OECD Global Outlook on Financing for Sustainable Development 2023

Sixth UNCTAD Intergovernmental Expert group on Financing for Development

Haje Schütte, Senior Counsellor and Head, Financing for Sustainable Development Division, Development Cooperation Directorate, OECD
From a Great Lockdown to a Great Divergence

Fig. 1 The K-shaped recovery shows an emerging Great Divergence between countries (2019-24)

Fig. 2 Inflation hits developing countries through increases in food and energy prices

Source: Authors’ based on World Bank 2020-22.
Long-lasting scars on global poverty and inequalities

Fig. 3 Following years of decline, global extreme poverty rose in 2020, setting back at least three years of progress.

Fig 4. Failure to address multidimensional impacts of successive crises across the SDGs could lock in the Great Divergence for the long term.

Source: Authors’ based on World Bank 2022.
While the predicted collapse in external FSD was averted...

Fig. 4 The drop in capital flows in 2020 was less pronounced than in previous sudden stop episodes.

Evolution of capital flows to developing countries

Change in capital flows


Fig. 5 Countercyclical support from the international community ensured continued financial support to developing countries at the height of the crisis.

Inflows of ODF to ODA-eligible countries

ODF and deferred debt service to LICs

Source: ODF flows are measured as a sum of ODA and OOF and accessed from OECD DAC. DSSI deferred debt service is calculated based on World Bank estimates as of 8 February, 2022: World Bank (2022[20]).
...the SDG financing gap continues to grow due to declining government revenues and increased financing needs

Fig. 6 Nearly all sources of financing for sustainable development in developing countries declined during the pandemic

Fig. 7 The SDG financing gap in developing countries increased by 56% in 2019
Looking forward, the recovery is stifled and the system of financing for sustainable development increasingly unstable.

Figure 8. Government revenue in developing countries projected to register huge cumulative losses.

Figure 9. The projected impact of recent macroeconomic turbulence on cross-border capital flows to developing countries.

Source: Authors' based on IMF 2022.
The good news is that sustainable finance is booming and could close the SDG financing gap in developing countries

**The good news:**

- Global financial assets increased by 11% to **USD 469 trillion**, in 2019-20
- Sustainable investment grew by 15% to **USD 35.3 trillion** in 2020
- Climate finance mobilised amounted to **USD 83.3 billion in 2020**, an increase of 4% from 2019.
The bad news is that sustainable finance hasn’t reached countries most in need yet, and “bottlenecks” remain.

The bad news:

- About 97% of the estimated USD 1.7 trillion in total sustainable investment funds are held in HICs.
- All ODA-eligible countries account for less than 7% and LDCs for less than 1% of cumulative total GSSS bonds issued since 2014.

To fix the system, high-income countries need to...

- Strengthen support for **domestic resource mobilisation** (e.g. ATI commitments, MTRS, digital tax collaboration, etc.) and increased **fiscal space** (including support for heightened transparency of debt sustainability)
- Create a pipeline of bankable sustainable projects tailored to **country-led integrated financing strategies** (e.g. INFFs)
- Develop a multi-stakeholder **technical support and capacity building facility** to help developing countries access quality, neutral advice on financial instruments, deepen financial markets and ensure interoperability of sustainability reporting standards
- Work with **asset managers, pension funds, and other public and private investors** to commit to **allocating 1% percent of assets** held in vulnerable countries with the largest SDG financing needs (e.g. geographical eligibility criteria)
- Support the change in mindset from **ESG to SDG** allocation of finance that is needs-based and also moves the frontier of sustainable investment to lower income countries (i.e. incentivize **SDG impact/returns**).
- Better regulate SDG labelling for transparency and accountability (i.e. **combat SDG washing**)
- **Monitor and assess the impact of sustainable investment** and policies on the SDGs
- Design **new SDG targets** that appeal to the private sector and financial markets (e.g. KPIs)
- **Promote standards and frameworks for investment** in the SDGs (e.g. international tax, responsible business conduct)
- Develop **de-risking instruments** and reform risk measurement and perception (e.g. with blended finance, guarantees, etc.)
THANK YOU
TOSSD – Total Official Support for Sustainable Development

A new statistical framework to close data gaps on financing for development

Haje Schütte, Senior Counsellor and Head, Financing for Sustainable Development Division

TOSSD Task Force Secretariat
OECD Development Co-operation Directorate (DCD)

Financing for Sustainable Development Division (FSD)
Statistical Standards and Methods Unit
What is TOSSD? - Definition

“The Total Official Support for Sustainable Development (TOSSD) statistical measure includes all officially-supported resources to promote sustainable development in developing countries.

This includes i) cross-border flows to developing countries and ii) resources to support development enablers and/or address global challenges at regional or global levels.”
The financial landscape for sustainable development has changed drastically. TOSSD better reflects this complex landscape than other existing international statistics on development finance.

**Why is TOSSD needed?**

**Long-term trends**

- Greater focus on sustainability
- More actors
  - DAC donor agencies
  - Multilateral agencies including regional & Arab organisations
  - Private philanthropy
  - Non-DAC Sovereign providers
  - Export credit institutions
  - DFIs
  - Private actors/investors
- More instruments
  - Direct investment in companies and SPVs
  - Shares in CIVS
  - Guarantees
  - Simple co-financing
  - Syndicated loans
  - Credit lines
- Greater focus on sustainability
A framework to measure resources in support of sustainable development in developing countries

What is TOSSD?

Does it support Sustainable Development?

YES

NO

Excluded

Components considered in TOSSD

- Official Development Assistance (ODA) flows
- Other Official Flows (OOF)
- South-South co-operation
- Triangular co-operation
- Spending for International Public Goods (IPGs)
- Private finance mobilised by official interventions

Current data availability

- Complete
- Partial

TOSSD framework

Pillar I
Cross-border flows to TOSSD-eligible countries

Pillar II
Global and regional expenditures for International Public Goods

Private Finance Mobilised

TOSSD reporters

Bilateral providers
(Traditional and Southern providers)

Multilateral providers
(MDBs and other IFIs, UN agencies, other multilateral organisations)
TOSSD is a data source in the SDG Indicator Framework

- SDG target 17.3 seeks to «Mobilize additional financial resources for developing countries from multiple sources»

TOSSD is a data source for indicator 17.3.1. :

17.3.1 Additional financial resources mobilized for developing countries from multiple sources”.

- a. Official sustainable development grants
- b. Official concessional sustainable development loans,
- c. Official non-concessional sustainable development loans,
- d. Foreign direct investment
- e. Mobilised private finance (MPF) on an experimental basis, and
- f. Private grants.

https://unstats.un.org/sdgs/metadata/?Text=&Goal=17&Target=17.3
The figures include
- USD 91 billion of estimated data gaps derived from CRS for non-respondents (included only at aggregated level)

The figures do not include
- Flows only reported on a commitment basis e.g. EIB pillar II activities for USD 22 billion (included in the downloadable dataset on tossd.online).

Part of the mobilisation data are confidential
- MDBs’ data on mobilisation are treated as confidential pending agreement on the appropriate level of aggregation in public disclosure.

For comparison:
- TOSSD in 2019 amounted to USD 292 billion.

Data available at https://tossd.online/
Closing data gaps

Data visualisation tool: TOSSD data are available online to close data gaps on FfD

All TOSSD data are publicly available on the TOSSD data visualisation tool: https://tossd.online/