



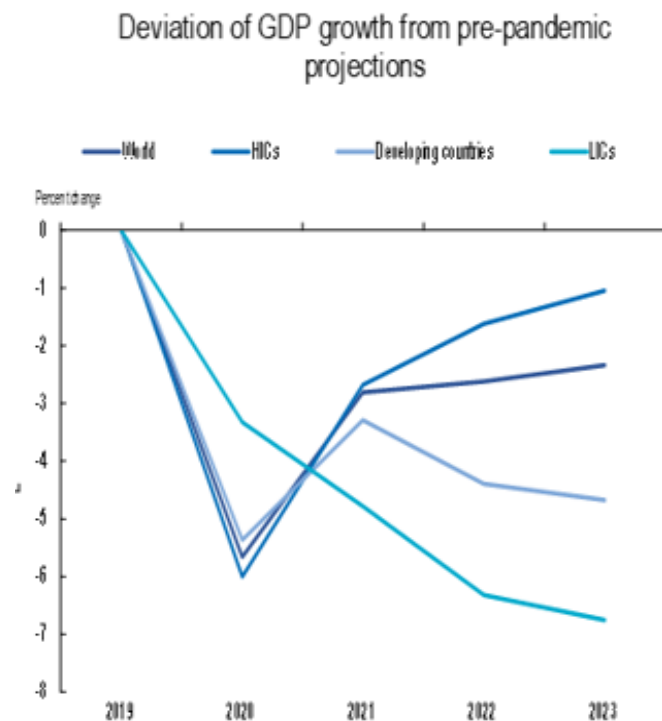
OECD Global Outlook on Financing for Sustainable Development 2023

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

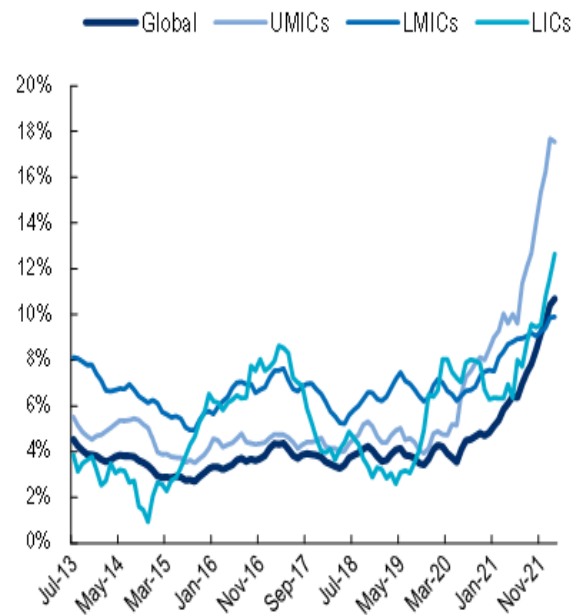
Fig. 1 The K-shaped recovery shows an emerging Great Divergence between countries (2019-24)



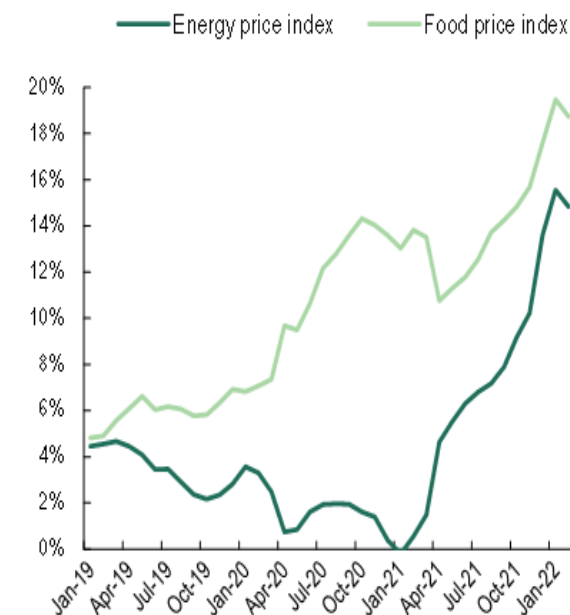
Source: Authors' based on World Bank 2020-22.

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

Year-on-year monthly inflation rate by income group



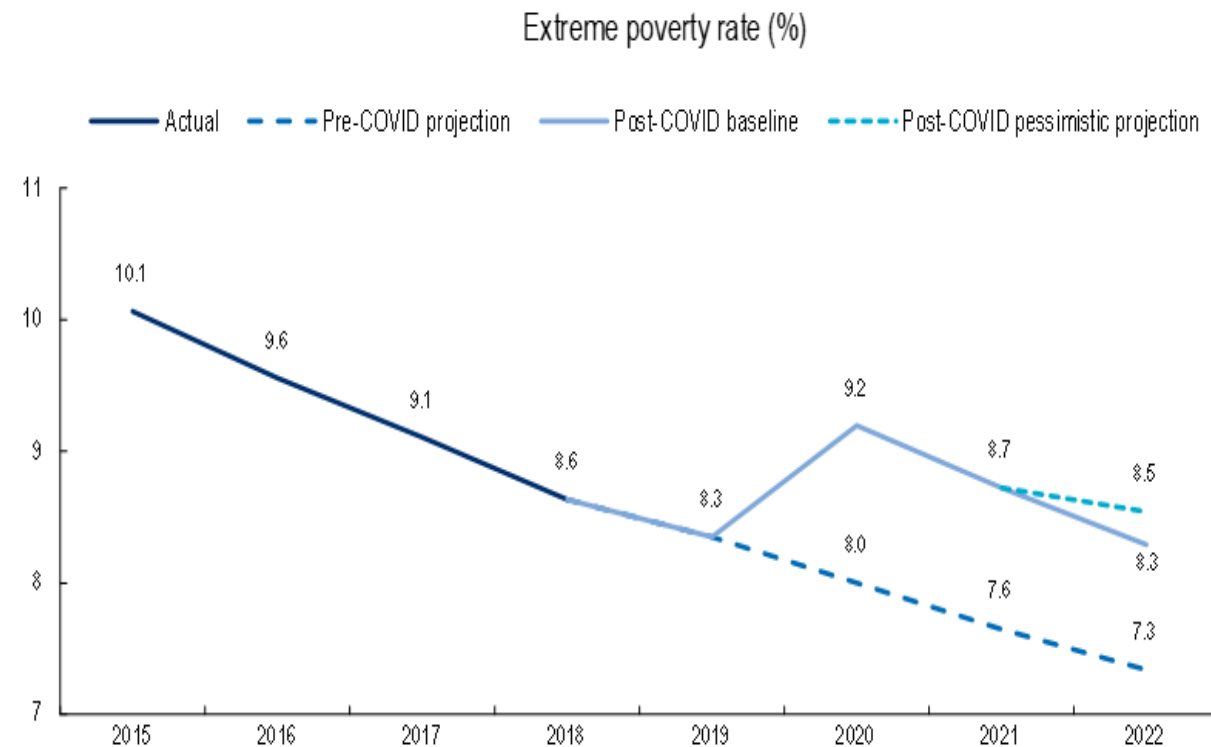
Year-on-year monthly inflation rate and energy and food prices in developing countries



Source: Authors' based on World Bank 2022

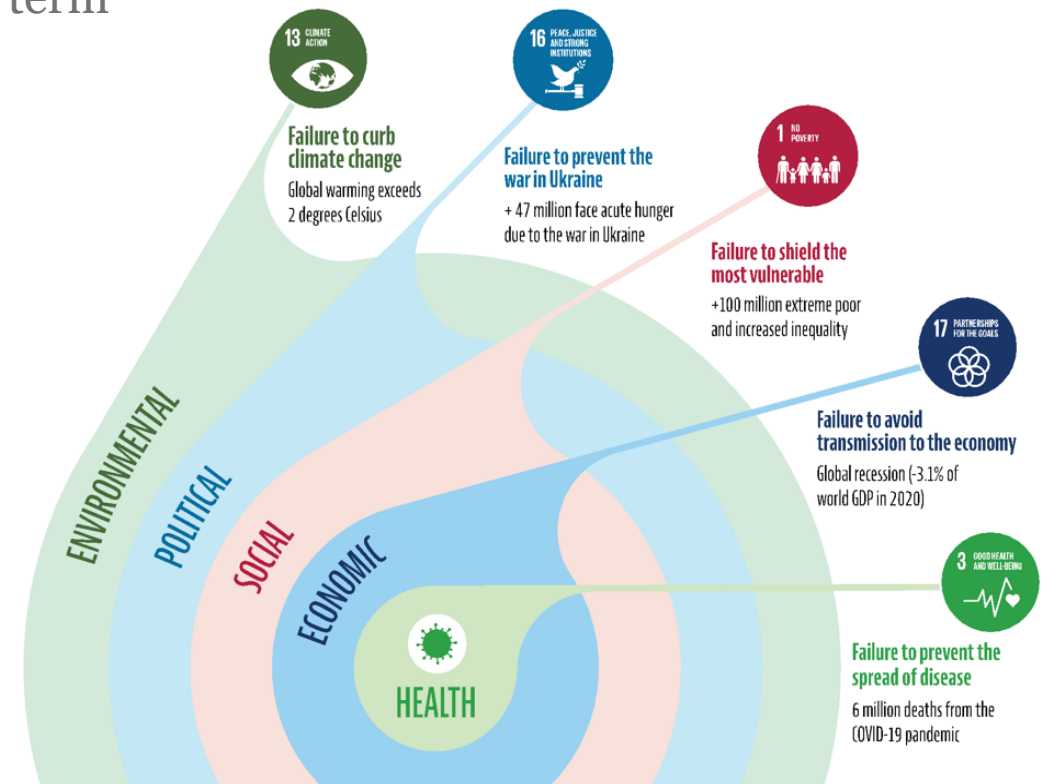
Long-lasting scars on global poverty and inequalities

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



Source: Authors' based on World Bank 2022.

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



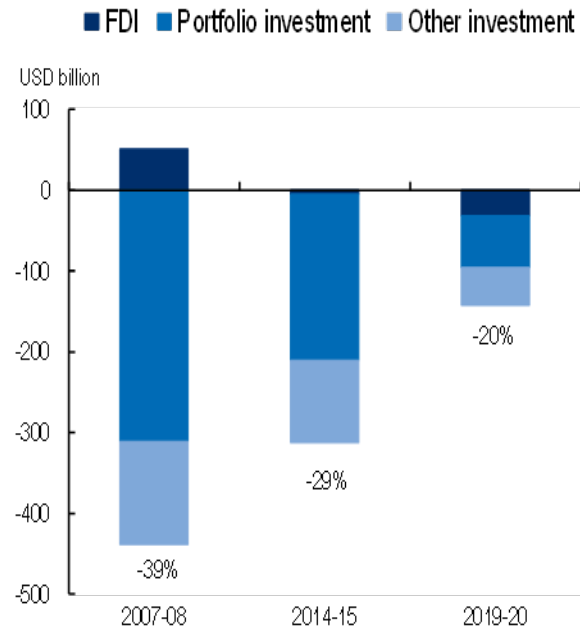
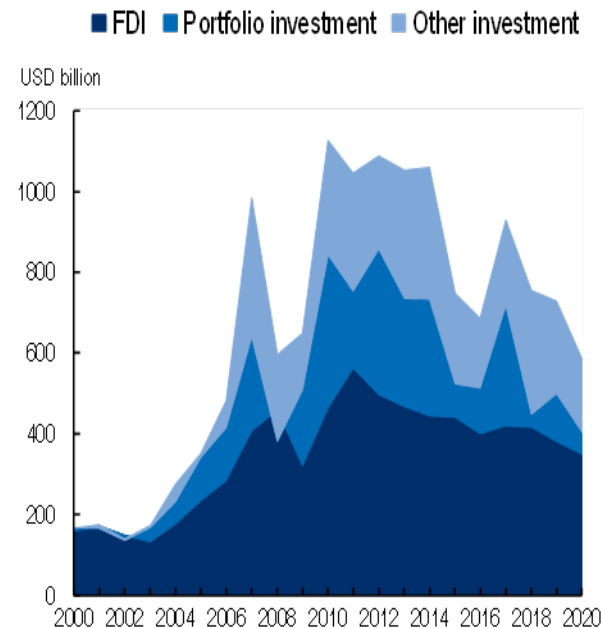
Source: Authors' design.

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

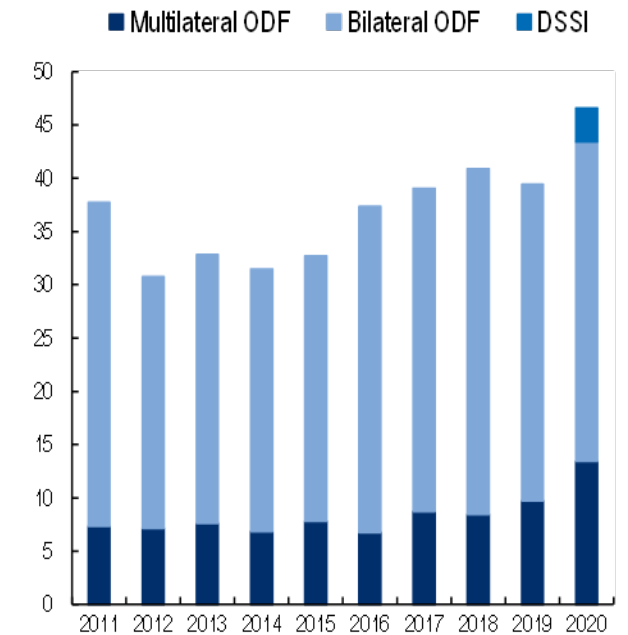
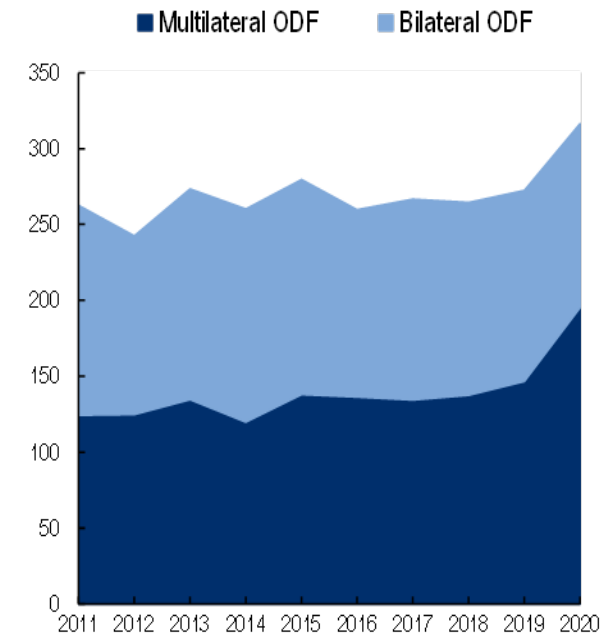


Source: IMF (2021[8]), Balance of Payments and International Investment Position Statistics (database), <https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52>.

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

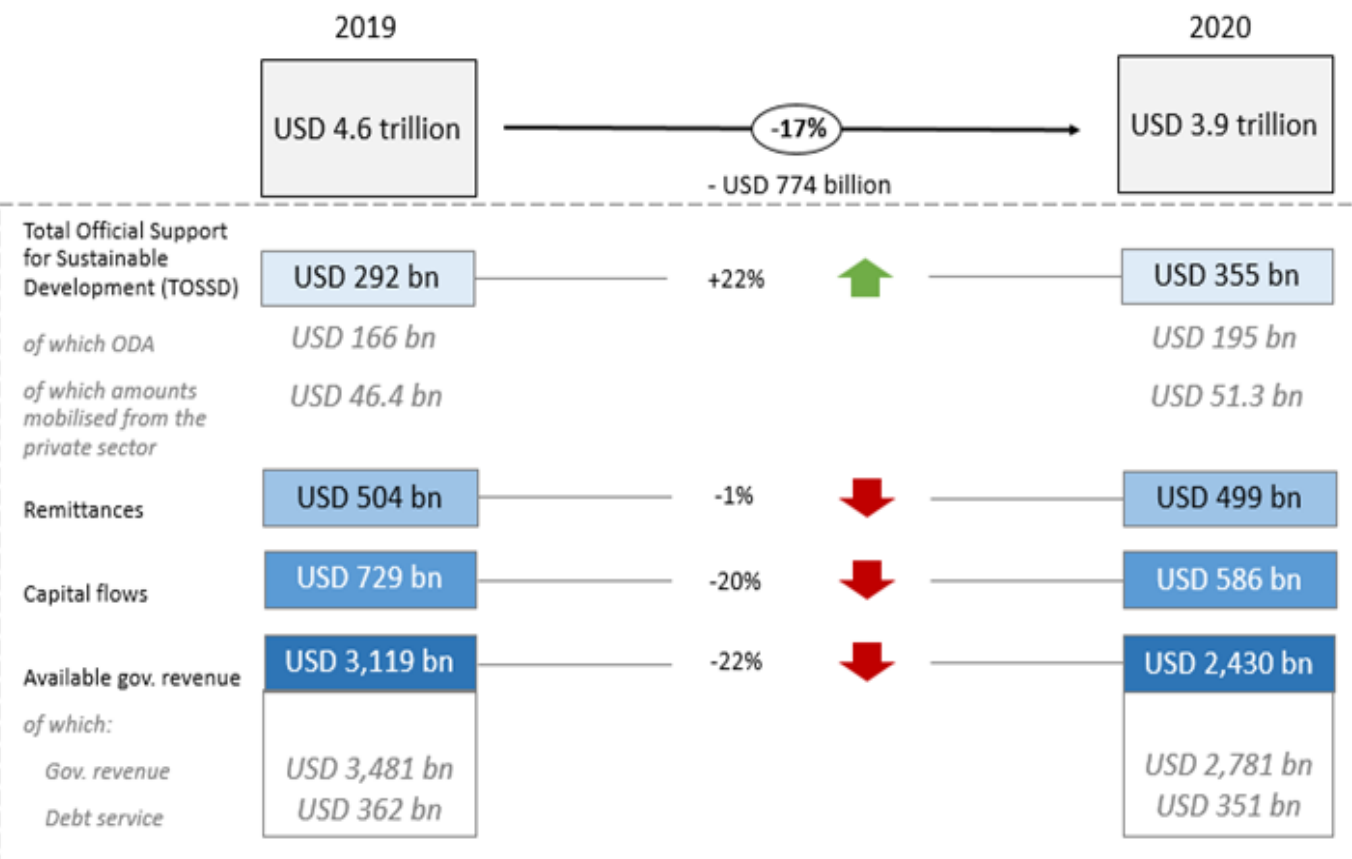
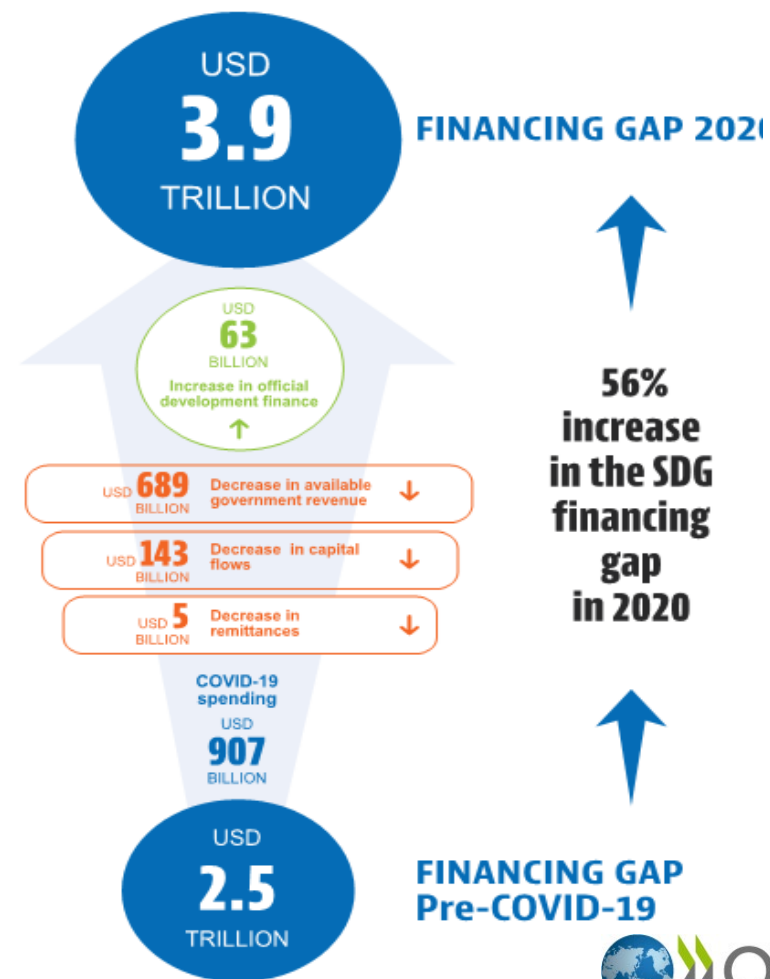
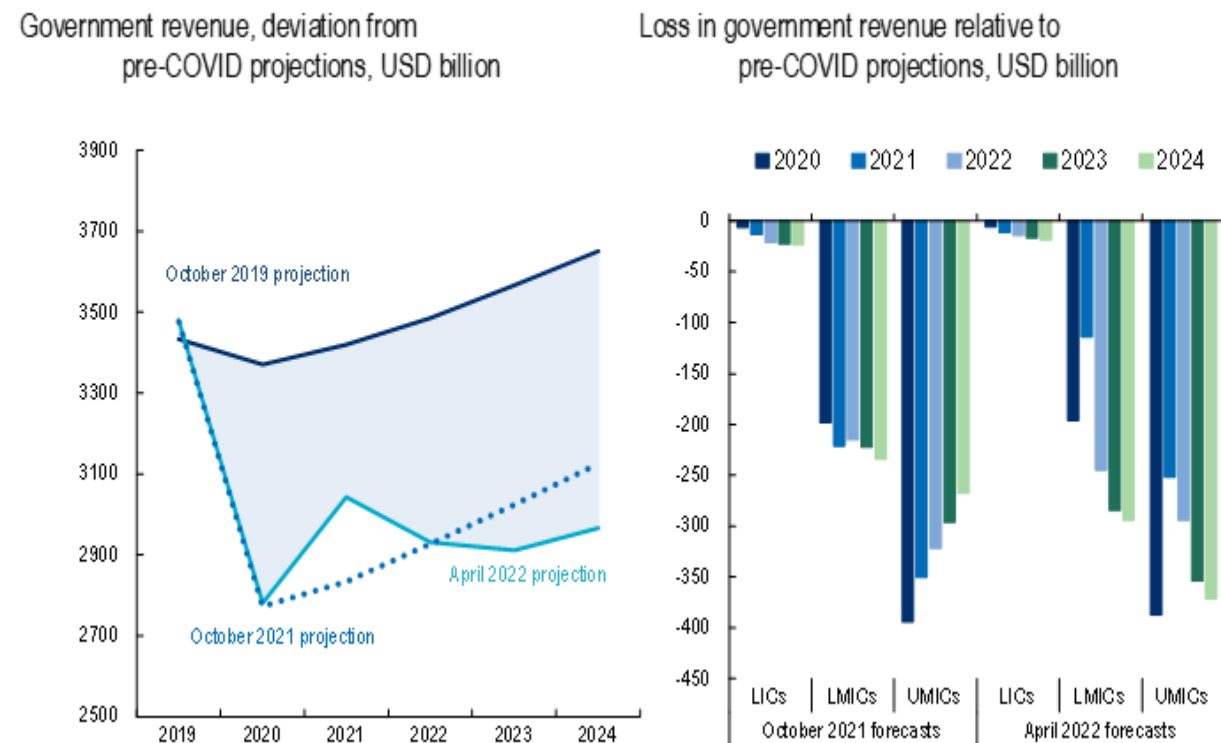


Fig. 7 The SDG financing gap in developing countries increased by 56% in 2019



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



Source: Authors' based on IMF 2022

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



Note: Values for 2022 are forecasts.

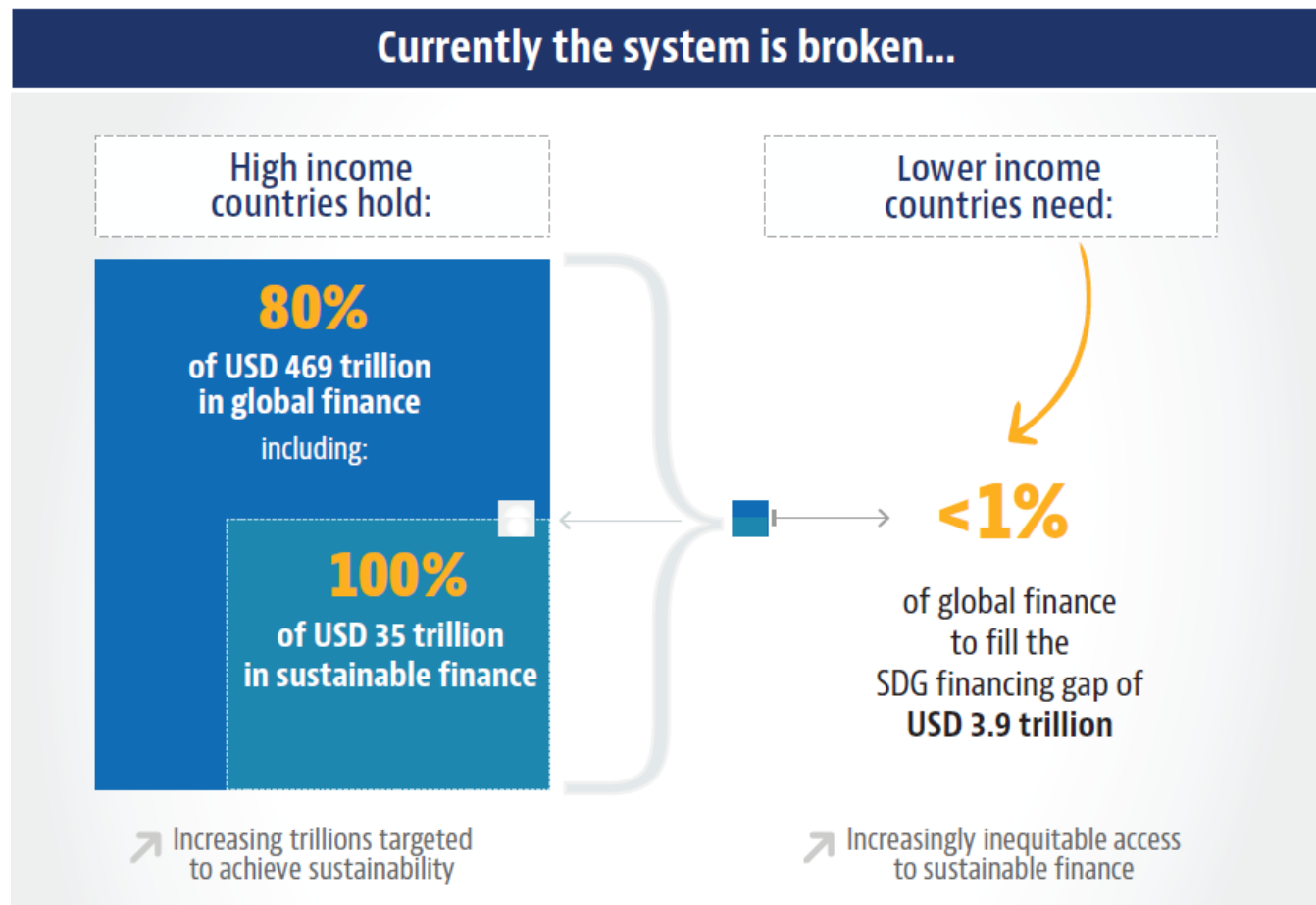
Source: Institute of International Finance (2022^[52]), *Capital Flows Report May 2022: Rising Global Recession Risk*, <https://www.iif.com/Research/Capital-Flows-and-Debt/Capital-Flows-to-Emerging-Markets-Report>.

The good news is that sustainable finance is booming and could close the SDG financing gap in developing countries

IT WOULD TAKE **LESS THAN ONE PERCENT** OF GLOBAL FINANCE
TO ACHIEVE SUSTAINABILITY GLOBALLY

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.

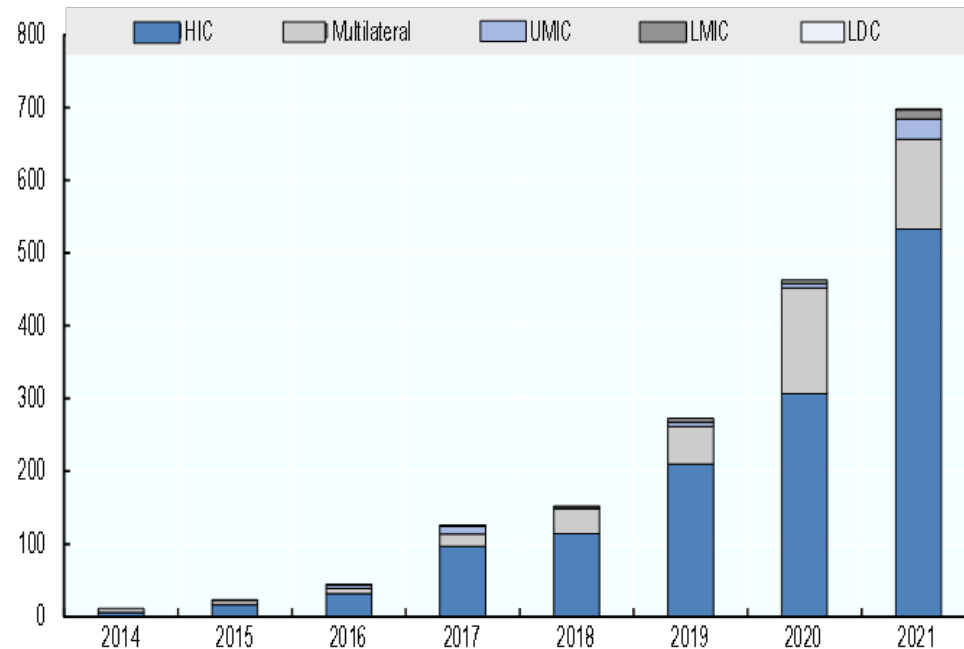


The bad news is that sustainable finance hasn't reached countries most in need yet, and “bottlenecks” remain

Green social, sustainability and sustainability-linked bond issuances by HICs and multilateral agencies have increased significantly (EUR billion)

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



Note: Country classifications are based on the OECD Development Assistance Committee (DAC) ODA-eligibility list (2021).

Source: Authors' calculations based on Luxembourg Stock Exchange (2021_[123]), DataHub, <https://lgxhub-premium.bourse.lu>. (OECD, 2022_[124]).

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



...help to break down
the barriers that
block access to
financing in
developing countries

- 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)



...align financing
at home to improve
needs-based
allocation and prevent
global public bads

- 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

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.”

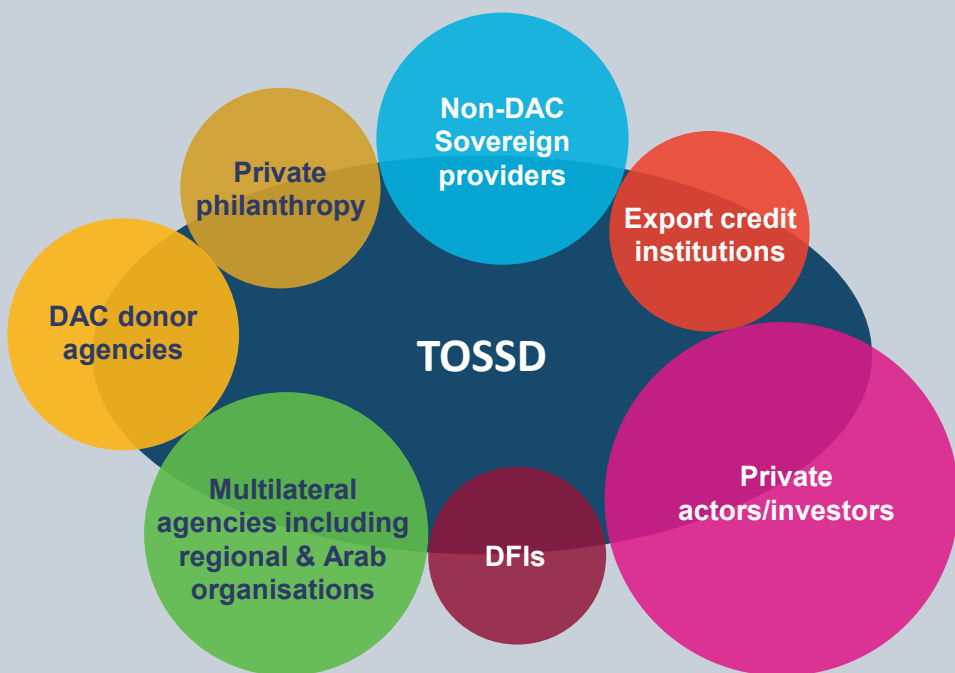


Why is TOSSD needed?

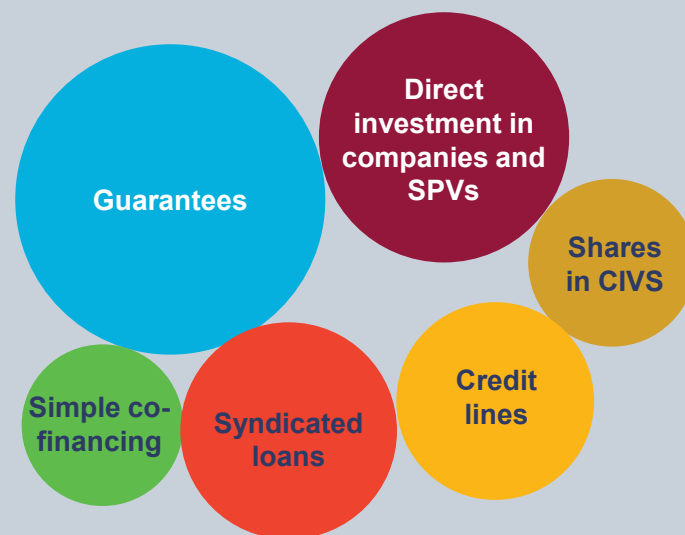
Long-term trends

The financial landscape for sustainable development has changed drastically. TOSSD better reflects this complex landscape than other existing international statistics on development finance.

More actors



More instruments

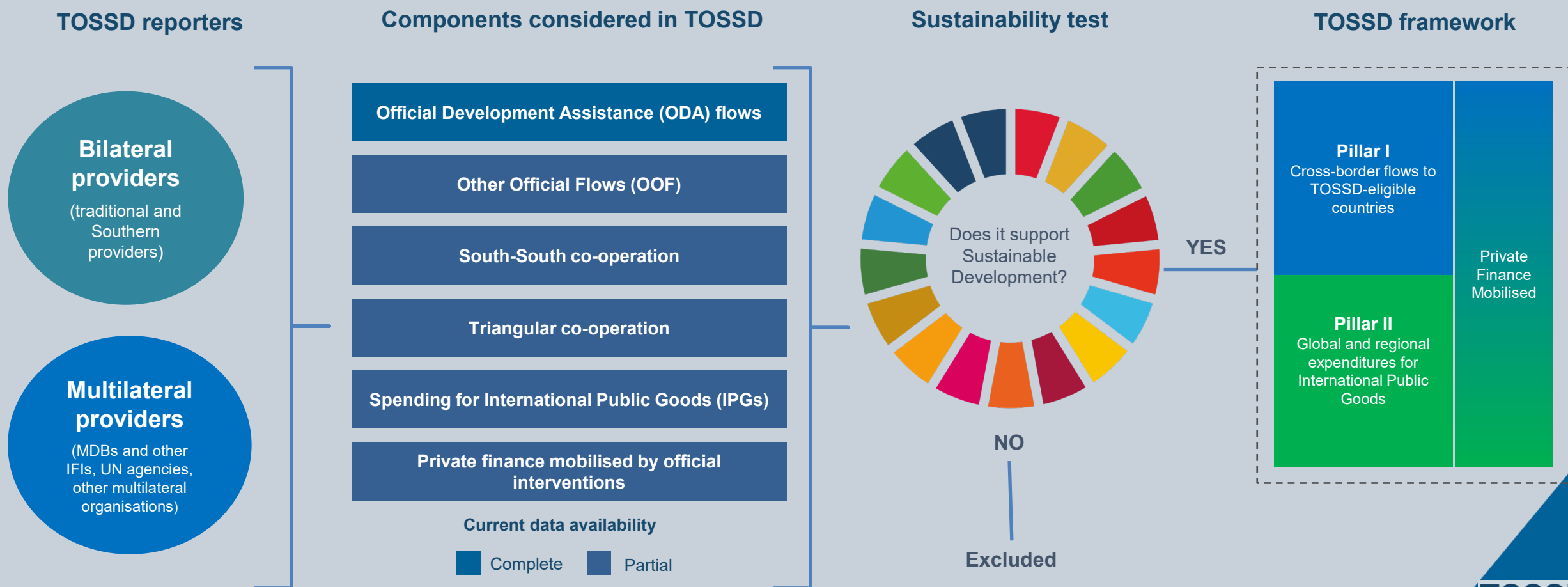


Greater focus on sustainability

SUSTAINABLE
DEVELOPMENT
GOALS

What is TOSSD?

A framework to measure resources in support of sustainable development in developing countries





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. :

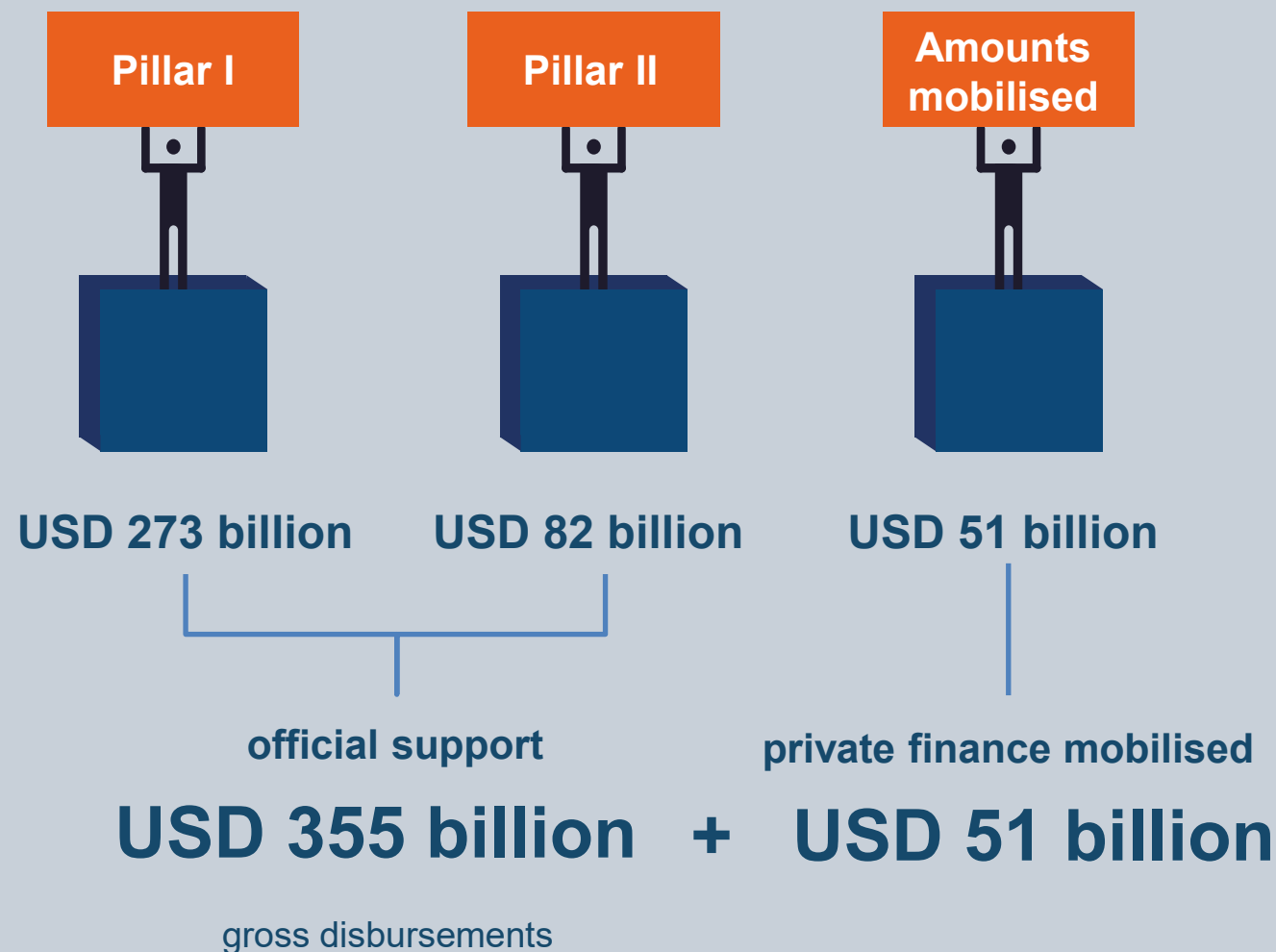
17.3.1 Additional financial resources mobilized for developing countries from multiple sources”.

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

 <https://unstats.un.org/sdgs/metadata/?Text=&Goal=17&Target=17.3>

TOSSD figures for 2020

TOSSD totals for 2020



Data available at <https://tossd.online/>

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.

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/>

