

Achieving the Sustainable Development Goals in South Asia: Key Policy Priorities and Implementation Challenges

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Executive Summary

The 2030 Agenda for Sustainable Development, comprising 17 Sustainable Development Goals (SDGs) is especially relevant for South Asia countries which, despite their economic dynamism and remarkable Millennium Development Goal (MDG) achievements, account for 37% of the world's poor, nearly half of the world's malnourished children, and suffer from a number of development and infrastructure gaps. With one fifth of the world's population, South Asia has a critical role in the global achievement of the SDGs.

Outlook for Sustainable Development in South Asia

South Asian countries have achieved MDG targets for poverty eradication, gender equality in primary education, reducing tuberculosis, increasing forest cover and protected areas, reducing carbon dioxide emissions and increasing access to safe drinking water but have found it challenging to meet the targets on maternal and child mortality, sanitation and reducing the proportion of underweight children. South Asia's achievements vary across the goals and targets but also across and within countries. SDGs carry forward the **unfinished** MDG agenda in the first 7 Goals and build on it with cross-cutting issues such as economic growth, job creation, industrialization, inequality, and peace and justice (SDG 8, 9, 10, and 16), and the ecological sustainability related goals (SDG 11-15), besides stronger means of implementation through a reinvigorated global partnership (SDG-17).

Key policy priorities for achieving SDGs in South Asia

For addressing the key development challenges faced by South Asian countries as highlighted by the leaders, the unfinished MDG agenda, and taking cognizance of inter-relationships and synergies between 17 SDGs and 169 targets, the Report identifies below seven key strategic policy priorities for operationalizing integrated SDG achievement in South Asian context.

Sustained job-creating rapid economic growth through industry-oriented structural transformation: Industrialization (SDG-9) and economic growth (SDG-8) are critical for poverty alleviation (SDG-1) and other SDGs. South Asia has emerged as the fastest growing subregion but its growth has not been creating adequate jobs for its youthful population and 80% of the workforce is stuck in the informal sector. The structural transformation in South Asia has moved from agriculture to services bypassing industry not allowing the substantial backward and forward linkages of industry to be harnessed for job-creation. UNESCAP-SANEM Model simulations show that an industry-oriented structural transformation (along with select other SDG priorities) could generate more than 56 million additional jobs and could lift 71 million additional people out of poverty compared to a business-as-usual strategy in South Asia. A regionally coordinated industrialization strategy could leverage spillovers of manufacturing across borders, creating productive capacities across South Asia through regional value chains.

Closing infrastructure gaps for providing essential services to all: South Asian countries are characterized by wide infrastructure gaps in transport infrastructure (SDG-9), basic infrastructure such as access to drinking water and sanitation (SDG-6), electricity (SDG-7), and ICT costing the subregion 3-4% of GDP besides affecting achievement of other SDGs. Estimates suggest that South Asia per capita incomes would increase roughly 1% for each percentage point increase in infrastructure availability.

Universal access to education and health to harness South Asia's youth bulge: Investing in human development through universal health coverage (SDG-3) and quality education and vocational training opportunity to all (SDG-4), will enable South Asia to reap a demographic dividend from its youthful population. Such investment will also allow the subregion to bridge the projected global skills deficit of 95 million workers with secondary and higher education by 2020. South Asian governments are adopting rights-based approaches to provide universal education but need to also pay attention to the quality of education and training.

Universal social protection and financial inclusion: Social protection strategies and financial inclusion are smart investments for accelerating poverty reduction (SDG-1) and reduce inequality (SDG-10). South Asian countries can scale up models of social protection they have evolved over the past decade including those based on income support, employment guarantee and conditional cash transfers. Besides expanding

microfinance programmes, governments may also leverage new innovations such as branch-less banking and mobile-based financial services for enhancing financial inclusion.

Addressing food security and hunger with sustainable agricultural productivity improvements: Food security and eradication of hunger (SDG-2) is a key development challenge in South Asia which continues to be one of the largest hunger hotspots in the world accounting for nearly two thirds of global undernourished people. Policy action is needed to eradicate extreme poverty to ensure better access to food and reduce inequality, combat the high levels of anemia and vitamin A deficiency, extend social protection programmes to improve household incomes and consumption and increasing smallholder agricultural productivity.

Promoting gender equality and women's empowerment through entrepreneurship: Despite achieving gender parity in education, South Asia lags behind in economic and political empowerment of women, as well as other dimensions of gender equality (SDG-5). Estimates suggest that gender equality could add upto \$3.4 trillion to South Asian countries' GDP by 2025. Promotion of women's entrepreneurship can be a potent catalyst for women's economic empowerment and can be promoted through a gender-responsive policy attention and "one-stop shops" for information and guidance, incentivizing credit availability, and capacity-building besides regional sharing of good practices.

Enhancing environmental sustainability through low-carbon climate-resilient pathways: Policies for transformative development must reengineer growth towards sustainable development pathways given South Asia's high degree of vulnerability to climate change. Changing the energy mix in favour of renewable sources viz. hydro, solar and wind; moving towards cleaner fuels such as gas-based energy, and employing new technologies for reducing emissions from conventional energy generation will need to form part of decarbonization strategy for South Asia. Industry needs to move towards sustainable production through enhanced energy efficiency, waste recycling, and cogeneration. Lifestyle changes including 3-R (reduce, reuse and recycle) practices and sustainable solid waste management need to be adopted as a part of sustainable consumption. The projected rapid rise in urban population in South Asia over the next three decades provides the subregion with opportunities to leapfrog to greener and more resilient buildings and urban infrastructure, and urban transport systems in sustainably smart cities.

Institutional arrangements for implementing the SDGs

At ***national level***, a national coordinating agency is critical for effective implementation of the SDG Given the wide range of objectives and the need for cross-sector coordination. In South Asia, generally the planning agencies have taken over responsibility for coordinating the SDGs given their experience in sectoral coordination. Adoption of outcome based approaches may be helpful to tackle multidimensional sustainable development challenges and avoid silo approaches. Strengthening decentralization can empower local administrations to function effectively to deliver the SDG achievement. Adequate authority, capacity and resources need to be invested at this level and coordination vertically between national to local levels is needed that maintains accountability and encourages effective stakeholder participation. Institutional reforms are necessary to incentivize changes in regulations, institutional culture, markets and mindsets. Institutions such as India's powerful National Green Tribunal may help introduce difficult and unpopular changes necessary for sustainable development. Ensuring stakeholder participation in implementation and monitoring at all levels is key to effective SDG implementation and keeps policy design relevant and responsive. Participation ensures no one is left behind and service delivery is accountable.

Subregional and regional coordination: Subregional coordination could be fruitful given their shared challenges, cultural and administrative framework and similar initial conditions. In South Asia, SAARC has a mandate for coordination and cooperation to implement the 2030 Agenda. Besides contextualizing the SDGs at the subregional level and working out subregional efforts to complement national strategies, it would be beneficial for countries in the subregion to share development experiences in addressing different development challenges, such as achieving universal health coverage. Regional coordination at broader Asia-Pacific level can also be fruitful to facilitate the sharing of good practices and cross-learning. ESCAP's cross-sectoral mandate and universal membership with a regional focus plays an important role in supporting SDG implementation and monitoring. ESCAP's Asia-Pacific Forum for Sustainable Development has evolved into a useful platform for sharing of experiences and to assist the region develop a regional roadmap for SDG achievement.

Addressing the capacity gaps and means of implementation

Finance: Implementing the SDG agenda in South Asia will require huge amount of resources including social investments of the order of 10-20% of GDP besides around \$5 trillion for closing infrastructure gaps by 2030 besides investments in enhancing environmental sustainability. With low tax-to-GDP ratios, South Asian countries have the potential of enhancing domestic resources through expanding tax base, tax reforms, strengthening tax administration and through innovative taxes. Public-private-partnerships (PPP) can supplement public investments in sustainable infrastructure projects. Some countries such as India are also harnessing the potential of corporate social responsibility to supplement public resources. Regional cooperation in cross-border listings and development of regional bond markets can help to diversify risk and increase access to cheaper capital for companies from LDCs. The SAARC Development Fund could be transformed into a South Asian Development Bank to catalyze regional infrastructure development. The proposed Asia-Pacific Tax Forum within the auspices of UNESCAP could also foster cooperation on tax matters. Cooperation on funding for climate change and international taxation of financial transactions may also be options for facilitating the means of implementation. While conventional flows of ODA remain critical for subregion's economies especially the LDCs, South-South cooperation is beginning to supplement resources for development in the subregion and beyond.

Access to Technology for pursuing low carbon pathways: In the context of a high concentration of technological activity in enterprises based in a handful of advanced economies, provision of technologies on favourable terms as well as a global technology facilitation mechanism and a technology bank for LDCs, as provided for under SDG-17, are critical for South Asian countries. Strengthening technology transfer provisions under WTO's TRIPS Agreement could be helpful. South Asia spends only 0.7% of its GDP on research and development (R&D) compared with the world average of 2.1% and 2.6% in East Asia and lags behind in all other aspects of science, technology and innovation (STI) that determine, a country's ability to absorb, assimilate and benefit from technology acquisition. Pooling resources to develop sustainable solutions jointly could be fruitful, including to harness the frugal engineering capabilities of South Asian countries for developing low carbon growth paths. At the same time, policies for should prioritize investment in skills formation and R&D activity geared to foster industry-oriented sustainable structural transformation.

Data, monitoring and accountability: Systems to accurately track SDG progress are beyond the statistical capacity in many countries in South Asia, which face gaps even in such simple processes as registration of births. They are likely to face significant challenges in providing regular, timely and representative quality disaggregated data on different Goals. Strengthening regional cooperation for the monitoring and evaluation especially in statistical capacity, is an agenda that UNESCAP and SAARC are well placed to carry out as an example of intraregional South-South cooperation. The advantage of a regional approach would also be the development of common standards and perspectives for methodological processes, and the reporting of progress at the broader regional and global levels.

Regional economic cooperation and integration can fruitfully complement the national actions for achieving SDGs in South Asia for instance, by harnessing the potential of regional value chains can help in creation of productive capacities for South Asian LDCs besides generating additional US\$ 55 billion of additional intra-regional exports. Regional cooperation can also strengthen energy security besides saving of over US\$9 billion per year in electricity costs. Cooperation to develop regional hydro potential as pioneered by Bhutan could now extend to Nepal and Afghanistan, among other countries. Gas pipelines across the breadth of the subregion such as TAPI and IPI, power grids such as CASA1000, joint energy exploration as well as the sharing of technology and best practices including in energy efficiency are other areas of fruitful cooperation that could be supported by the SAARC Energy Centre, UNESCAP with its new mandate on energy and the International Solar Alliance launched at the COP21. South Asian countries could also strengthen their collective food security through strengthening the SAARC Food Bank, through liberalization and facilitation of trade in food products, harmonization of SPS and TBT standards for food products, and pooling resources for joint R&D and agricultural extension for enhancing productivity of agriculture besides optimally sharing regional resources such as river waters.

Achieving the Sustainable Development Goals in South Asia: Key Policy Priorities and Implementation Challenges

1. Introduction

The 2030 Agenda for Sustainable Development, comprising 17 Sustainable Development Goals (SDGs) adopted by world leaders at the United Nations Sustainable Development Summit in September 2015, is especially relevant for the eight countries of South Asia (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka) which, despite their economic dynamism and remarkable Millennium Development Goal (MDG) achievements, account for 37% of the world's poor and suffer from a number of development and infrastructure gaps.¹ Given South Asia's weight as one fifth of the world's population, the subregion has a critical role in the global achievement of the SDGs.

The 2030 Agenda encompasses the three core dimensions of economic, social and environmental development and offers to South Asian countries a unique pathway to eradicate poverty and hunger and to provide a life of dignity for all while paying attention to environmental sustainability. Against that backdrop, this Report reviews the status of achievement of MDGs by South Asian countries, opportunities that the SDGs represent for their inclusive and sustainable transformation, the implementation challenges and outlines an action plan for achieving the SDGs.

Relevance of SDGs for South Asia

The 2030 Agenda represents a global compact for transformative development evolved through an unprecedented process of consultation at national, subregional, regional and global levels among stakeholders. It is particularly relevant for South Asia as it integrates economic, social and environmental dimensions of development and leverages the favourable synergies and externalities. The failure of South Asia to exploit these synergies of coordinated development across the three pillars in the past has left the subregion with vast structural imbalances and vulnerable to external shocks. It has lagged behind other subregions in levels of human development and in achieving the MDGs. For instance, although South Asia is an early achiever of the MDG related to poverty, more than 503 million people are trapped in extreme poverty (based on the \$1.25 a day poverty line), representing 31% of the population of the subregion and nearly 37% of people living in extreme poverty worldwide, which is the highest concentration of poor globally.²

Rising inequalities in income and consumption across societies and across and within urban and rural populations over the past decades have led to social exclusion and generated much discontent. More than 80% of the workforce in South Asia is trapped in low-quality informal sector jobs with little or no social protection.³ Growth has not been able to harness the youth bulge and demographic dividend in South Asia by creating decent and productive job opportunities for young people who join the workforce.⁴ Structural transformation in South Asia has moved from agriculture towards services, bypassing industry, which has seen its share in GDP remaining at virtually the same level since 1991.⁵ Land degradation and a failure to harness sustainable agricultural practices to enhance agricultural productivity, poverty and distributional issues have made South Asia the largest hunger hotspot in the world, with one third of the world's food insecure population and nearly half of the world's malnourished children.⁶

The failure to harness renewable energy resources and inadequate attention to energy efficiency have led to rising imports of hydrocarbons, thereby straining the current account balances and resulting in energy scarcities, including blackouts. The inability to manage the effects of climate change has exposed the subregion to the rising incidence of natural disasters. South Asia is the worst affected subregion, accounting for over 50% of all fatalities from natural disasters in Asia and the Pacific in 2013/14.⁷ Economic crises, as well as natural disasters including floods, earthquakes, tsunamis and cyclones, can and have repeatedly wiped

away years of development gains. Unsustainable growth has also placed increasing pressures on natural resources and carbon space. Material consumption and carbon dioxide emissions are rising quickly in the subregion, though per capita emissions of carbon dioxide are still low in the subregion. The GDP growth rate in South Asia would be minimal, if at all positive, if it fully took into account the environmental degradation and the depletion of natural capital, such as land, water, biodiversity, natural resources and other ecosystem services, that is caused by unsustainable economic growth pathways.⁸ Therefore, the pursuit of GDP growth without adequate attention to its quality in terms of social and environmental outcomes can be deceptive. It is not only unsustainable but also inter-generationally inequitable.

2. Outlook for sustainable development in South Asia

Achievements of MDGs by South Asian countries

South Asian countries have made remarkable progress towards achieving the MDGs over the past decade. Table 1 shows that South Asia has already achieved targets for poverty eradication, gender equality in primary education, reducing tuberculosis, increasing forest cover and protected areas, reducing carbon dioxide emissions per unit of gross domestic product (GDP) and increasing access to safe drinking water, and is on track towards the primary enrolment target and gender equality in secondary education. However, like other subregions, South Asia has found it challenging to meet the targets in respect of maternal and child mortality, sanitation and reducing the proportion of underweight children. South Asia's achievements vary across the goals and targets but also across and within countries. The rural-urban divide remains wide as does the gender divide in terms of MDG outcomes and deprivations.

Table 1: Achievement of the Millennium Development Goals in South Asia

Goal	1	2	3	4	5	6	7
	\$1.25 per day poverty Underweight children	Primary enrolment Reaching last grade Primary completion	Gender primary Gender secondary Gender tertiary	Under-5 mortality Infant mortality	Maternal mortality Skilled birth attendance Antenatal care (≥ 1 visit)	HIV prevalence TB incidence TB prevalence	Forest cover Protected area CO ₂ emissions per GDP Safe drinking water Basic sanitation
Asia-Pacific	●	▶	●	●	●	●	●
South-East Asia	●	▶	●	●	●	●	●
Pacific Islands	▶	▶	●	●	▶	●	●
North and Central Asia	●	▶	●	●	●	●	●
Asia-Pacific LDCs	●	▶	●	●	●	●	●
South Asia	●	▶	●	●	●	●	●
South & South-West Asia	Afghanistan	▶	●	●	●	▶	●
	Bangladesh	▶	▶	●	●	▶	●
	Bhutan	▶	▶	●	●	▶	●
	India	●	▶	●	●	▶	●
	Iran (Islamic Rep. of)	●	▶	●	●	▶	●
	Maldives	●	▶	●	●	▶	●
	Nepal	●	▶	●	●	▶	●
	Pakistan	●	▶	●	●	▶	●
	Sri Lanka	●	▶	●	●	▶	●
	Turkey	●	▶	●	●	▶	●

● Early achiever
▶ On track
● Slow
▶ Regressing/No progress

Source: UNESCAP, ADB and UNDP (2015).

Notes: \$1.25 per day poverty for Afghanistan represents the poverty headcount at the national poverty line.
LDCs = least developed countries.

Driven by the bursts of acceleration in poverty reduction that took place immediately before the global financial crisis and in recent years, South Asia has reduced extreme poverty by 54.7% since 1990 overshooting the MDG target of 50% reduction. South Asia has also been successful in meeting its MDG targets on universal primary enrolment and primary completion. However, at 52.5%, the subregion's net

secondary enrolment rate lags behind the global average of 66.0% by 13.5 percentage points. Girls, especially in Pakistan and Afghanistan, and children from lower socioeconomic strata and lagging regions continue to have lower access to primary education. South Asia hasn't experienced commensurate improvements in learning levels, and the quality of education provided especially in rural areas is often poor. Student achievement levels have been low in most countries in South Asia. The outcomes are partly explained by low public expenditure on education as a percentage of GDP, ranging in most countries in the subregion from 2.0% in Bangladesh, 3.9% in India, 2.5% in Pakistan and 1.7% in Sri Lanka, well below the recommended threshold of 6%.⁹

Similarly, South Asia has made notable progress in achieving the health-related MDGs by reducing maternal mortality, registering a 65% decrease in the maternal mortality ratio between 1990 and 2013 although underperforming the MDG target of a 75% reduction. Just over half (52%) of birth deliveries were attended by skilled health personnel in South Asia in 2014, while East Asia has attained universal skilled birth attendance. South Asia also continues to have both a high rate of under-five mortality, at 50 deaths per 1,000 live births in 2015. Public health expenditure levels in South Asia remain very low, at 1.3% of GDP in 2013, compared with the world average of 6% and about 8% in high-income Organization for Economic Cooperation and Development (OECD) countries.¹⁰

SDGs and the key development challenges faced by South Asia

Carrying forward the unfinished MDG Agenda: Despite its remarkable achievements, South Asia today represents the largest concentration of poverty, hunger and other deprivations in the world. Despite successfully reducing the proportion of people in extreme poverty by 2015, building a sustainable future *for all* requires completing the tasks the MDGs started, especially for over 500 million people in South Asia who continue to remain trapped in poverty even after the MDG goal has been achieved. The MDGs therefore remain an unfinished agenda in South Asia.

In contrast to the partial human development agenda of the MDGs, the SDGs seek to provide a minimum level of well-being that every person should be guaranteed throughout their lifetime. The first seven goals for instance, focus on measures of individual and household-level sustainable development. They include ending extreme poverty (SDG-1), ending hunger (SDG-2), health for all (SDG-3), quality education for all (SDG-4), gender equality and women's empowerment (SDG-5), drinking water and sanitation for all (SDG-6) and an additional goal of affordable, reliable, sustainable and modern energy for all (SDG-7). For countries in South Asia, where hundreds of millions remain trapped in extreme poverty, and for the others who lack access to basic needs, the 2030 Agenda represents an important opportunity to end these deprivations in a generation.

Drivers of development: An important limitation of the MDGs was that they included outcomes but not the processes, drivers and other prerequisites for the development outcomes, such as economic growth, structural transformation and employment creation, which are necessary conditions for achieving the development outcomes. The 2030 Agenda includes inclusive and sustainable economic growth, full employment and decent work for all (SDG-8), ensuring resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation (SDG-9), reducing inequality within and among countries (SDG-10), and peaceful and inclusive societies, justice and institutions (SDG-16).

Enhancing environmental sustainability: Although the MDGs covered some aspects of environmental sustainability, today there is greater recognition and understanding of the sustainability challenges. The 2030 Agenda focuses on key environmental and resource dimensions and challenges. These include making cities and human settlements inclusive, safe, resilient and sustainable (SDG-11), ensuring sustainable consumption and production patterns (SDG-12), taking urgent action to combat climate change and its impacts (SDG-13), ensuring the sustainable management of seas and marine resources (SDG-14), and protecting, restoring and promoting the sustainable use of terrestrial ecosystems and sustainably managed forests, combating desertification, and halting and reversing land degradation to stop biodiversity loss (SDG-15).

Strengthening global partnership as a means of implementation: The global partnership under the MDGs was defined in best endeavor terms and not in a precise manner that could lend itself to monitoring like other goals. SDG-17 elaborates and defines the global partnership in terms of the different means of implementation

that developing countries will need to carry out the ambitious 2030 Agenda including finance, technology, capacity-building, trade and systemic issues such as policy coherence to avoid systemic risks, as well as strengthening data collection and monitoring.

3. Key policy priorities for achieving SDGs in South Asia

The unfinished MDG agenda including poverty, hunger, education and health and provision of other human needs along with gender equality emerge to be the key development challenges for South Asia from the above discussion. The SAARC Leaders have also identified poverty alleviation, jobs for youth, agriculture and food security, health and education, women and children and social protection, energy, environment and blue economy as the key development challenges for South Asia.¹¹ In light of these key challenges and priorities, and taking cognizance of inter-relationships and synergies between 17 SDGs and associated 169 targets, the Report identifies below **seven** key strategic policy priorities for operationalizing integrated SDG achievement in South Asian context.¹²

a) Sustained, broad-based and job-creating rapid economic growth through industry-oriented structural transformation

Robust job-creating economic growth (SDG-8) is critical to support the achievement of poverty eradication (SDG-1) and other SDGs but is also linked with industrial development (SDG-9). South Asia has emerged as the fastest growing subregion globally and its increasingly stronger macro-fundamentals point to the potential of the subregion to sustain robust economic growth rates over the medium-to-long term.¹³ However, South Asia's growth has not been creating adequate jobs for its youthful population and its employment elasticity has been declining. Employment growth averaged 1.8% annually in India and 2.6% annually in the rest of South Asia between 1992 and 2012, much lower than the GDP growth over the same period. The quality of employment has also suffered with over 80% of workers in the subregion work in the informal sector with little or no protection or rights. A high proportion of informal sector jobs has perpetuated low productivity, extreme poverty and inequality.

The creation of more productive jobs in the formal sector for youth is linked with the nature of structural transformation in the subregion. South Asia has undergone a dramatic structural transformation, bringing the share of agriculture in GDP down from 30% in 1990 to 18.7% in 2013 (see figure 1). But agriculture continues to support nearly half (46% in 2013) of employment in South Asia. On the other hand, the service sector accounts for nearly 30% of employment, but almost double this share in terms of contribution to GDP. Therefore, the structural transformation in South Asia has moved from agriculture towards services, bypassing industry, which has seen its share in GDP stagnating at the same level since 1991. In fact, the share of industry and manufacturing in value added in countries in South Asia is among the lowest in the Asian and Pacific region.¹⁴ This has implications for the employment elasticity of economic growth, as industry, especially manufacturing, generates jobs directly in addition to a substantial proportion of jobs created indirectly in other sectors through extensive backward and forward linkages. Figure 2 shows the negative relationship observed between the primary to development ratio and the share of manufacturing value added in GDP. Therefore, South

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