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

Draft of finalized proposal for SDG Target 17.3 and its reporting[1]

(as of 19 September 2021)

SDG Target 17.3 is to "Mobilize additional financial resources for developing countries from multiple sources". This document outlines the finalized indicator proposal and the proposed reporting for a replacement indicator 17.3.1.

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 a specific activity in provider reporting systems, 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 on the ground that they do not meet one or several agreed reasons or criteria.[2]

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.

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[1] It is expected that existing databases established at the OECD and UNCTAD will serve as a data source. At the OECD, this includes data collected through TOSSD reporting as well as traditional OECD-DAC-CRS reporting, assuming the data will be adjusted in accordance with the requirements of this proposal. Pilot exercises are being conducted or are being planned.

[2] The custodian agencies will establish a neutral mechanism that will establish such reasons and criteria and will support their fair and uniform application and foster transparency. The valid grounds for objection must include failure to satisfy the other provisions of this section [i.e. 1(i), 1(ii) and 1a. above].

Part 2: Proposed indicators

It is suggested that the proposed new indicator 17.3.1 contain sub-indicators for **each developing country's**[3] **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

Grants are transfers of resources for which no repayment is required.

- *Some providers*[4] *will be reporting official sustainable development grants to OECD*
- *Some providers will report to UNCTAD according to the agreed conceptual framework on South-South cooperation, subject to pilot testing. The modality "Non-refundable grants" is expected to closely correspond to the official sustainable development grants. Also, the modality "Direct cash transfers" is to be considered for inclusion.*

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.

- *Some providers will report official concessional sustainable development loans to OECD*
- *Some providers will report to UNCTAD according to the agreed conceptual framework on South-South cooperation, subject to pilot testing. The modality "Interest-free loans" plus parts of the modality "Loans" correspond to official concessional sustainable development loans.*

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.

- *Some providers will report official non-concessional sustainable development loans to OECD*
- *Some providers will report to UNCTAD according to the agreed conceptual framework on South-South cooperation, subject to pilot testing. Parts of the modality "Loans" correspond to official non-concessional sustainable development loans.*

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).

FDI is reported to UNCTAD according to the current reporting arrangements. Efforts will be undertaken to investigate how reporting countries can apply the sustainable development criteria.

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[3] See Note 1 below for an explanation of the recipient perspective.
[4] UNCTAD and OECD as co-custodians will ensure that there are no overlaps in global reporting in cases where countries and multilaterals provide their information to both organizations. UNCTAD will provide data on components of South-South cooperation following the indicator proposal if so desired by its membership.

17.3.1 e. Mobilised private finance (MPF) on an experimental basis[5], consisting of private flows mobilized by official interventions in high-income countries in the following seven categories:

(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, concerns and questions were raised 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 is therefore proposed to include MPF on an experimental basis, subject to reconsideration in the 2025 review. Recognising that MPF does not form part of the conceptual framework for South-South cooperation, reporting will at this stage be limited to private flows known to have been mobilised from high-income source countries.

- *Some providers will report on mobilized private finance to OECD*
- *Mobilized private finance is not part of the conceptual framework of South-South cooperation. Other provider that are engaging in this form of development finance may approach UNCTAD regarding the pilot testing and further development of this indicator for wider application.*

17.3.1 f. Private grants

The concept of private grants 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. It is nevertheless proposed to include this indicator, in the expectation that inclusion will encourage more complete reporting.

- *Some providers will report on private grants to OECD*
- *Private grants are not part of the conceptual framework of South-South cooperation. Some providers can report on private grants to UNCTAD on a voluntary basis as part of a pilot exercise.*

Part 3: Notes:

1. While the sub-indicators follow the recipient perspective, the data for all proposed sub-indicators except foreign direct investment are reportable by the providers.
2. The sub-indicators b) and c) on loans are measured in terms of gross flows. Net measures 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). Net flows on loans (deducting principal payments only) are included in total ODA figures in indicator 17.2.1, and developing countries' total public debt service (counting both principal and interest payments) is reported in indicator 17.4.1.
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

[5] This indicator is included on the basis of its being a memorandum item in the sense that in some countries there may be overlap with FDI.

those reportable as official development assistance (ODA) are excluded. While excluded from the indicator for substantive and technical reasons, the importance of debt relief and its measurement was recognized.

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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