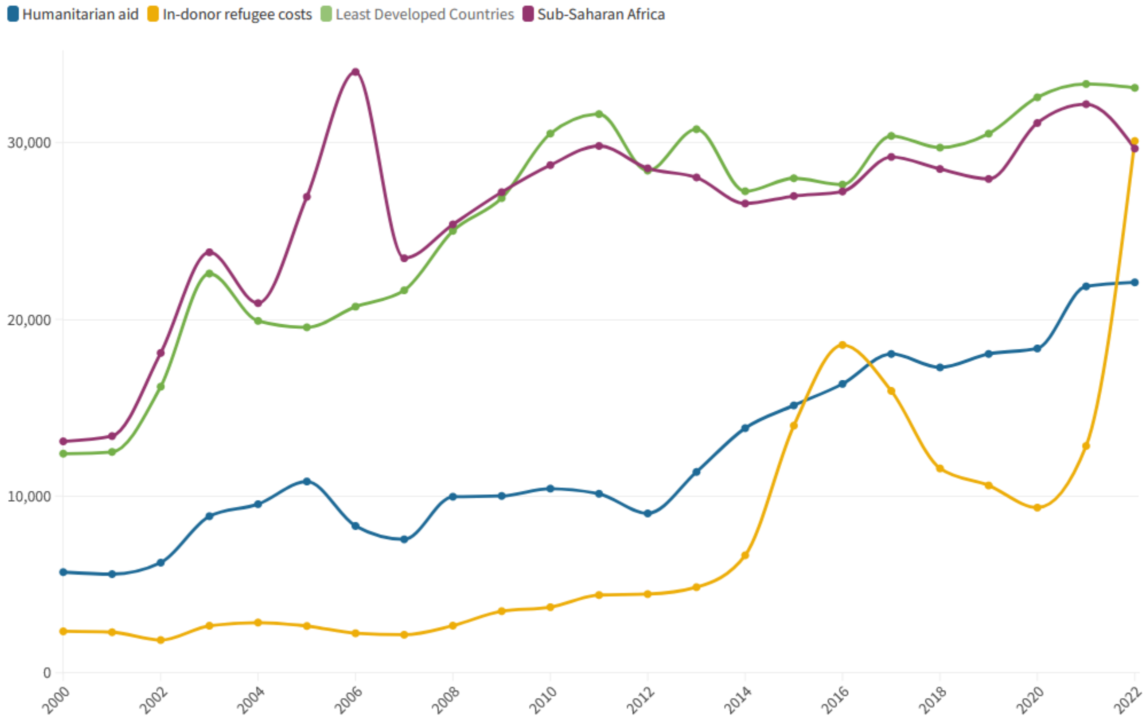


Source: Figure reproduced from OECD (2023): Global Outlook on Financing for Sustainable Development 2023. No Sustainability Without Equity. Paris: OECD (Figure 10, page 24)

10 https://www.iea.org/reports/fossil-fuels-consumption-subsidies-2022

11 OECD (2023): Global Outlook on Financing for Sustainable Development 2023. No Sustainability Without Equity. Paris: OECD.

FIGURE 2. Selected ODA trends over time



Source: Reproduced from OECD (2023): slide 6 of ODA trends over time, Y axis shows millions of USD https://public.flourish.studio/story/1882344/

BOX 1. THREE REASONS WHY MORE FINANCE ALONE WILL NOT BE SUFFICIENT

While SDG financing gaps must be considered and addressed, it should not be forgotten that for many countries - notably OECD and BRICS states - realizing the 2030 Agenda is as much about financing through approaches that do not compromise other SDGs (e.g. avoiding fossil fuel subsidies) and making difficult policy decisions that require short-term costs to achieve long-term sustainability gains. The latter are difficult to express in financial terms but are referred to under the policy coherence for development targets contained in Goal 17. While upcoming policy discussions should not neglect the importance of policy coherence, as emphasised in the 2015 AAAA, this report will focus on the financing dimension of the larger challenge of realizing the 2030 Agenda.

In addition to the need to acknowledge the nature of the 2030 Agenda and its means of implementation, another issue that requires critical monitoring is the effects of additional financing efforts on levels of public debt. A background paper published by the UN Committee for Development Policy in July 2023 noted that IMF data currently identifies six out of ten low-income countries (LICs) and three out of ten emerging market economies as at or near debt distress, while it now considers nearly 60% of all emerging and developing countries to be high-risk debtors. The report identifies four reasons as key factors contributing to this situation: (1) the tightening monetary policy of the US, (2) price hikes in selected commodity markets that contribute to global inflation, (3) unresolved COVID-19 debt burdens, (4) and depreciating currencies of countries in debt that have increased the costs of dollar-denominated debts. Moreover, the high increase of private debt levels versus debt held by government and the diversifying borrower market means that new approaches to debt level management are needed.

This relates to a final observation, which is the considerable degree of fragmentation and limited progress made in strengthening the collective effectiveness of the international development cooperation system. Compared to the initial momentum behind such voluntary efforts as propelled by the 2005 Paris Declaration and the 2008 Accra Agenda for Action, today's reality of more pronounced competition and the geopolitical nature of international cooperation has diminished the prospects for addressing fragmentation and strengthening coordinated action. Some promising approaches are nonetheless discussed in the next section and explored in the country case studies.

Source: Authors' elaboration

2.2. Practices and tools for financing sustainable development

Halfway through the SDG implementation process, the lack of progress calls for a rethink on financing for the 2030 Agenda. More innovative mechanisms may be required to mobilize, align, and shift financing to where it is most needed to accelerate progress, especially in fiscally-stressed developing and emerging economies. While introducing new financing instruments might still be useful, it is even more imperative to focus on enhancing the efficacy and scalability of existing instruments to deliver practical results. Developing economies need to access more and better financing within a well-aligned domestic and international financial architecture. For the purposes of this report, we focus on three recently introduced financing tools that are noteworthy as far as SDG financing is concerned: the Integrated National Financing Frameworks (INFFs), SDG budgeting and SDG bonds. From an analytical perspective, these tools help bridging the international and national perspectives, as they reflect some of the priorities supported by the international community, while highlighting opportunities and challenges of in-country implementation.

2.2.1. Integrated National Financing Frameworks (INFFs)

INFFs were first referred to at the 2015 UN High-Level Conference on Financing for Development in Ethiopia and are also mentioned in the 2030 Agenda.[12] According to the INFF website, "*A country's sustainable development strategy lays out what needs to be financed. INFFs spell out how the national strategy will be financed and implemented, relying on the full range of public and private financing sources. INFFs are a planning and delivery tool to help countries strengthen planning processes and overcome obstacles to financing sustainable development and the SDGs at the national level*."[13] Specifically, the INFF initiative is a conceptual framework that national governments can adopt to "strengthen integration between long-term sustainable development aspirations and the policies that will mobilize the investment needed to achieve those aspirations" (UNDP, 2017). The design and operationalization of the INFF in a country involves broad stakeholder consultations and an oversight team to help implement the resulting financing strategy for delivering national development objectives compatible with the SDGs. There are four main "building blocks" for the INFFs: 1) assessment and diagnostics; 2) the financing strategy; 3) monitoring, review and accountability; and 4) governance and coordination. However, the specifics of these building blocks differ by country, so as to reflect country capacities and priorities (United Nations, Inter-agency Task Force on Financing for Development, 2019). Monitoring and review, one of the four key building blocks of the INFF, is expected to feed into planned and ongoing financing policies in need of reforms (UNDP, 2020). INFFs are thus intended to provide adopting countries with three outcomes: (1) identification of the main sources of financial and non-financial means; (2) a national financing strategy; and (3) the institutions and processes necessary for mobilizing the sources and operationalizing the strategy.

According to the UN, the INFFs were initially set up in reaction to the need to strengthen sovereign financing, "the weakest component of national plans" (United Nations, Inter-agency Task Force on Financing for Development, 2019). In the report, the UN Inter-agency Task Force on Financing for Development found that a majority of countries (79 out of 107 plans analysed) did not provide specific costs or details about how goals for development would be financed. The UN thus defined the INFFs as a solution to this problem: "*A country's sustainable development strategy lays out what needs to be financed. Integrated financing frameworks spell out how the national strategy will be financed and implemented*" (United Nations, Inter-agency Force on Financing for Development, 2019). The objective is to provide a holistic strategy which aims to mobilize public and private investment to support pre-identified needs.

More recently, the 2022 INFF stocktake reports that relatively new tools like the INFF are still in the implementation phase, rolling out mostly in Africa (UNDP, 2022a). That is, 39 countries are creating their financing strategy through INFFs for the first time, while 25 others are using the tool to strengthen their financing strategy. The latter is notably the case for Indonesia, where the INFF is presented as a key instrument for realizing the government's Vision 2045.

INFFs also appear to appeal for their potential to mobilize private finance and then as a costing exercise to strengthen coherence; oversight committees are mostly chaired by Ministries of Finance when they exist, especially to strengthen existing monitoring systems; most of these are linked to medium-term national plans.

Furthermore, an UNDP assessment for the INFF Facility shows that 86 countries are at various stages of their INFF process with at least 250 designed reforms to mobilize and align with both private and public finance for sustainable development (UNDP, 2022b). Based on voluntary national reviews conducted in 2021, 35 countries self-reported that they have or are "integrating the SDGs into their national development policy frameworks, and 25 countries indicated that the SDGs had been incorporated into local plans" to align their budgets with the SDGs (Okitasari and Kandpal, 2022). In Ghana, it is interesting to note that the country follows a bottom-up approach with initiation at the sub-national level of SDG financing strategies and other development objectives (social, economic and environmental sustainability), consistent with the local context. Five sub-national pilot projects were developed as Integrated Assembly Financing Frameworks (IAFFs).

During the Italian G20 Presidency in 2021, leaders recommitted to achieving the SDGs and endorsed INFFs as central to their financing at the country level. In October 2021, G20 leaders endorsed the G20 Framework for Voluntary Support to INFFs.

[12] §9 in the Addis Ababa Action Agenda and §63 in the 2030 Agenda "Cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts."

[13] http://inff.org

The Task Force includes the UN DESA, World Bank, UNDP and the EU. Linking this process with Multilateral Development Bank (MDB) reform, the 2023 report of the G20 independent expert group[14] on strengthening MDBs also insists on the need for each country to develop a financing plan for specific sectoral transformations, identifying how much can be mobilized from multilateral and bilateral official concessional and non-concessional sources.

2.2.2. SDG budgeting

SDG budgeting is another financial management tool that facilitates alignment of financing to a country's long-term economic planning. By 2018, 23 countries had announced plans to link the SDGs to their national budgetary processes (Hege and Brimont, 2018) and in their 2021 Voluntary National Reviews (VNRs), 31 out of 40 countries reported undertaking or planning to map and track their national budgetary expenditures according to the SDGs (United Nations University).[15] Such plans can take various forms, and the approaches adopted by countries focus on different elements of the budget cycle (SDG budget tagging, integrating SDGs into budget monitoring systems, calculating SDG costs and integrating the SDGs into local budgets), reflecting their local contexts, political commitments, and capacities.

Integrating the SDGs into budgetary processes could improve policy coherence, if "it avoids conflicts between different allocations, i.e., that one budget decision does not have a negative effect on another." In these circumstances "a coherent budget helps national finance stay in line with a State's international commitments." National governments need mechanisms to effectively and efficiently track progress towards the SDGs during the budget cycle to be able to make necessary adjustments if needed. While the SDG budgeting process can help in this direction, there are no universally agreed standards for the classification of government functions, and there is currently no standard methodology for tracking SDG expenditure. Developing an approach to SDG budgeting can help policymakers to allocate and track resources aligned with the SDGs" (United Nations, Inter-agency Task Force on Financing for Development, 2023). Beyond announcing plans to align the SDGs with their budget processes, "a number of countries have adopted a variety of budget coding and tagging systems to track either all or some of the SDGs" (United Nations, Inter-agency Task Force on Financing for Development 2023).

The potential of the SDGs as a budgetary tool depends on whether they are used to guide budget choices and stakeholder performance as part of the wider discussion to identify a country's medium-term sustainable development challenges (Hege and Brimont, 2018).

[14] https://www.g20.org/content/dam/gtwenty/gtwenty_new/document/Strengthening-MDBs-The-Triple-Agenda_G20-IEG-Report-Volume.pdf

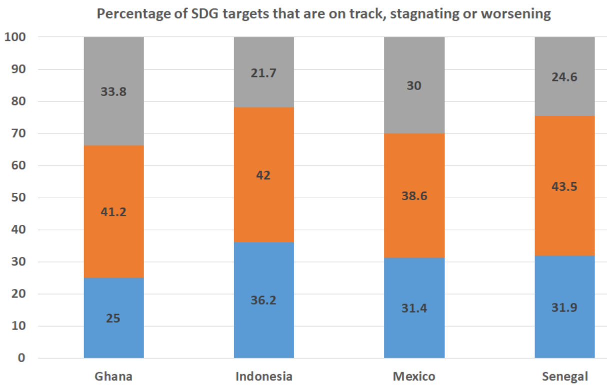
[15] Okitasari, Mahesti and Kandpal, Richa (2022). Budgeting for the SDGs: Lessons from the 2021 Voluntary National Reviews. UNU-IAS Policy Brief series. United Nations University Institute for the Advanced Study of Sustainability.

2.2.3. SDG bonds

SDG bonds are a capital market instrument that can contribute to the mobilization of additional financing to advance the SDGs. According to a report by United Nations Global Compact[16], SDG bonds provide financing with lower cost and higher reliability and scalability, and can involve a variety of stakeholders in the implementation including, but not limited to, cities/municipalities, governments, companies and public-private partnerships. SDG bonds can also increase the access of institutional investors to investment opportunities (United Nations Global Impact, 2019) in areas such as climate change, renewable energy, Environmental, Social and Governance (ESG), etc.

Despite its potential, uptake of this innovative financing tool remains low. Countries such as Mexico, Benin, Uzbekistan and Indonesia have issued sovereign thematic SDG bonds (United Nations, Inter-agency Task Force on Financing for Development, 2023). In the case of Mexico, one of the main innovative features of the SDG bond is the framework, which enables environmental, social and governance criteria to be met, while promoting transparency in public spending and monitoring the fulfilment of the 2030 Agenda commitments. It also aims to prioritize vulnerable populations living in landlocked and disadvantaged areas by using geospatial or territorial eligibility criteria. As highlighted in the country case study, Mexico's approach to a sovereign SDG bond is central to their national SDG financing system, but requires a solid foundation in three areas: institutional capacity, budget mapping against SDGs and sub-national data to inform the geospatial eligibility criterion. Moreover it also requires training and capacity building for local actors to be able to apply for the funds.

FIGURE 3. Comparison of progress on SDG targets



Source: Authors' elaboration using data from https://dashboards.sdgindex.org

To gain a better understanding of the challenges of financing the SDGs at the national level, we took a closer look at four countries: Ghana, Indonesia, Mexico, and Senegal. Located in three different world regions, they were intentionally selected for being both among the most active countries in driving

[16] https://unglobalcompact.org/library/5713

initiatives and approaches for SDG financing, as well as having made different levels of progress in terms of promoting the 2030 Agenda (**Figure 3**).

Based on an initial analysis of these countries, we expected all to be involved in major SDG financing initiatives, which we could learn about through description and comparison. The four countries studied were involved in specific sustainable development financing processes, with the involvement of governing authorities, whether INFFs, SDG budgeting and/or SDG bonds, or sectoral initiatives such as Just Energy Transition Partnerships (ETPs). The chosen countries are geographically and economically diverse, two being Upper Middle-Income Countries (UMICs) and two Lower Middle-Income Countries (LMICs), all having relatively open political environments that allow space for discussions and potential reforms. In each of these countries, international donors are active and provide funding (through ODA and other means). The aim of studying these countries is to gain a better understanding of the challenges they face in terms of financing sustainable development, and to gain experiences or learn lessons worthy of dissemination, promotion and discussion.

Three levels of analysis were applied to the four case studies. We examined: first, existing plans and visions in relation to the 2030 Agenda; second, the various tools available for implementation; and third, governance and monitoring structures that have been implemented to assess progress. The roles of governing authorities, international financing partners and other key stakeholders based in these countries are assessed at the various levels. In terms of structure, the three levels of analysis are described sequentially, and on that basis the case studies each offer an overview of current challenges, as well as recommendations for further action. These can be considered for each case, while they also feed into the overall conclusions and recommendations of the study that are presented at the end of this report. As per the methodological approaches used and the relatively short period of time over which the overall study was produced, it should be emphasized that the cases presented here concern “snapshots of moving targets”: they describe their respective SDG financing situations at the middle of 2023, while several of the initiatives concerned are currently being finalized and/or taken forward. Together, they represent a relevant evidenced-based study into the current efforts underway, which can serve both as a source of inspiration for other countries, as well as a basis for taking stock of the overall situation and considering broader policy debates on enabling actions during the remaining years of the SDG framework.

3. FINANCING SUSTAINABLE DEVELOPMENT IN GHANA

George Marbuah (SEI, AfDB)

3.1. Introduction

Ghana, a lower middle-income African economy, has consistently shown a strong commitment to various international agendas over many decades. These include but are not limited to the 2030 Agenda and its SDGs, the Paris Agreement on climate action and the African Union’s (AU) Agenda 2063 – Africa’s framework for inclusive transformation (AU, 2015). Agenda 2063, for which Ghana is an active implementer, is the long-term development agenda for Africa’s structural change. These agendas are carried out in Ghana using time-bound frameworks (e.g., typically ten years for Agenda 2063), including domestic development priorities and strategies. Regarding the 2030 Agenda and its SDGs, Ghana has taken many practical steps towards implementation arrangements and mechanisms of the SDGs in addition to Agenda 2063.

This case study highlights Ghana’s experience in implementing the 2030 Agenda. In particular, the study focuses on how the Agenda is being financed, which tools are being used, the stakeholders involved, and to what extent development planning aligns with the SDGs.

3.2. Recent macroeconomic developments

Despite the high expectations following the commencement of crude oil and gas production in 2010, Ghana’s macroeconomic performance in recent years has been erratic.[17] The onset of COVID-19 and its fallout, the ongoing Russia-Ukraine war, and domestic macroeconomic policy imbalances, among other external macro-financial economic shocks, have jointly contributed to recent macroeconomic instability in Ghana. Before COVID-19, the economy had recorded an average real GDP growth of 6.12% between 2000 and 2019. Following COVID-19 and other macroeconomic policy challenges, growth fell to 0.5% in 2020, which recovered to 5.4% the following year. Other macroeconomic indicators, such as inflation[18] and interest rates,[19] remain high. The country’s external position (balance of payments) has weakened and its low international reserves, growing fiscal deficits, and high public debt levels[20] have become standard features of the macroenvironment. The government was therefore

[17] Compound annual real GDP growth rates averaged 7% and -9.5% pre and post-oil production periods, respectively.

[18] Inflation stands at 42.2% at the end of May 2023 (Ghana Statistical Service data).

[19] Monetary policy rate hikes have persisted since July 2022 and currently stand at 29.5% (May 2023).

[20] High public debt-to-GDP ratio of 82% at the end of 2022.

compelled to approach the IMF for an Extended Credit Facility (ECF) programme, just three years after completing another IMF-supported economic bailout programme, the 17th since its independence in 1957.

The Executive Board of the IMF approved Ghana's 36-month ECF programme worth US$3 billion on 17 May 2023. This approval meant an immediate disbursement of the first tranche of US$600 million to support Ghana's economic recovery. The ECF programme builds on the government's home-grown Post COVID-19 Programme for Economic Growth. The Fund-supported programme is expected to help restore macroeconomic stability and a sustainable debt profile underpinned by a series of reforms (e.g., domestic and external debt restructuring) for a resilient and inclusive growth regime (IMF, 2023).

Overall, Ghana's current and near-term projected macroenvironment puts pressure on the 2030 Agenda objectives, despite the government's optimism on the prospects for restoring macroeconomic stability following the IMF programme. New innovative ways are needed, including building strategic partnerships with relevant stakeholders, such as the private sector, to lead in sustaining efforts to advance the SDGs and to implement the "*leave no one behind*" principle.

3.3. Overview of development financing in Ghana

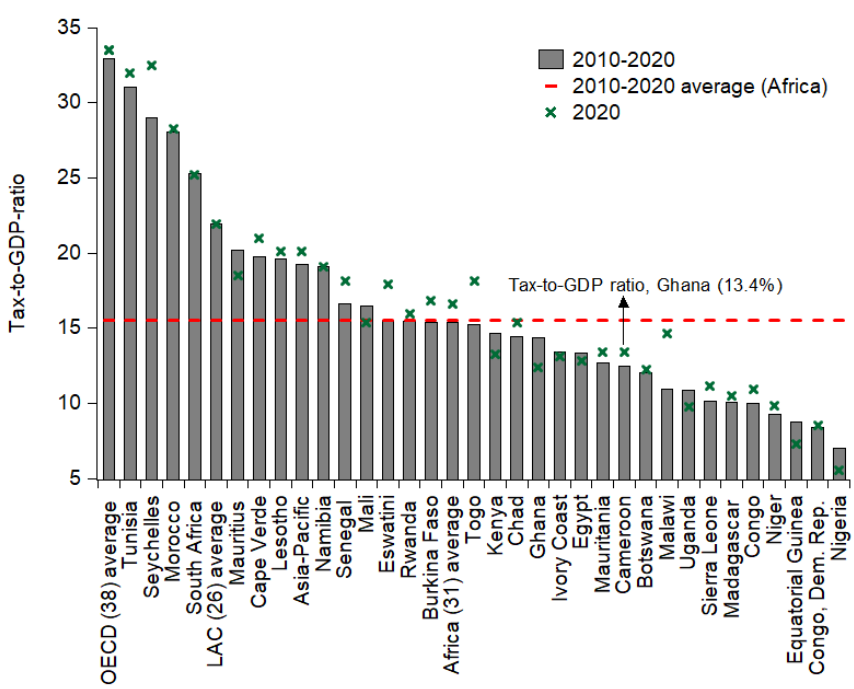
3.3.1. Trends in development finance flows

Like many developing economies, Ghana relies heavily on development finance inflows from external sources, given inadequate domestic resource mobilization efforts from taxation and other sources. For example, Ghana's tax-to-GDP ratio of 12.5% was below the African average (15.5%) during 2010-2020. Compared to its peers in Africa in 2020, with significant variation, Ghana's tax-to-GDP ratio of 13.5% was above that of ten African countries but registered a performance that was below that of 20 of the 31 countries covered in the latest OECD tax database. Countries such as Niger, Equatorial Guinea and the Democratic Republic of Congo recorded tax-to-GDP-ratios below 10%, with Nigeria accounting for the lowest (5.5%). Conversely, Tunisia (32.5%), Seychelles (32%), Morocco (28.3%), South Africa (25.2%), Mauritius (21%), Cape Verde (20.1%) and Lesotho (20.1%) were the best performers with ratios above 20% (**Figure 4**).

Based on data from the OECD, Ghana has received a total of US$36.6 billion from all types of funders over the last two decades (2002-2020). **Figure 5** shows the distribution over time of total disbursed development finance flows.[21] The cumulative disbursed amount covers all sectors and development objectives (**Figure 6**). Ghana achieved one of the highest disbursement ratios for all development finance over the same period (i.e., 108% compared to a global ratio of 82.4%). This ratio measures the disbursed amount as a percentage of the total committed or approved amount (i.e., US$36 billion) over the same period. Ghana's high disbursement ratio indicates limited in-country

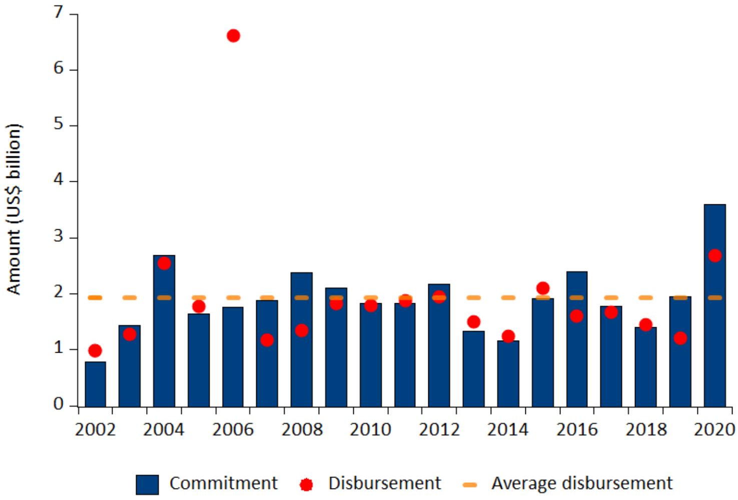
[21] The spike in disbursement in 2006 could be partly attributed to the large inflows into Ghana in the form of external debt relief due to the country reaching the completion point of the World Bank/IMF-led heavily indebted poor country (HIPC) initiative.

FIGURE 4. **Tax-to-GDP ratios in Africa (%)**



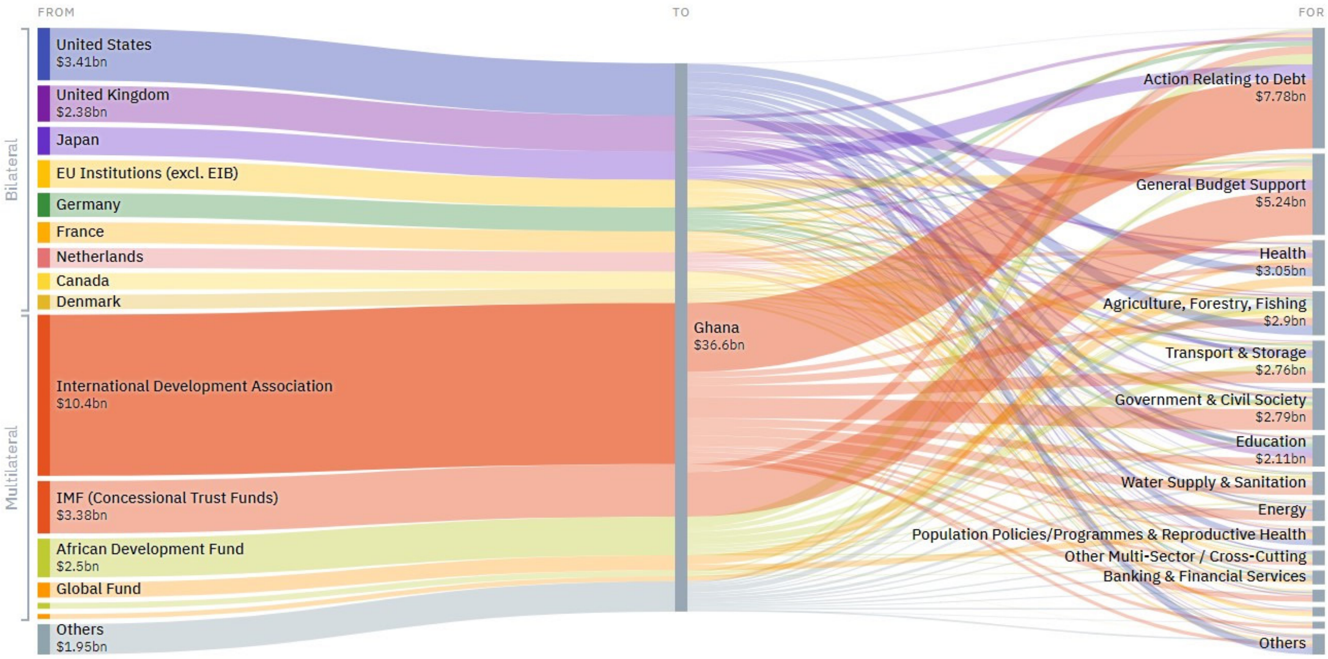
Source: Authors' elaboration using data from OECD/AUC/ATAF (2022)

FIGURE 5. Evolution of development finance flows over time



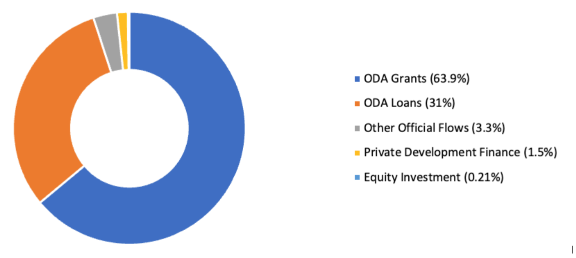
Source: Authors' elaboration with data from the Aid Atlas (Atteridge *et al.*, 2019) tool, based on the OECD creditor reporting system (CRS) database

FIGURE 6. Development finance disbursements by donor and sector (US$; 2002-2020)



Source: Authors' elaboration with data from the Aid Atlas (Atteridge *et al.*, 2019) tool, based on the OECD CRS database project implementation challenges. Of the total US$36.6 bn disbursed, ODA grants accounted for 63.9% (US$23.4 billion), while 31% (US$11.4 billion) accounted for secured loans. The following financial instruments accounted for the remaining amount: other financial flows (e.g., non-export credit), equity investment and private development finance (Figure 7).

FIGURE 7. Financial instruments related to development finance flows, 2002-2020



Source: Authors' elaboration with data from the Aid Atlas (Atteridge *et al.*, 2019) tool, based on the OECD CRS database

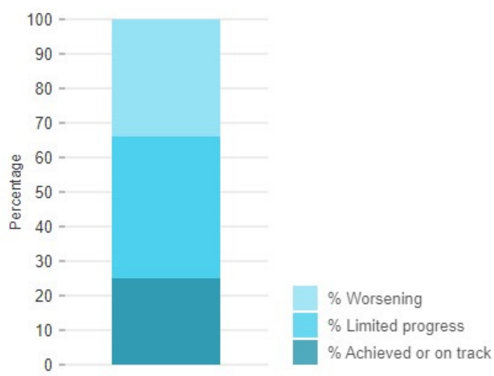
3.3.2. Financing the SDGs: costs and funding needs

Despite its relatively impressive economic performance and stable political governance environment over the past few decades, Ghana still faces several risks and challenges in its development agenda, including meeting the SDGs by 2030. This is also particularly interesting given the country's commitment to the 2030 Agenda at the political level and in several reforms in the implementation of its sustainable development agenda over the past two decades.

In recognition of these challenges and the urgency to take action to accelerate efforts towards achieving the SDGs and other development objectives and priorities, the Government of Ghana (GoG) has embarked on several initiatives and reforms to speed up the recovery from COVID-19 and to make progress with the SDGs. The most important of these initiatives relevant to the 2030 Agenda is how to finance the SDGs in robust and innovative ways.

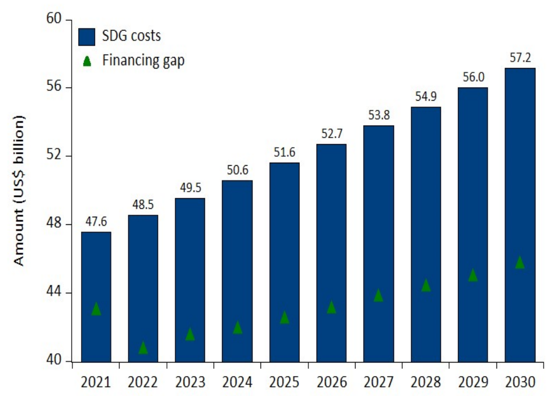
It is essential to take stock of the SDG implementation status in Ghana to put the demands and trends regarding SDG funding into perspective. Progress towards achieving the SDGs remains mixed. There has been significant progress in gender parity and school completion rates at primary and high schools, along with improvement in the general popluation's participation in formal and informal education. Other improvements cover maternal mortality, women's participation in governance at all levels, a decrease in childhood obesity, financial inclusion, and the availability of improved drinking water. At the same time, severe challenges regarding high youth unemployment, depleting fish stocks, forest degradation, high concentrations of plastic debris, low tax revenue-to-GDP ratio, and low proficiency in English and Maths, which are likely to persist without deliberate scaled efforts underpinned by sustainable financing mechanisms (NDPC, 2022). Overall, the 2023 SDG index indicates that only a minority of the goals have been achieved or are on track (25%), while 41.2% have stalled with limited improvement. Progress on the remaining 33.8% of the goals is unfortunately worsening (Figure 8).

FIGURE 8. Status of SDG targets for Ghana (% trend indicators)



Source: https://dashboards.sdgindex.org/profiles/ghana

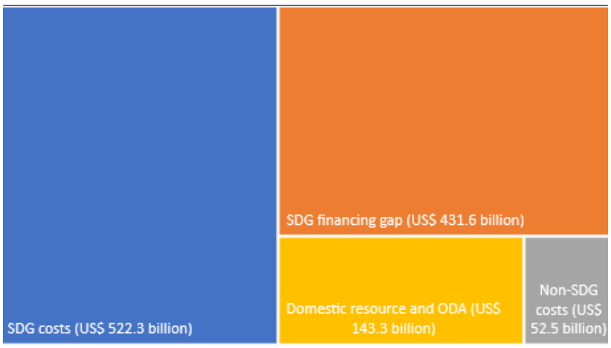
FIGURE 9. SDG financing costs and gap (US$ billion)



Source: Authors' elaboration based on World Economic Forum data (2021)

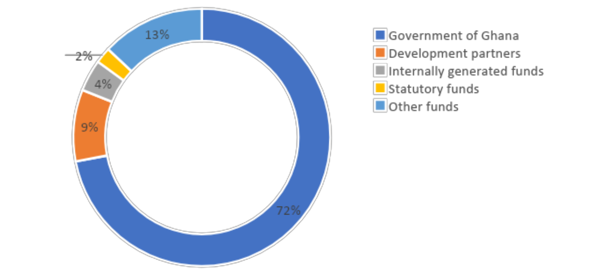
The GoG has partnered with the World Economic Forum (WEF) and other stakeholders to produce Ghana's Country Financing Roadmap (CPR) for the SDGs. The CPR provides a vivid picture of the quantities of financial resources needed to close the SDG financing gap and the associated ambition levels required to meet those objectives. According to the GoG and WEF, the SDGs are estimated to cost US$522.3 billion, with an annual average of US$52.2 billion over 2021-2030 (Figures 9 and 10). At the same time, the SDG financing gap over the same period is estimated at US$431.6 billion (i.e., an annual financing gap of US$43.2 billion). The government provides most of the SDG funding (72%), a burden that the state cannot shoulder singlehandedly. In addition to other domestic funding sources, development partners provide 8% of SDG funding in 2019 (Figure 11). In this regard, the government is engaging with all relevant stakeholders, including a pivotal role for the private sector to find innovative financing mechanisms to support government efforts and take advantage of SDG-related investment opportunities in the country. These engagements have already started producing results, including the establishment of the CEOs Advisory Group on SDG implementation, which aims to put the domestic private sector into the driver's seat. The CEOs Private Sector Advisory Group on the SDGs, led by eight eminent CEOs and captains of industry, was borne out of a CEO breakfast meeting with the President in 2018 about the SDGs. In a presentation to the President in 2019, the Group identified six SDGs (4, 6, 7, 8, 9 and 12) as potential private sector focus areas, for which they intend to provide support to the government. Subsequently, the partnership has led to the launch of the SDGs Delivery Fund and the Green Fund. The objective of these funds is to allow the private sector to create impactful SDG investments and lead a just renewable energy transition (WEF, 2021). The Green Fund is estimated to mobilize GH₵ 1 billion[22] in five years to evaluate and support green projects of Ghanaian origin. The SDGs Delivery Fund expects the private sector to contribute a percentage of its corporate social responsibility allocations to the Fund.

FIGURE 10. Cumulative costs and financing gap (US$ billion; 2021-2030)



Source: Authors' elaboration, based on WEF data (2021)

FIGURE 11. Sources of SDG funding



Source: Authors' elaboration based on WEF data (2021)

Notes: (i) Statutory funds–funds established by law (an Act of Parliament) for the transfer of money into designated accounts (including the National Health Insurance Levy, Ghana Education Trust Fund, Road Fund and Ghana Infrastructure Investment Fund); (ii) Internally generated funds (IGF)–comprising income generated by local authorities (district assemblies) and other public institutions. These entities are allowed by law to keep part of their generated revenues to fund their activities and projects/programmes.

[22] Approximately US$ 90 million

3.4. Main findings[23]

3.4.1. Development planning, financing tools and governance

3.4.1.1. Strategy and planning

The 1992 Constitution established Ghana's National Development Planning Commission (NDPC) to guide the country's development agenda by producing short, medium and long-term national development policies/strategies or plans. Further enabled by Acts of Parliament (Act 479 and 480), the NDPC leads the development of national and sub-national development frameworks, including across sectors, SDG assessments, and the reporting of national development progress in general.

The Commission produces the National Medium-Term Development Plans (MTDP) as the law mandates. This four-year plan is developed within a decentralized development planning system, i.e., a bottom-up approach. The MTDPs are reviewed every four years to reflect feedback and prevailing and projected socio-economic dynamics for the subsequent planning cycle. There is no separate development framework for the SDGs. All actions and plans related to the SDGs are integrated into the (sub)national development frameworks, strategies and or plans. Examples of some recent plans and frameworks that explicitly incorporate the SDGs in Ghana include the Coordinated Programme of Economic and Social Development Policies (2017-2024; 2021-2025)[24] and the Medium-Term National Development Policy Framework (2018-2021; 2022-2025).[25] There is, however, a forty-year long-term development plan dubbed Ghana@100 (2018-2057).[26] The MTDPs are expected to draw some inspiration from the long-term plan while maintaining the flexibility to accommodate current and short-to-medium-term developments domestically and externally, where necessary. While every development plan or strategy in Ghana has had unique or related priorities, the government's immediate past and current MTDP Frameworks have focused on decent job creation as key, among other priorities. This is because the government recognizes that the worsening unemployment among the youth threatens the country's foundation and future, including the advancement of the SDGs.

[23] The analysis presented primarily draws on interviews with officials from the UNDP Country Office, Ministry of Finance and the National Development Planning Commission in Ghana.

[24] The CPESDP is the current guiding policy that conveys policy direction of the of the government to ensure continuity of policies and programmes. The 2021-2025 edition is the second instalment on job creation following the 2017-2024 CPESDP.

[25] The next planning cycle, 2026-2030, is crucial as this medium-term framework will guide the country towards the finish line of the 2030 Agenda.

[26] The plan is due for review.

In addition, all District Development Plans, sector-specific strategies and national Budget and Economic Policy Statements align with the SDGs. The integration of the SDGs into the country's development policy frameworks follows three steps: (i) *Align* – assess convergence between local, regional and global development policy frameworks, (ii) *Adapt* – identify relevant amendable targets/indicators to reflect the local Ghanaian context, (iii) *Adopt* – use the identified and accepted targets and indicators in national and sub-national planning systems.

Furthermore, all development plans are costed, including those at the sub-national level[27]. This is a crucial element of the development planning process because a plan that hasn't been costed is of limited operational use. Following the production of the costed plans at the local level, the NDPC then consolidates these costs to the national level to gauge the resources needed to implement the strategies. This exercise is done in collaboration with the Ministry of Finance. While funding for the full implementation of the development plans has been a long-standing challenge, the funding gap has worsened in the past few years, especially with the onset of COVID-19 and associated domestic and global macro-financial crises.

The final step involves monitoring, evaluating and tracking indicators and frameworks through inclusive and robust reporting. All 17 SDGs and their targets are reflected in the reporting by regional and local authorities (e.g., municipalities, districts and assemblies) to the NDPC. The National Annual Progress Report gives details of the contributions to the SDGs. As an example of the localization of the SDGs and how local-level reporting works in Ghana, in 2020 the City of Accra (i.e., Accra Metropolitan Assembly – AMA) made itself available to the voluntary local review (VLR)[28] process on the city's implementation of the 2030 Agenda (SDGs) and the African Union's Agenda 2063. The report serves as a reference point for tracking the progress of the two agendas to make the capital of Ghana "*A Smart, Safe, Sustainable and Resilient City*". At the national level, Ghana conducted two voluntary national reviews (VNR) in 2019 and 2022 (NDPC 2019; 2022). The reports from these reviews represent critical milestones on the progress the country has made concerning the 2030 Agenda and what remains to be done to reach the targets before the deadline. The processes involved in the VLR and the VRN were consultative and participatory, encompassing a broad range of relevant stakeholders (see **Figure** 7), clearly demonstrating the country's commitment to these global development agendas and the tenets of inclusivity and transparency.

Finally, the NDPC operates an open and participatory approach to development planning. It accommodates contributions from state and non-state actors such as the private sector, non-governmental organizations (NGOs), civil society organizations (CSOs) and the donor community. On the other hand, the Commission has identified misalignment between existing national development planning structures and proposals from some non-state actors, potentially leading to a duplication of effort. The fact that development plans already exist should be the main entry point for dialogue to avoid wasting resources on other development proposals that are inconsistent with existing planning frameworks. Effective coordination among stakeholders in the development space, particularly at the local level, could help reduce this tension.

3.4.1.2. Financing tools

The Integrated National Financing Framework (INFF)[29]

Ghana was among the pioneer countries in Africa to join the INFF process ~~included date~~[30]. The country's INFF supports private and public resource mobilization at the national and local (district) levels linked to national development objectives, including placing the SDGs at the heart of financing, making the "leave no one behind" principle a reality. The process also seeks to enhance public-private collaboration to advance the SDGs.

Driven by the Ministry of Finance and the NDPC, with UN support (UNDP-led), Ghana's INFF process for operationalizing the INFF and SDG implementation follows a bottom-up approach starting at the sub-national level. The NDPC ensures the financing framework or strategy defined in the INFF at the sub-national level aligns with medium-term development policy frameworks/plans. The Ministry of Finance then checks that all financial flows and estimated gaps are consistent with the broader national financing strategy. The Ministry of Local Government and Rural Development plays a critical role by verifying that all mandates and rules governing the decentralization regime are adhered to, while also providing other technical advice and oversight responsibilities. Other stakeholders in the INFF process include local metropolitan, municipal and district assemblies (MMDAs), development partners (e.g., UNDP and GIZ[31]) and the SDG Advisory Unit under the Office of the President. According to in-country experts with experience in financing, budgeting and development planning, the INFF process will enhance the implementation of the SDGs and national planning in the country. By pooling various available financing tools together in a coherent and integrated way, policymakers can focus on effective and efficient implementation of the policies that directly address the national agenda and the SDGs. It will also enhance monitoring and evaluation mechanisms to address any identified implementation challenges.

[27] See https://ndpc.gov.gh/resource_and_publications/plans

[28] https://ama.gov.gh/documents/Accra_City_2020_VLR_Report-Final__(May_2020)_docx.pdf

[29] The Development Finance Assessment (DFA) guidebook is also helping governments to build resilient economies through the INFFs.

[30] Other pioneer African countries include Burkina Faso, Cabo Verde, Côte d'Ivoire, Kenya, Namibia, Nigeria, Rwanda, Senegal and Uganda.

[31] GIZ in Ghana provides, among other things, technical assistance and capacity development on fiscal decentralization at the national and sub-national levels.

The NDPC and the Ministry of Finance, in partnership with the UNDP in 2021, supported five MMDAs[32] to develop COVID-19 Recovery Plans to be implemented until 2025 and the Integrated Assembly Financing Frameworks (IAFF). The IAFF directly links to the national Ghana CARES (Obaatan Pa[33]) objectives or the Ghana COVID-19 Alleviation and Revitalization of Enterprises Support. The Ghana CARES Programme aimed at mitigating the adverse impacts of the pandemic and supporting economic recovery to a path of more resilient and sustained growth. The Ghana CARES Programme builds on the government's immediate actions in alleviating the pandemic's impacts under the Coronavirus Alleviation Programme (CAP) and comprises two phases. During phase 1 (economic stabilization, July-December 2020) of the initiative, several relief packages were given to Ghanaians during the onset of the pandemic, including but not limited to free food provision to segments of the population (vulnerable and underprivileged), reduction in the cost of essential services (subsidized water and electricity costs), funding allocation for the business support scheme for Micro, Small and Medium-sized Enterprises (MSMEs) and various investments to strengthen the healthcare sector to mitigate the effects of COVID-19. The second phase (2021-2023) covers revitalization and transformation of the economy with the Planting for Food and Jobs and the Rearing for Food and Jobs initiatives, digitization (national ID, digital address systems, etc.), a boost to the manufacturing and construction sectors (e.g., construction of hospitals under "Agenda 111+" (i.e., construction of 101 new 100-bed district hospitals) among others.

The Ghana IAFF explicitly introduces a range of practical financing innovations and measures aimed at mobilizing the required finance at a sufficient scale to achieve the SDGs. The financing strategies consolidate diaspora financing, existing revenues, public-private partnerships, and philanthropic financing (e.g., SDG bonds).

Furthermore, while there is no national-level INFF process yet in Ghana, there are plans and discussions among stakeholders to scale up the process to the national level, following monitoring and evaluation of the IAFF at the local level. The results from an IAFF process assessment would provide critical input and a strong foundation for an evidence-based INFF informed by localized success, lessons learned and challenges in different contexts across the country. The Ghana INFF (IAFF) process is financially supported by the INFF Facility, the EU, World Economic Forum, and the World Bank, among other actors and funding sources. In-country experts interviewed in this case study shared their insights on the opportunities and challenges of the INFF (or IAFF) process, summarized in **Table 1**.

TABLE 1. Opportunities and challenges of the INFF (or IAFF) process in Ghana

Opportunities	Challenges
Cohesively and comprehensively consolidates all financing innovation from multiple sources and investment opportunities in the country.	Data inconsistency and inadequacy, especially regarding the most granular data at the sub-national level, is a significant obstacle to expanding the IAFF pilots across the country (only 5 out of 261 MMDAs were considered for the pilot).
The INFF provides synergies between development planning, the SDGs and financing. The IAFF helps break the siloed approach characterizing the design of financing strategies in Ghana.	Limited resource mobilization capacity (MMDAs) of sub-national actors, which stifles effective IAFF implementation.
Helps mainstream issues related to gender, climate change, spatial planning and others in systematic financial planning.	
Offers an opportunity to build capacity (at the local level) in understanding and thinking more systematically around innovative financing options.	
The process reinforces the importance of nurturing partnerships at the sub-national level.	
The IAFF process has enhanced our understanding of how things work locally, thus providing some nuance for informed decision-making.	
IAFF at the local level gives a sense of ownership and buy-in across all levels of decentralization and development planning. Ownership is an important factor of potential project/programme implementation success in public administration.	

Source: Authors' elaboration based on in-country expert interviews.

SDG budgeting

Ghana presents an interesting case regarding SDG budgeting that is worth noting. In 2018 the country initiated a pilot to integrate SDG budgeting and financing for sustainable development into all its national budgeting processes. This initial effort produced "*Ghana's SDG Budgeting Manual 2018*" to guide the process. The SDG budgeting process in Ghana follows a bottom-up approach with active local/sub-national participation. Key actors and institutions at all levels help assign all budget allocations and expenditures to each SDG goal and target.

With the leadership of the Ministry of Finance, the SDG budget baseline report intended initially for the 2018 national budget recommended the following: "*Redesign the budget system to enable the tracking of all SDGs allocations and funding. Specifically, it is recommended that the policy objectives are aligned with the SDGs' targets*" (Ministry of Finance 2018, pp. 45)[34]. A team effort led by the Budget Division, the Budget Technical Assistance Support Unit of the treasury and the SDG Office helped operationalize the budget integration process by re-coding all policy objectives.

32 Kumasi Metropolitan Assembly, Sagnarigu Municipal Assembly, Sefwi Wiawso Municipal Assembly, Kassena Nankana West District Assembly and Ketu South Municipal Assembly.

33 A local language dialect meaning a caring mother.

34 See https://mofep.gov.gh/publications/sustainable-development-goals-budget-documents for the 2019-2021 reports plus the SDG Budgeting Manual and 2018 SDG Budget Baseline report.

TABLE 2. Government of Ghana budget allocation to SDGs, 2019-2021 (GH₵million)

SDG	Description	2019	% of total	2020	% of total	2021	% of total
1	No Poverty	384	0.8	1,528	2.9	799	1
2	Zero Hunger	436	0.9	997	1.9	1,196.9	1.5
3	Good Health and Well-Being	4129	8.1	4,300	8.1	5,287.2	6.6
4	Quality Education	2,492	4.9	5,870	11.1	5,779.6	7.2
5	Gender Equality	330	0.6	65	0.1	94	0.1
6	Clean Water and Sanitation	1000	2	660	1.2	750.4	0.9
7	Affordable and Clean Energy	491	1	14	0.03	712.6	0.9
8	Decent Work and Economic Growth	144	0.3	422	0.8	257.3	0.3
9	Industry, Innovation and Infrastructure	320	0.6	449	0.8	591.1	0.7
10	Reduced Inequalities	147	0.3	181	0.3	70.5	0.1
11	Sustainable Cities and Communities	505	1	855	1.6	2,039.3	2.6
12	Responsible Consumption and Production	267	0.5	65	0.1	95.9	0.1
13	Climate Action	181	0.4	221	0.4	166.2	0.2
14	Life Below Water	260	0.5	110	0.2	353.1	0.4
15	Life on Land	109	0.2	117	0.2	245.7	0.3
16	Peace, Justice and Strong Institutions	2,309	4.5	2,098	4	1,647.4	2.1
17	Partnerships for the Goals	37,462	73.5	34,877	66	59,726.7	74.8
Total		50,966	100%	52,829	100%	79,812.9	100%

Source: WEF (2021) and authors' calculations and update for 2021 data, based on figures from the Ministry of Finance, Ghana's 2021 SDGs Budget Report.

Three publicly available SDG Budget reports covering 2019, 2020, and 2021 have been published by the Ministry of Finance since this budgeting process began in 2018.[35] Interested stakeholders, including civil society organizations and funders, can readily access the reports and independently assess them if necessary. According to the Ministry of Finance (2018), "*Key stakeholders agreed that aligning the policy objective segments of the Chart of Accounts (CoA), with SDG targets was commendable and an important step to track the financing of SDG targets*." Furthermore, it is particularly interesting to note that all published SDG budget reports present detailed granular narratives and data on budget allocations to all goals and targets, a snapshot of the progress of each SDG and the required resources or gap in need of additional investment to enhance progress at the national and sub-national levels.

Table 2 shows all government allocations to the SDGs aggregated nationally. The data is compiled from the 2019, 2020 and 2021 SDG Budget reports. What is striking and concerning at the same time is the low budget allocation to gender issues (SDG 5) and climate action (SDG 13), among others. Overall, SDG 17 (partnerships for the goals) received the largest allocation across the three fiscal years. While the low allocation to the gender SDG, in particular, could be attributed to limited funding in the budget, it is also important to note that responsibility for funding prioritization lies with the sub-national implementing agencies. Interviews with in-country experts revealed that work is underway to deeply analyse funding allocations to SDGs 5 and 13, as a special focus in the forthcoming 2022 SDG Budget report. This approach is instructive as it would indicate the government's changing priorities regarding the SDGs and financing dynamics in the future.

SDG bonds

Ghana has yet to issue an SDG thematic bond domestically or on the international capital market. However, the issuance of SDG bonds is currently being considered by the government and other partners as a viable alternative innovative financing instrument. The government-owned financing roadmap document proposes SDG bonds[36] in multiple areas as one of the

[35] Ghana was second to only Mexico, which developed a national SDG budgeting process at the time when Ghana started the initiative and mapping exercise.

[36] The government published a Sustainable Financing Framework in Ghana as part of its International Capital Market Programme to issue sovereign bonds worth US$ 3 bn. SDG bonds fit into this agenda. https://mofep.gov.gh/press-release/2021-10-15/publication-of-sustainable-financing-framework

main solutions to scale up additional capital to cover the persistent shortfall in public domestic revenues, as part of a menu of financial de-risking actions over the medium-to-long-term in advance of the SDGs. SDG bonds are also considered a panacea to unlock more financing for the country's MSMEs. The MSME sector accounts for about 85% of all private sector businesses with an estimated GDP contribution of 70%. It is, therefore, significant that successive governments in Ghana should prioritize the MSME sector, given its potential impact on several of the SDGs (e.g., 1, 2, 5 and 8, among others). However, the sector persistently faces significant financing barriers. The International Finance Corporation (IFC) estimates a $6.1 bn (or 13% of GDP) financing gap that needs to be closed to harness the full potential of the MSME sector in support of the SDGs (IFC, 2019).

Capacity development through training and technical assistance is required to structure and issue an inaugural Ghana SDG bond in the near term. It is also noteworthy that Ghana's ability to successfully issue SDG bonds, especially on the international bonds market, would be significantly affected by the quality and size of available bankable project pipelines and global capital market accessibility. For these reasons, the exercise looks unfeasible in the short term, due to recent negative macroeconomic trends and prospects, such as high inflation and interest rate hikes, debt sustainability concerns and unfavourable credit ratings.

3.4.1.3. Governance and stakeholder management

The 2030 Agenda and its SDGs in Ghana are being implemented primarily through a decentralized planning system. The SDGs follow a three-tier coordination structure or mechanism as part of the country's implementation strategy. At the apex is a High-Level Ministerial Committee followed by an Implementation Coordination Committee and a Technical Committee. The governance process adopts a multi-stakeholder approach comprising government (national and local), the private sector, academia, the UN System and other development partners, and other state and non-state actors. The CSO platform on the SDGs is also an integral part of the governance structure (**Figure 12**). These are important actors playing an independent oversight role in support of effective and resource-efficient SDG implementation. The CSO platform has delivered important contributions, such as a recent report on citizens' perspectives on the SDGs delivery mechanism in Ghana - a CSO shadow report on the 2022 VNR process (Ghana CSO Platform for SDGs, 2022). The CSO report identifies limited participation by young people in the sustainable development process and gaps between actual implementation and policy making. To enhance effective multi-stakeholder engagement on the SDGs, a National Development Cooperation Policy Framework is being developed to recognize the critical role of partnerships in advancing the SDGs in Ghana.

Like other important stakeholders in the country, the Parliament of Ghana has an oversight responsibility for the implementation of the SDGs even though the institution does not formally drive the agenda in practice. According to the NDPC, in reference to the wide dissemination of progress reports on the SDGs, including SDG budgets and annual progress reporting on national and sub-national development plans, Parliament plays an important role in scrutinizing progress and providing feedback. Additionally, consultations during the VNRs include input and validation from Members of Parliament.

3.4.2. Role of the SDG Investor Platform

In 2021, the UNDP SDG Impact and the UN Global Investors for Sustainable Development (GISD) Alliance launched the SDG Investor Platform, which is also referred to as SDG Investor Maps. The platform facilitates SDG-related investments at scale. Many developing economies, including Ghana, are now utilizing this market intelligence tool to highlight (potential) SDG-relevant investment opportunities for sustainable development-conscious investors to align capital flows to available bankable projects. The Government of Ghana uses SDG Investor Maps to help link investors and other intermediaries (e.g., financial institutions) with market-ready opportunities or project pipelines being built. This information is vital for investors in decision-making, including but not limited to independent verification of project bankability. SDG Investor Maps is also one of the key non-financial de-risking actions in the country's SDGs financing roadmap document. Currently, thirteen active project pipelines address several of Ghana's SDGs, including other information such as indicative investment returns, investment timeframe, market size and expected impact (**Figure 13**).

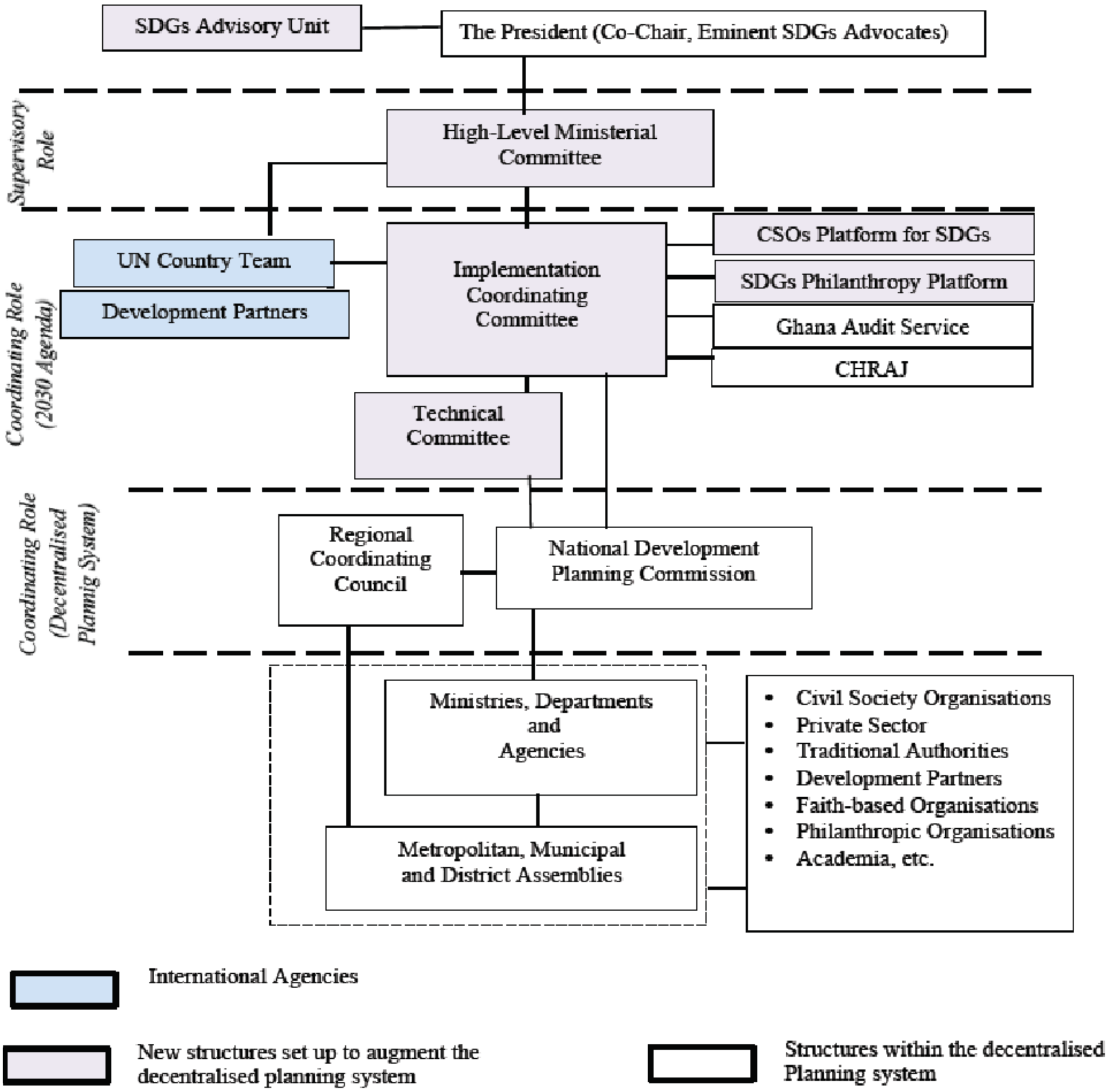
3.4.3. Conclusion and recommendations

This study assesses Ghana's experience with implementing and financing the 2030 Agenda (SDGs) to share lessons learned, best practices and challenges that remain to be resolved to advance the SDGs. Analysis of existing policy documents and reports, data and interviews with in-country experts working actively on finance, economic and development planning, and the 2030 Agenda highlight important perspectives and practices worth noting.

Ghana's development planning approach anchors the SDGs at all public administration and governance levels. The National Development Planning Commission (NDPC) leads the production of four-year medium-term development policy frameworks that align with the 2030 Agenda and the AU's Agenda 2063. All local or sub-national level development plans also follow the NDPC's guidelines and are costed and consistent with the SDGs in collaboration with stakeholders such as the Ministry of Finance, the Ministry of Local Government and Rural Development and supported by other development partners, civil society and academia.

Regarding the INFF process, Ghana follows a bottom-up approach with sub-national level origination of SDG financing strategies and other development objectives (social, economic and environmental sustainability) consistent with local context conditions. Five sub-national pilots are currently underway in Ghana's version of the INFF, which is known as the Integrated Assembly Financing Framework (IAFF). Evaluation of ongoing IAFF pilots will feed into discussions and plans when scaling the process at the national level (i.e., INFF). There is a clear and

FIGURE 12. Coordination mechanism of the SDGs in Ghana



Source: NDPC (2019), Ghana's Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development

comprehensive coordination mechanism of the IAFF process and SDG implementation in general. The coordination mechanism comprises many state and non-state stakeholders in the development space. Furthermore, a Country Financing Roadmap for the 2030 Agenda has been developed with estimates of SDG costs and financing gaps, coupled with a selection of innovative financing mechanisms to be implemented to close the expected gaps.

Furthermore, SDG budgeting has been mainstreamed into the annual budgeting process and implemented in Ghana since 2018. And while Ghana has not yet issued an SDG bond, according to the country's financing roadmap report, there are plans to do so, as this financial instrument is considered to be a key solution for mobilizing additional capital to finance the SDGs. However, introducing such a bond in the short-to-medium term does not seem realistic due to the country's difficult recent macroeconomic challenges.

In conclusion, discussions with in-country experts in Ghana on the issues examined in this study revealed that, without the impact of COVID-19, the outlook for the SDGs would have been positive, even though progress towards some goals and targets was lagging. However, COVID-19 has reversed some of Ghana's significant SDG milestones, as shown by in-country experts, a situation that requires the serious engagement of all stakeholders. Discussions at the upcoming SDG Summit in September 2023 must therefore focus on sharing country and regional experiences and best practices for peer-to-peer learning. Governments must be transparent about the challenges they are facing and the pathways being adopted. Such open discussions will encourage countries to propose practical ideas on SDG-relevant investment opportunities and to mobilize all the required resources to accelerate progress.

In addition, Ghana needs technical support and financial resources to better align development planning processes at all levels, including SDG budgeting. The country's experience with the INFF (or IAFF), financing tools, governance mechanisms and development planning require stronger partnerships among all stakeholders for their combined efforts to be more impactful. These partnerships could be a partial but important solution to closing the estimated annual SDG financing gap of $43 bn. This is an arduous but worthwhile initiative, given that traditional development finance flows to Ghana fall far short of the required resources for the SDGs.

Furthermore, the data ecosystem must be improved, especially at the sub-national level, to ensure high quality, timeliness, consistency and granularity for informed planning, financing and decision-making. This action, among other measures, would accelerate the overall implementation and evaluation of the 2030 Agenda, and ensure it was subject to robust and verifiable reporting, and facilitate the scale-up of the IAFF and voluntary local review mechanisms to other sub-national jurisdictions across the country.

Finally, all stakeholders must support the government in building a credible pipeline of investable SDG-aligned projects with appropriate risk-mitigation and financing strategies (e.g., guarantee instruments, blended finance, etc.), which are showcased by, for example, the SDG Investor Platform. This could potentially help Ghana to "crowd-in" more private capital, at a scale that could support the SDGs.

REFERENCES

AU (2015). Agenda 2063: The Africa We Want. Framework Technical Document. Technical report.

Atteridge, A., Savvidou, G., Sadowski, S., Gortana, F., Meintrup, L., and Dzebo, A. (2019). Aid Atlas. https://aid-atlas.org

Ghana CSO Platform for SDGs, (2022). Taking action on SDGs: Citizens' perspectives on the SDGs delivery mechanism in Ghana. *Civil Society Organizations' Shadow Report on the Voluntary National Review 2022*. A publication of the *Ghana Civil Society Organisations Platform on the Sustainable Development Goals*.

IFC (2019). Improving Access to Finance for Ghanaian SMEs: Is there a Role for a New Development Finance Institution? International Finance Corporation publication, Washington DC.

IMF (2023). Ghana: Request for an Arrangement Under the Extended Credit Facility—Press Release; Staff Report; and Statement by The Executive Director for Ghana. IMF Country Report No. 23/168

Ministry of Finance (2018). Ghana's SDG Budgeting Manual 2018. A Ministry of Finance publication, Accra Ghana.

NDPC (2019). Ghana: Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development. A National Development Planning Commission publication, Accra Ghana.

NDPC (2022). Ghana: Voluntary National Review Report on the Implementation of the 2030 Agenda for Sustainable Development. A National Development Planning Commission publication, Accra Ghana.

OECD/AUC/ATAF (2022), *Revenue Statistics in Africa 2022*, OECD Publishing, Paris, https://doi.org/10.1787/ea66fbde-en-fr.

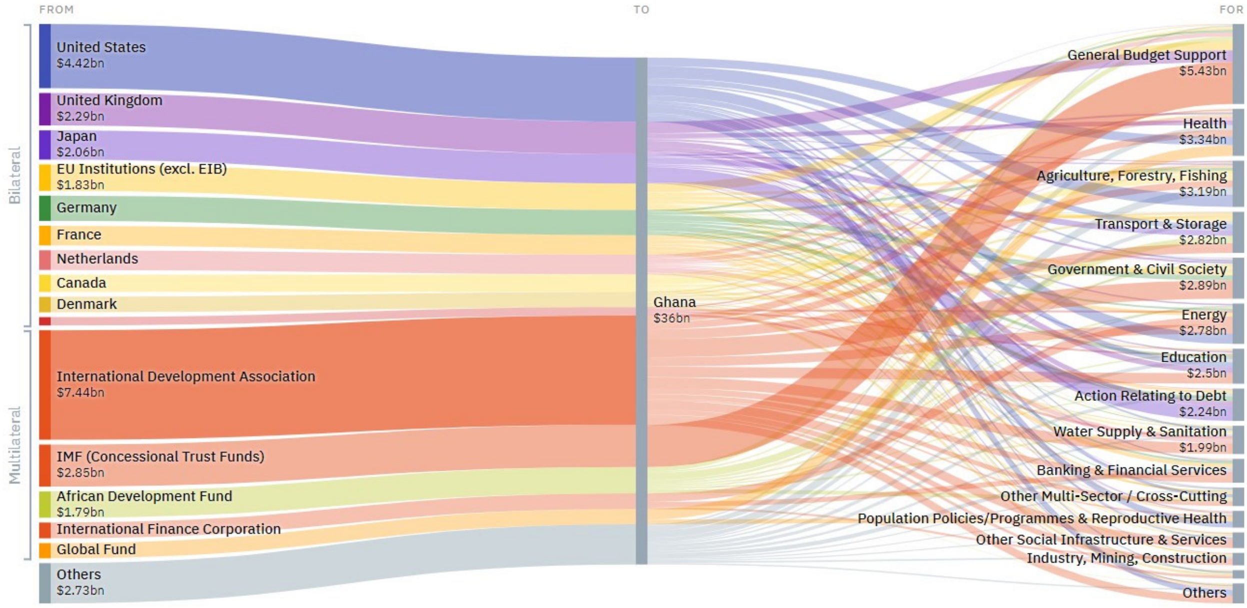
WEF (2021). Country Financing Roadmap for the SDGs: Ghana. World Economic Forum Insight report.

ACKNOWLEDGEMENTS

This case study would not have been possible without the support of the following individuals and institutions. First, a special thanks to the following staff at the National Development Planning Commission (NDPC): Dr. Kodjo Esseim Mensah-Abrampa (Director General), Mr Charles Konglo, Ms. Patience Ampomah and Mr. Joshua Kwame Addae, who helped us understand development planning processes in Ghana and the 2030 Agenda in particular. We are also indebted to Mr Collins Suntaa Kabuga, Ministry of Finance, for his reflections on the issues addressed in this research project. Mr Huzaif Musah of the UNDP Ghana Country Office was instrumental in sharing his perspectives on the INFF process, SDG budgeting, and SDG bonds, among other discussions. Dr Fatmata Lovetta Sesay of the UNDP and Mr Samuel Arkhurst of the Ministry of Finance made themselves available to support the project in the initial stages. Our thanks also go to: Mr Kordzo Sedegah (Country Economist, UNDP Samoa) for facilitating contact with most of the experts interviewed in this study; and Orria Goñi Delzangles (formerly with the UNDP, SDG Financing and South-South Cooperation Advisor; now Chief of Public Finance & Local Governance at UNICEF), for putting us in touch with Mr Huzaif Musah.

APPENDIX

FIGURE 13. Development finance commitments to Ghana (USD; 2002-2020)



Source: Authors' elaboration with data from the Aid Atlas (Atteridge *et al.*, 2019) tool, based on the OECD database

TABLE 3. SDG-related investment opportunities in Ghana

Sector (subsector)	SDGs addressed	Indicative return (ROI/IRR)	Investment timeframe	Market size	Expected impact
Consumer Goods (manufacturing of cooking stoves)	Direct impact: 7, 8, 9 Indirect impact: 3, 9	20% - 25%	Short Term (0–5 years)	USD 100 million - USD 1 billion	Reduce the use of unsustainable energy sources and address practices harmful to health during food preparation.
Food and Beverage (agricultural inputs)	Direct impact: 2, 12, 15 Indirect: 3, 9	20% - 25%	Medium Term (5–10 years)	USD 100 million - USD 1 billion	Enhance agricultural outputs and farmers' incomes, contributing to greater food security.
Food and Beverage (cold storage and transportation)	Direct impact: 2, 12 Indirect impact: 5, 9, 15	> 25%	Short Term (0–5 years)	< 5% (CAGR)	Address post-harvest losses, saving perishable food items.
Food and Beverage (fish farming)	Direct impact: 2, 8, 14 Indirect: 1, 3, 9	20% - 25%	Long Term (10+ years)	USD 100 million - USD 1 billion	Improve food availability and nutritional quality through sustainable protein sources.
Food and Beverage (grain storage and infrastructure)	Direct impact: 2 Indirect impact: 3, 12	20% - 25%	Short Term (0–5 years)	Maize worth USD 7 million and rice worth USD 1,429 million were imported in 2019.	Address post-harvest losses and contribute to the food security of agricultural households.
Food and Beverage (irrigation systems and dams)	Direct impact: 2, 6 Indirect impact: 1, 9, 15	> 25%	Medium Term (5–10 years)	USD 100 million - USD 1 billion	Enhance agricultural productivity and reduce the impact of climate variability on food systems.
Health Care (e-health)	Direct impact: 3, 5 Indirect: 8, 9, 10	20% - 25%	Short Term (0–5 years)	< USD 50 million	Provide cost-effective access to healthcare services for remote communities.
Health Care (medical drone transportation solutions)	Direct impact: 3 Indirect impact: 9, 10	> 25%	Short Term (0–5 years)	2,500 health centres in Ghana could benefit from medical drone delivery.	Foster accessibility of healthcare products in hard-to-reach communities.
Infrastructure (affordable housing)	Direct impact: 1, 11 Indirect impact: 3, 6, 10	20% - 25%	Medium Term (5–10 years)	Ghana has a housing deficit of 1.7 million units.	Improve citizen well-being and support urban planning through affordable housing.
Infrastructure (electronic waste recycling)	Direct impact: 3, 11, 12 Indirect: 9, 13, 14	15% - 20%	Medium Term (5–10 years)	USD 100 million - USD 1 billion	Reduce environmental impact of e-waste and foster a circular economy for electronic products.
Infrastructure (road construction and maintenance)	Direct impact: 3, 9, 11 Indirect: 1, 8, 10	> 25%	Long Term (10+ years)	> USD 1 billion	Enhance economic and social mobility and reduce risks of road accidents.
Infrastructure (sanitation services)	Direct impact: 1, 3, 6 Indirect impact: 9, 10, 11	20% - 25%	Medium Term (5–10 years)	One in every three households in Ghana does not have access to improved sanitation.	Avoid health hazards and improve living standards through safe and affordable sanitation services.
Technology and Communications (mobile internet hotspots)	Direct impact: 4, 9, 17 Indirect impact: 5, 8, 10	15% - 20%	Medium Term (5–10 years)	4.4 million people in Ghana require lack 3G internet coverage.	Enhance access to information and knowledge, especially for rural populations, through mobile hotspots financed through commercial advertisements.

Source: Authors' elaboration based on SDG Investor Platform, SDG Impact, UNDP.

Note: ROI and IRR denote "return on investment" and "internal rate of return", respectively. CAGR is "compound annual growth rate".

4. FINANCING SUSTAINABLE DEVELOPMENT IN INDONESIA

Niels Keijzer, IDOS[37]

4.1. Introduction and state of play

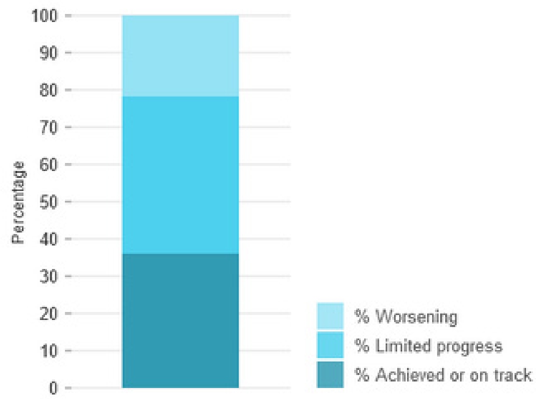
Few would dispute the fact that all countries are unique in terms of the sustainable development challenges they face and the specific regional settings in which they are located. This is particularly true of Indonesia, a country with an extensive coastline, high population density and a geography consisting of five main islands, around 30 smaller archipelagos and about 6,000 inhabited islands. Almost 65% of its population of 282 million live in coastal areas. Indonesia has over 17,000 islands, which contribute to its considerable Exclusive Economic Zone at sea and its substantial maritime biodiversity and resources.

Indonesia is one of the countries that will be most disproportionately affected by the exceeding of planetary boundaries, notably by the effects of a warming climate.[38] However, its economy and development pathway continues to reflect its strong ambition. Indonesia successfully managed its post-pandemic economic recovery and was re-categorized as an upper middle-income country in July 2023.[39] Indonesia's Gross National Income (GNI) per capita reached US$4,580 in 2022, an increase of 9.8% from the previous year. Although the country's sustained economic growth has allowed important gains in poverty reduction and improved access to public services, income inequality has increased over time: the GINI coefficient in Indonesia increased from 0.31 in 1999 to 0.37 in 2021, while most Indonesian citizens consider income distribution to be either very unequal or not equal at all.[40] This inequality is found across Indonesia in general, but also shows important regional differences with higher levels of poverty in the eastern parts of the country.

Although Indonesia is no longer in the top ten of greenhouse gas emitting countries and its per capita level is far below the world average, it nevertheless continues to strongly rely on coal for 60% of its electricity production.[41] It also features among the top five coal exporting countries worldwide. While Indonesia's economy continues to diversify, it has abundant natural resources which make up the bulk of its exports, including fossil fuels, minerals, crude palm oil and rubber products.[42] Indonesia is not only among the most vulnerable countries to climate change, it also offers the most crucial solutions to curb the global challenges. Some impacts of global warming are already observable in Indonesia, including changes in rainfall patterns, changes that affect agriculture, fisheries and aquaculture, and extreme weather events. At the same time, the country's forests, mangroves and seagrass provide a potentially important carbon sink, and the country also holds the world's largest supply of nickel ore, which is a key component for renewable energy technologies.[43]

While deemed ambitious at the time, it should be acknowledged that the 2030 Agenda on Sustainable Development and the Paris Agreement were adopted by a relatively optimistic and concerted international community, a community that was then largely unaware of the many setbacks, challenges and disunity it would face a few years later. Climate change, rising instability and the disruption of global trade, including the impacts of the COVID-19 pandemic, are among several factors that have held back progress by the international community, progress that had been envisaged for the years following 2015. Indonesia's SDG indicators reflect this situation, as shown in **Figure 14**.

FIGURE 14. Status of SDG indicators in Indonesia



Source : https ://dashboards.sdgindex.org/profiles/indonesia

[37] The analysis presented in this case study draws from a structured policy and literature review conducted by Eunsaem Roh (Graduate Student Ewha Womans University, Seoul), who was a guest researcher at IDOS in January and February 2023. This evidence base was complemented with further resources and informal expert consultations. The author would also like to thank Polly Meeks and Marta Torres Gunfaus for their comments on a draft version of this case study.

[38] A global risk analysis by the World Bank for instance ranks the country 12th out of 35 countries facing a relatively high mortality risk from multiple hazards: https://climateknowledgeportal.worldbank.org/country/indonesia/vulnerability

[39] https://business-indonesia.org/news/indonesia-reacquires-upper-middle-income-status-after-growth-rebound

[40] https://www.energytransitionpartnership.org/uploads/2023/05/Report-Analysis-of-JETP-experience-in-Indonesia-and-South-Africa.pdf

[41] https://ugm.ac.id/en/news/head-of-meteorological-climatological-and-geophysical-agency-indonesia-out-of-top-10-contributors-to-greenhouse-gas-emissions/ ; https://www.cgdev.org/sites/default/files/jetps-south-africa-and-indonesia-blueprint-move-away-coal.pdf

[42] https://www.statista.com/statistics/1332370/indonesia-leading-export-products-by-export-value/

[43] https://climateknowledgeportal.worldbank.org/sites/default/files/2021-05/15504-Indonesia%20Country%20Profile-WEB_0.pdf

4.2. SDG financing in Indonesia and international cooperation

The global context and specific challenges faced by Indonesia highlight the need and potential for increasing both the quantity and quality of SDG financing in Indonesia. The extent of the sustainable development challenge facing the country is expressed by a huge SDG financing gap. Indonesia's 2019 SDG roadmap assessed this total cumulative gap to be at USD 4.7 trillion, and it is likely that this gap increased during the pandemic.[44]

Indonesian strategies express considerable ambition to promote sustainable development, including through the updated 2022 Nationally Determined Contribution (NDC) that unconditionally commits to reducing GHG emissions compared to Business as Usual by 31.89% by 2030, or by 43.2% if provided with adequate levels of international cooperation.[45] Moreover, in July 2021 the government submitted its new long-term strategy for low carbon development to the UN, which commits to achieving net zero emissions by 2060 at the latest.[46]

In view of the overall gap and key strategies, a series of ambitious SDG financing initiatives have been introduced, both before and since the COVID-19 pandemic:[47]

— Indonesia has benefited from the Accelerating Sustainable Development Goals Investment in Indonesia initiative (ASSIST) launched by the UN in December 2021 to leverage existing financing and unlock new financing sources for achieving Indonesia's SDGs. The initiative targets both government and non-government sources, the latter including private capital (see also point 5).
— In September 2021, Indonesia became the first country in South-east Asia to issue an SDG-related bond, with transactions denominated in euros (EUR 500 million, equivalent to IDR 8.4 trillion). The 12-year bond enables the government to finance social and environmental projects. Its proceeds must be allocated to SDG-related projects.
— In June 2022, the Asian Development Bank approved a 20-year loan worth $150m, which represented South-east Asia's first green finance facility, encompassing commercial financing, concessional funds for de-risking, equity funds and project development.[48]
— Indonesia was also an early mover in the global initiative for the reduction of emissions from deforestation and forest degradation (best known by the acronym REDD+), with two results-based payments programmes being implemented in the provinces of East Kalimantan and Jambi.[49] In the run-up to COP27, Indonesia and Norway entered into a new bilateral REDD+ partnership reflecting various changes and lessons learned from the first partnership agreement.[50]
— The Indonesian government launched the world's first Green Sukuk in 2018, an Islamic approach to investment with proceeds benefiting climate change mitigation and other initiatives to advance the UN SDGs. The investing approach is guided by Indonesia's Green Bond and Green Sukuk Framework as developed in 2017, through which it finances and re-finances Eligible Green Projects as formulated by the government. The government publishes an annual report on the Green Bond and Green Sukuk that reports on projects, financial data and impacts.[51]
— Finally, Indonesia benefits from the Just Energy Transition Partnership (JETP), created in 2022, which comprises an initial amount of $20 billion in public and private financing that includes grants, concessional loans, market-rate loans, guarantees, and private investments. The JETP is led by the US and Japan and supported by the UK, Germany, France, the EU, Canada, Italy, Norway, and Denmark. As its overarching objective, the partnership seeks to ensure that renewable energy will make up 34% of Indonesia's power generation by the year 2030, supported by mobilized funds amounting to USD 20 billion – half pledged by the public sector and the other half mobilized by the private sector.[52] This is a higher level of ambition than in Indonesia's 2022 NDC which states a target of 23% by 2025 and at least 31% by 2050. Although the government considers the JETP as the most significant push towards its energy transition, it should be acknowledged that several other energy transition schemes also compete for political attention and resources.[53]

Beyond these major initiatives, Indonesia benefits from international funding that supports its endeavours to implement the 2030 Agenda that are predominantly provided by its bilateral development partners. Given the size of its economy, however, the importance of ODA as a financial flow appears negligible: in 2020 and 2021, net ODA represented 0.1% of Indonesia's Gross National Income, and respectively 0.7 and 0.3% of its central government expenditure during the same two years.[54] Notwithstanding its small relative size, international ODA may

44 https://www.undp.org/sites/g/files/zskgke326/files/2022-06/Fact%20Sheet%20Assist%20Joint%20Programme-Final.pdf

45 https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf

46 https://unfccc.int/sites/default/files/resource/Indonesia_LTS-LCCR_2021.pdf

47 https://www.pwc.com/id/en/esg/esg-in-indonesia-2023.pdf

48 https://www.adb.org/sites/default/files/publication/806411/sdg-indonesia-one.pdf

49 For a detailed empirical study of REDD+ implementation in Indonesia, please refer to Hein (2019).

50 https://www.eastasiaforum.org/2023/05/24/indonesia-and-norways-renewed-climate-change-partnership/

51 https://islamicsustainable.com/case-study-indonesias-green-savings-national-budget-sukuk/

52 https://www.aseanbriefing.com/news/indonesias-just-energy-transition-partnership/

53 See page 40: https://www.energytransitionpartnership.org/uploads/2023/05/Report-Analysis-of-JETP-experience-in-Indonesia-and-South-Africa.pdf

54 Source of the ODA figures, World Bank: https://data.worldbank.org/indicator/DT.ODA.ODAT.XP.ZS?end=2021&locations=ID&start=2011

potentially provide meaningful and effective support to Indonesia's own action to pursue and finance the 2030 Agenda. The following table presents Indonesia's main development partners according to the size of their commitments, which shows that the country's largest top five donors, by order of size, are the International Bank for Reconstruction and Development (IBRD), Asian Development Bank, Germany, the Asian Infrastructure Investment Bank and Japan (**Table 4**).

TABLE 4. Indonesia's Development Partners according to commitment totals (2021)

Country / institution	Commitments
International Bank for Reconstruction and Development	$ 2.98 bn
Asian Development Bank	$ 1.69 bn
Germany	$ 1.24 bn
Asian Infrastructure Investment Bank	$ 810 m
Japan	$ 541 m
Korea	$ 375 m
Australia	$ 328 m
France	$ 304 m
Islamic Development Bank	$ 194 m
Global Fund	$ 191 m
United States	$ 172 m
International Finance Corporation	$ 110 m
Norway	$ 60 m
Green Climate Fund	$ 39 m
Belgium	$ 28.4 m

Source: Author's elaboration with data from the Aid Atlas (Atteridge *et al.*, 2019) tool, based on the OECD CRS database

In line with its status as an upper-middle income country, the types of finance received by Indonesia show an important role for other official flows and loans, while only a limited proportion of funds is provided as ODA grants (**Figure 15**).

FIGURE 15. Types of development finance received (2021)

Source: Author's elaboration with data from the Aid Atlas (Atteridge *et al.*, 2019) tool, based on the OECD CRS database

Based on the global objectives of the programmes as reported by donors, the following overview shows that although COVID-19 was most prominent in 2021, climate and environmental objectives have dominated the last two decades (**Figure 16**). These areas can be seen to represent a clear and shared interest between Indonesia and its partners. The sectoral distribution also underlines the choice by the Indonesian government to link its level of ambition regarding climate action and environmental protection to the availability of such support.

In addition to its own national 2030 Agenda implementation actions, and international cooperation to this end, Indonesia also used its 2022 G20 Presidency to advance investment in global SDGs. Its presidency specifically focused on financing the energy transition, while also promoting a common-ground taxonomy and standardized reporting. Its 2023 Presidency of the ASEAN region also allows it to further promote these initiatives with its direct neighbours, although its agenda for this role puts most emphasis on maintaining the region's above-average level of economic growth compared to other world regions.[55]

A final key element of Indonesia's SDG financing efforts concerns the establishment of its Agency for International Development (Indonesian AID) in 2019.[56] During its year of establishment, the Government of Indonesia created an endowment fund with approximately US$212 million from the public budget, to finance cooperation with Tuvalu, Solomon Islands, Fiji, Nauru and Kiribati, as well as the Philippines and Myanmar.[57] Through this Agency and the South-South Cooperation activities that it finances, Indonesia can strengthen its nvolveement in furthering the 2030 Agenda and its SDGs beyond its borders.

4.3. National governance and approaches

4.3.1. Governmental actors

The government's approach to implementing the SDGs was established through Presidential Decree 59/2017 on the implementation of the SDGs. Its structure consists of an SDG Steering Committee chaired by the president and coordinated by the Ministry of National Development Planning (BAPPENAS) involving relevant line ministries, supported by an SDGs implementation team that is chaired by the head of BAPPENAS.[58]

Within the government, the Ministry of Finance (MOF) and BAPPENAS lead in monitoring SDG finance by line ministries. The promotion of the 2030 Agenda and the achievement of Indonesia's Vision 2045 suffered setbacks during the pandemic as funds planned for climate action had to be re-allocated to immediate needs (**Figure 17**). The pandemic negatively affected SDG promotion in practically all sectors. A new SDGs National

55 https://asean2023.id/en/page/asean-2023/epicentrum-of-growth

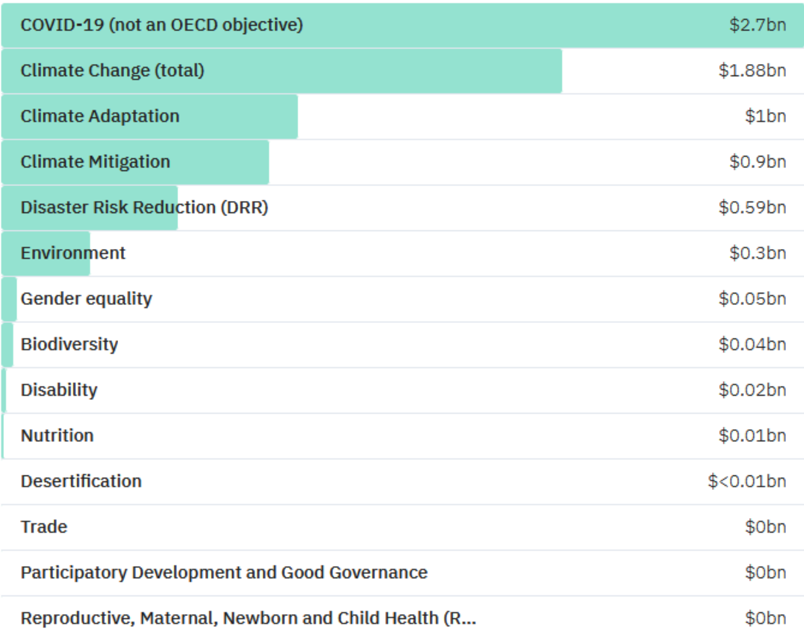
56 The website of Indonesian AID can be found here: https://ldkpi.kemenkeu.go.id/en/

57 https://devpolicy.org/indonesian-aid-the-politics-and-bureaucracy-of-indonesias-development-cooperation-20210222-2/

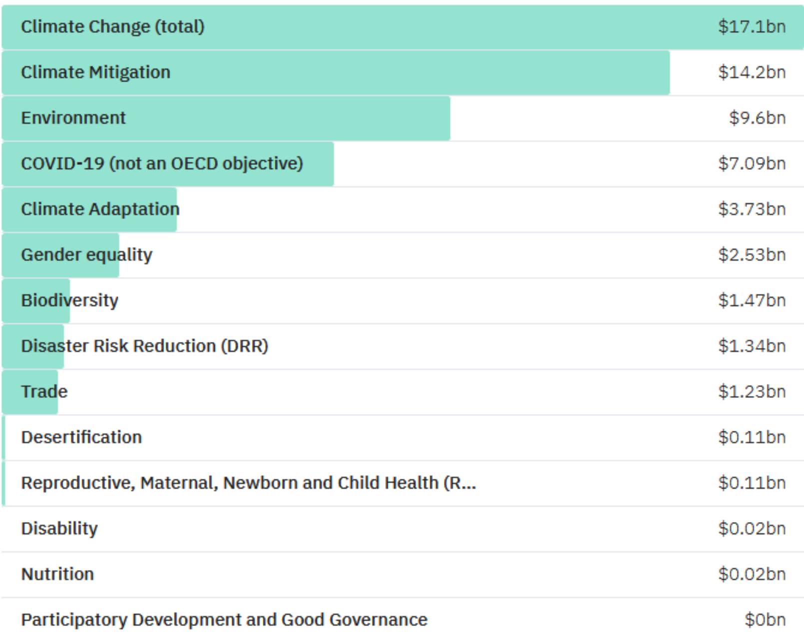
58 https://link.springer.com/article/10.1007/s11625-019-00739-z

FIGURE 16. Total finance according to reported global objectives

Overview for 2021

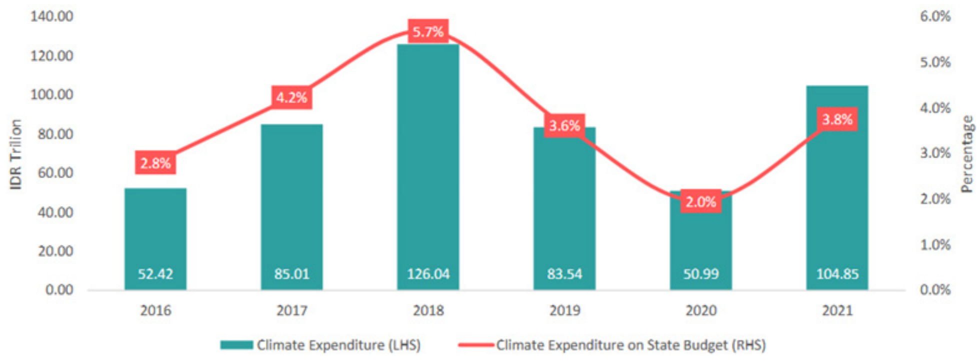


Average: 2002-2021



Source: Author's elaboration with data from the Aid Atlas (Atteridge *et al.*, 2019) tool, based on the OECD CRS database

FIGURE 17. State expenditure on climate action (absolute and percentage of total budget)



Source: Adapted from https://www.bi.go.id/en/iru/presentation/Documents/Republic%20of%20Indonesia%20Presentation%20Book%20-%20January%202023%20(Sustainability%20Commitment).pdf (slide 31)

Action Plan 2021-2024 (*Rencana Aksi Nasional (RAN) SDGs*) was developed to get back on course, yet requires further operationalization to inform and guide the efforts of specific stakeholders.[59] As part of these efforts, in February 2023 the government established its JETP secretariat with support from the Asian Development Bank. The secretariat was set up to assist the government in the development of a comprehensive investment and policy plan reflecting the GHG emission reductions and associated actions agreed under the JETP.[60]

A notable feature of Indonesia's approach to public finance is that sub-national actors account for around 43% of total public spending. Decentralization was first introduced in 1998 and was followed by various subsequent changes and reforms, with notably the 2015 reform further strengthening the sub-national authorities by increasing the portion of the national budget that they could administer.[61] In addition to institutional and human resource challenges at the sub-national level, decentralization has had the unintended effect of promoting overlapping and sometimes contradicting regulation between the various levels of government. Research further suggests that the sub-national level tends to prioritize the economic dimension over the social and environmental dimensions of sustainable development.[62] A 2018 Supreme Audit report similarly observed a lack of SDG adoption by local governments because of different priorities and as a consequence of political appointments and turnover.[63]

SDG alignment between central and sub-national spending thus remains a key priority. The realities of decentralized planning contrast with the more top-down and centralized planning approaches of government and its international partners and investors, although some of these approaches do offer considerable potential for SDG financing. Indonesia's Green Taxonomy allows it to monitor progress in aligning its public spending to the SDGs, with the 2022 baseline showing considerable room for improvement: out of a total of 919 economic sub-sectors, only 1.6% are deemed to contribute positively to the environment, 46% are considered not environmentally harmful, while the remaining 52% are regarded as environmentally harmful.[64] Indonesia has also taken important steps in using fiscal policy to promote its emission reduction commitment, including through carbon pricing, payment for environmental services, and ecological fiscal transfer (EFT). EFT is a grant mechanism, allocated by and transferred from central government to the sub-national level, based on ecological variables such as forest area size. EFT is being applied in several jurisdictions within Indonesia, including North Kalimantan Province and Jayapura City.[65]

The introduction of Indonesia's Integrated National Financing Framework (INFF) prompted a holistic mapping of its financing ecosystem that informed its INFF financing strategy as launched in August 2022.[66] The framework is supported by Presidential Decree No. 111/2022 on the implementation of the SDGs, which encourages innovative financing platforms for SDGs and also recognizes the role of both governmental and non-state actors for realizing the 2030 Agenda. In turn, the INFF is considered to be a key vehicle for the realization of the government's Vision 2045, which as the title suggests extends 15 years beyond the 2030 Agenda timeline and seeks to make the country into one of the top five global economies by the time that it celebrates

59 https://internationalbudget.org/wp-content/uploads/Indonesia-Budget-Credibility-and-the-Sustainable-Development-Goals_V2.pdf

60 https://www.energytransitionpartnership.org/uploads/2023/05/Report-Analysis-of-JETP-experience-in-Indonesia-and-South-Africa.pdf

61 https://www.oecd-ilibrary.org/sites/23789239-en/index.html?itemId=/content/component/23789239-en

62 https://www.oecd-ilibrary.org/sites/23789239-en/index.html?itemId=/content/component/23789239-en

63 https://internationalbudget.org/wp-content/uploads/Indonesia-Budget-Credibility-and-the-Sustainable-Development-Goals_V2.pdf

64 https://internationalbudget.org/wp-content/uploads/Indonesia-Budget-Credibility-and-the-Sustainable-Development-Goals_V2.pdf

65 https://ddpinitiative.org/wp-content/pdf/DDP_BIICS_CountryReport_IDN.pdf

66 https://www.undp.org/sites/g/files/zskgke326/files/2022-09/INFF%202022%20-%20250822_Final.pdf

FIGURE 18. INFF building blocks

BB 1: Assessment and Diagnostics	BB 2: Financing Strategy
• Quantify financing landscaping volumes and players • Establish initial estimates of financing needs • Identify emerging financing trends • Outline key financing challenges and opportunities • Understand risk landscape • Identify primary impediments to effective financing of national development priorities	• Review existing budgeting processes and consider catalytic potential • Evaluate role of international development community • Identify ways to integrate sustainability into private sector decision making • Consider primary financing constraints • Identify possible financing policy solutions for inclusion in INFF Roadmap
BB 3: Monitoring and Evaluation	**BB 4: Governance and Coordination**
• Review national capacity to track financing trends • Review national data and statistical systems • Review environment to encourage sustainability reporting • Identify potential for SDG/Gender/Climate budget tagging • Review available mechanisms to monitor the INFF • Identify opportunities to improving monitoring capacity	• Identify INFF Ownership Arrangements within the Government • Finalize INFF roles and responsibilities • Review existing Public-Private collaboration platforms • Identify preferred oversight, dialogue, coordination, transparency and accountability structures to overcome silos and enhance integration across stakeholders, sectors, and financing policy areas

Source: Adapted from BAPPENAS (2022): page 5

its first century as an independent country. The realization of this vision rests upon four key pillars: (1) Human Development and Mastery of Science and Technology; (2) Sustainable Economic Development; (3) Equitable Development; and (4) National Resilience and Governance.[67] In relation to the second pillar and climate action more specifically, a key role is played by Indonesia's Financial Service Authority (OJK), which has established a Roadmap for Sustainable Finance in Indonesia and associated regulations for implementing sustainable finance solutions.[68]

While principally focused on financing, the medium to long-term strategic considerations in relation to the INFF also include the promotion of policy coherence for sustainable development, and in that context the acknowledgement of the need to overcome existing impediments to sustainable finance in Indonesia. The strategy identifies four key building blocks that are deemed critical for strengthening the government's capacity in the field of sustainable financing (Figure 18).

4.3.2. Domestic stakeholders beyond government

In addition to its roles in government coordination and monitoring, the INFF also seeks to facilitate multi-stakeholder engagement in SDG financing. Specifically, it aims to align philanthropy and faith-based financing to the SDGs, including the aforementioned Sukuk.[69] To underline its potential, the INFF framework document reports that the issuance of the Global Sovereign Green Sukuk in June 2020 was oversubscribed by 7.37 times, representing a greater demand than the previous Sukuks of 2018 and 2019.[70]

Another key source of SDG finance as recognized in the INFF–and an important element in its own right–concerns the remittances sent by the Indonesian diaspora. Although remittances remain below pre-pandemic levels, they nevertheless constitute a considerable amount of finance and a source of investment for Indonesian citizens (Figure 19).

In the area of monitoring and reporting SDG financing, Indonesia has actively engaged with the UN on its efforts to implement the 2030 Agenda by means of Voluntary National Reviews (VNRs) in 2017, 2019 and 2021. The preparation of Indonesia's VNR in 2021 provided an opportunity for broad-based multi-stakeholder consultations on the country's efforts, achievements and challenges encountered to date in relation to the 2030 Agenda and its SDGs. Unfortunately the continued pandemic situation meant that only virtual and written inputs could be provided, yet the report considers that efforts had been successful in terms of reaching a wide range of both domestic and international stakeholders as well as the public through various (virtual) means. Moreover, the title of the Voluntary National Review, "Sustainable and Resilient Recovery from the COVID-19 Pandemic for the Achievement of the 2030 Agenda", acknowledged that the country had been forced like many others to focus on immediate needs at the expense of long-term goals.[71]

As for the role of the Indonesian Parliament in relation to the agenda, research suggests that similar to other parliaments in neighbouring countries, the Indonesian Parliament does not seek to represent the views of their constituencies in relation to the 2030 Agenda. Instead, Parliament mainly plays the role of scrutinizer by considering various secondary sources on the agenda, including those produced by government and international actors. This should however also be regarded in the context of

67 https://dwe.koltivaapi.com/themes/indonesia_2045

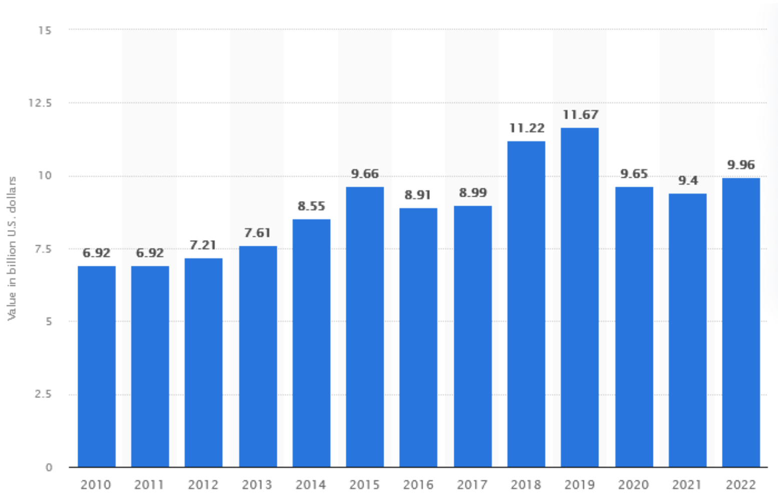
68 More information on the roadmap can be found here: https://www.oecd.org/cefim/cross-cutting-analysis/indonesia-financial-institutions-clean-energy-transition.htm

69 https://docs.google.com/presentation/d/1Jtwpf4MDKoqDfFMrOhLE-6hz1n-7vx_j3/edit#slide=id.p39

70 https://www.undp.org/sites/g/files/zskgke326/files/2022-09/INFF%20 2022%20-%20250822_Final.pdf

71 https://sustainabledevelopment.un.org/content/documents/280892021_VNR_Report_Indonesia.pdf

FIGURE 19. Value of remittances received by Indonesia (USD billions)



Source: Adapted from Statista, https://www.statista.com/statistics/880726/indonesia-value-of-remittances-inflow/

Indonesia's presidential system, where its parliament predominantly fulfils the role of overseeing the executive.[72]

4.4. Challenges and opportunities

While Indonesia has made commendable efforts, also in cooperation with its various international partners, some critical perspectives can be presented in relation to the dominant approach and priorities as described above. First, the approach assumes private finance to be a prerequisite for making progress on the SDGs, which in turn requires that sustainable development challenges are presented and rationalized in a way that allows a role for investment and finance.[73] Private investment in Indonesia, for instance for the production of biofuels, also affects state-society relations and may therefore have unintended negative effects on SDGs linked to water, biodiversity and climate action.[74]

Indonesia's own green taxonomy however shows that promoting the SDGs in Indonesia may be as much about doing less than about doing more. As one example, a recent study highlights that the energy market dominance of the state-owned utility PLN creates high entry barriers for private sector investment and hampers the deployment of renewable energy, a situation that is compounded by considerable levels of bureaucracy and planning uncertainty for potential investors.[75] Although the International Renewable Energy Agency projects that Indonesia's renewable energy workforce of almost 600,000 workers in 2021 may double by 2030 under a 1.5 degree scenario[76], realizing this potential requires fundamental reform of its current energy market.

Indonesia also presents considerable potential for exploring the interaction between different types of investment which, as described above, include public, private, a blend of the two and finally Islamic finance. On the last type of finance, Indonesia has sought to deepen domestic markets for retail bonds and sukuk, which are expressed in the national currency and may lessen the country's reliance on external funding.[77] While individually there is merit in each of these investment types, collectively they raise the risk of adding to Indonesia's challenging level of public debt, and potential debt repayment constitutes a heavy burden that affects the state's own resources for promoting the 2030 Agenda.[78]

Another potential risk is that the drive to SDG financing and investment mobilization may ignore potential conflicts between social, environmental and financial goals, which the government must monitor to stay on track to achieve its desired sustainable development transformation. Research has shown that the use of ODA as blended finance is often not appraised against the alternative uses of ODA. Such alternatives may be neglected as the use of blended finance can be (un)intentionally promoted as an end in itself.[79]

72 https://doi.org/10.36574/jpp.v5i1.173

73 https://journals.sagepub.com/doi/full/10.1177/25148486231159301

74 https://www.tandfonline.com/doi/full/10.1080/13563467.2022.2138300

75 https://www.cgdev.org/sites/default/files/jetps-south-africa-and-indonesia-blueprint-move-away-coal.pdf

76 See page 19: https://www.cgdev.org/sites/default/files/jetps-south-africa-and-indonesia-blueprint-move-away-coal.pdf

77 https://journals.sagepub.com/doi/full/10.1177/25148486231159301

78 https://erlassjahr.de/wordpress/wp-content/uploads/2022/04/GSDM22-online.pdf

79 https://eba.se/wp-content/uploads/2020/01/2020-01-Mobilising-private-development-finance-3.pdf

4.5. Conclusions and recommendations

As the world's largest archipelagic nation, located between the Indian and Pacific Oceans, Indonesia disproportionately finds itself affected by the lack of progress made by other nations towards the 2030 Agenda and its Sustainable Development Goals. Besides this vulnerability, however, its substantial ecological, environmental and biodiversity assets together encompass a space where considerable progress towards sustainable development can be made – and is being made – including using dedicated financing actions. In light of this, the country has acted as a laboratory where various Indonesian actors have been able to join forces with international partners and domestic stakeholders under various initiatives that include the country's JETP, the INFF and Islamic financing.

In this ambitious role, the country also faces the challenge of promoting consistency and policy coherence in terms of the transitions sought by the various strategies and the more short-term needs that had to be given priority – notably in response to the COVID-19 pandemic. In this context, and given the alarming levels of income inequality within Indonesia, the considerable involvement of sub-national government levels in delivering public services have prompted innovations in SDG financing and the monitoring thereof. However, the short-term costs incurred during the pandemic underline that the monitoring of SDG financing should be linked to the enabling policy environment that Indonesia needs to implement.

REFERENCES

Adiputri, R. (2021). The Role of Parliament in Sustainable Development Goals: A Case Study of Southeast Asia in International Parliamentary Forums. Jurnal Perencanaan Pembangunan: The Indonesian Journal of Development Planning, 5(1), 127-143. https://doi.org/10.36574/jpp.v5i1.173

BAPPENAS (2022). Indonesia's Integrated National Financing Framework. https://www.undp.org/sites/g/files/zskgke326/files/2022-09/INFF%202022%20-%20250822_Final.pdf

Boer R., Siagian U., Retno Gumilang Dewi, Rossita A.1, Anggraeni L., Immanuel G.S. (2021). Policy lessons on Deep Decarbonization in large emerging economies, Indonesia. Deep Decarbonization Pathways (DDP) Initiative-IDDRI. Paris. https://ddpinitiative.org/wp-content/pdf/DDP_BIICS_CountryReport_IDN.pdf

Brad, A. & Hein, J. (2022). Towards transnational agrarian conflicts? Global NGOs, transnational agrobusiness and local struggles for land on Sumatra, New Political Economy, 28:3, 452-467, DOI: 10.1080/13563467.2022.2138300

Climate Risk Profile: Indonesia (2021). The World Bank Group and Asian Development Bank. https://climateknowledgeportal.worldbank.org/sites/default/files/2021-05/15504-Indonesia%20Country%20Profile-WEB_0.pdf

Republic of Indonesia (2021). Indonesia's Voluntary National Review (VNR) 2021: Sustainable and Resilient Recovery from the COVID-19 Pandemic for the Achievement of the 2030 Agenda. https://sustainabledevelopment.un.org/content/documents/280892021_VNR_Report_Indonesia.pdf

Hein, J. (2019). Political Ecology of REDD+ in Indonesia Agrarian Conflicts and Forest Carbon. Routledge Studies in Political Ecology. https://www.routledge.com/Political-Ecology-of-REDD-in-Indonesia-Agrarian-conflicts-and-forest/Hein/p/book/9781138479319

Krishnadianty, D. (2022). Indonesia: Budget Credibility and the Sustainable Development Goals. International Budget Partnership. https://internationalbudget.org/wp-content/uploads/Indonesia-Budget-Credibility-and-the-Sustainable-Development-Goals_V2.pdf

Morita, K., Okitasari, M. & Masuda, H. (2020). Analysis of national and local governance systems to achieve the sustainable development goals: case studies of Japan and Indonesia. Sustain Sci 15, 179–202 (2020). https://doi.org/10.1007/s11625-019-00739-z

NHQUANG & Associates and VNEEC (2023). JETP experience in South Africa and Indonesia, and lessons learnt for Vietnam https://www.energytransitionpartnership.org/uploads/2023/05/Report-Analysis-of-JETP-experience-in-Indonesia-and-South-Africa.pdf

OECD (2020). OECD Investment Policy Reviews: Indonesia 2020, chapter 7: Investment policy and regional development in decentralised Indonesia. https://www.oecd-ilibrary.org/sites/23789239-en/index.html?itemId=/content/component/23789239-en

Oxford Business Group (2023). ESG in Indonesia: Access to Finance 2023. https://www.pwc.com/id/en/esg/esg-in-indonesia-2023.pdf

Polly Meeks, Matthew Gouett and Samantha Attridge (2020). Mobilising Development Finance: Implications for overall aid allocations, EBA Rapport 2020:01, Expertgruppen för biståndsanalys

UNDP (2022). UN Joint Programme: Accelerating SDGs Investment in Indonesia. (ASSIST) https://www.undp.org/sites/g/files/zskgke326/files/2022-06/Fact%20Sheet%20Assist%20Joint%20Programme-Final.pdf

Republic of Indonesia (2022). Enhanced Nationally Determined Contribution. https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf

Sachs, J.D., Lafortune, G., Fuller, G., Drumm, E. (2023). Implementing the SDG Stimulus. Sustainable Development Report 2023. Paris: SDSN, Dublin: Dublin University Press, 2023. 10.25546/102924

Seiler, A., Brown, H., Matthews, S. (2023). The JETPs of South Africa and Indonesia. A Blueprint for the Move Away from Coal? CGDEV Policy Paper. https://www.cgdev.org/sites/default/files/jetps-south-africa-and-indonesia-blueprint-move-away-coal.pdf

Tahalele, M. (2021). Indonesian AID: the politics and bureaucracy of Indonesia's development cooperation. https://devpolicy.org/indonesian-aid-the-politics-and-bureaucracy-of-indonesias-development-cooperation-20210222-2/

Yunita, A., Biermann, F., Kim, R. E., & Vijge, M. J. (2023). Making development legible to capital: The promise and limits of 'innovative' debt financing for the Sustainable Development Goals in Indonesia. Environment and Planning E: Nature and Space, 0(0). https://doi.org/10.1177/25148486231159301

5. FINANCING SUSTAINABLE DEVELOPMENT IN MEXICO

Ivonne Lobos Alva (SEI)

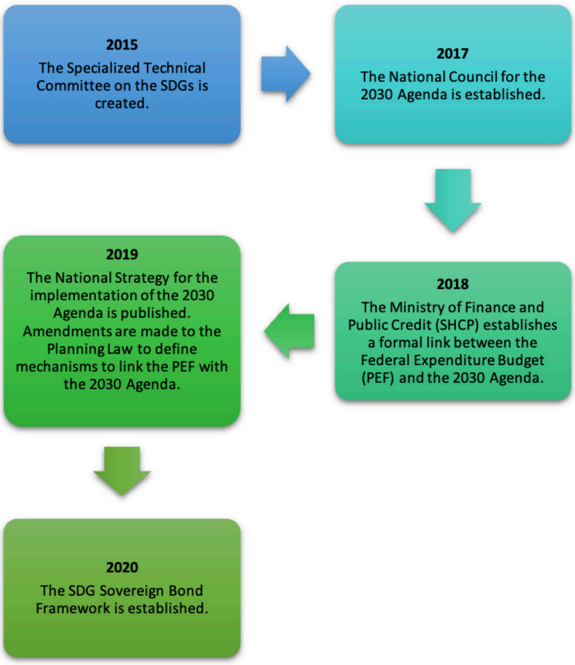
5.1. Overview

COVID-19 had a heavy impact on Mexico, resulting in a sense of urgency surrounding efforts towards economic recovery and progress on the 2030 Agenda.

In Mexico, important progress has been made on the adoption of the 2030 Agenda. Mexico's robust governance structure and its use of SDG budgeting and SDG bonds are parts of an integrated approach to fostering a sustainable financing ecosystem. Mexico is gradually beginning to foster a virtuous circle where investors and companies actively choose sustainable investments. Figure 17 provides an overview of the main milestones in the process followed by Mexico to set up its current SDG institutional infrastructure.

The 2021 Voluntary National Review (VNR) of Mexico states that the National Development Plan (2019-2024) is aligned with the 2030 Agenda (Government of Mexico, 2021; pp. 22, (Figure 20). The National Development Plan puts the emphasis on improving national well-being and is structured around three pillars: 1. To guarantee justice, the rule of law and human rights; 2. To ensure the enjoyment of social and economic rights established in the Constitution; 3. To encourage sustainable and equitable economic development that expands the capabilities of all people (Presidencia de la República, 2019).

FIGURE 20. Institutional development in Mexico for SDG financing.



Source: Authors' elaboration, using information from the 2021 Mexico VNR.

The UN Sustainable Development Cooperation Framework of Mexico 2020-2025 (UNSDCF) is the first joint planning process in the country to be fully aligned with the 2030 Agenda, the National Development Plan and the National Strategy for the 2030 Agenda. It identifies four thematic areas: 1. Equality and inclusion, 2. Prosperity and innovation, 3. Green economy and climate change, 4. Peace, justice and rule of law; and two cross-cutting areas: gender equality and empowerment of women and girls, as well as migrants and refugees (UNDESA & UN RCO Mexico, 2021).

At the end of 2019, an update of the National Strategy for the Implementation of the 2030 Agenda in Mexico was published (Government of Mexico, 2021). This led to the definition of national goals to lay the groundwork for the measurement and monitoring of progress towards achieving the 17 SDGs. Advancement indicators can be found in the SDG Information System (SIODS). In terms of aligning programmes to the SDGs, the government has implemented an SDG database that lists their programmes contributing towards the SDGs, while detailed data on government budgets and expenditure related to each sector is also published annually (Larios & Justice, 2022).

5.2. Institutions and instruments

Mexico has become one of the world's leading countries in terms of innovative and comprehensive SDG financing, developing several tools that should help the country to address the issue. By establishing SDG Budgeting and, most recently, introducing the SDG Sovereign Bond framework, the country has positioned itself as a global pioneer in the field.

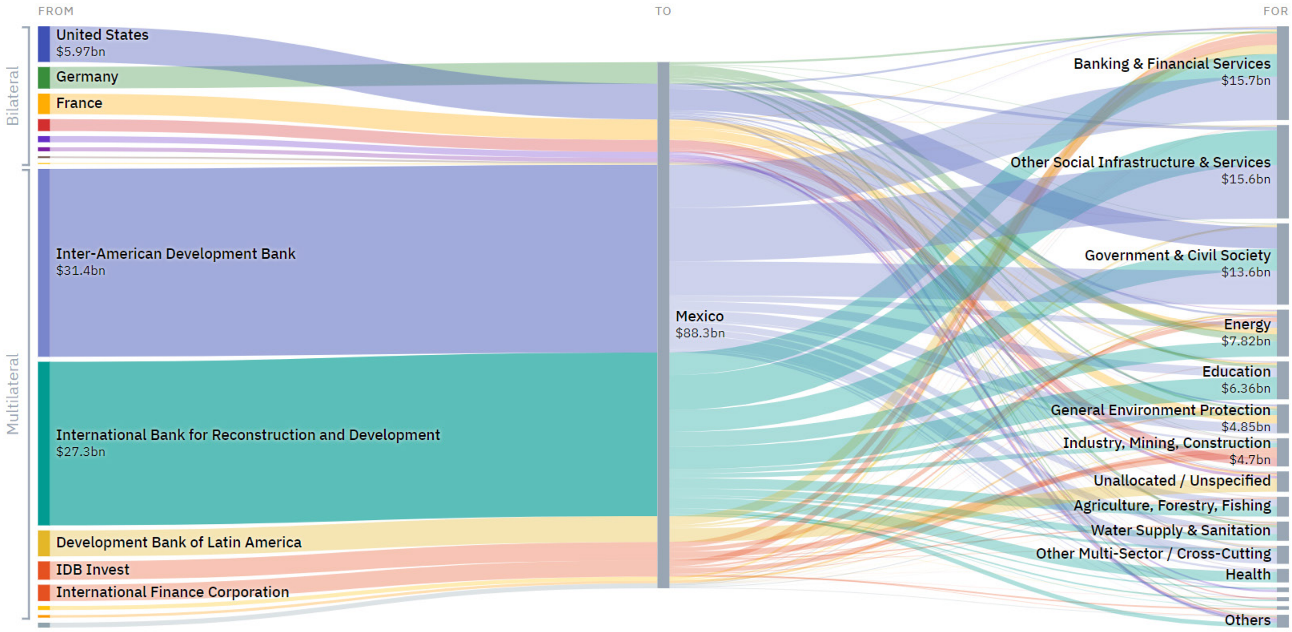
Development finance commitments to Mexico come from different funders, as shown in Figure 18, with the total amount received by Mexico amounting to $87.9 billion. Figure 21 also shows the amounts of funding committed or disbursed by individual donors, to individual recipients, and then to which sectors the funds were allocated. It aggregates all transactions, as reported by donors.

5.2.1. Integrated National Financing Framework (INFF)

The INFF in Mexico is expected to strengthen the governance of the Mexican financial system for sustainable development, through a three-pronged strategy. The first stage will be to identify resource gaps by mapping the financial and non-financial resources to implement the SDGs at the national level. The INFF will facilitate the development of policies, regulations, and tools to strengthen financial system resilience to environmental and climate risks. It will also support the relevant national authorities in reinforcing legal and institutional frameworks and build capacities to identify, recover and direct assets resulting from corruption and crime toward financing the country's sustainable development priorities (INFF Knowledge Platform, 2023).

Although Mexico appears as one of the participating countries on the INFF's official webpage, the country does not seem to have introduced any instruments or strategies under the INFF framework, according to the INFF website (INFF Knowledge Platform, 2023).

FIGURE 21. Development finance disbursements by donor and sector (USD; 2002-2020).



Source: Atteridge, A. *et al.* (2022).

Back in 2019, the German Federal Ministry for International Cooperation (GIZ) was supporting the Mexican federal government in developing a comprehensive architecture for the implementation of the 2030 Agenda and to identify national development priorities (Figure 1). The financing component comprised: pilot recommendations for a sustainable fiscal framework at the sub-national level; promotion of innovative multi-stakeholder financing mechanisms (e.g., results-based payments to finance the SDGs); and, from 2019 onwards, a planned collaboration to jointly foster enabling conditions for a financing sustainable development system (OECD, 2018b; Figure 22). In the framework of this case study, we could not find evidence that these activities had been implemented by 2023.

In March 2022, representatives of the Ministry of Economy and Finance of Ecuador and the Ministry of Finance and Public Credit of Mexico participated in a training and experience-sharing session on innovative sources of financing for sustainable development, organized by the UNDP. The discussions focused on the INFF process in Ecuador, but Mexico particularly discussed the implementation of the SDG Sovereign Bond.

5.2.2. SDG bonds

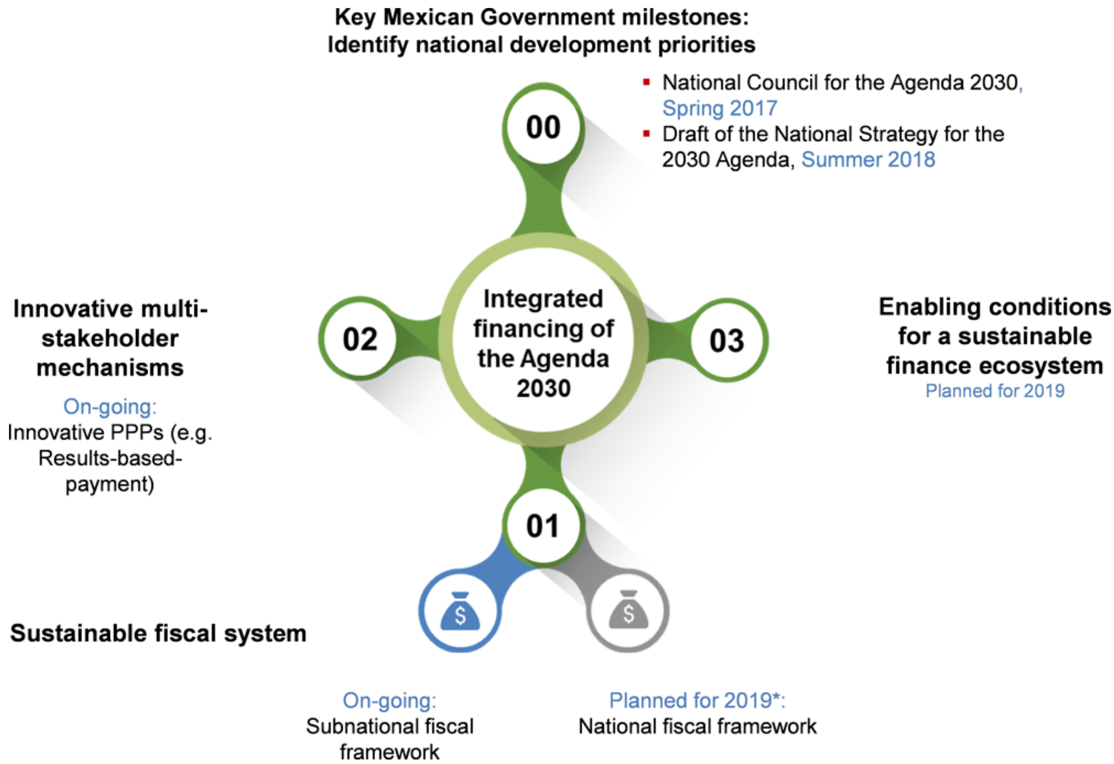
In September 2020, the Ministry of Finance and Public Credit (SHCP) and partner institutions made Mexico the first country in the world to issue a sustainable sovereign bond directly linked to the SDGs, for an amount of EUR 750 million (Government of Mexico, 2021). The resources of this bond are being channelled to actions aligned with the 2030 Agenda and have the support of the 2030 Agenda Office and the United Nations Development Programme (UNDP). However, issuing the bond in euros seems to have made it difficult for national stakeholders to apply (J.C. Morales, Head of Social Responsibility and SDG at BlacktoGreen Mexico, Personal communication, 21 July 2023).

In July 2021, Mexico issued its second SDG Sovereign Bond for EUR 1.25 billion (USD 1.48 billio0n equivalent) (HACIENDA - The Mexican Secretariat of the Treasury and Public Credit, 2022). This issuance is in line with the strategy to enhance Mexico's development capabilities and to accelerate the process of closing gaps and achieving sustainable development.

The bond features two eligibility criteria: a geospatial criterion; and a governance criterion linked to six filters established on the SDG Bond Sovereign Framework (see Figure 20). Geospatial or territorial eligibility enable the prioritization of vulnerable populations living in landlocked and disadvantaged areas. This criterion is based on the "priority area" zoning policies of the national authorities, which is in turn derived from the "Social Gap Index", to further refine the target populations. The Social Gap Index consists of eleven sub-indicators. The data are derived from the Population and Housing Census (HACIENDA - The Mexican Secretariat of the Treasury and Public Credit, 2022).

Investors recognized that one of the main innovative features of the SDG Bond is the framework, which enables environmental, social and governance criteria to be met, while promoting transparency in public spending and monitoring for the fulfilment of 2030 Agenda commitments. Figure 21 outlines past and planned issuances and reviews of the SDG bond. In the 2022 edition of the Environmental Finance Bonds Awards, the July 2021 bond received an award in the category of "Innovation, use of proceeds for a sustainability bond", the same category for which Mexico's first SDG bond was recognized in 2021. This is a special recognition of the framework's exceptional geospatial eligibility criterion.

FIGURE 22. Mexican outlook on financing sustainable development in 2019.



Source: OECD (2018).

5.2.3. SDG budgeting

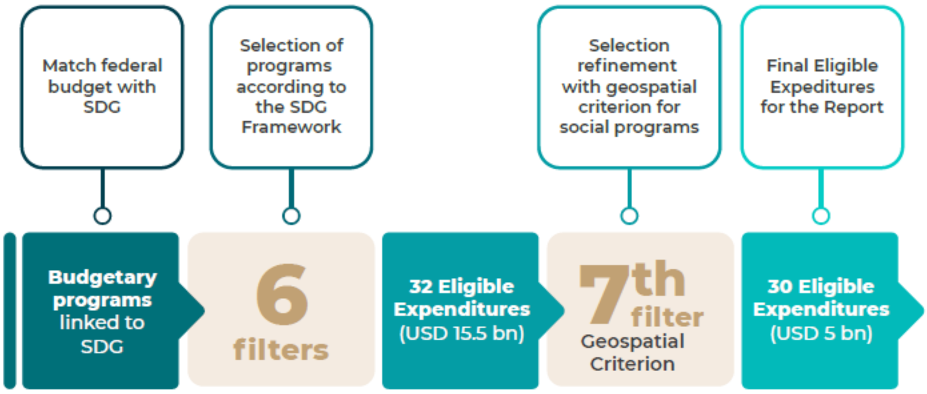
In 2017, the Office of the Presidency of the Republic (OPR), the National Institute of Statistics and Geography (INEGI) and the Ministry of Finance and Public Credit (SHCP), together with the United Nations Development Programme (UNDP), developed a methodology to identify the link between the Federal Expenditure Budget (PEF) and the achievement of the SDGs at the executive branch level (*Mainstreaming the Sustainability Approach in the Federal Expenditure Budget*, 2020). The purpose was to identify specific budget items and estimate the allocation sufficient to contribute to progress on the SDGs, using a results-based management perspective. Within this framework, the Ministry of Finance has identified mechanisms in collaboration with the UNDP to link budget allocations with the SDGs with a view to strengthening strategic planning, monitoring and evaluation. The National Strategy for the Implementation of the 2030 Agenda in Mexico states that the Executive Secretary of the National Council for the 2030 Agenda will present to its members a report every two years on the progress of the strategy, including the allocated budget for the implementation of the SDGs (Government of Mexico, 2019).

Given the current indirect link between budgets and SDGs, Mexico used key elements of its institutional architecture to strengthen the connections between: 1) national planning; 2) programmatic structure based on budgetary programmes; 3) the performance evaluation system; and 4) accounting harmonization. Building on this, two main steps have been taken: 1) Linking: each ministry has applied the performance evaluation system and national planning to match their programmes to the SDGs; and 2) Quantifying: programmes that contribute to each SDG target were identified indicating a direct or indirect contribution to estimate the total investment per target and overall. In addition, 102 SDG targets were further disaggregated into different topics (sub-goals), allowing a more precise indication of any sub-goal to which a programme is linked.

As a result of this process, Mexico has improved information to (OECD, 2018a): 1) identify the link between the current national planning (medium-term) and the long-term SDGs; 2) assess the%age of SDGs linked to government programmes and, conversely, the number of programmes linked to each SDG; 3) communicate the country's starting point and what has been achieved; and 4) make public policy decisions and budget allocations based on an initial analysis of how much is currently invested in each SDG.

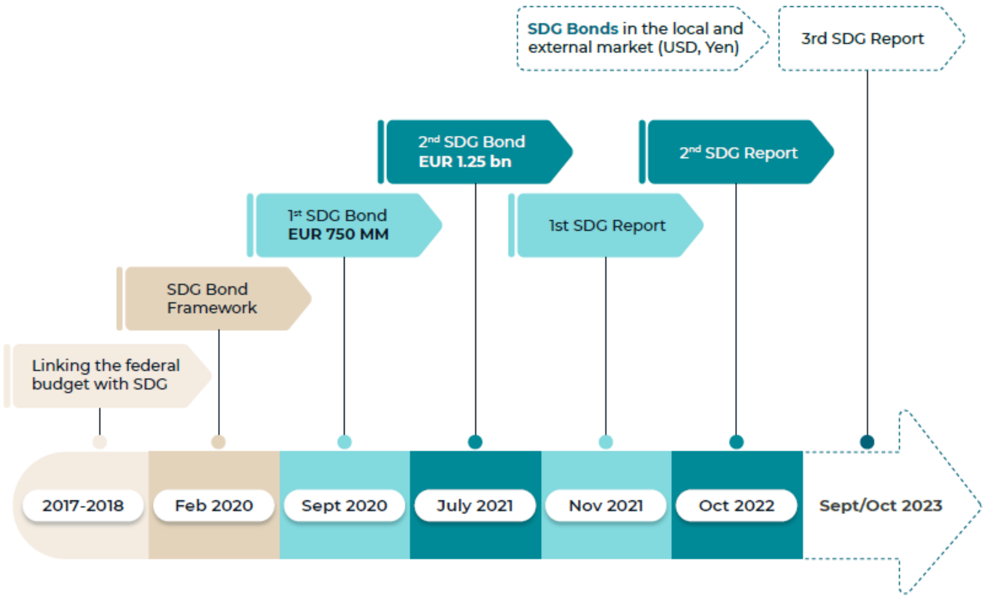
As for budget execution, the Legislative Strategy for the 2030 Agenda of the Mexican Government (*Legislative Strategy for the 2030 Agenda*, 2020) states that the House of Representatives will play a crucial role in the proper use of resources, in terms of existing legislation and for the achievement of the SDGs. The document also states that the House of Representatives should promote transparency through the Federal Supreme Audit Office. In terms of budget, the document highlights the importance of ensuring that the 2030 Agenda is reflected in the annual budget approved by the House of Representatives.

FIGURE 23. Overview of the selection process of Eligible Sustainable Expenditures.



Source. HACIENDA - The Mexican Secretariat of the Treasury and Public Credit (2022).

FIGURE 24. Mexico's SDG bond issuances and impact reports timeline.



Source. HACIENDA - The Mexican Secretariat of the Treasury and Public Credit (2022).

Finally, the document calls for legislative action, including tax reforms to increase tax revenue, and to lower compliance costs for businesses.

The 2021 VNR (Government of Mexico, 2021) mentions that the lower house appointed a working group in October 2019 to follow up on the implementation of the 2030 Agenda and its incorporation into the Federal Expenditure Budget. Furthermore, according to the report, the budget committee of the lower house developed technical tools to guide policymakers in the analysis, examination, discussion, and approval of the Budget from a sustainability perspective and to guarantee the allocation of public resources for the achievement of the SDGs.

A recent study by the Tax Justice Program of Fundar, Center of Analysis and Research, examined Mexico's federal budget from 2018 to 2020. It found no evidence that the Mexican government is prioritizing resource allocation and implementation to accelerate SDG compliance, except on social protection. Compared to other countries, the study found that Mexico generally implements the budget as planned, with actual expenditure averaging only 1.4% above the approved budget (overspending) between 2018 and 2020. There are, however, some sectors that consistently underspend year after year that may raise concerns about SDG progress. For example, there is a close relationship between underspending and downward SDG trends in the sectors of agriculture and nutrition, as well as the environment (Larios & Justice, 2022).

In terms of SDG localization, only three% of municipalities have a budget aligned to the 2030 Agenda (UNDESA & UN RCO Mexico, 2021). In June 2017, the National Conference of Governors (CONAGO) set up a 2030 Agenda implementation committee, which serves as an organizational forum through which sub-national governments participate in national efforts to implement the SDGs. Under this committee, federal bodies can share experiences and coordinate actions to include the 2030 Agenda in state development plans and related programmes, implement public policies that are consistent with the SDGs, and develop state mechanisms for monitoring and follow-up. Each state government has designated a focal point to serve as liaison with the committee and oversee the local implementation of the 2030 Agenda. As agreed in the committee, each entity must establish a monitoring and implementation body (OSI). The role of each OSI is to coordinate implementation efforts for all federal entities, ensuring that the 2030 Agenda is mainstreamed in the budget, the Planning Act, the Social Development Act and the budget cycle of each entity.

5.3. Main actors

When it comes to financing sustainable development in Mexico, there are three main sectors to analyse: public, the international community, and financial. These sectors interact in the design and implementation of several of the instruments discussed in the previous section.

5.3.1. Public sector

In 2017, the Mexican government created the National Council for the 2030 Agenda for Sustainable Development and 32 local councils, comprising 19 ministries, seven non-sectorial institutions, and two autonomous agencies. It is chaired by the President of the Republic, with the Office of the President serving as the executive secretariat. The purpose is threefold: engage the federal executive branch with local governments, the private sector, civil society and academia; coordinate the design, execution and evaluation of strategies, policies, programmes and actions for the fulfilment of the 2030 Agenda; and report on the monitoring of its objectives, goals and indicators.

In 2015, the government of Mexico created the Specialized Technical Committee of the Sustainable Development Goals. This body ensures accountability by measuring the performance of public policies with the creation of dedicated key performance indicators (KPIs) and the necessary data to construct sustainability indicators.

The executive secretary of the 2030 Agenda was incorporated as a permanent guest of the Sustainable Finance Committee (CFS) of the Financial System Stability Council (CESF), which is made up of the Ministry of Finance, the Bank of Mexico, the National Banking and Securities Commission, the National Insurance and Bonding Commission, the National Commission of the Retirement Savings System and the Institute for the Protection of Bank Savings. The Committee aims to promote the long-term growth of sustainable investment in Mexico (Government of Mexico, 2021).

5.3.2. International community

Mexico's government has received backing from multiple organizations to support efforts on advances towards the 2030 Agenda and the inclusion of SDGs in policy-making processes. Of these organizations, particularly prominent bodies include: The United Nations Development Group (UNDG), the United Nations Development Programme (UNDP), Mexico's United Nations System (SNU), the UN Coordination Office for Mexico and its 29 agencies, GIZ Mexico and the Solution Network for Sustainable Development in Mexico (SDSN). The UNDP is specifically promoting the transversality of the 2030 Agenda in the national planning process and policy cycle at different levels of government, in accordance with the abovementioned reformed Planning Law.

Since 2020, cooperation agencies have been supporting the National Banking and Securities Commission (CNBV) to improve its sustainable finance with its work to advance the integration of environmental, social and governance standards in the Mexican financial system. Some of the first results of these efforts include: the development of a best practice guide for the issuance of green, social and sustainable bonds; mapping of the principles and standards of environmental governance, social and climate risk, and biodiversity; an analysis of the regulations on sustainable disclosure in Mexico; and audits of the Mexican financial system in relation to the regulatory framework for sustainable development, green and climate finance, climate and ecosystem risks (Government of Mexico, 2021).

The UN Department of Economic and Social Affairs (UNDESA), the 2030 Agenda Partnership Accelerator and the UN Resident Coordination Office (RCO) in Mexico have developed a Partnership Landscape Assessment. This assessment sets out the partnership ecosystem in Mexico. It identifies the general characteristics of the different sectors and stakeholders. It also identifies and reviews some of the existing key partnerships and collaborative platforms (UNDESA & UN RCO Mexico, 2021).

5.3.3. Financial Sector

The Climate Finance Group for Latin America and the Caribbean has published a Sustainable Finance Index, to monitor expenditure and income for climate change and the SDGs. Mexico ranks first for Sustainable Income (external funding), but only 13th from 21 countries for Sustainable Budget (public budget).[80]

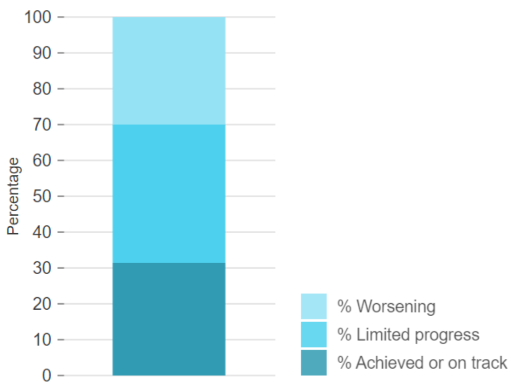
Private/commercial banks are increasingly supporting the 2030 Agenda, for example as intermediaries of the above-mentioned SDG Bonds, as well as increasing specific funds for sustainable development. International actors such as the InterAmerican Development Bank, the Development Bank of Latin America and the International Finance Cooperation also bring investment funds which incentivize collaborations, such as the Green Finance partnerships (UNDESA & UN RCO Mexico, 2021).

80 The SFI is a tool for monitoring the domestic and international revenues and expenditures of developing countries to address climate change and associated sustainable development goals, as well as the resources that may be hindering progress. More information about this tool is available at: https://www.sustainablefinance4future.org/

5.4. Challenges

Ensuring the continuity of efforts over the long term is essential for the implementation of the 2030 Agenda, and factors such as changes of government, legal and budgetary restrictions, and temporary contingencies can certainly jeopardize this necessary continuity. The international 2023 SDG Index (**Figure 25**) puts the level of achievement of the SDGs for Mexico at around 30%, with very similar percentages for the "limited progress" and "worsening" categories.

FIGURE 25. Status of SDG targets for Mexico (% trend indicators).



Source: Sachs, J.D., Lafortune, G., Fuller, G., Drumm (2023).

The 2018 VNR highlighted the need for a long-term plan with intermediate goals, and budgetary resources available for implementation, as key challenges to SDG implementation, which remains relevant to this date. The main issues reported in Mexico's latest VNR include access to sources of financing; strengthening institutional capacities; building more and better multisectoral alliances to enhance efforts and results; expanding participation mechanisms to promote positive changes led at the community level; and the unprecedented impacts of the COVID-19 pandemic (Government of Mexico, 2021).

The sub-national level is key to advance sustainable development and several cities and states are taking the lead in the implementation of the SDGs in their territories. However, due to Mexico's tradition of highly centralized government, state and local budgets are largely dependent on federally allocated funds (Willey, G.R. and Cline, 2019).

As previously mentioned, the UN Sustainable Development Cooperation Framework of Mexico 2020-2025 (UNSDCF) is the first joint planning process in the country to be fully aligned with the 2030 Agenda, the National Development Plan and the National Strategy for the 2030 Agenda. However, the effective implementation of the UNSDCF requires the strengthening and scaling up of multi- stakeholder and multi-sectoral partnerships. Interviews with in-country experts suggest that there is a myriad of partnerships, which include government and other stakeholders, but that there is no formal or default option to finance projects that support the SDGs. This means that partnerships need to reach out to the international community and the private sector to find funding. Financial institutions represent a less viable option since loan interest rates are currently between 33 and 50% (J.C. Morales, Head of Social Responsibility and SDG at BlacktoGreen Mexico, Personal communication, 21 July 2023).

Mexico's approach to a sovereign SDG bond is probably the cornerstone of the country´s system for SDG financing, but it requires a strong foundation in three areas: institutional capacity, budget mapping against the SDGs, and sub-national data to inform the geospatial eligibility criterion. All three of these areas continue to face challenges in practice. Additionally, it will require training and capacity building for local actors to be able to apply for the funds, otherwise foreign actors will remain the main implementers of the bonds (J.C. Morales, Head of Social Responsibility and SDG at BlacktoGreen Mexico, Personal communication, 21 July 2023).

5.5. Innovative perspectives and opportunities

Despite a complex global economic environment, Mexico has reached a 99% recovery compared to its pre-pandemic level (HACIENDA - The Mexican Secretariat of the Treasury and Public Credit, 2022). This should put the country in a good place to advance the implementation of the 2030 Agenda in an accelerated and strategic manner.

The inclusion of budget allocations towards public programmes linked to SDGs and budget execution data is promising, but currently, this database only groups programmes with their respective SDG. Increased efforts to continuously update the SDG Information System (SIODS) are needed (Larios & Justice, 2022). Mexico's improved debt sustainability in recent years, brought about by the government's "no external debt policy," might have prepared a favourable environment to make SDG Bonds successful.

For public policies, the underlying assumption for the Mexican government is that funding sources for sustainable development initiatives need to be diversified, which has led to the identification of possible ideas, tools, and initiatives. Among these are three main proposals (Government of Mexico, 2021): the first involves the use of payment by results mechanisms; a second relates to cost estimations and possible financing sources for SDG achievement, given a set of assumptions; and the third concerns the development of criteria to identify sources of financing for projects with diverse characteristics and scales.

In addition, and in partnership with the Budget and Public Account Commission of the Chamber of Deputies, GIZ Mexico and other strategic partners, technical tools and training were generated to accompany the process of discussion and approval of the Federal Expenditure Budget (PEF) in the Chamber of Deputies, and to incorporate a cross-cutting perspective of the 2030 Agenda for Sustainable Development (Government of Mexico, 2021).

In terms of participation, the government of Mexico has identified some opportunities for civil society engagement in the 2021 VNR, which include generating government funding schemes to enable CSOs to contribute to the achievement of the SDGs; making private funding conditions for CSOs more flexible; facilitating information on sources of funding for CSOs; and strengthening international cooperation mechanisms for the financing of public and CSO projects.

Finally, Mexico has been a pioneer in engineering the SDG Sovereign Bond Framework. After two issuances, it is expected to increase the country's participation in markets with thematic bonds.

One of the main innovative features of Mexico's SDG bonds is the Framework, which enables environmental, social and governance criteria to be met, while promoting transparency in public spending and a monitoring for the fulfilment of the commitment of the 2030 Agenda. The issuance of sovereign sustainable financial instruments reflects Mexico's pledge to reorient budget resources towards environmental, social and governance projects. One clear innovative aspect of the Bond is the Geospatial Eligibility Criterion. It is also worth mentioning that the governance structure, as stated in the Sovereign SDG Bond Framework, is key for paving the way to provide certainty to the continuity of the 2030 Agenda in the years ahead.

REFERENCES

Atteridge, A., Savvidou, G., Sadowski, S., Gortana, F., Meintrup, L., and Dzebo, A. (2022). *Aid Atlas*. https://aid-atlas.org

Government of Mexico. (2019). National Strategy for the Implementation of the 2030 Agenda in Mexico. In *Documentos*. https://www.gob.mx/agenda2030/documentos/estrategia-nacional-de-la-implementacion-de-la-agenda-2030-para-el-desarrollo-sostenible-en-mexico?idiom=es

Government of Mexico. (2021). *VNR Mexico - National Voluntary Review*.

HACIENDA - The Mexican Secretariat of the Treasury and Public Credit. (2022). *Mexico's SDG Bond Allocation & Impact Report 2022*.

Legislative Strategy for the 2030 Agenda (2020) (testimony of House of Representatives Mexico).

Mainstreaming the sustainability approach in the Federal Expenditure Budget, (2020) (testimony of House of Representatives Mexico).

INFF Knowledge Platform. (2023). *INFF Country Experiences*. https://inff.org/country-experiences

Larios, B. A., & Justice, T. (2022). *Mexico: Budget Credibility and the Sustainable Development Goals*. *May*.

OECD. (2018a). *Country profiles: Institutional mechanisms for policy coherence, in Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*. https://doi.org/10.1787/9789264301061-6-en

OECD. (2018b). *Global Outlook on Financing for Sustainable Development 2019*. https://doi.org/10.1787/9789264307995-en

Presidencia de la República. (2019). National Development Plan for Mexico 2019-2024. In *Diario Ofiicial de la Federación*. https://lopezobrador.org.mx/wp-content/uploads/2019/05/PLAN-NACIONAL-DE-DESARROLLO-2019-2024.pdf

Atteridge, A., Savvidou, G., Sadowski, S., Gortana, F., Meintrup, L., and Dzebo, A. (2022). *Aid Atlas*. https://aid-atlas.org

Sachs, J.D., Lafortune, G., Fuller, G., Drumm, E. (2023). Implementing the SDG Stimulus. Sustainable Development Report 2023. In *Encyclopedia of Corporate Social Responsibility*. SDSN. https://doi.org/10.1007/978-3-642-28036-8_101577

UNDESA & UN RCO Mexico. (2021). *Mexico Partnership Landscape Assessment.* https://sdgs.un.org/sites/default/files/2021-09/Mexico Partnership Landscape reduced.pdf

Willey, G.R. and Cline, H. F. (2019). *Mexico - Government and society. In: Encyclopædia Britannica.* https://www.britannica.com/place/Mexico/Government-and-society

Sachs, J.D., Lafortune, G., Fuller, G., Drumm, E. (2023). Implementing the SDG Stimulus. Sustainable Development Report 2023. In *Encyclopedia of Corporate Social Responsibility*. SDSN. https://doi.org/10.1007/978-3-642-28036-8_101577

6. FINANCING SUSTAINABLE DEVELOPMENT IN SENEGAL

Elise Dufief, IDDRI

6.1. Introduction and state of play[81]

Identified as one of the fastest growing economies on the African continent, Senegal has benefitted from a positive dynamic over the last decades. Nevertheless, the country still faces important development and environmental challenges and has not been immune to external shocks over the past few years, constraining its ability to respond resiliently and at a sufficient scale to address the needs. Figure 26 provide a good overview of the situation in the country. While the budget mobilized by the Senegalese authorities has increased, on the other hand, Senegal is one of the countries that still partly relies on external support from a variety of international partners, receiving unstable, albeit growing ODA budgets over time.

FIGURE 26. Total national budget - CFAF billion[82]

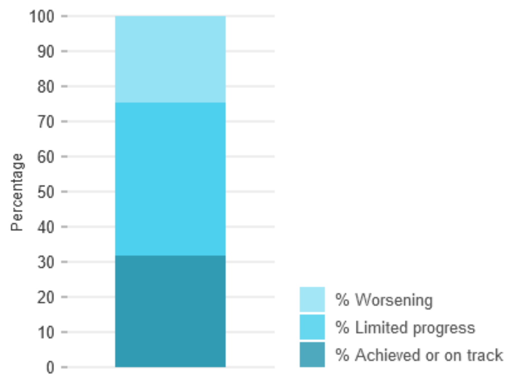
Source: CEP/MFB 2022.

Figure 27. Net ODA in Senegal

Source. DAC OECD data.

But this financial support remains insufficient to tackle the challenges faced by the country and progress is much needed if Senegal is to achieve its national and SDG objectives. Public international partners continue to serve as essential sources of funding, but the sums they provide cannot bridge the gap and new financing sources must be explored. The 2018 Voluntary National Review (VNR) conducted by Senegal identified a total gap of CFAF 4.684 billion: CFAF 2.85 billion of this shortfall is expected to be filled by international partners, and CFAF 1.834 billion from the private sector.[83] The 2022 VNR stated that "for 2023, the level of achievement of all SDGs was estimated at 23% on average. And if pursued further, these efforts would lead to a global performance at around 74%, if all necessary finances can be mobilized."[84] The international 2023 SDG Index (Figure 25) puts the level of achievement for Senegal a little higher than the government's VNR, at around 30%, with the largest proportion of SDGs listed as "limited progress", and a smaller amount considered to be worsening. However, the mobilization of "all necessary finance" remains an issue at a time when countries like Senegal face higher costs of access to finance, as evidenced in the ongoing discussions on potential reforms of the international financial architecture. The global gap has now been estimated at around CFAF 8.99 trillion (or around 13.7 billion euros).[85]

FIGURE 28. Status of SDG targets for Senegal (% trend indicators)



Source: 2023 Sustainable development report

In this context, it is clear that a deeper analysis is required to examine the challenges and opportunities for Senegal to make further development improvements. Solutions should not only focus on ways in which the country can leverage new sources of finance, but also on how to improve the way that finance is used by all stakeholders.

81 This case study is based on a literature review of publicly available documents, and interviews conducted by the author with the help of Kenza Mensah, intern at IDDRI at the time. Interviews were mostly held in person in Dakar between February and March 2023 with a range of stakeholders from the administration, international donors, CSOs and other experts (list included in the references section). Earlier drafts of this study have benefitted from helpful comments from some of these interviewees.

82 1000 CFAF = 1,53 euro as of 28 July 2023

83 2018 Senegal National Voluntary Review

84 2022 Senegal Voluntary National Review

85 2021 INFF diagnostic report

6.2. Vision and planning for a "Senegal Emergent"

With its mid-term objective to become an emerging economy, Senegal is richly equipped with a web of strategies. These strategies provide a comprehensive but piecemeal framework to achieve the country's objectives and to leverage finance.

6.2.1. Multi-layered strategies in place

Formally launched in 2014, the *Plan Sénégal Emergent* (PSE) is today the main reference for Senegal's economic and social development vision until 2035, the date by which the country aims to achieve emerging status.[86] The PSE is based on three strategic pillars identified as key priorities: 1) structural transformation of the economic framework; 2) promotion of human capital; 3) good governance and rule of law. The Plan is intended as both a new socio-economic model, and a vision to combine effort for resource mobilization and support from both foreign and domestic, public and private investors.

The PSE forms the basis of five-year priority action plans (PAP) and the identification of 27 flagship investment projects[87] (*Projets d'investissement phares*, PIP) for which financing is essential, along with 17 priority reforms. While the PSE strategy was developed before the SDGs, Senegal's PAPs are now described as the main reference for the country's public policy to align with SDG targets.[88]

Senegal developed its PAP 2019-2023[89] when the COVID-19 pandemic hit, which forced the authorities to publish an updated version of the plan in 2020, taking into account the direct and indirect impact of the crisis. The 2020 revised PAP indicates additional financing requirements of €22.4 billion by 2023, a 4% increase by comparison with the initial PAP. The third PAP (2024-2028) is currently under construction, on the back of a large multi-stakeholder consultation to update Senegal's national development plan and priorities.[90]

The three PAPs have each been operationalized into national, local and sectoral development plans for practical implementation. Senegal for example launched a "Green" version of its PSE that focused on reforestation.[91] In addition, most regions in Senegal are required to develop a sectoral plan at their own level. But these plans do not always appear to be linked in an integrated way, either between sectors or aggregated at the national level to provide an encompassing but detailed picture that could facilitate adequate and long-term financing.

Such a web of multi-layered visions and strategies highlights the structures in place in Senegal, including the identification of needed reforms. This represents some of the attractiveness of Senegal as the country continues to appeal to international and national actors in financing its development objectives. But collectively these government visions and strategies have not leveraged financing at the scale of the country's needs, both in terms of volume and effective use. The landscape of these strategies and visions remains fragmented because sectoral and thematic plans are not always clearly linked, and nor do they contribute to national or more global plans. The timeframe of these strategies also varies (2023, 2028, 2030, 2035 or 2063 for example) and they are not always planned as connected building blocks. Furthermore, they are not always directly linked to a financing strategy as evidenced in the plans which do not automatically take existing or projected budget constraints into account. Such fragmentation and incomplete budgeting sometimes limits the operability and policy coherence of these activities, and also highlights missing links between planification, financing, and investments. [92]

6.2.2. the challenge of securing long-term and affordable financing

To sustain its vision and strategies and to exit from a cycle of recurring crises, Senegal needs reliable, affordable, and long-term financing, which remains a challenging aim.

Its multi-year planning and efforts towards meeting its objectives have been slowed down by domestic and external factors including spillovers from the war in Ukraine, tighter financing conditions, and increased political instability in the broader region. As a result, inflation hit a multi-decade high of 9.7% in 2022, driven largely by the surge in food prices: Senegal relies on imports for 70% of its food needs.[93] During the same year, public debt increased to over 70% of GDP. The International Monetary Fund (IMF) identifies these economic statistics as major concerns.[94] Faced with these constant pressures, Senegal must ensure that its financing and investments are sufficiently secure to meet its short and medium-term needs, while enabling the transition to greater long-term sustainability to continue.

At the June 2023 Summit for a New Global Financing Pact in Paris, several African presidents requested that commitments are made and delivered on to provide low-cost, long-term financing, for example via the World Bank Group's International Development Association (IDA), which primarily finances the lowest-income countries. Senegal is fully involved in these debates as the perspective of having graduated from the category of least-developed countries to a higher category illustrates a certain level of the country's economic dynamism and development progress. Senegal met the required criteria for the first time in 2021 and will be assessed in 2024. However, such a prospect also raises issues: the country would no longer

86 see http://www.senegal-emergent.com/

87 https://senegal-emergent.com/fr/projets-phares

88 see https://hlpf.un.org/countries/senegal/voluntary-national-review-2022

89 see https://www.sentresor.org/app/uploads/pap2_pse.pdf and https://www.economie.gouv.sn/fr/publications/pap2a

90 This exercise is further developed in section 2

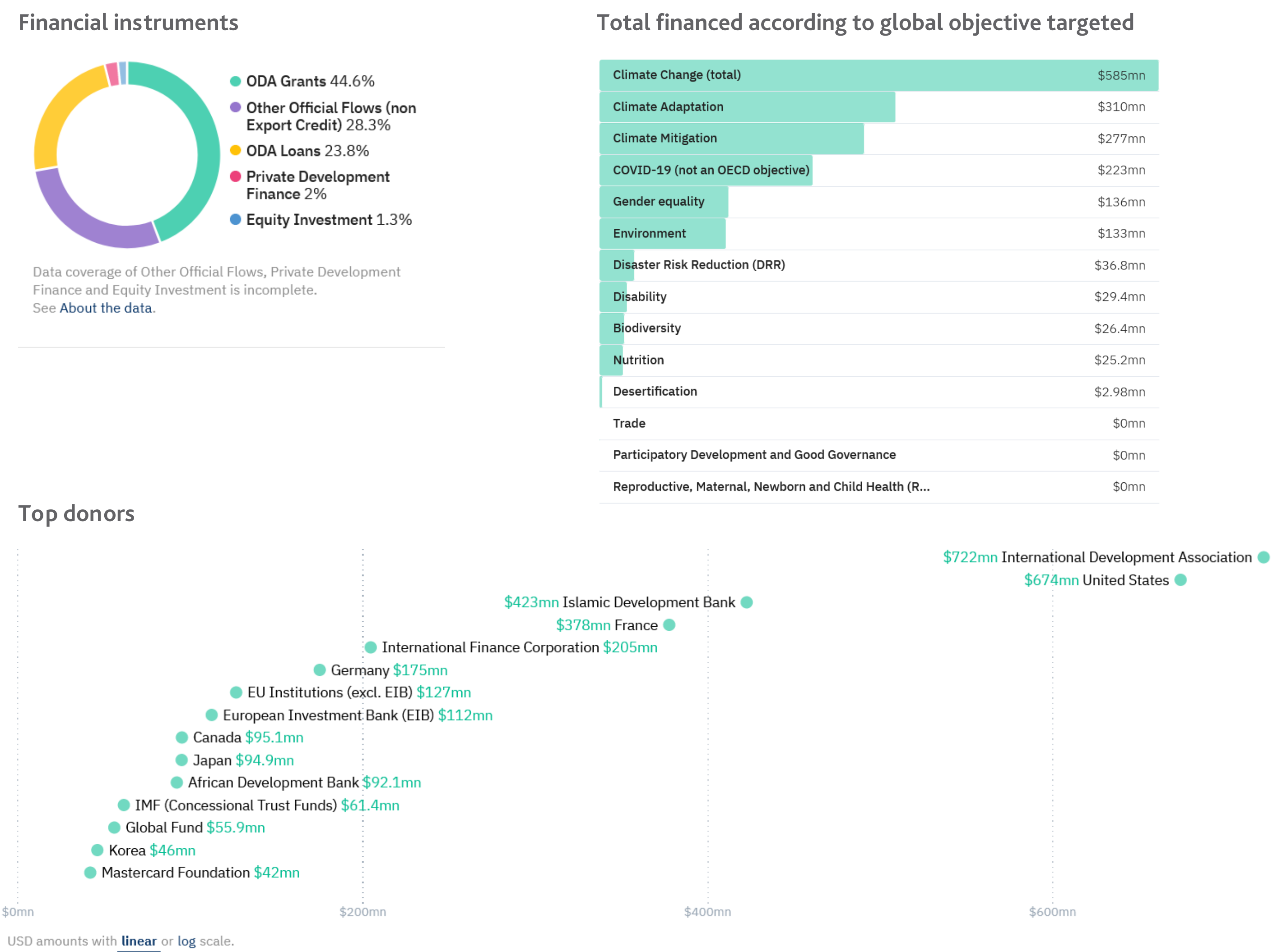
91 https://senegal2019.org/macky-sall/programme-senegal-emergent-pse-le-pse-vert-ou-la-reforestation-durable-du-territoire-national/

92 Interviews 1, 8 and 15

93 https://www.trade.gov/country-commercial-guides/senegal-agricultural-sector

94 See https://www.imf.org/en/News/Articles/2023/07/12/cf-senegals-growth-prospects-are-strong

FIGURE 29. Development finance overview in Senegal



Source: AidAtlas 2021

have access to the same types of funds, such as those from the IDA, the World Bank's concessional arm, while they would also receive fewer grants and instead have to rely more on loans, which are granted on less advantageous terms.[95]

In Washington in April 2023, Senegal's Minister of Economy, Planning and Cooperation Oulimata Sarr complained about the high cost of capital for a country like hers, faced with rising interest rates and insufficient investment.[96] In June of the same year, President Sall echoed this sentiment at the Summit for a New Global Financing Pact in Paris. Given its activity on the international market, the Senegalese authorities were advised not to seek a debt cancellation, which could be perceived negatively and impact its ability to secure future financing, but rather to pursue debt suspension. This should give an opportunity for Senegal to reorient some of its financial activities on the regional markets of the UEMOA.[97] In parallel, they continue to explore alternative sources of financing. The revised PAP 2020 puts a strong emphasis on the private sector which is expected to finance up to one third of the total budget of the revised plan. This is a renewed ambition since the 2014-2018 PAP already planned to mobilize CFAF 1.1 trillion through public-private partnerships (PPP), although only about 20 projects ended up being implemented, amounting to about CFAF 397.8 billion.[98]

95 https://www.un.org/ldcportal/content/senegal-graduation-status

96 https://www.brookings.edu/events/the-impact-of-credit-ratings-on-the-costs-of-development-finance-in-africa/

97 Interviews 6 and 7

98 2022 INFF report

To date, a large majority of international aid has been provided on a project basis. Senegalese authorities estimate that more budget support would strengthen their long-term planning ability, and avoid a certain level of donor funding volatility for a number of years. Moreover, while the number of international donors has remains relatively stable, about a dozen donors provide a large majority of the funding. Senegal is keen to broadening that basis.[99]

The government is also considering new sources of financing, recently spurred on by the prospect of exploiting newly discovered oil and gas resources. Its "gas to power" strategy aims to boost electricity provision throughout the country. Furthermore, beyond the dual objective of promoting universal access to electricity and contributing to Senegal's economic development, the exploitation of these resources also aims to mobilize additional revenue for the national budget. Such an approach raises questions in terms of sustainability and low-carbon economy objectives, but it also highlights the need for a systematic approach to the transformations to be carried out and the appropriate financial tools, so as not to leave parts of the transition without resources.[100] Such questions are also at the heart of the recently agreed JETP in Senegal,[101] and are an illustration of some of the trade-offs that need to be made when promoting one objective that negatively impacts on others, if not considered in a more holistic way.

6.3. Tools for implementation

To implement such visions and plans, Senegal launched a number of tools with a view to meet the SDGs and the objectives of its national development plans. Such tools were also intended to mobilize additional finance and to use these funds more effectively.

6.3.1. SDG alignment

Senegal integrated SDG alignment when developing its PAP, with the objective to align PAP activities with the PSE thematic priorities and SDG targets. Since there is no universal definition of what alignment means, Senegal developed its own. In the 2014-2018 plan, the target level of alignment between national priorities and the SDGs was at 77%. This target went up for the 2019-2023 PAP, being set at the high level of 97.1%. These estimations were revised when the COVID-19 crisis occurred, highlighting the negative impact of the pandemic on SDG achievement. Table 5 shows how specific sectors were affected, in particular, water (SDG/ODD 6), energy (SDG/ODD 7), work (SDG/ODD 8) and infrastructure (SDG/ODD 9).

[99] Interviews 3 and 8

[100] On this topic, see https://www.iddri.org/fr/publications-et-evenements/rapport/partenariats-et-transitions-energetiques-justes-et-en-afrique-1; and https://www.iddri.org/fr/publications-et-evenements/billet-de-blog/quels-resultats-pour-les-partenariats-pour-une-transition

[101] https://www.elysee.fr/emmanuel-macron/2023/06/22/lancement-dun-partenariat-pour-une-transition-energetique-juste

This alignment estimate demonstrates the efforts undertaken by the planning unit of the Ministry of Economy, Planning and Cooperation (MEPC) to ensure that Senegal's vision, strategies and plans also contribute to the SDGs, and that the authorities are in a position to track and measure progress over time, according to this methodology. However, effectively tracking implementation and comparing with these targets remains a challenge. **Figure 29** highlights this lower level of achievement. This is an area where progress can be made and is the subject of discussion in the last section. This applies not only to the Senegalese authorities, but also to international donors who often claim alignment with the SDGs without always displaying a shared understanding of what it means, or being able to demonstrate this alignment through their activities in Senegal.[102] Their involvement could however support Senegal's efforts to make greater progress on SDGs and its own development objectives. A key next step would be for Senegal to explicitly link these plans and targets with their financing strategies, budget plans and investments. The%ages of achievement and negative impact due to the COVID 19 crisis identified as part of this exercise could provide useful information, highlighting where the financial gaps potentially lie, and how more and better financing can be mobilized to meet those needs. The INFF and the financing aspect of the national development plan were developed with this in mind.

6.3.2. The INFF and the National Development Plan

Senegal formally launched the process to establish an INFF in 2020. Some of the stated objectives of the exercise include:

- to improve the coherence of the different financing policies to achieve the SDGs;
- to ensure a better integration of the functions, processes and systems of planning and financing of the SDGs;
- to strengthen the framework for ongoing dialogue on sustainable development financing policies; and
- to strengthen the governance and monitoring-evaluation frameworks of the national strategy for financing sustainable development

With financial support from the UN and the EU for its INFFs, in 2021 Senegal started a diagnostic exercise led by consultants who organized workshops with various stakeholders. They produced a report to be used for an upcoming strategy. From the government's perspective, the INFF process was regarded as an opportunity to target new sources of financing and to use it as an advocacy tool with donors.[103] The process is not yet complete but it has been identified as beneficial in three different ways:

1. to identify existing gaps and remaining issues through assessment, which helps to collate various pieces of information. While this process is not entirely new, this update has brought

[102] Interviews 1, 4 and 8

[103] Interviews 1, 4 and 8

more coherence among fragmented exercises. For example, it highlighted goals that were already relatively well financed: over the period between 2016 and 2022, 67% of the funding went to SDGs 2, 3, 4, 7, 9 and 16.[104] It also created space to link financing and investment plans with a view to gear them more routinely towards contributing to the SDGs;

2. to coordinate donors: the exercise is helping to update the contributions and priorities of donors, highlighting where coordination is present or lacking (not all donors were aware of or interested in the ongoing exercise), and where progress on SDG alignment and national priorities could be improved beyond statements made in official documents.[105] It also opened up a discussion on ways to bring the private sector on board (in line with renewed objectives in Senegal) while highlighting a potential culture clash (the private sector being largely demand driven) and questioning the relevance/feasibility of a planning tool for the economy in general, which is not something that exists in many countries;

3. most importantly, the exercise is supporting the ongoing national development plan (NDP) update process, and linking it with financial strategies. The INFF strategy began its development in 2022, at the same time as an NDP process was launched. This meant that the INFF, which remains a relatively small-scale, mostly donor-led exercise, could support a much larger national process and feed into the financing planning element so that it could be more transformative and truly appropriated by the country.

The NDP update process will also feed into the development of a new PAP (2023-2028). Four commissions have been formed to establish diagnostics on the following themes: human capital, governance, economic transformation, and financing. These diagnostics should inform the strategy's development and its multi-year plan, while being accompanied by a detailed financing strategy.

The approach adopted by the process is also important. Multiple consultation rounds have been launched (and are still ongoing) with the objectives to involve as many stakeholders as possible. Dialogues have been held in Dakar and in some of the regions, with the participation of various elements of the administration, international stakeholders, and civil society. This process is being used as a way to build consensus across parties and across the territory so as to develop a national strategy in which each party has a role to play, both in terms of financing and implementing. In this sense, it takes the INFF to a higher level by avoiding the creation of a parallel exercise and increasing its relevance to the country's own goals and actors. The objective is to finalize and launch the new PAP in early 2024, ahead of the national elections.

6.3.3. The challenge of territorialization

One of the remaining challenges in the implementation of the SDGs and the NDP process is to live up to President Sall's political objectives and one of the SDG mantras, to "leave no one behind". Some of the most important development challenges in Senegal remain outside of major urban areas. One of the government's stated objectives that is yet to be implemented is to "strengthen national ownership of the SDGs by aligning SDG targets with territorial and communal development plans". In 2020, the authorities developed a manual to support the implementation of SDGs at the local level, but it remains extremely weak. "Local development plans remain largely theoretical ones since local authorities often do not have the means or the capacity to implement them."[106] In that sense, the decentralization process in Senegal is incomplete, despite the decentralization law. "Local authorities can try to mostly finance themselves, if they can understand how the fiscal rules work, which is fairly obscure. To understand why locality X receives more or less than locality Y is almost impossible. And even if you know that you will receive some funds, then the difficulty is knowing exactly when you'll receive them, since long delays are commonplace. The budgeting and allocation process clearly impedes the work that can and should be done at one of the most important levels of implementation if financing for development is meant to be transformative."[107]

It is at the local level however that some Senegalese civil society organizations have noticed an opportunity and taken action, complementing the work of local authorities. Two examples of the localization of SDGs in Senegal are presented here:

1. Environmental development action in the third world (ENDA) in Senegal[108]

ENDA was created in 1972 in Dakar to work on development-related programmes. The team in Senegal worked, among other projects, to identify the importance of international and national SDGs. Through this work, the teams realized that the SDGs did not sufficiently address the needs of local populations, and that if priorities continued to be identified at national or international levels, then it would be unlikely that adequate solutions would be found for local problems. The CSOs launched a bottom-up process, together with local communities, of identifying the transformations required at this level, and the financial means and capacities needed to accomplish them. Once again, the participatory process was identified as key for bringing people on board and ensuring long-term implementation. Importantly, it was also seen as helpful for reconciling what can sometimes be seen as competing priorities. For example, ENDA aims to reconcile the process of SDG localization with NDC localization, so as to demonstrate that social development and climate-related

104 2021 INFF report

105 Interview 8

106 Interviews 1 and 5

107 Interview 12

108 See https://endatiersmonde.org/document/enda-sest-lance/ and CSO interviews

TABLE 5. **Impacts of the COVID-19 pandemic on SDGs (in French)**

	Écart par rapport à la référence		
			« Choc »
	2020	2021	2023
ODD1	-3,5%	-3,7%	-3,6%
ODD2	-0,4%	-0,5%	-1,3%
ODD3	-0,1%	-2,1%	-4,6%
ODD4	0,0%	0,0%	-0,1%
ODD5	0,0%	-0,2%	-0,8%
ODD6	-0,2%	-1,9%	-8,7%
ODD7	-4,9%	-5,4%	-8,5%
ODD8	-28,7%	-31,0%	-9,3%
ODD9	-8,5%	-6,4%	-7,5%
ODD10	-1,3%	-0,2%	-2,5%
ODD11	-0,9%	-1,0%	-1,8%
ODD12	-1,8%	-1,8%	-2,6%
ODD13	0,0%	0,0%	-0,1%
ODD14	0,0%	0,0%	0,0%
ODD15	-0,8%	-1,0%	-1,4%
ODD16	0,0%	-0,5%	-1,5%
ODD17	-2,5%	-2,7%	-0,3%

Légende	
(red)	*Ecart strictement inférieur à -5%*
(yellow)	*Ecart compris entre -1% et -5%*
(white)	*Ecart strictement supérieur à -1%*

Source: Ministry of Economy, Planning and Cooperation (MEPC, 2020).

priorities can be linked and mutually beneficial. Such work at the local level should then inform discussions at the national level in a similar integrated way.

2. Work by the *Groupe d'Action et d'Initiatives pour un développement Alternatif* (GAIA) on identifying synergies between SDGs at the local level[109]

GAIA is a Senegalese-based civil society organization implementing programmes throughout the country to promote sustainable development. Some GAIA team members are involved in work to localize SDGs in parts of Senegal, starting with those that are of particular importance to the target population. Following collective consultations, five SDGs were identified as priorities: 3 (health), 4 (education), 6 (water), 7 (energy) and 13 (environment). Discussions were then organized to identify ways in which these goals interact. Through this process, GAIA co-developed a methodology with a group of locals to map out existing issues and bottlenecks in the communities, to identify the various actors involved at different stages, and to sketch out a process to design solutions and ways forward. The work, which is ongoing at the local level, is intended to feed into national processes, with the view to inform the way forward for Senegal to achieve emerging country status by 2035.

To be truly transformative and leave no one behind, national development cannot be done without greater involvement at the local level. Some CSOs have filled this gap but they can only go so far and greater involvement of public decision-makers is needed. This could help complement the work of CSOs, including it in a broader planning and financial framework to be adopted at the national level and to inform, in return, the decision-making process at that level. This may also require additional human and financial capacities.

6.4. Governance and monitoring

To meet its development goals, Senegal relies on its visions, strategies and implementation tools. However, there remains room for progress both in terms of enabling finance flows to reach where they are most needed, and on ways to use this finance more effectively to meet the goals. A renewed focus on governance and monitoring mechanisms sheds light on ways to deliver effective implementation, on methods to track progress and how to identify where adjustments are needed.

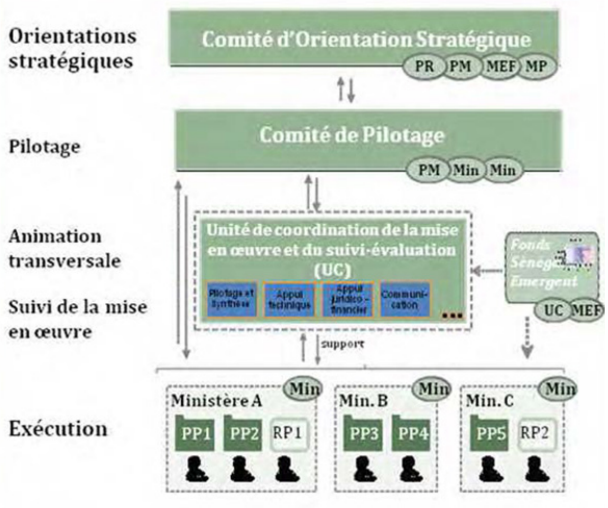
6.4.1. National authorities

In 2015, a decree was issued to establish a harmonized framework for public policy monitoring (*Cadre harmonisé de suivi-évaluation des politiques publiques* - CASE), under direct

109 See https://www.ird.fr/projet-sdg-pathfinding-developpement-conjoint-de-pistes-pour-le-developpement-durable-en-afrique and CSO interviews

authority of the President. CASE was designed to "develop and coordinate all judicial, administrative and financial means necessary to implement a public policy and meet its objectives".[110] This entity lasted for some time but appears to have lost traction today in terms of its ability to effectively coordinate all of the institutions involved.

FIGURE 30. Governance and monitoring structures



Source: PSE Website.

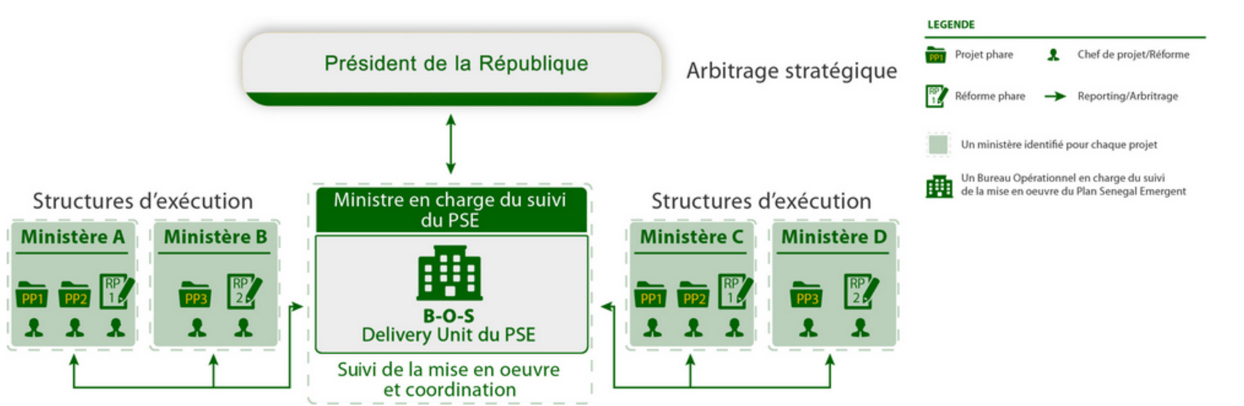
Today, coordination at the operational level is now mostly carried out by the Ministry of Economy, Planning and Coordination, and the planification unit. They coordinate multi stakeholder dialogues to develop the NDP, and are also in charge of the statistical and qualitative analysis behind the production of annual reports, such as the joint annual reviews (RAC) or the VNRs. The Ministry of Finance also remains a key actor in the decision-making process. However, the process to develop the NDP and subsequently the PAP necessarily also involves other sectoral ministries and stakeholders. The "priority projects" identified as part of the PSE continued to be monitored by a special unit, the BOS (*Bureau des opérations de suivi*), under the direct authority of the President. As part of the next phase of the PSE, an assessment is currently underway to identify which projects worked and which could have been better. A process of identifying new priority projects is also ongoing, although no clear methodology has yet been established for this procedure.

While these different units are involved in various aspects of Senegal's development objectives and activities, there is an absence of a functional overarching institution connected at the highest political level. This contributes to a lack of clarity regarding the division of roles and the decision-making processes to establish priorities. Most decisions are ultimately made by the presidential team, at a time when the upcoming national elections in 2024 have accelerated the strategical processes. The ongoing process to update Senegal's national development strategy is useful for the Senegalese authorities to assess progress made to date and to create a certain level of consensus through its multi-stakeholder approach; while also raising questions about how much room the government will give to concrete and inclusive implementation ahead of national elections. Some have expressed the view that the recent series of municipal and legislative elections, as well as upcoming national ones, have regrettably stifled political dialogue.

6.4.2. International

Some level of coordination also exists among international donors, which are numerous in Senegal. Donors have their own coordination bodies (with thematic groups, or subgroups such as Team Europe for European donors), including: the G50, which represents an enlarged group of international technical and financial partners (not necessarily amounting to 50); the G15, which is limited to the 15 largest international donors to coordinate their interventions; and the G5 or executive committee currently chaired by Germany, which facilitates strategic

FIGURE 31. Priority projects' governance



Source: PSE website.

110 Décret n° 2015-679 du 26 mai 2015 portant création d'un Cadre harmonisé de suivi-évaluation des politiques publiques (CASE).

dialogue with the Prime Minister and the Presidency. While the G50 convenes about once a year, the G15 is regarded as the most active platform.

A few priorities have been identified for the coming year. For example, in January 2023, food sovereignty, social protection and peace were identified as priorities by the Senegalese Prime Minister, while donors sought clarity on how potential revenues from oil and gas exploitation would be used to alleviate the debt situation and better finance some social sectors.

The chosen themes are discussed at an operational level within the G15, and then taken up with the G5 or an Executive Committee (Comex) which has a direct dialogue with the Presidency. In addition, at the initiative of the EU initially to coordinate funding and political dialogue during the COVID-19 response, a common policy dialogue matrix was established, structured around four axes (governance, economic issues, social issues and environment sustainability), supporting major strategic reforms. Political dialogue at ministerial and ambassadorial level takes place every six months to support, monitor and update the reforms in this matrix involving most of the major budget support partners of Senegal, namely: the European Union, the IMF, the World Bank, the African Development Bank, France, Germany and Canada. This matrix has become another reference for political dialogue within the G50, G15 and Comex.

Donors also continue to operate on the margins of existing strategies and plans, sometimes competing directly with each other or having to change course based on the renewed priorities of the donors themselves (prioritizing green projects to meet their internal targets, even though Senegal has wide ranging financing needs).[111] The situation in Senegal points to the need for better coordination and granularity regarding the operationalization of strategies, the financing partners involved, and the types of finance used. Greater visibility and more detailed plans and pathways can support diverse financing options for development work, ensuring that specific sectors, localities or actors are not left behind. The Senegalese authorities have expressed interest in strengthening these donor coordination structures in two ways: firstly, to improve the alignment of donor operations with national plans and strategies; secondly, to better anticipate and target the types of financing made available. For example, Senegal is interested in mobilizing more long-term general and sectoral budget support, which could be more predictable and more easily integrated in the national budget.[112] It might be worth pursuing ongoing efforts to develop detailed strategic planning alongside financing strategies, if it can then be demonstrated that it supports greater mobilization of a variety of financing partners interested in sectoral transformations, while potentially contributing to lowering the cost of accessing finance accordingly by anticipating the risks in a transparent manner.

6.5. Conclusion

Over the years, Senegal has implemented a rich web of strategies and plans that aim to forge links between its national development objectives and the SDGs. While this vision continues to be realized, this study also highlights the necessary evolution in the way that the SDGs are taken into account, moving beyond the international discourse to anchor them into national processes and goals. In this sense, internationally-developed tools such as the INFF can only remain relevant if they avoid adding more layers of complexity to the administration process, and can instead be incorporated into existing, nationally-led processes.

Mobilizing adequate long-term financing remains an issue, but ongoing national processes have highlighted the need for the strategy to go beyond focusing only on financial amounts. Sectoral transformations linked to goals identified as key priorities could be developed in greater detail to allow for targeted financing plans. It is this link between strategies, plans, financing instruments and the types of financing partners that is missing today, or could at least be made clearer. Not only would it help map the way forward for sustainably oriented transformation but it could also help demonstrate reliability for potential investors.

Such strategies should not, however, run in parallel, but should be interconnected to ensure broad transformation at the country level, reaching out to the most vulnerable communities. Senegal's ongoing collective multi-stakeholder consultation process is an asset to develop as it can support the much-needed consensus building around the decision-making process.

Beyond financial sums, the quality of financing remains a cornerstone to ensure that sustainable development includes all citizens. This necessarily means looking at the adequacy of existing governance structures, both for national and international actors, so that they can be improved along the way and serve as effective conduits for sustainable financing. While there is room for further reform in Senegal, it is essential that a proportion of the work is focused on the practical implementation of reforms that have already been agreed, and that time and effort is dedicated to monitoring progress and making appropriate adjustments to ensure that Senegal's objectives are met on time.

[111] Interviews 8, 12, 14

[112] Interviews 12, 13, 15

REFERENCES

Commission Nationale des acteurs de la société civile (2022). Rapport sur la revue volontaire nationale 2022, juillet 2022.

Département de Kanel, Plan de développement communal de Bokiladji, 2020-2024

Ministère de l'Économie, du Plan et de la Coopération (2021). Revue annuelle conjointe.

Ministère de l'Économie, du Plan et du Développement (2021). Cadre de Financement Intégré du Développement Durable Ateliers de dialogues d'action 2021, Juin 2021.

Ministère de l'Économie, du Plan et de la Coopération (2022). Résumé des rapports d'évaluation ex ante des projets proposés au budget 2023, juillet 2022.

Ministère de l'Économie, du Plan et de la Coopération (2017). Le Sénégal à l'horizon 2030 : analyse de scénarii de progrès vers les ODD, décembre 2017.

Ministère de l'Économie, du Plan et du Développement (2022). Rapport officiel d'évaluation de l'INFF, Juin 2022.

Ministère des Finances et du Budget (2023). Programme d'investissements publics prioritaires 2023-2025.

Ministère des Finances et du Budget (2020). Plan Sénégal Émergent Plan d'actions prioritaires ajusté 2019-2023.Plateforme des organisations de la société civile pour le suivi des Objectifs de développement durable (2018). Contribution de la société civile au rapport national de suivi de la mise en œuvre des ODD.

Sene Seydina (2019). Blended finance in the national planning processes and the SDGs in Least Developed Countries: Evidence from Senegal, Southern voices, January 2019.

LIST OF INTERVIEWS (NUMBER OF INTERVIEWEES INCLUDED IN BRACKETS WHEN MORE THAN ONE)

Interview 1	International donor	Coordinator
Interview 2	International NGO	Managers (2)
Interview 3	International donor	Coordinator
Interview 4	International donor	Africa regional leader
Interview 5	National CSO	Director and team members (5)
Interview 6	Senegalese administrator	Public finance expert
Interview 7	International donor	Chief economist
Interview 8	Senegalese administrator	Director General and coordination team (4)
Interview 9	National CSO	Director and coordinator
Interview 10	International donor	Economist
Interview 11	International donor	Project leader
Interview 12	Senegalese administrator	Director
Interview 13	Senegalese administrator	Director
Interview 14	International donor	West Africa climate change specialist
Interview 15	Senegalese administrator	Finance specialist

7. CONCLUSIONS AND RECOMMENDATIONS

The transformative potential of the 2030 Agenda for Sustainable Development lies in the effective implementation of national and local policy frameworks geared towards meeting both the objectives of countries and the SDGs. Equally essential is that funding—whether international, national, public or private—is aligned with the needs and priorities of countries. The experiences described in the case studies in this report show that specific context and national structure are key factors to take into account to ensure successful implementation of the SDGs and the 2030 Agenda. These can be pursued and sustained in different ways.

The various tools developed for SDG budgeting, the development of INFFs or SDG bonds can help improve access to funding and its impact, and lead to better implementation to achieve the goals. However, this can only be accomplished if these tools are developed to support processes that are already present and that have been appropriated by countries. In practice, they can be a cornerstone in strengthening financing for the SDGs and can help to establish more coherent links between the SDGs and development strategies, as well as support their implementation. However, the case studies presented here show that these tools only prove relevant if they do not add complexity to the administration, but are instead well-integrated into existing national processes, and supportive of them. To achieve this, they must be sufficiently robust and operational in terms of being equipped with dedicated targets and quantifiable indicators. One of the shared challenges across countries is to link these tools together, according to local needs, to reinforce and consolidate national and local strategies for SDG financing.

While the countries discussed in these case studies share many similarities in terms of their approaches, the progress they have achieved and the challenges that must still be tackled, there are nevertheless key differences that must be acknowledged in the SDG financing realities faced by Ghana, Indonesia, Mexico and Senegal. Given their large population and “Upper Middle Income Country” classification, Indonesia and Mexico have considerable domestic resources for financing the SDGs, and therefore need to play more of a “catalytic” role, and to target the use of available external cooperation opportunities. However, all four countries also face considerable challenges in managing levels of public debt, hence the need to closely consider and manage such international cooperation opportunities. When not effectively designed, managed and implemented in a way to both generate and sustain broad-based ownership, international cooperation may both distract from other SDG financing efforts or even actively constrain their fiscal space.

Effectively implementing and financing the SDGs requires the establishment of alliances and coalitions to carry out concerted action, these partnerships must: i) focus on national/local needs and capabilities; ii) involve the active participation of civil society, local authorities and parliamentary scrutiny; iii) have the capacity to make large upfront investments with long-term financing and payback periods; iv) generate political will and encourage the participation of government authorities; and, v) use science-based solutions that catalyse cross-sectoral transitions.

The four cases explored in this study provide us with three fundamental dimensions that concern three recommendations for improving SDG financing in all countries.

7.1. Improve understanding of the costs and benefits of SDG financing at the country level

Better quality data and a greater understanding of the costs can strengthen financing for national sustainable development priorities and feed effectively into national planning. A clear understanding of allocation and spending on public services and public investments that contribute to the SDGs can provide information to identify the scale of funding shortfalls. When calculating costs, the double-counting of investment needs should be avoided and synergies between different types of investment should be considered. In view of the competing short-term demands on public budgets that have been observed in recent years, including costs relating to the pandemic but also public debt challenges, the benefits of SDG financing will have to be emphasized to justify the long-term investments made.

Ghana, Indonesia, Mexico and Senegal have a wealth of plans and strategies related to the financing of sustainable development. The issue is not necessarily to add to these strategies, but rather to finetune them and, where appropriate, to expand their operationalization. Further progress can be made in connecting these plans to develop detailed and targeted financing plans to support their development objectives.

7.2. Build on the efforts of local stakeholders and on local processes

Typically, promoting sustainable development involves short-term costs in return for long-term gains. For this reason, top-down decision-making may prove ineffective as the ownership and commitment of various actors cannot be assumed. The case studies presented here highlight collective stakeholder consultation processes, which are assets that should be developed. They can help build consensus around the decision-making process, and thus identify clear, shared funding priorities and potential gaps and/or competing objectives. These experiences show that, beyond financial sums, the quality of financing remains a fundamental issue in ensuring that sustainable development is socially just and able to reach all parts of a country. Financing processes that are emerging at local levels should be further supported and developed.

This necessarily involves examining the adequacy of governance structures, for both national and international actors, so that they can be improved along the way and serve as effective funding and implementation monitoring channels. Improving the financing of the SDGs also means that international financing channels must be made more effective in terms of serving the needs of countries.

These examples underline the relevance of focusing more on national and regional experiences, and sharing these experiences and best practices for peer-to-peer learning. This requires the various actors, and governments in particular, to be more transparent about their challenges, difficulties and objectives; and international donors, and financing partners in general, to respond in a timely and adequate manner to these challenges. This should help mobilize the resources needed to accelerate progress.

7.3. Combine long-term financing with long-term planning

A fundamental prerequisite for financing the 2030 Agenda at the country level is to transform public finance, bringing together financing and related policies that are most relevant to addressing a country's financing challenges. Development financing strategies, through the INFF or via other means, provide clarity and predictability to public investors (and private actors too when included), allowing them to better grasp the sequence of investments across the three time horizons relevant to relief, recovery and long-term structural transformation. If conducted in an integrated manner, it could allow for easier and more affordable access to financing by countries.

The experiences described in the four country case studies show ways to allow stakeholders and financial actors concerned at the local, national and global levels to target their investment efforts with the needed clarity on where their funds could provide effective results. Such planning might prove particularly useful in managing the emergency relief, economic recovery and long-term structural transformation sequence of investments and action. Planning efforts should also seek to avoid lock-in situations and path dependencies, where short-term recovery investments would hamper long-term goals in relation to the reduction of inequalities or to environmental protection, and even increase vulnerabilities.

It is clear that the current international architecture is failing to fulfil its essential missions and to support stable long-term financing for the SDGs. International actors should further support fundamental reforms and the redesign of the international financing system, particularly by providing ways to secure long-term financing. Since these reforms affect all countries, the UN SDG Summit is the right place to discuss and promote the design of key financial institutions in a way that supports effective change at the country level.

REFERENCES

Hege, E. & Brimont, L. (2018). *Integrating SDGs into national budgetary processes*. IDDRI Study No 05/18 July 2018.

OECD (2022). *Global Outlook on Financing for Sustainable Development 2023: No Sustainability Without Equity*. OECD Publishing, Paris, https://doi.org/10.1787/fcbe6ce9-en.

Okitasari, M. & Kandpal, R. (2022). *Budgeting for the SDGs: Lessons from the 2021 Voluntary National Reviews*. UNU IASS Policy Brief No. 32, 2022.

UNDP (2017). *Development Finance Assessment and Integrated Financing Solutions*.

UNDP (2020). *Budgeting for the Sustainable Development Goals. Aligning domestic budgets with the SDGs*. Guidebook (2020).

UNDP (2022a). *INFF Sustainable Investment Stocktake*. Prepared for the G20 Development Working Group. United Nations publication, New York.

UNDP (2022b). *The state of integrated national financing frameworks in 2022*. INFF Facility

United Nations, Inter-agency Task Force on Financing for Development (2023). *Financing for Sustainable Development Report 2023.* (New York: United Nations, 202023), United Nations publication.

United Nations, Inter-agency Task Force on Financing for Development (2022). *Financing for Sustainable Development Report 2022.* (New York: United Nations, 2022), available from: https://developmentfinance.un.org/fsdr2022. United Nations publication, New York.

United Nations, Inter-agency Task Force on Financing for Development (2019). *Financing for Sustainable Development Report 2019.* (New York: United Nations, 2019), United Nations publication.

United Nations Global Impact (2019). *SDG Bonds: Leveraging Capital Markets for the SDGs*. UNEP Finance Initiative. Available at https://sdghub.com/project/sdg-bonds-leveraging-capital-markets-for-the-sdgs/

World Bank (2022). Understanding trends in proliferation and fragmentation for aid effectiveness during crises. World Bank publication, Washington D.C.

Financing sustainable development: insights from Ghana, Indonesia, Mexico, and Senegal

Damien Barchiche, Elise Dufief (IDDRI), Ivonne Lobos Alva (Stockholm Environment Institute), Niels Keijzer (German Institute of Development and Sustainability), George Marbuah (Stockholm Environment Institute and African Development Bank)

The Institute for Sustainable Development and International Relations (IDDRI) is an independent think tank that facilitates the transition towards sustainable development. It was founded in 2001. To achieve this, IDDRI identifies the conditions and proposes the tools for integrating sustainable development into policies. It takes action at different levels, from international cooperation to that of national and sub-national governments and private companies, with each level informing the other. As a research institute and a dialogue platform, IDDRI creates the conditions for a shared analysis and expertise between stakeholders. It connects them in a transparent, collaborative manner, based on leading interdisciplinary research. IDDRI then makes its analyses and proposals available to all. Four issues are central to the institute's activities: climate, biodiversity and ecosystems, oceans, and sustainable development governance.
To learn more about IDDRI's activities and publications, visit www.iddri.org

Barchiche, D., Dufief, E., Lobos Alva, I., Keijzer, N., Marbuah G. *Study* N°03/23, IDDRI, Paris, France, 50 p.

ISSN 2258-7071

This work has received financial support from the French government in the framework of the programme "Investissements d'avenir" managed by ANR (French National Research Agency) under the reference ANR-10-LABX-14-01.

CONTACT
damien.barchiche@iddri.org
elise.dufief@iddri.org
ivonne.lobos@sei.org
Niels.Keijzer@idos-research.de
G.MARBUAH@afdb.org

Institut du développement durable et des relations internationales 41, rue du Four – 75006 Paris – France

www.iddri.org
IDDRI_ThinkTank
www.sei.org
www.idos-research.de