Inter-Agency and Expert Group on Sustainable Development Goal Indicators: Working Group on Measurement of Development Support

Draft proposal for SDG Target 17.3

(as of 29 June 2021)

Introduction

The Working Group's core task is to refine the indicators to be used to track progress on SDG Target 17.3 "Mobilize additional financial resources for developing countries from multiple sources". It is scheduled to make its final proposal on this to the IAEG-SDGs in October/November 2021, when it may also make recommendations for further work.

At its eleventh meeting on 27-29 April 2021, the Working Group discussed two documents, "Towards an indicator proposal for SDG Target 17.3" and "How to operationalize the criteria of sustainable development as part of an indicator proposal for SDG Target 17.3". Building on this discussion, the different elements of these documents were combined into a "Revised indicator proposal for SDG Target 17.3" which the Group discussed at its twelfth meeting on 8-10 June 2021.

This document takes account of the Group's discussion of these documents and related issues, and offers a completed draft proposal which the Working Group on behalf of the IAEG-SDGs will review and make available for open consultation over August/September in accordance with the Group's work plan. It is in three parts. The first presents the suggested method of implementing sustainable development criteria in the indicator (unchanged from previous proposal). The second specifies the flows which the indicator is proposed to cover. The third is a series of notes making further specifications of what is included and excluded. This proposal will be reviewed and updated as needed to reflect the proposal and outcome of work of the Sub-group on South-South cooperation.

Please note the Working Group will make recommendations on further work, including on addressing international public goods (IPGs). However, the consultation is limited to the indicator proposal.

Draft proposal:

Part 1: Sustainable development criteria

Based on the Group's discussions, and building on the work of the TOSSD Task Force, the following cascading approach is suggested to identify flows that can be considered as supporting sustainable development:

1. Flows within the proposed indicators and sub-indicators detailed below and identified individually, such as an activity in the OECD-DAC reporting system, should be included if they directly support either (i) at least one of the SDG targets or (ii) an objective in the recipient country's development plan as long as this is directed towards supporting or achieving sustainable development, with the following exceptions:
    a. Flows for activities where a substantial detrimental effect is anticipated on one or more of the other targets;
    b. Flows where the recipient country, after discussion with the custodian agency and/or the reporting provider country, objects to their characterization as supporting its sustainable development;

2. Flows, or portions of flows within the proposed indicators and sub-indicators detailed below for which data are only available at the aggregate country-to-country level are also considered as supporting sustainable development, subject to the same exceptions as under 1.a and 1.b.

Note that some sub-indicators may contain a mixture of activity-specific and aggregate-level flow data and therefore require assessment against 1 and 2 respectively. Also note that further specific exclusions are proposed, as detailed below, that may in some cases be considered to reinforce the focus of the proposed indicators on the sustainable development of developing countries.

Part 2: Proposed indicators

It is suggested that the proposed new indicator 17.3.1 contain sub-indicators for **each developing country's[1] gross receipts** of the financing flows itemised below, but in some cases on conditions, or with reservations, as indicated below:

17.3.1 a. Official sustainable development grants

17.3.1 b. Official concessional sustainable development loans

Concessional: Official loans with at least a 35% grant element, calculated using a 5% discount rate.

17.3.1 c. Official non-concessional sustainable development loans

Non-concessional: Official loans with less than a 35% grant element, calculated using a 5% discount rate.

17.3.1 d. Foreign direct investment

FDI is a critical source of private finance and part of the current indicator 17.3.1. There are concerns whether all of FDI meets the sustainability criteria; however, FDI is reported by the recipient country itself, giving it the ability to address such concerns with the national reporting entity. FDI will be measured as each developing country's inflows (inward FDI).

17.3.1 e. Mobilised private finance (MPF) as a memorandum item, consisting of private flows mobilized by official interventions that may include:

(a) free, subsidised or unsubsidised guarantees on loans and investments to developing countries;
(b) lines of credit;
(c) first-loss shares;
(d) co-financing;
(e) shares in collective investment vehicles;
(f) mezzanine finance; and
(g) technical assistance and capacity-building.

MPF captures a portion of private flows mobilized by development partners that are of increasing importance. However, there are concerns and questions regarding its boundaries, the ability of recipient countries to verify whether the flow meets the sustainability criteria and the reporting of private sector commitments instead of developing countries' actual receipts of disbursements. It has also been requested to exclude flows mobilized in the recipient country itself. Pilot studies may shed more light on this issue. There is support for inclusion of MPF but not all countries agree. The suggested inclusion as a memorandum item indicates that in some countries there may be overlap with FDI.

[1] See Note 1 below for an explanation of the recipient perspective.

17.3.1 f. Private grants

The concept is clear, the flow is fully concessional, and there is substantial support in principle for including a sub-indicator on these flows. However, existing reporting is patchy and lacking in detail, especially as regards allocation to beneficiary countries. Again, pilot studies may shed light on whether data availability issues can be sufficiently addressed over time.

Part 3: Notes:

1. The Working Group strongly supported separate indicators for different flow types and following the recipient perspective. While the sub-indicators follow the recipient perspective, the data for all proposed sub-indicators except foreign direct investment are reportable by the providers. While ideally several members would prefer to also include a provider perspective on the flows (i.e., to show the outflows of each provider), it was recognised that this would double the number of indicators, and that important aggregates of provider performance are already captured under other indicators (e.g. 10.b.1 and 17.2.1).
2. Measuring gross flows is strongly supported. While net flow indicators could also be reported for sub-indicators b) and c) on loans, it was recognised that the resulting data would tend either towards zero (if only principal repayments were deducted from the gross flow) or towards negative numbers (if both principal and interest payments were deducted). Moreover, aggregates of provider performance (10.b.1 and 17.2.1) are already captured net.
3. Exclusions within above flows: Debt relief, in-donor refugee costs, administrative costs not allocated to specific development activities, and peace and security expenditures other than those reportable as official development assistance (ODA) are excluded.
4. Excluded flows:
   - Private non-concessional loans
   - Portfolio investment
   - Export credits, whether official, officially-supported, or private
   - Short-term flows with an original maturity of 1 year or less
   - Any other flows that are not within the scope of the proposed sub-indicators.

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