INTEGRATED SDG INSIGHTS

PAKISTAN

This initiative supports the articulation of national commitments to SDG transformation, towards accelerated SDG action in the second half of the 2030 Agenda.

HOW TO READ THIS REPORT

Integrated SDG Insights provides an overview of a country's economic growth trajectory, highlighting potential conflicts between growth, environmental concerns, and societal well-being (referred to as the **SDG Moment**).

It builds from the foundation of national SDG progress through the lens of the 5Ps and uses machine learning to analyse national development ambition with an SDG lens (**SDG Trends & Priorities**).

Combined, these insights are mapped against SDG interlinkages to define policy choices the accelerate SDG progress, tailored to national context (**SDG Interlinkages**).

These policy choices are made against fiscal constraints and opportunities for stimulus to ensure choices translate to development impact and leave no one behind (**Finance & Stimulus**).

SDG MOMENT: PAKISTAN

While economic growth is a key element in achieving the SDGs, many countries are intent on moving beyond growth as a yardstick for progress. In the short run, growth enables the SDGs; but in the long run, the SDGs aim to transform the pattern of growth itself.

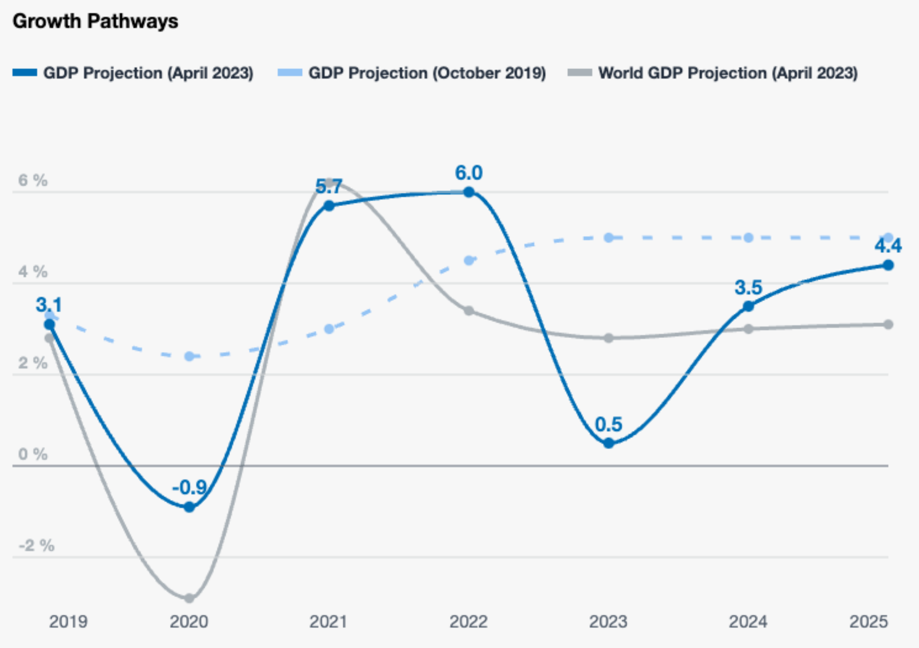
Pakistan's commitments to achieving the SDGs are focused on increasing people's well-being. However, the 2022-2023 shocks of the floods' impact, combined with a high-volume of debt overhang, pose a significant challenge for Pakistan to achieving the SDGs.

Pakistan's economic growth is in mitigation mode in 2023 but is projected to transition to higher growth by 2024-2025.[1] This pace of economic growth is expected to be higher than the global rate estimated for t2024 and to converge with the country's growth trajectory forecast before the pandemic.

This pace of growth would exert a moderately positive impact on reducing poverty. The economic expansion, on the other hand, would be somewhat less dependent on carbon emissions as the country's carbon emissions intensity of GDP is expected to decrease at an annual rate of 0.7% due to reduction in fossil fuel usage and by 1.7% when also considering land-use change.[2]

[1] The economic cycle is determined by adjusting the country's current GDP growth forecasts (April 2023) by their gap relative to the forecasts made before the pandemic and subsequent crises (October 2019). If the adjusted rates (not shown) are below 2%, the economy is considered in mitigation; it is coping if the adjusted rates range between 2%-4%, and it is in acceleration if they are above 4%.
[2] CO_2 emissions intensity of GDP is computed as tonnes of CO_2 per $1,000 (2017 PPP).

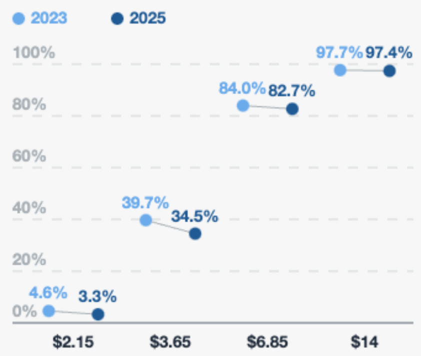
GDP



Source: IMF World Economic Outlook (WEO) (April 2023 and October 2019).

PEOPLE

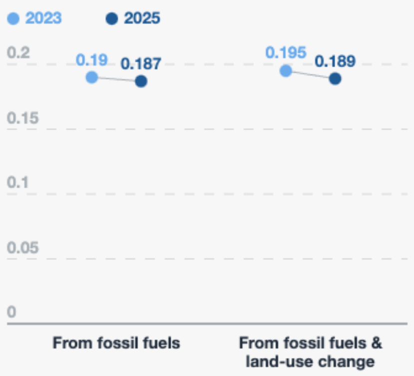
Poverty: Percentage of the population under each threshold (PPP$ a day)



Source: Projections based on binned distributions ($0.10-bins, 2017 PPP) reconstructed from the World Bank's Poverty and Inequality Platform through the pip: Stata Module.

PLANET

Carbon Intensity: CO2 emissions intensity of GDP (tCO2 per PPP $1,000)



Source: Projections based on GDP data from the IMF WEO Database (April 2023), and on CO2 emissions from the Global Carbon Budget 2022 and EDGAR (JRC and IEA).

SDG TRENDS

Understanding how Pakistan performs against the SDG targets provides a baseline landscape against which to to build integrated SDG pathways. SDG progress tracking follows UN Stats standards and methodology, and is aligned with country profiles.

Trends in detail:
https://data.undp.org/sdg-push-diagnostic/PAK/sdg-trends

SDG PRIORITIES

Pakistan's national priorities are analysed using machine learning to reveal the most prominent SDGs referenced in national policy documents. This analysis uses a custom-built model for SDG classification. It considers 100k+ terms, including phrases and expressions.

Key documents for analysis:

1. National SDGs Framework for Pakistan Technical Guidelines
2. SDG Investor Map 2023
3. Pakistan Common Country Analysis 2022
4. Living Indus Initiative
5. Medium-Term Debt Management Strategy (FY2022-FY2026)
6. National Commission on the Status of Women-UNDP report, *Digitization and Women in Pakistan*
7. Pakistan: Spending Needs for Reaching the Sustainable Development Goals (IMF)
8. Pakistan Vision 2025
9. Pakistan Floods 2022: Post-Disaster Needs Assessment
10. Voluntary National Review 2022

Priorities in detail:
https://data.undp.org/sdg-push-diagnostic/PAK/current-priorities

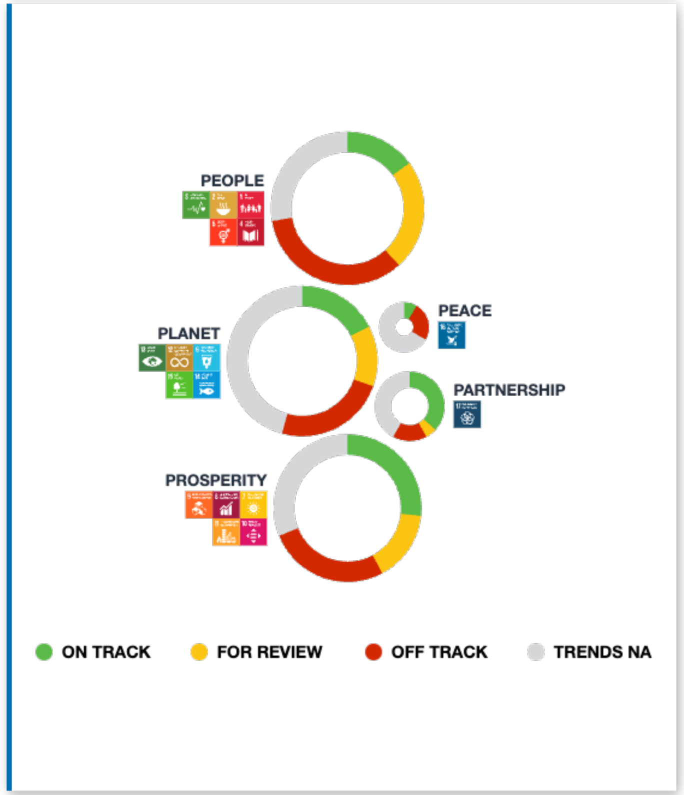
SDG INTERLINKAGES

SDG interlinkages reveal how actions directed towards one SDG can impact others. Uncovering and understanding these interactions can help Pakistan to achieve the 2030 Agenda for Sustainable Development and to navigate trade-offs.

Based on a global framework for interlinkages, Pakistan's SDG progress is colour-coded at the target level.

Building from national trends and priorities, the following integrated SDG pathways reflect policy choices, supported by the United Nations Sustainable Development Cooperation Framework (UNSDCF), with the most potential to accelerate the SDGs for Pakistan:

- Target 1.3: Implement social protection systems (UNSDCF Outcome 1: Basic Social Services; Outcome 4: Gender Equality & Women's Empowerment)
- Target 8.1: Sustainable economic growth (UNSDCF Outcome 4: Economic Growth)
- Target 9.1: Develop sustainable, resilient and inclusive infrastructure (UNSDCF Outcome 3: Climate Change & Environment)
- Target 11.1: Safe and affordable housing (UNSDCF Outcome 3: Climate Change & Environment)
- Target 16.6: Develop effective, accountable and transparent institutions (UNSDCF Outcome 5: Governance)



ACCELERATION PATHWAYS

SYNERGIES

TRADE-OFFS

SDG INTERLINKAGES

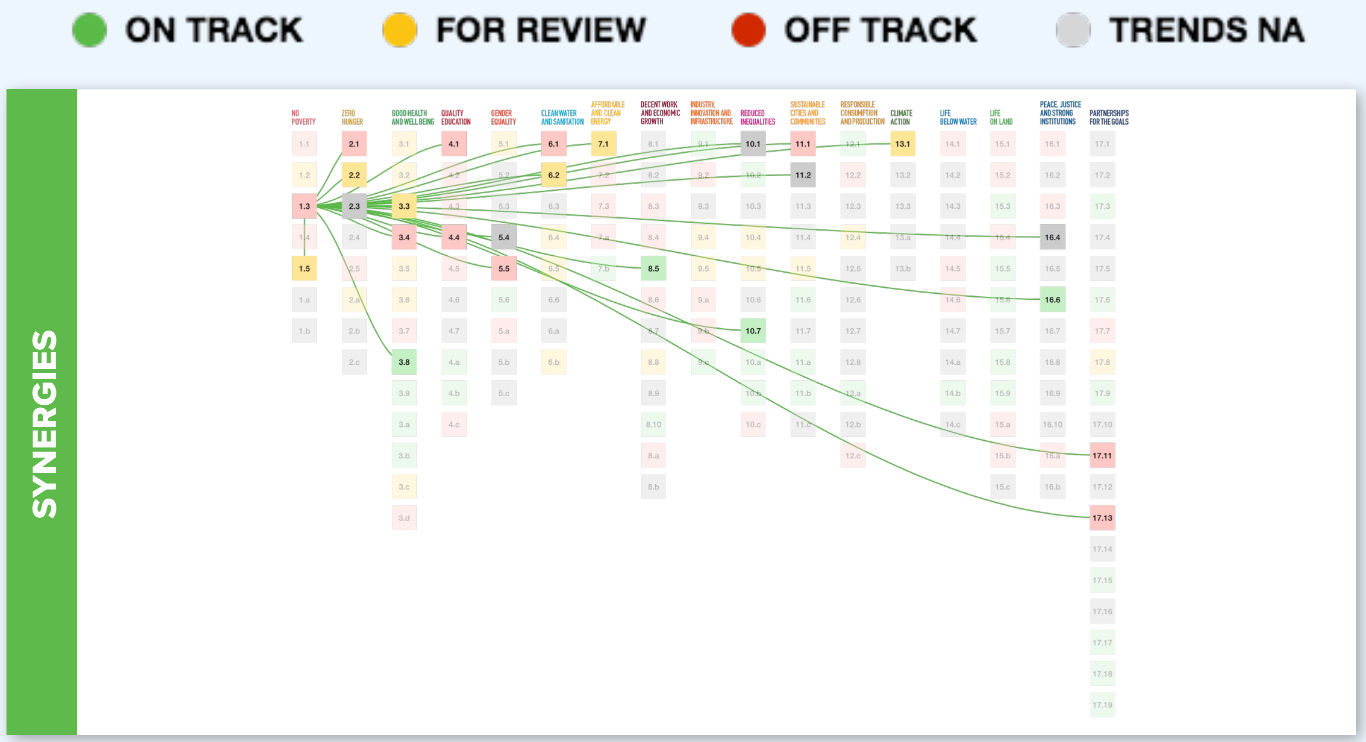
1.3: Implement nationally appropriate social protection systems and measures for all, including on floods, and by 2030 achieve substantial coverage of the poor and the vulnerable. (UNSDCF Outcome 1: Basic Social Services; Outcome 4: Gender Equality & Women's Empowerment)

Pakistan considers social security a constitutional right for its citizens. However, the country faces challenges like economic crises, political instability and natural disasters, exacerbating poverty among vulnerable populations. These factors particularly affect vulnerable communities, leading to an increase in the poverty rate. In the wake of the pandemic and 2022 floods, it is estimated that the national poverty rate could rise by 3.7 to 4.0 percentage points, potentially pushing an additional 8.4 to 9.1 million people into poverty. With impoverished households experiencing even greater hardships, social spending has become critical not only to enhance Pakistan's growth potential but also to safeguard the most vulnerable segments to achieve the SDGs.

In FY23, the government allocated approximately PKR404 billion, which is 0.4 percent of GDP, for the Benazir Income Support Programme (BISP), the national social protection initiative. This amount was more than 70 percent higher than the expenditure in FY22 and spurred by a policy decision to enhance social protection specifically to mitigate the negative impact on the poor caused by the floods as well as due to tough IMF reforms for budgetary support.

This increase in budgetary allocations will not only cover all ongoing BISP programmes, but also accommodate an additional 300,000 families in the Unconditional Cash Transfer (UCT) Kafalat programme from July 2023, and account for the regular inflation adjustment of the UCT Kafalat stipend from January 2024, thereby increasing families' resilience against economic shocks.

Sources: Economic Survey of Pakistan 2022-2023 and IMF Country Report No. 23/260: Pakistan (2023)



Explore the interlinkages at:
https://data.undp.org/sdg-push-diagnostic/PAK/synergies-and-tradeoffs

SDG INTERLINKAGES

8.1: Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries. (UNSDCF Outcome 4: Economic Growth)

Notwithstanding the V-shaped recovery during the post-COVID period, the consumption-led economic expansion in Pakistan led to serious internal and external macroeconomic imbalances in subsequent years. The higher twin deficits, elevated inflation, high public debt, exchange rate depreciations and depleted foreign exchange reserves resulted in high-level downward risks to the economy. To avert sovereign default, the government efforts for economic stabilization, fiscal consolidation and import compression, coupled with geopolitical tensions, devastating floods (the damage is estimated at US$14.9 billion, the loss to GDP at $15.2 billion and the total needs of rehabilitation at $16.3 billion) and political instability, caused real output growth plummeted to 0.3% in 2022-23 (6.1% last year). Per capita income fell to US$ 1,568 registering an 11% fall from the preceding year.

With an annual target of 3.5% real GDP growth for 2023-2024, the government is aiming to attain on average a 5% growth rate thein real economy during the next several years. The growth prospects are positive for the next fiscal year with the revival of economic activity to the pre-floods 2022 level, improved political stability after the 2023 general elections, a projected fall in global commodity prices, improved energy supplies and a better business and investment environment.

The IMF Executive Board has approved a nine-month Stand-by Arrangement for Pakistan with $3 billion to support the government's economic stabilization programme and to achieve sustained growth. The IMF has estimated a 0.5 to 1.6 percentage change in Pakistan's real per capita income in the next several years, whereas the economy is projected to be challenged by a high fiscal imbalance, negative terms of trade and pressures on external sector indicators.
Given this context, economic growth and Target 8.1 are deemed essential for achieving all other SDGs as well.

Sources: Economic Survey of Pakistan 2022-2023; IMF Country Report No. 23/260: Pakistan (2023); Annual Plan 2023-2024; Medium Term Budget Strategy 2023/2024 -2025/2026.

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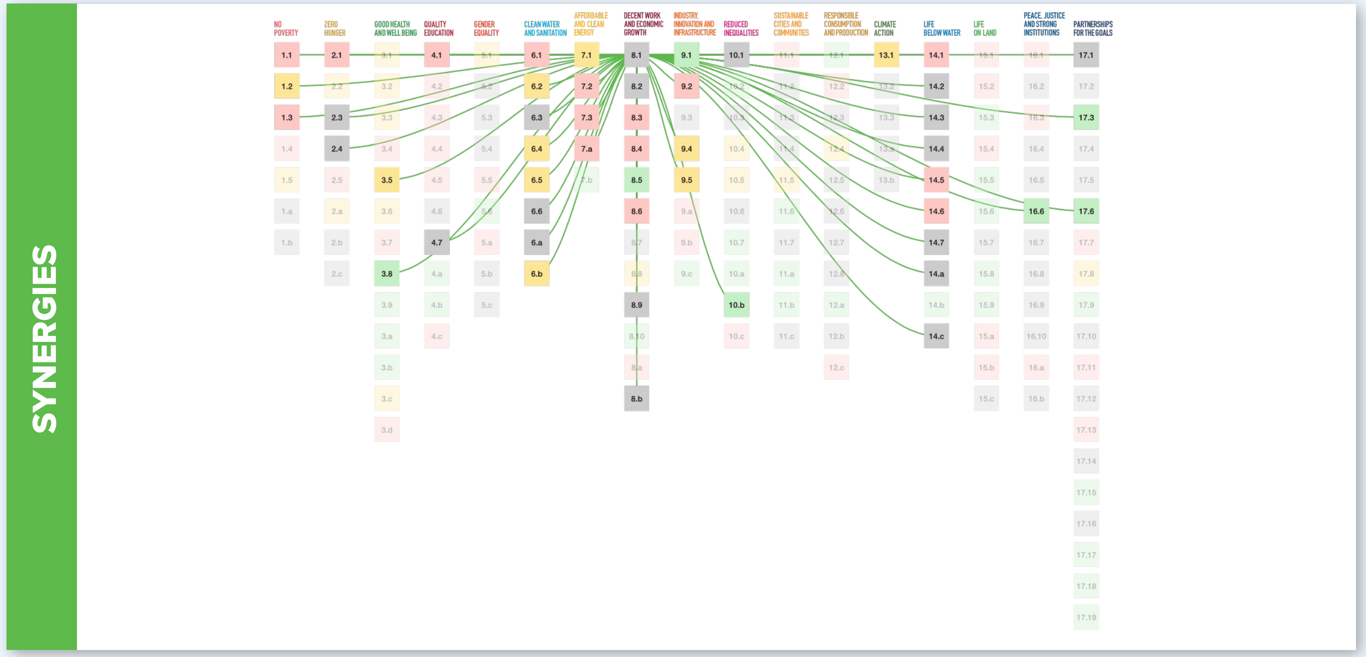

Explore the interlinkages at:
https://data.undp.org/sdg-push-diagnostic/PAK/synergies-and-tradeoffs

SDG INTERLINKAGES

9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all. (UNSDCF Outcome 3: Climate Change & Environment)

The government has been taking concerted measures to promote reliable and resilient infrastructure to promote transborder trade and support inclusive economic development and well-being of the people. Higher-technology industries performed better and recovered faster, providing a strong example of how important technological innovation is to support resilient infrastructure. The government is cognizant of the pivotal role played by modern transportation and communication infrastructure in attracting investments and achieving inclusive economic development in a country.

The government is actively pursuing the development of infrastructural facilities aimed at enhancing market access, both within the country and across borders. Investment in the transport and industrial infrastructure, including highways, railways, ports, aviation and special economic zones are the main ingredient under the China-Pakistan Economic Corridor creating forward and backward socio-economic linkages and inclusion.
The 2022 flooding has further exposed underlying institutional and systemic challenges also having implication for achieving SDGs in Pakistan, including poor urban planning (SDG 9) and water resource management (SDG 6), lack of systems for infrastructure maintenance (SDG 9), complex governance (SDG 16), structural inequalities (SDG 10), and limited disaster risk reduction capacity (SDG 13). Simultaneous multiple shocks, including natural hazards, COVID-19, rising inflation, and energy crisis, and fiscal challenges, continue to compound the impacts.

The 2022 floods damage is estimated at $14.9 billion, the loss to the GDP at $15.2 billion and the total needs of rehabilitation at $16.3 billion. The transport and communications sector have the highest reconstruction and recovery needs at $5 billion, followed by agriculture, food, livestock, and fisheries at $4.0 billion, and housing at $2.8 billion.

The government's 5Es framework1 is based on building up an export-led infrastructure and industrial sector transformation, setting up and promoting e-infrastructure and digitization, and supporting environmental sustainability and energy affordability and access. Under the 5Es framework, increasing Pakistan's efficient energy production and building infrastructure for the health, water, sanitation and power sectors will be a key priority area.

The Public Sector Development Programme 2023-24 (PKR1,150 billion) has been mainly aligned towards the 5Es and 4R2 frameworks to support economic growth and rehabilitate infrastructure caused by the disastrous 2022 floods. The major chunk of the PSDP 2023-24 is earmarked for multisectoral infrastructure projects in green energy and energy conservation, IT, disaster risk reduction, climate adaptation, transport and communication, industry, among others. Given this context, inclusive infrastructure (SDG 9), systemic resilience against natural hazards (SDG 13), and climate change impacts, building back better and Target 9.1 are essential for achieving these goals.

1 Exports, e-Pakistan, environment and climate change, energy and infrastructure, equity and empowerment. 2 Resilient, Recovery, Rehabilitation and Reconstruction.
Source: Economic Survey 2022-2023, Long-term Plan for CPEC (2017-2030); PSDP 2023-2024, PDNA 2022, 5Es Framework

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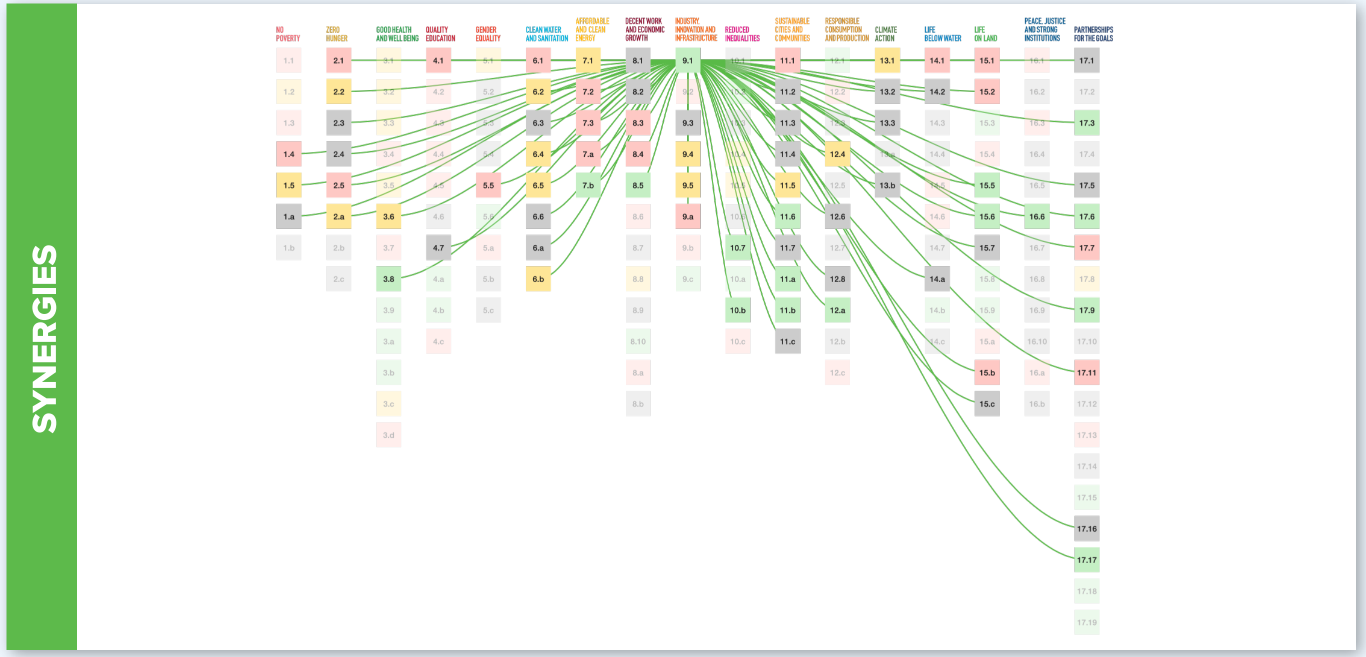
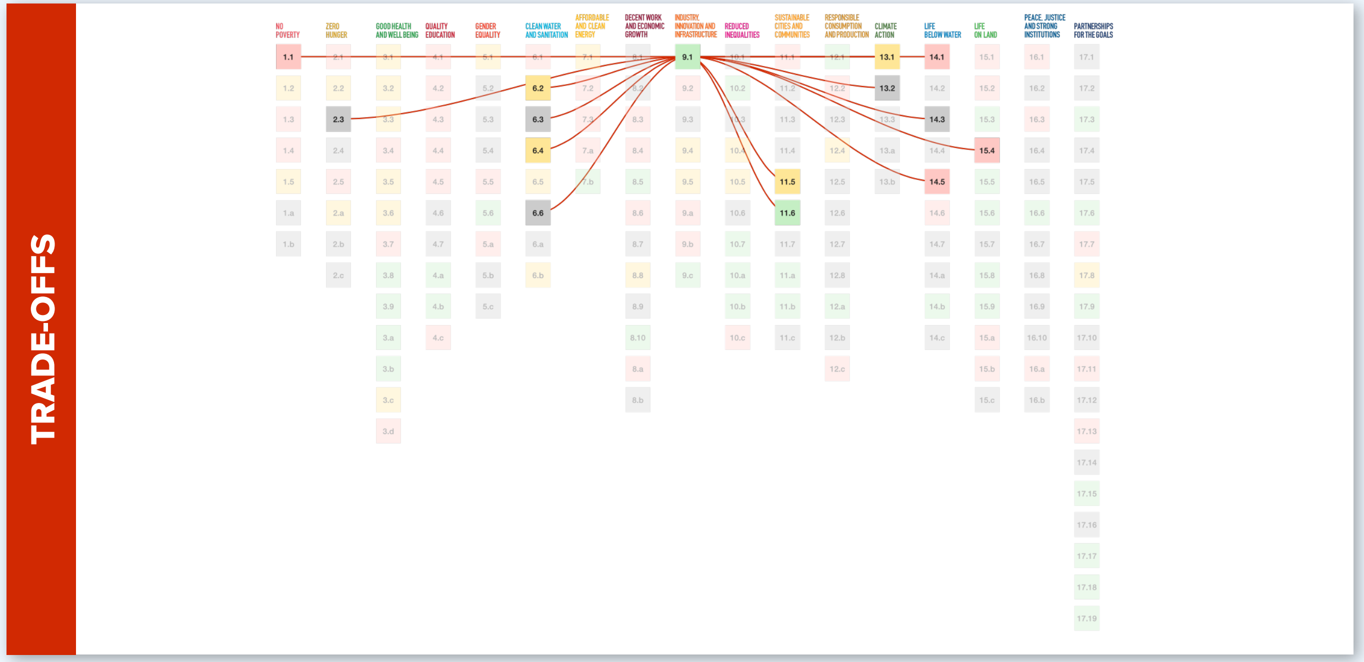




Explore the interlinkages at:
https://data.undp.org/sdg-push-diagnostic/PAK/synergies-and-tradeoffs

SDG INTERLINKAGES

11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums. (UNSDCF Outcome 1: Basic Social Services; Outcome 3: Climate Change & Environment)

Pakistan's rapidly increasing population of 241.49m (Pakistan Digital Census 2023) with a population rate of 2.55% and increased urbanization rate of 3.65% (93.8 million people living in urban areas) is causing deterioration in the country's urban infrastructure, including safe and affordable housing. Formal housing is out of reach for most of the population, particularly women. The 2022 floods have further compounded the problem, as housing suffered the most damage with an estimate of $5.6 billion and rehabilitation needs of $2.8 billion. Affordable housing remains a major need for middle- and lower-income groups in Pakistan. The government has outlined an ambitious agenda to build five million affordable housing units in five years, and it is taking measures to promote formal housing sector by strengthening the regulatory regime for adequate access to basic infrastructure, finance, and public services, as well as formalization of slums and resolution of land settlement issues.

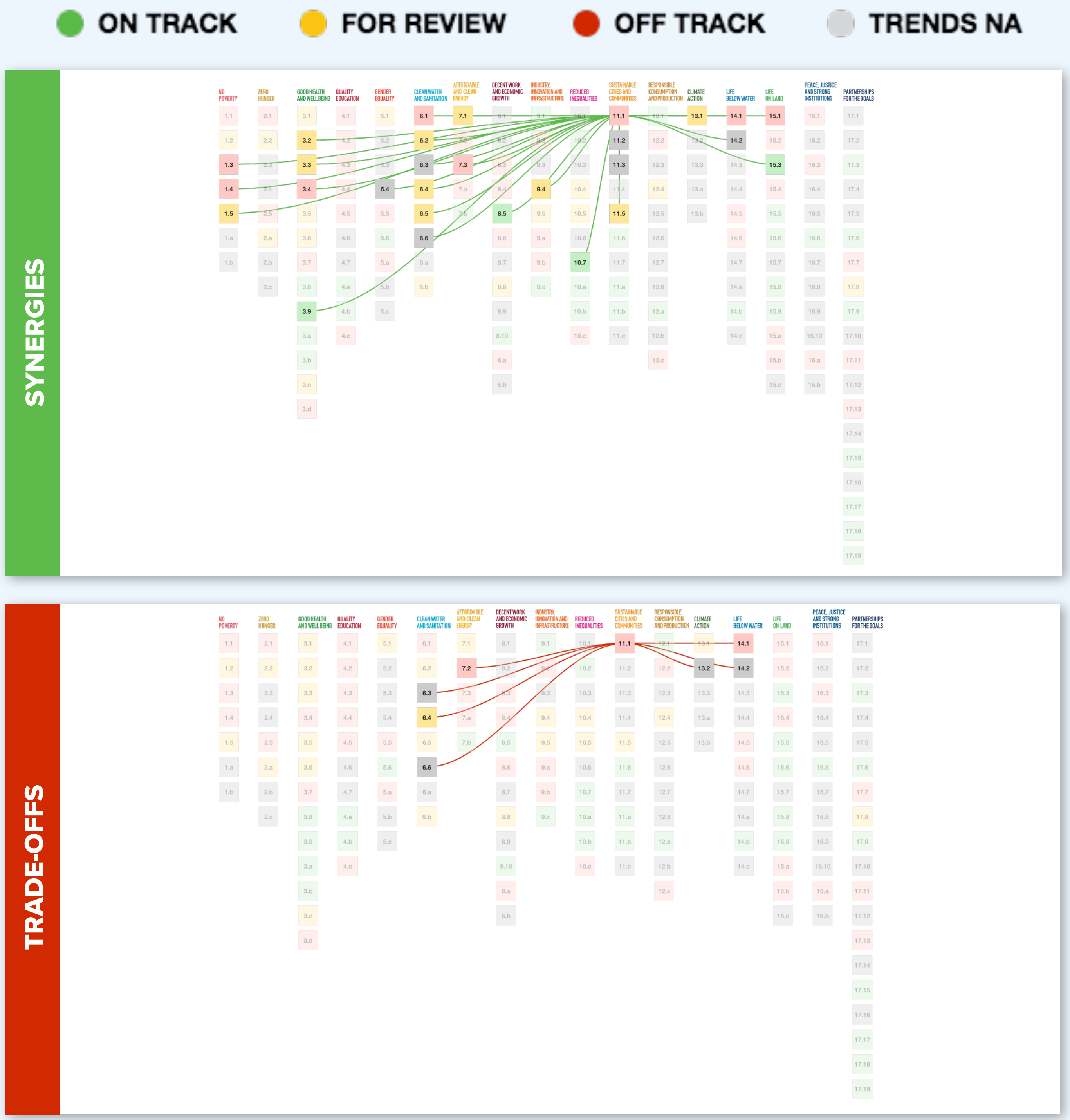
From an economic perspective, the real state sector values at $300 billion to $400 billion. Apart from direct employment, it also stimulates the demand of more than 400 industries of the economy from construction, including cement, steel, paint, building material, architects, urban planners, house financing.. The construction sector contributed 2.5 percent to GDP and employed 7.7 percent of the employed Pakistani labour force. Over 90 percent of private gross fixed capital formation has been contributed by the housing and construction sector in Pakistan.

Rehabilitation from the devastating floods required an estimated $16.3 billion. The sectors that suffered the most damage is housing with an estimated rehabilitation need of $5.6 billion.

The availability of affordable housing remains a major issue for middle- and lower-income groups in Pakistan, despite the government's ambitious agenda to build five million affordable housing units in five years. The government has been taking measures to promote the formal housing sector in the country with strengthening of the regulatory regime for ensuring adequate access to basic infrastructure, access to finance and public services in the housing sector. Appropriate measures have been taken to formalize slums and to resolve land settlement issues.

Under the 5Es framework building infrastructure for health, waters, sanitation and power sectors will be a key priority areas with major focus on equity and inclusion. Housing (Target 11.1) is a necessity which is deemed essential for achieving many other SDGs.

Source: State Bank of Pakistan, World Bank, Pakistan Institute for Development Economics, Pakistan Economic Survey 2022-2023, Post-Disaster Needs Assessment 2022, 5Es framework.



Explore the interlinkages at:
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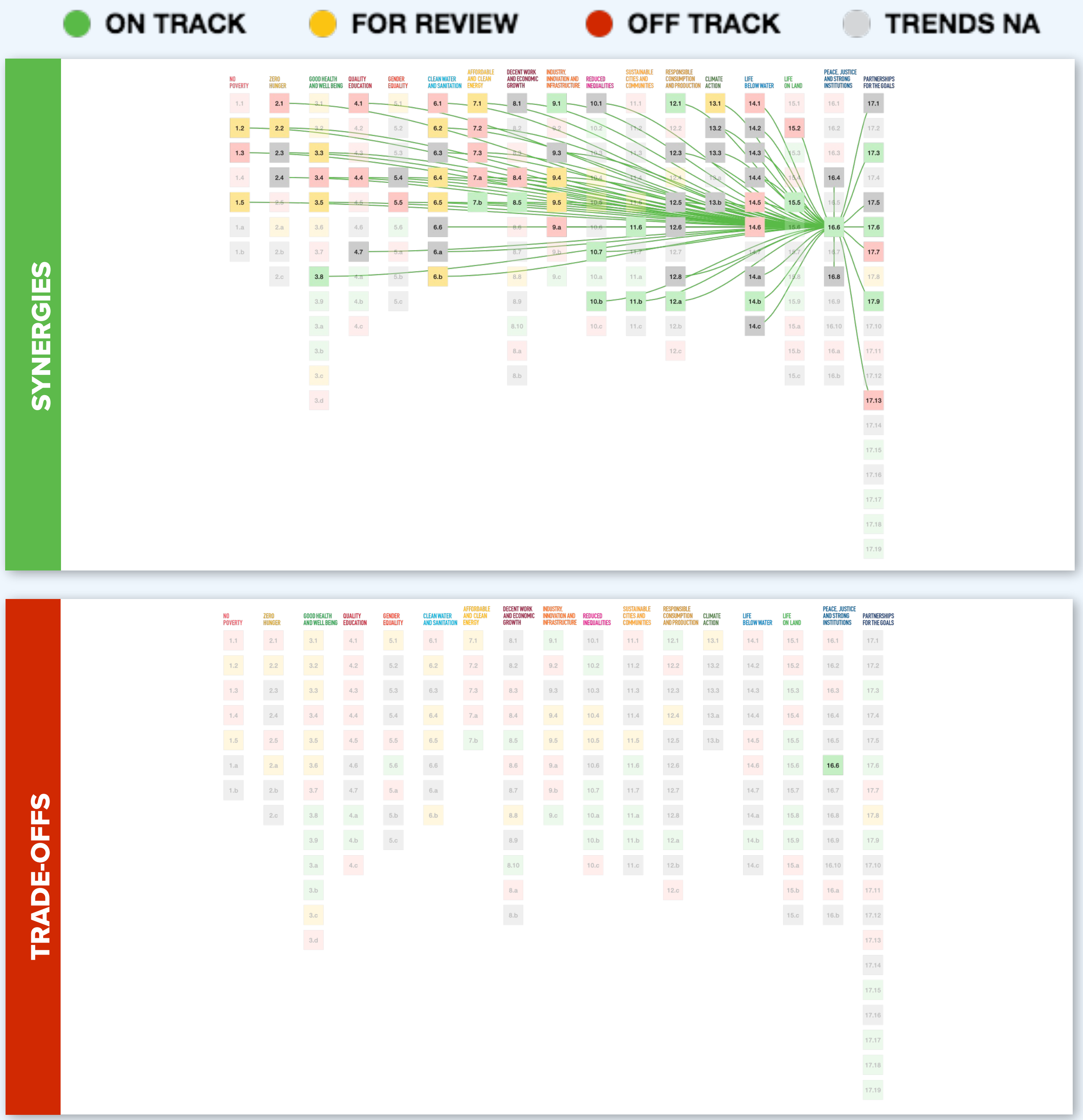
SDG INTERLINKAGES

16.6: Develop effective, accountable and transparent institutions at all levels. (UNSDCF Outcome 5: Governance)

Pakistan's government was one of the first developing countries to take ownership of the SDGs, which was followed by a unanimous acceptance and adoption of SDGs as the National Development Framework Agenda at the federal, provincial and, to some extent, at the district level. The government realizes that effective, accountable and transparent institutions play a vital role in promoting good governance practices, which are also instrumental for the successful achievement of the SDGs.

Pakistan's ranking on the Global Competitiveness Index 2019 improved slightly to 107th out of 141 countries, largely due to institutional reforms, yet there is a potential for an improvement in governance. Thus Goal 16 is included in the priority I category of the country.

While the government has developed national and sub-national frameworks, these have not yet been fully translated into development planning and financing processes resulting in sub-optimal achievement of SDGs. Good governance plays a crucial role in facilitating collective action, holding the parties involved accountable and addressing intricate trade-offs that arise between the goals. Target 16.6 can serve as an enabler to achieve all SDG-related policies and programmes by ensuring their effective implementation.



Explore the interlinkages at:
https://data.undp.org/sdg-push-diagnostic/PAK/synergies-and-tradeoffs

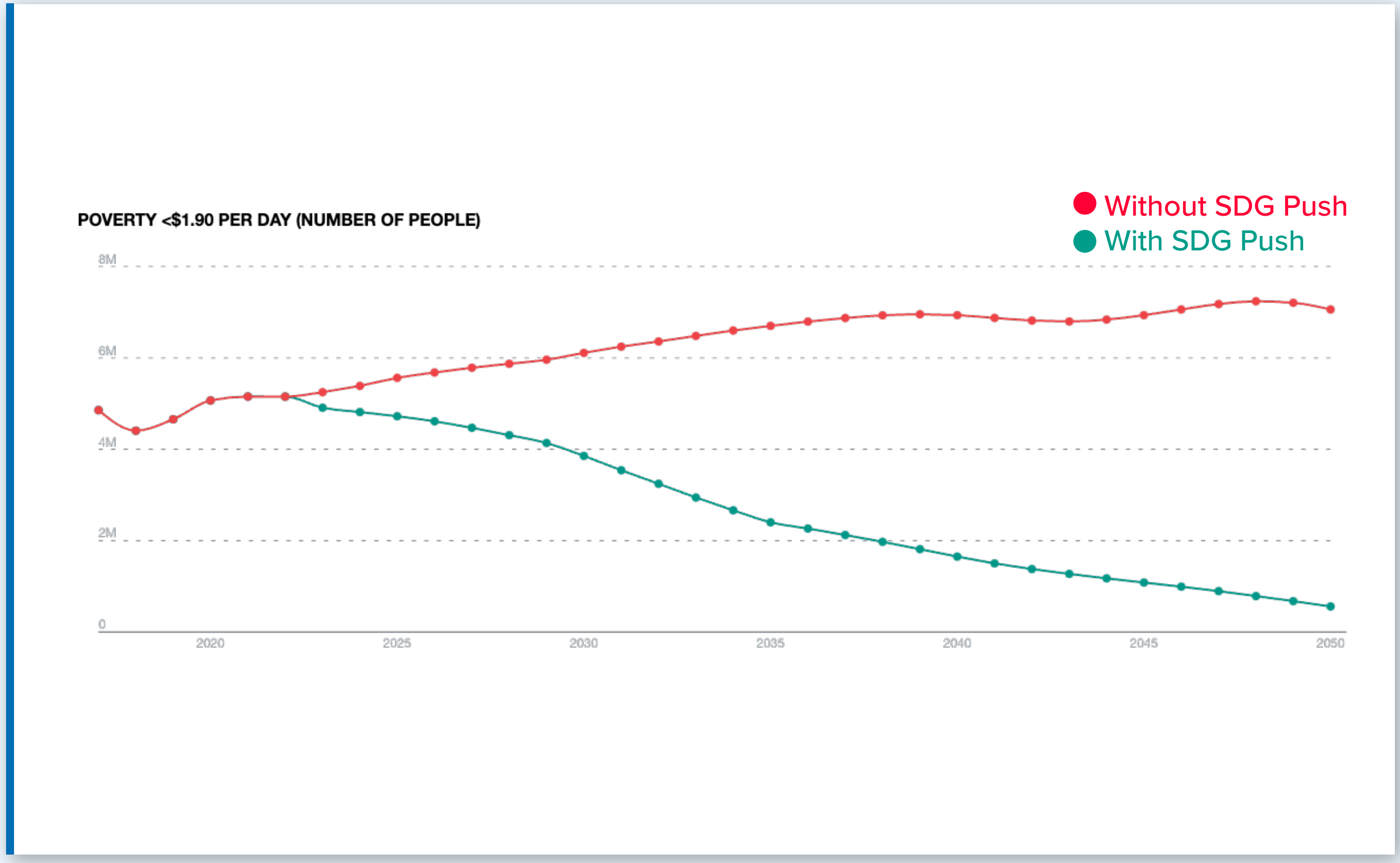
FUTURES SCENARIOS

Achieving the SDGs is possible.

The ‘SDG Push’ is a futures scenario based on 48 integrated accelerators in the areas of Governance, Social Protection, the Green Economy and Digital Disruption. It uses national data to explore the impact on human development by 2030 and by 2050 across key SDG indicators, extrapolating the latest economic growth trends and assuming a reduction in inequalities across time.

Incorporating ‘SDG Push’ accelerators into development interventions in Pakistan can reduce the number of people living in poverty over time.

People living in poverty	By 2030	By 2050
Without the SDG Push	6.1 mn	7.1 mn
With the SDG Push	3.9 mn	560,000



Explore SDG Futures Scenarios at:
https://data.undp.org/sdg-push-diagnostic/PAK/future-scenarios

FINANCE & STIMULUS

Many countries are facing reduced fiscal space, high debt levels, rising interest rates and downgrades on credit ratings. Fiscal and financial constraints tend to slow or even reverse SDG progress.

The radar diagram shows low frequency data points linked to government revenue, debt and natural resources rents as a proportion of GDP. The financial indicator graphs show external debt servicing relative to revenue and the country's sovereign credit rating and 10-year bond yield.

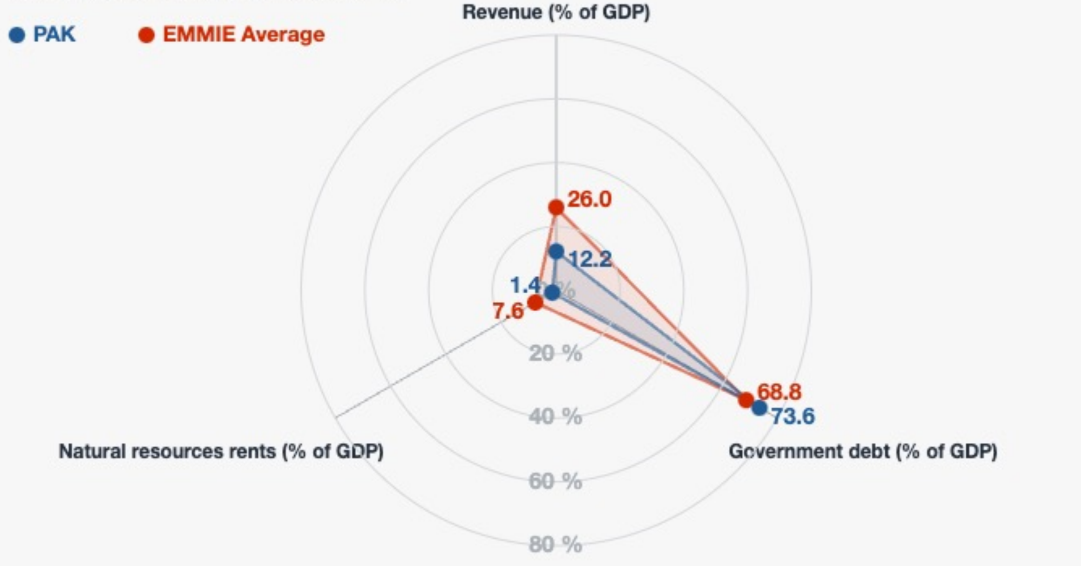
Pakistan's gross government debt, projected at 73.6% of GDP in 2023, is 4.8 percentage points (pp) above the emerging market and middle-income economies' (EMMIE) average of 68.8%. The country is projected to collect 12.2% of GDP in revenue this year, thus less than half of the average EMMIE country at 26%.

Pakistan's external debt servicing this year is projected to be as high as 46.7% of revenue, which is 3.8 times the EMMIE group's 12.3%. The country's credit rating is assessed as 'extremely speculative' and hence significantly below the EMMIE average of 'non-investment grade speculative'. The country's 10-year bond yield is trading at 15.6% – 6.3 pp above the EMMIE average of 9.3% and 11.8 pp above a 10-Year US Treasury bond.

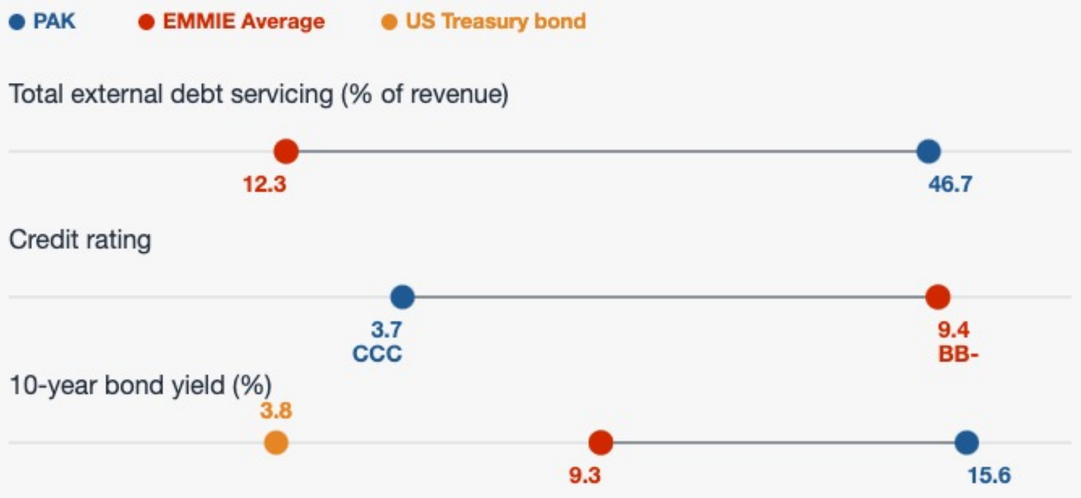
Pakistan is faced with the twin challenge of the need to tighten fiscal policy for implementing its IMF programme and to secure at least $87.4 billion until 30 June 2026 [1] to offload its external debt servicing burden, while also providing for the extensive relief and recovery needs caused by last year's floods that affected 33 million people, causing losses and damages of more than $30 billion. Financing SDGs and climate action requires large investments. Developing countries like Pakistan have very limited resources to tackle these issues on their own.

[1] Pakistan - IMF Country Report 23/260 July 2023

LOW-FREQUENCY INDICATORS



FINANCIAL INDICATORS



Notes: External debt covers public and publicly guaranteed debt. The EMMIE average of 10-year bond yield (%) only includes 30 countries which reported data for that indicator. The credit rating shows the numerical average of S&P's, Moodys', and FITCH's ratings, expressed in S&P's scale in brackets.

Sources: WDI (natural resources rents, data from 2021), IMF WEO April 2023 (debt and revenue, forecasts for 2023), IDS (external debt, data from 2023), worldgovernmentbonds.com and Haver Analytics (yields as of 8 June 2023), S&P, Moodys and FITCH (credit ratings, data from 2023).

SDG STIMULUS

The UN Secretary General's SDG Stimulus Plan lays out a blueprint for action within the existing financial architecture. It includes:

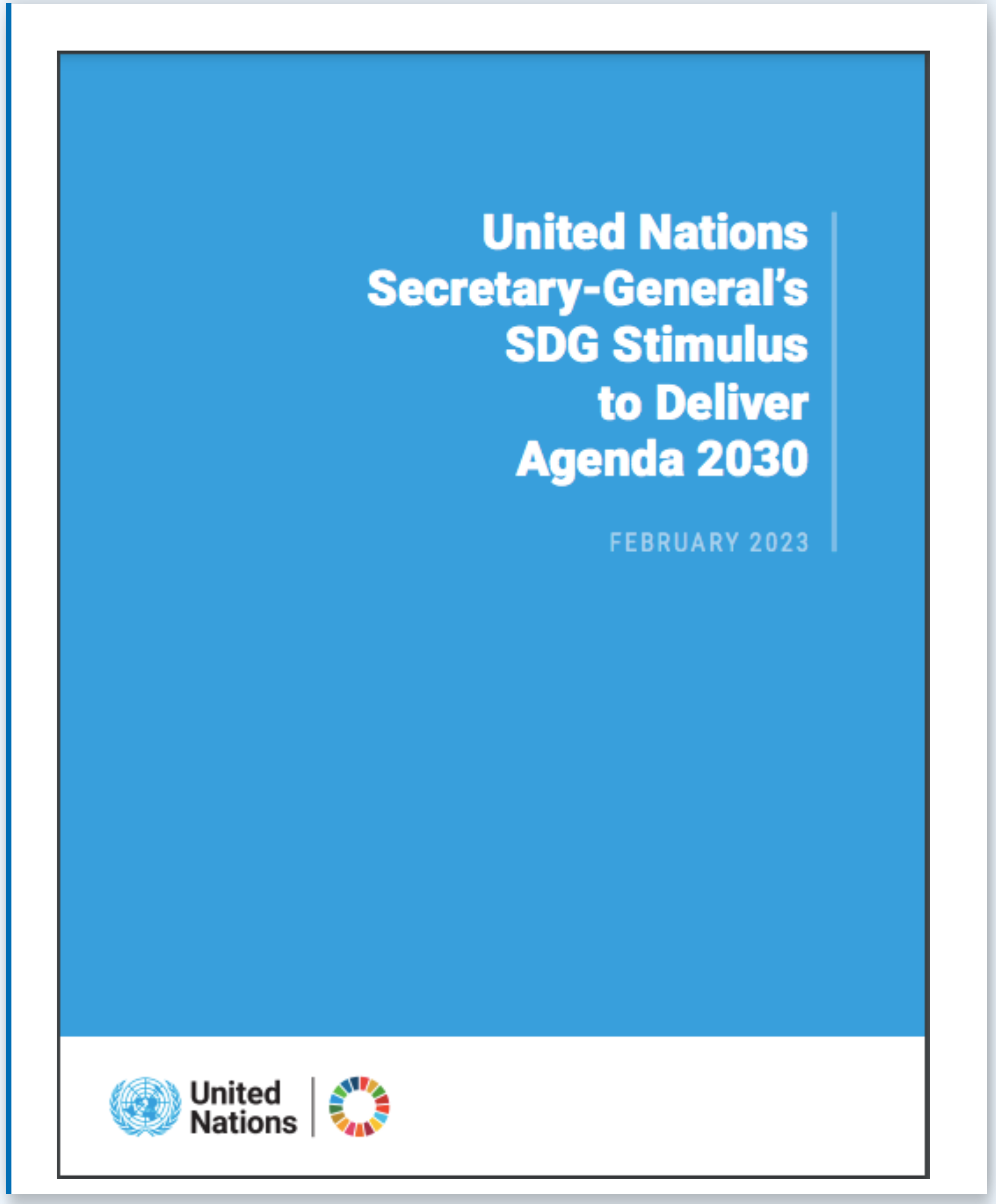
- Providing liquidity to support recovery in the near term
- Enhancing debt relief for vulnerable countries
- Expanding development financing by MDBs
- Aligning financial flows with the SDGs and the Paris Agreement, according to country-level priorities and needs, for example through the roll-out of the UN Integrated National Financing Framework (INFFs).

Given the projected fiscal and financial constraints faced by Pakistan, possible funding options for investments derived from the identified interlinkages are as follows:

- Tax and revenue reform
- Sustainable Debt Management
- Climate finance, including blended and public-private finance
- SDG-aligned business environment, investment and insurance
- Remittances, philanthropy and faith-based financing

The above is also aligned with the government's latest Medium-Term Debt Management Strategy 2023, which has highlighted the following mechanisms to meet the country's financing needs and payment obligations:

- Lengthening maturity profile
- Concessional external financing
- Presence in international capital markets
- Issuance of Shariah-compliant instruments
- Investment of non-residents in government securities
- Diversification of investors and investor base.



METHODOLOGY

Click here to view the Methodological Note for the Integrated SDG Insights

SDG MOMENT

Methodology
Assesses challenges and opportunities in national growth trajectories with insights on environmental sustainability and inclusiveness.

Data Sources
Future trajectories to 2025 are based on IMF-WEO GDP projections, distributions of per capita income or consumption from the World Bank, and CO_2 emissions from the Global Carbon Budget 2022 and EDGAR (JRC and IEA).

TRENDS & PRIORITIES

Methodology
SDG trends tracks progress from 2015 to date for the 231 indicators. National priorities are analysed
using machine learning to reveal the most prominent SDGs referenced in national policy documents.

Data Source
Trends utilizes official UN statistics to assess SDG progress, supplemented with national data when available. Priorities uses a custom-built model for SDG classification. The policy documents analyses are provided by Governments.

INTERLINKAGES

Methodology
Global target-level interlinkages are drawn from the KnowSDGs Platform by European Commission. SDG interlinkages were retrieved through a structured literature review in Scopus and Google Scholar to tap both grey literature and peer-reviewed publications as a source of information.

Data Source
The exercise globally considered a total of 454 documents published from 2015 to August 2022. (Miola et al., 2019 updated in 2021-2022)

FINANCE & STIMULUS

Methodology
Provides insight into indicators of fiscal and financial stress with options (INFF) for stimulus and other means to accelerate progress.

Data Source
Most recent resource data from UNU-WIDER GRD (between 2018 and 2021), debt and revenue from IMF WEO (between 2020 and forecasts for 2023), external debt from IDS (2023), yields from Haver Analytics (8 June 2023), credit ratings from S&P, Moodys and FITCH (2023), and DSA ratings from World Bank/IMF (31 May 2023).