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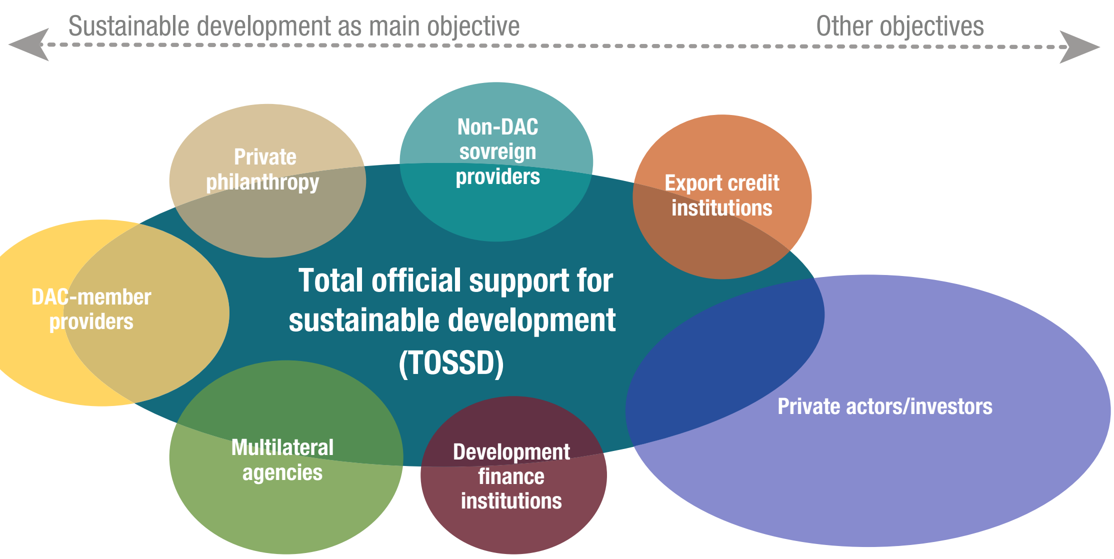
Measuring total official support for sustainable development

The framework for financing the new Sustainable Development Goals (SDGs) will need to reflect the vast and ongoing transformation of the international development finance landscape. It should provide a set of tools to facilitate a cohesive and holistic approach to scaling up a global partnership for development. A wide range of international financial resources will be needed to match the ambitious SDGs, including concessional and non-concessional resources. While private sector investment will be fundamental, official development assistance (ODA) will continue to play a crucial role, particularly for countries most in need. A comprehensive statistical measurement framework such as the proposed total official support for sustainable development (TOSSD) will foster transparency and accountability in this complex landscape.

A broad framework for inclusive measurement of sustainable development finance

The OECD Development Assistance Committee (DAC) has longstanding expertise in tracking sustainable development finance, including ODA, other official flows and, more recently, financial instruments such as guarantees (and the private resources they leverage). This experience and know-how has provided the basis for work over the past two years to explore how the complex financing packages that will be needed to support the SDGs can be measured and tracked through an international statistical system. This work culminated in a proposal for a new measurement framework with the working title **total official support for sustainable development (TOSSD).**

FIGURE 1. SOURCES AND INSTRUMENTS OF FINANCE TO BE INCLUDED IN TOSSD AND THEIR COVERAGE BY THE FRAMEWORK



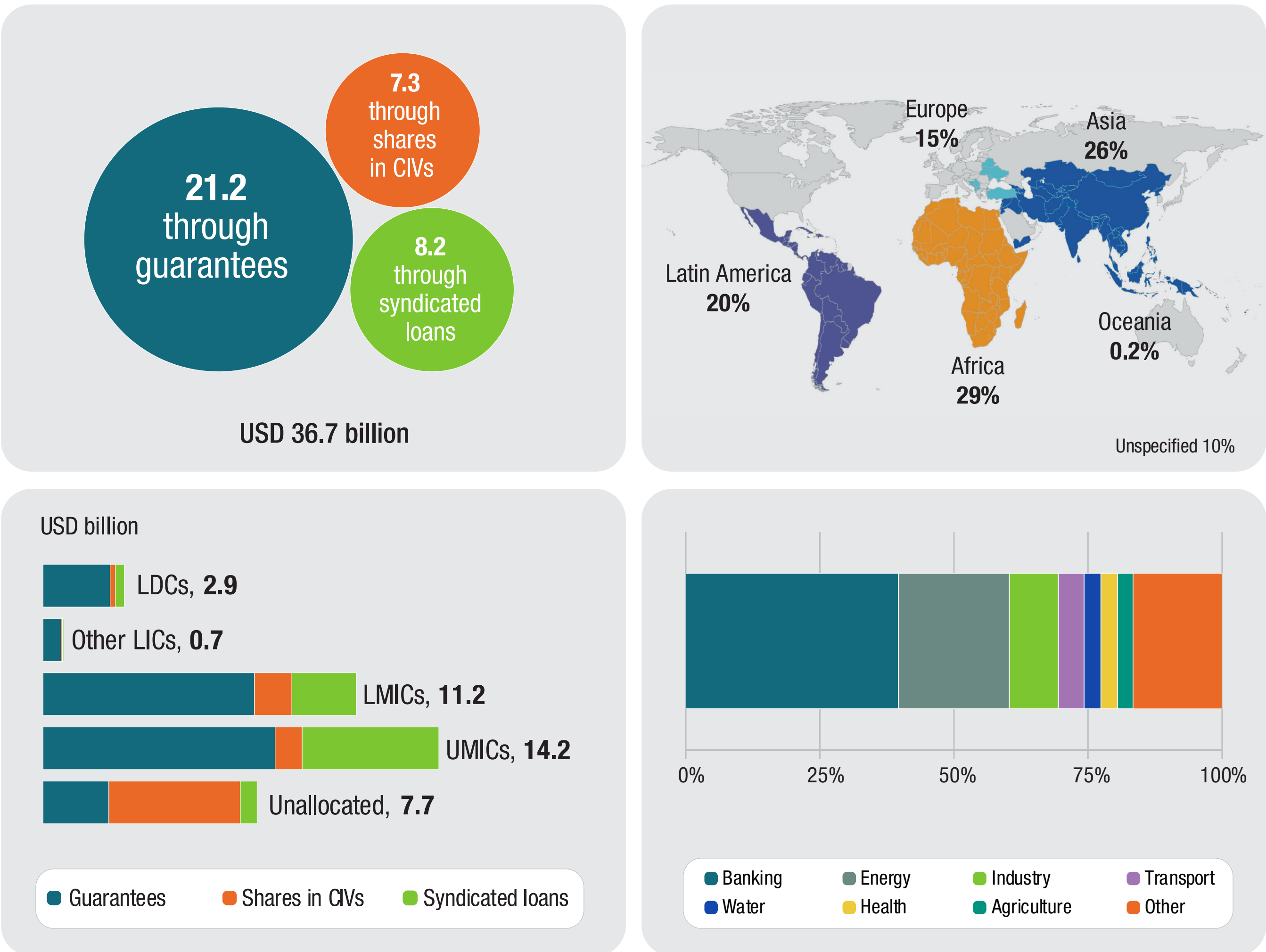
Note: The categories above include: DAC donor agencies – concessional and non-concessional bilateral finance; private philanthropy – flows from foundations and NGOs; non-DAC sovereign providers – provided by BRICS, MINT countries, other providers of South-South co-operation; export and credit institutions; private actors/investors – foreign direct investment/other private flows at market terms; development finance institutions – concessional and non-concessional loans and investment; multilateral agencies – concessional and non-concessional finance and investments (including funds provided by regional and Arab organisations).

In a nutshell, TOSSD would cover the totality of international public finance extended to developing countries and multilateral institutions in support of sustainable development, regardless of the type of instrument used and the associated terms. It would also potentially cover private resources mobilised through public schemes, as well as the activities of diverse financial intermediaries, including collective investment vehicles and venture capital funds. The framework would include flows that support one or more of the three dimensions of sustainable development – economic, social and environmental – as defined by the United Nations, thereby contributing to monitoring resources for financing the SDGs. Figure 1 illustrates potential sources and instruments of finance that could be provided to developing countries to fund the SDGs and their coverage by the new framework.

Measuring private finance operations mobilised by official interventions

The OECD DAC has been working since 2013 with a group of experts from development finance institutions to devise instrument-specific methodologies for measuring amounts mobilised from the private sector by official interventions. The idea was to develop an approach that was conservative (in terms of causality), pragmatic (in terms of data availability) and fair (using pro-rated attribution) to permit aggregation of data at the global level whilst avoiding double-counting. A first set of methodologies with these qualifications was defined in 2014 for measuring guarantees, syndicated loans and shares in collective investment vehicles (CIVs); a data survey has just been completed to pilot the methodologies and assess the availability of the necessary data in the internal systems of development finance providers. The preliminary results of the survey are illustrated below.

FIGURE 2. AMOUNTS MOBILISED FROM THE PRIVATE SECTOR THROUGH GUARANTEES, SYNDICATED LOANS AND SHARES IN CIVS, 2012-14, USD BILLION



Notes: LDCs (least developed countries); LICs (low-income countries); LMICs (lower middle-income countries); UMICs (upper middle-income countries); and CIVs (collective investment vehicles). See also: *http://www.oecd.org/dac/stats/mobilisation-effect-of-public-development-finance.htm*

Source: 2015 OECD DAC Survey on Amounts Mobilised from the Private Sector by Official Development Finance Interventions.

What makes TOSSD different from ODA?

A key objective of the TOSSD measure would be to enhance international accountability by increasing transparency and rigour in reporting on development finance beyond ODA. It would not replace ODA, which will remain the yardstick of provider effort and will continue to be used for monitoring their performance against the United Nations' ODA/GNI target of 0.7%. TOSSD would complement ODA, measuring broader international financing for sustainable development.

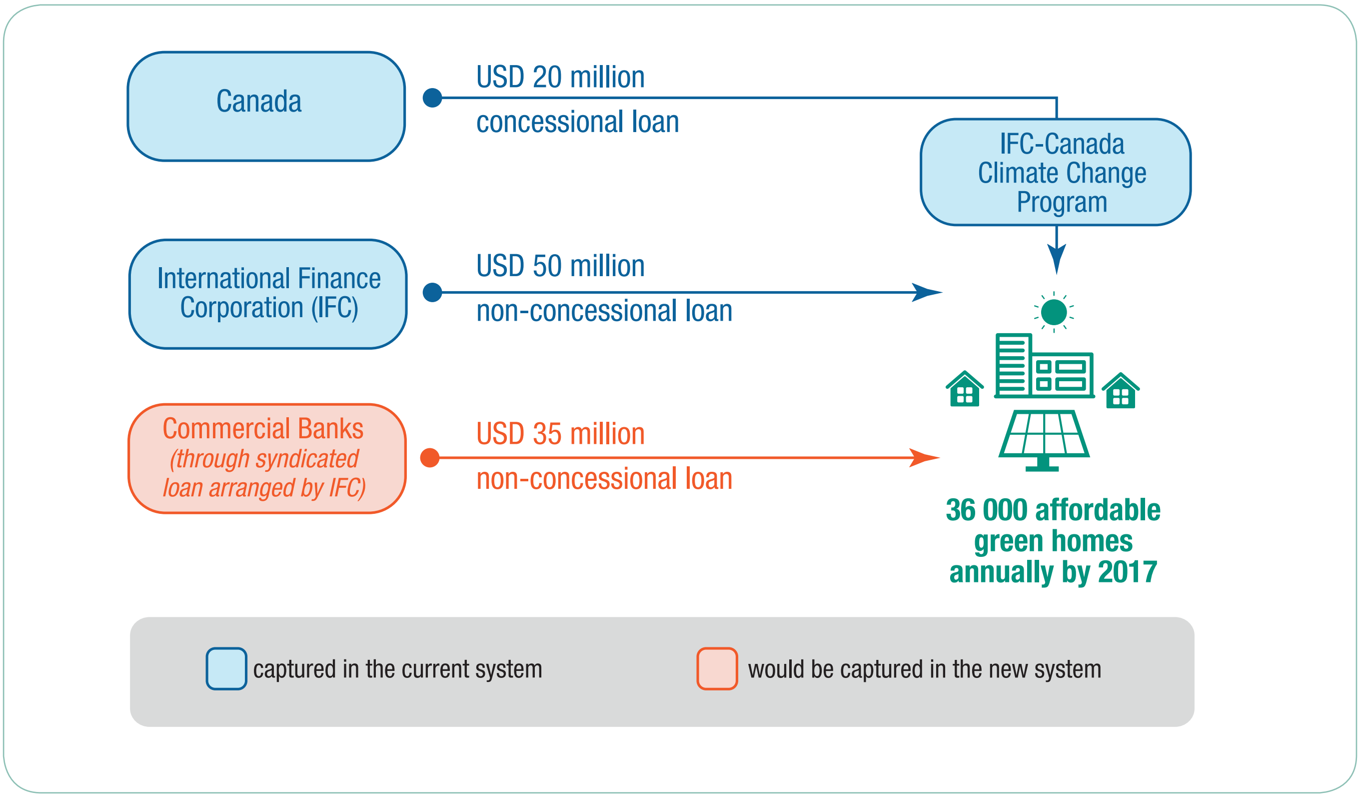
A TOSSD measure would also facilitate sharing of information about development finance with providers of development co-operation beyond the OECD DAC. **To underpin the post-2015 framework, a number of consultations will be organised with partners including non-DAC providers, developing countries, financial intermediaries, project preparation facilities, public-private entities, philanthropic institutions and civil society to develop the definition of the framework and its related statistical categories and methods.** The United Nations and other major international stakeholders will have a special role to play in these discussions, helping to refine the new framework and to facilitate its use for monitoring support for the post-2015 agenda.

The framework would provide a fuller picture of providers' bilateral and multilateral contributions and clearly distinguish between provider effort and partner receipts of development finance. Building on OECD DAC work on country-programmable aid (concessional resources that cross borders and can be programmed by partner governments), TOSSD could provide valuable information about resource inflows to developing countries. This could include data on resources made available by multilateral organisations through private-sector instruments, which would complement data on the concessional and non-concessional multilateral outflows already covered in OECD-DAC statistics.

How might the new measure enhance transparency about complex financial transactions supporting the Sustainable Development Goals?

Complex financing packages combining diverse sources of finance and financial instruments are likely to become more common in the future. It will be important to enhance the capacity of statistical systems to fully capture these flows. Figure 3 illustrates a typical infrastructure financing package and shows where existing coverage in the OECD statistical system falls short in capturing all the resources provided.

FIGURE 3. MIX OF FINANCE FOR A PROJECT FOR SOLAR-POWERED, LOW-INCOME HOMES IN MEXICO
(USD 105 million)

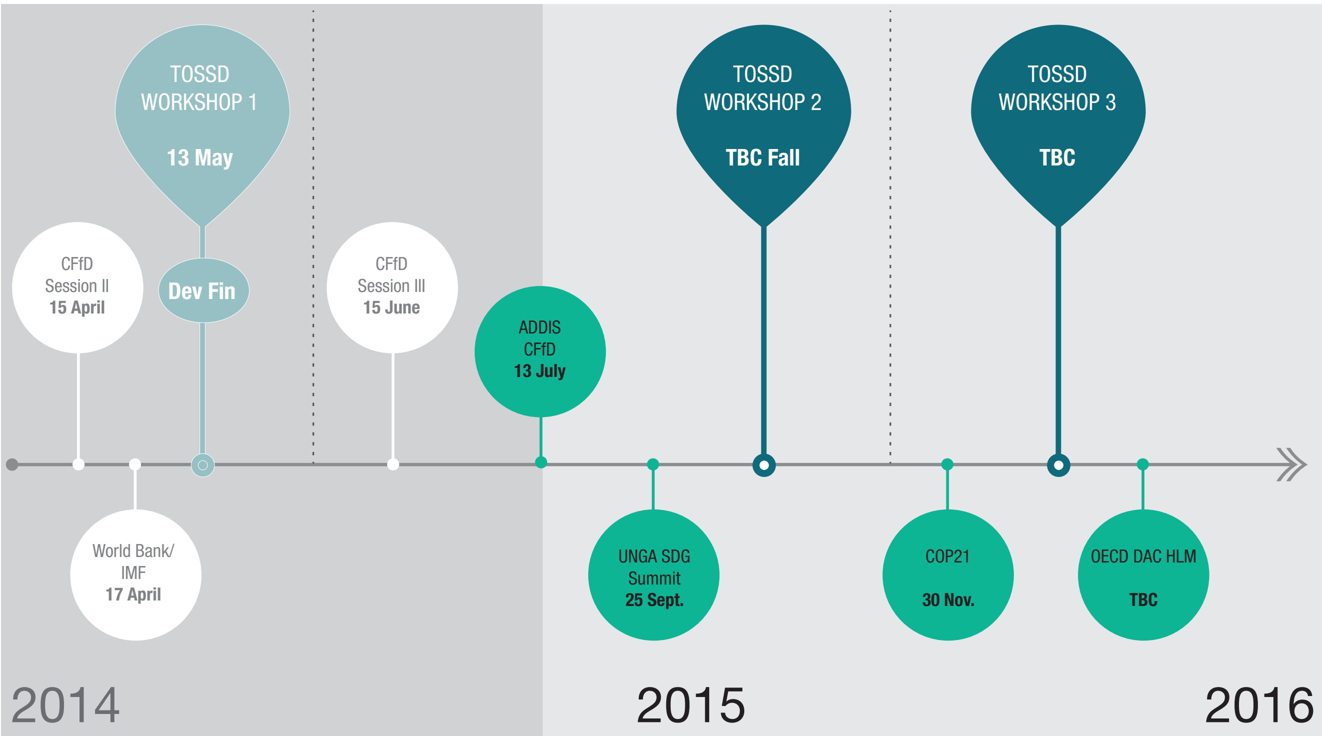


The guiding principles of the new framework are emerging

The ultimate features and parameters of the TOSSD measure can only be determined once the post-2015 development framework has been agreed, since it would be designed to monitor finance supporting the framework. The details of the measurement framework will need to be shaped by a wide variety of development actors and stakeholders through iterative consultations; this will enhance its relevance, utility and integrity, while strengthening ownership across the international community. Preliminary analysis suggests a number of guiding principles for the new framework:

- cover finance that originates from official sources and mechanisms, but clearly distinguish between official support and flows mobilised by official interventions
- cover activities that promote and enable sustainable development, including contributions to global public goods, where these are deemed relevant for development and aligned with developing countries' priorities (recognising that providers themselves may also benefit from such activities)
- be relevant to any provider of development finance, including private actors that take part in blended investment schemes
- include both concessional and non-concessional financing and capture all financial instruments, including those generating reflows to provider countries, but clearly distinguish between the provision of resource flows and the use of risk mitigation instruments.

FIGURE 4. MAJOR INTERNATIONAL POST-2015 EVENTS: INDICATIVE ROADMAP OF FUTURE TOSSD WORKSHOPS



For more events, see *http://www.oecd.org/dac/milestones-financing-sustainable-development.htm*