# **Factsheet**

# ***Financing for Development: Progress and Prospects 2018 [[1]](#footnote-1)***

Inter-agency Task Force on Financing for Development

<http://bit.ly/iatf2018>

**Domestic public resources**

* Median tax collection in developed countries was 25.2 percent of GDP in 2016, but for the least developed countries, median tax revenue declined in 2016 and is only 13.3 percent of GDP. Middle income countries saw median tax revenue of 17.9 per cent in 2016. (p.41)
* In Latin America and the Caribbean, tax non-compliance is estimated to be equivalent to 2.4 per cent of GDP for value-added taxes (VAT) and 4.3 per cent for income tax, worth a combined total of $340 billion in 2015. (p.43)
* Digitizing tax payments in developing countries can lead to direct savings of between 0.8 and 1.1 per cent of GDP annually, with about 0.5 per cent of GDP accruing to government. (P. 45)
* Only 16 countries have automatically-adjusted specific excise taxes on cigarettes, the WHO recommended best practice. (p. 48)
* In 2017 only 26 of the covered 115 countries provide sufficient budget information that would enable all stakeholders to track development spending. (p. 56)
* Some 59 per cent of countries publish data on actual spending against the budget during implementation, but only 45 per cent make available data on final spending against the budget. Further, 74 per cent of countries do not yet provide expenditures disaggregated by sex, age, income, or region. (p. 56)

**Private business and finance**

* Total foreign direct investment (FDI) to developing countries, amounted to approximately $653 billion in gross terms in 2017, with FDI to LDCs estimated to be around $32.6 billion (or around 2 per cent of total global FDI flows). (p.63)
* Long-term institutional investors are estimated to hold around $80 trillion in assets. (p. 67) So-called “impact investors”, who include positive social and environmental impacts alongside financial returns in their decision-making process, hold assets under management of around $22 billion. (p. 71)
* Only 7 per cent of financial professionals report themselves as being ‘highly interested’ in investing with environmental and social factors in mind. (p. 72)
* In 2016 S&P 500 companies spent over 100 per cent of their earnings on dividends and share buybacks, which boost stock prices in the short run, rather than raising long-run company value through investments. (p. 74)
* 55 per cent of corporate executives and directors said they would delay investments in projects with positive returns to hit quarterly earnings targets. (p. 74)

**International development cooperation:**

* Aid increased by 10.7 per cent in real terms from 2015 to 2016, continuing a long-term rising trend. (p. 87)
* Since 2010, the increases in aid have, to a large extent, been due to humanitarian aid and in-donor refugee costs. (p. 89)
* Aid to the least developed countries has stagnated in recent years, growing just 1 per cent in real terms in 2016. (p. 87)
* Between 2000 and 2016, 167 new blended finance facilities, with approximately $31 billion in combined commitments, and 189 blended finance funds, were launched. (p.103)
* However, blended finance instruments are not being extended to the poorest countries – only 7 per cent of private finance mobilized by blending instruments targets the least developed countries. (p.103)

**International Trade as an engine for development**

* Each additional dollar invested in a national trade promotion organization would generate $87 worth of exports and $384 of additional GDP per capita (p.125)
* The volume of world trade grew by 3.7 per cent in 2017 and appears set to continue at a similar pace through 2019. (p.112) Yet, the share of least developed countries in global exports has declined every year since 2011, and now stands at 0.91 percent of trade (p. 113)
* The gap in trade finance remains large, particularly in developing countries, with global unmet demand estimated at about $1.5 trillion (p.120)
* Labour provisions figure in about 30 per cent of all trade agreements made in 2017, compared to only 7 per cent two decades ago (p.123)

**Debt and debt sustainability:**

* 18 developing countries are either at high risk of or in debt distress. (p.139)
* The median external debt of low- and middle-income countries is now at 40.1 per cent of GDP, the highest it has been since 2005. (p. 129)
* The share of private creditors in LDC public debt doubled from 8 per cent to 16 per cent since 2000, exposing them to significant rollover and refinancing risks. (p.129)

**Systemic issues:**

* The share of cross-border bank lending which is long-term in maturity has declined in the last two years. For global lending, it fell below 53 per cent at the end of the third quarter of 2017. For lending to developing countries it fell to 45.6 per cent. (p.143, 144)
* The risk-based capital ratio of the biggest internationally active banks reached 12.3 per cent at the end of 2016.(p. 145)
* While IMF resources have increased significantly since the 2009 crisis, they are lower today than they were before the mid-1990s, both as a share of world gross product and as a share of gross global capital flows. (p. 149)
* Resources available in the global financial safety net, including IMF resources, are estimated at $3.8 trillion in 2016. This is about one-third the size of foreign exchange reserves held in the world. (p. 150)

**Science, technology, innovation and capacity-building:**

* Half of all households globally still lack access to the Internet. In least developed countries, 85 per cent of households are not connected. (p.162)
* The total investment required to build universal 3G coverage in least developed countries is less than $40 billion (p.169)
* Moving government payment transactions from cash to digital could save roughly 1 per cent of GDP annually in developing countries. Half of these cost savings would accrue directly to Governments. (p.167)

**Financing investment in selected SDGs:**

*SDG 6 (water and sanitation)*

* The global total capital costs of achieving universal access to safely managed water and sanitation services and hygiene is estimated at USD 114 billion annually (or three times the historical financing trend). (p.22)
* In more than half of all countries, household tariffs are insufficient to cover even operation and maintenance costs of water utilities. (p.22)
* It is estimated that with operational efficiency gains alone, without a tariff increase, 65 per cent of water utilities in developing countries would cover operational expenditures, up from just 15 per cent today. (p.22)

*SDG 7 (affordable and clean energy)*

* Achieving SDG 7 will require significant investment, with annual needs estimated at: $45 billion for universal access to electricity; $4.4 billion for clean cooking; between $442 and 650 billion for achieving the transition toward renewable energy compatible with climate goals; and $560 for energy efficiency. Investment needs considerably exceed current spending, for instance renewable power capacity and energy efficiency investments amounted to respectively $242 and 231 billion in 2016. (p.28)
* The decline in prices for renewables, such as solar PV, has been associated with a surge of investments, which increased six-fold between 2005 and 2015, before falling somewhat in 2016.
Yet, 2016 was a record year in terms of installed renewable capacity, which represented around 60 per cent of the net power generating capacity added that year (p.30)

*SDG 11 (sustainable cities and communities)*

* In 2015, close to 4 billion people — 54 per cent of the world’s population — lived in cities and that number is projected to increase to about 5 billion people by 2030. (p.18)
* It is estimated that more than 70 per cent of infrastructure will be built in urban areas, and that by 2030 these investments could be greater than the $50 trillion value of all the infrastructure in the world today. (p.18)
* In some countries, sub-national governments already contribute significantly to financing and delivering infrastructure, at nearly 40 per cent of public investment. (p.18)

*SDGs 15 (terrestrial ecosystems)*

* Financing needs to preserve ecosystems range from $150 to 400 billion annually, compared to current financing, which is estimated at roughly $50 billion annually. (p.33)

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1. Please note that these facts and figures come from a number of sources, and are all in the report on line. [↑](#footnote-ref-1)