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Scenarios for a 1% GNI external public finance target

Discussion paper

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About this discussion paper

What is the scale of additional investment needed by 2030 to meet both development and climate goals? This discussion paper suggests an answer to this question using estimates compiled for the financing needs of the Sustainable Development Goals (SDGs) – which ostensibly capture both goals. It argues that while meeting this depends in part on trends in private finance and domestic resource mobilisation, these needs could be roughly met if high-income countries provided an average of 1% of their gross national income (GNI) over the next seven years. However, targeting climate and development under the same input target poses risks as well as benefits.

Summary

The Sustainable Development Goals (SDGs) are interconnected, and achieving some will depend on progress towards others. Climate change risks reversing progress towards a zero-poverty world, while countries' ability to adapt to climate change is closely related to their level of economic development. Both climate and development are underfunded, and while there are concerns that increasing climate finance is coming at the expense of development finance, this is difficult to assess, in part because they are targeted separately. A combined development and climate finance target could address the challenges of additionality that have plagued finance tracking to date. But there are also risks that by combining these targets, providers have an incentive to focus excessively on mitigation at the expense of poverty reduction, given that they benefit more directly from the former. In this discussion paper, we discuss the risks and benefits of such a target and assess what size it should be to raise sufficient finance to meet the SDGs.

There is considerable uncertainty about how much additional investment is needed to meet the Paris/Glasgow targets and the SDGs, but it is almost certainly in the trillions of dollars. One prominent estimate¹ (Bhattacharya et al., 2022) claims that by 2025, the **additional annual investment needed** to meet the SDGs (including action on climate change and relative to 2019) in developing countries, excluding China, **will be US\$1.3 trillion, rising to US\$3.5 trillion by 2030**. This gap will need to be filled by a mix of additional domestic resource mobilisation (DRM), private investment, and concessional and non-concessional international flows. These numbers are consistent with the climate finance needs reported in [Songwe et al. \(2022\)](#)², which are primarily built on the analysis of Bhattacharya et al.

One plausible breakdown of these financing needs (again from Bhattacharya et al., 2022) suggests that in 2025, an **additional US\$257 billion from the total would need to come from official external finance**³, **rising to US\$688 billion in 2030**. Given that total external public finance in 2019 was around \$300 billion (including flows from non-DAC countries), **this implies total official external financing needs of US\$557 billion in 2025 and US\$988 billion in 2030**.

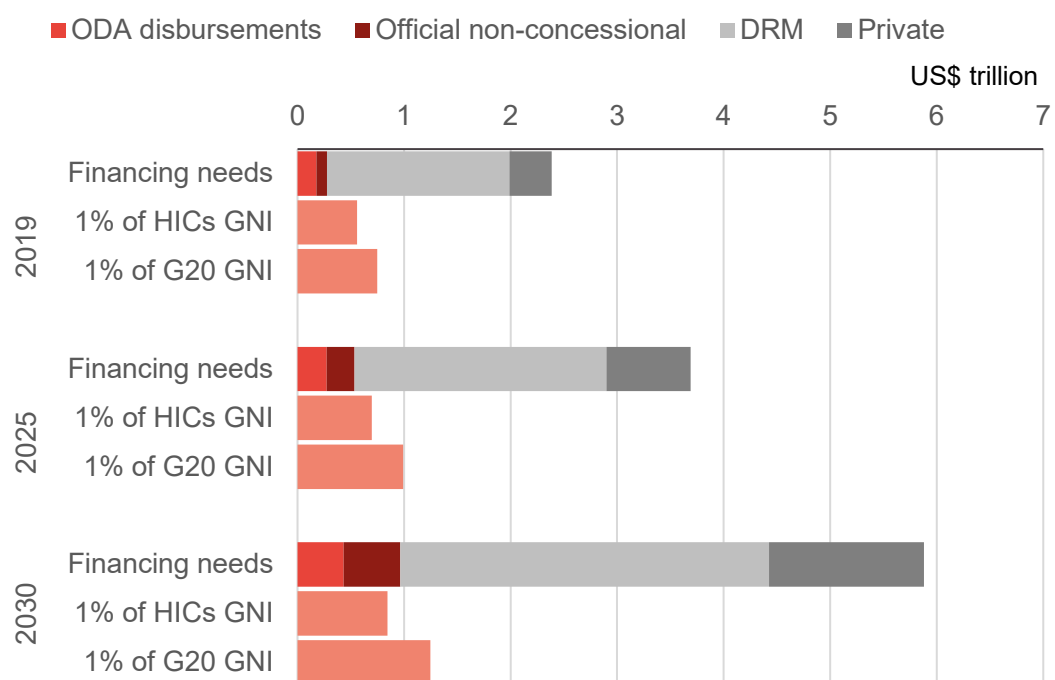
According to International Monetary Fund (IMF) forecasts⁴, these figures will equate to roughly 0.80% of high-income country (HIC) GNI in 2025, and 1.17% of HIC GNI in 2030. Conversely, total external public finance in 2021 from members of the Development Assistance Committee (DAC) – which includes most HICs – was equal to 0.46% of GNI, although this also includes non-concessional flows.

Based on these estimates, total financing needs are expected to rise faster than GNI in HICs. However, a reasonable approximation is that HICs would need to consistently provide roughly 1% of GNI in external public finance over the next seven years to fill the SDG-financing gap. Given the considerable uncertainty around the estimates of need, the benefits of setting the target as a round, memorable number may outweigh any benefits of further precision, especially given track records of meeting previous targets. However,

covering these needs in full would also require significant increases in private-sector investment relating to SDGs and DRM.

Applying the target to the G20 could increase the funds raised. **A 1% GNI target for the G20 would raise a total of US\$992 billion in 2025, rising to US\$1,248 billion in 2030** and surpassing estimated external public-finance needs. However, this would require countries with income levels well below the DAC average, such as China, India and Indonesia, to meet the same target.

Figure 1: A 1% GNI target could approximately cover estimated external official finance needs (US\$ trillion)



Source: DI analysis of Bhattacharya et al (2022), Development Initiatives calculations based on International Monetary Fund's World Economic Outlook (IMF WEO), OECD DAC

While it is beyond the scope of this paper to define what would count towards a 1% target, we note that this target does not need to be limited to traditional definitions of DAC concessional ODA. The scale of increases this implies for DAC countries depends on how the baseline is set. **In 2021, total gross ODA from DAC countries was equal to US\$199 billion in current prices. This is 0.36% of GNI and is US\$356 billion short of the US\$555 billion that would have been raised through a one-percent target.** The gap narrows when non-concessional flows – export credits and other official flows (OOFs) – are included: total official flows from DAC countries in 2021 were US\$255 billion, or 0.46% of GNI, indicating a gap of US\$303 billion. This measure takes into account DAC countries' contributions to multilaterals but the gap would narrow further if outflows were included instead (disbursements from multilaterals are higher than contributions in any year as some multilaterals can leverage their balance sheets). However, this could give

rise to issues of how to attribute these flows to individual countries (discussed in detail below).

Increasingly, public finance is being directed to raise additional private finance. In 2021, total private finance mobilised by DAC countries and multilaterals was estimated at US\$41 billion. If this was included in the 1% target for DAC countries, development finance flows attributable to the DAC would be 0.53% of GNI and the 1% target shortfall would shrink to 0.47%. How much the inclusion of mobilised private finance could raise towards a 1% target in 2025 and 2030 is uncertain, but it has grown significantly over since 2012, at a compound average growth rate of 11%. If this continues, its inclusion would add an extra US\$64 billion towards the target in 2025 and US\$113 billion in 2030.

The actions of a few large countries would be key, including those such as the US, which has historically not adhered to internationally agreed targets. **The US alone accounts for over half of the gap between 2021 DAC official flows and a notional 1% of DAC GNI.**

The features of a target combining development and climate finance are significant in terms of the incentives created and its inherent strengths and risks. More finance is needed for both development and climate goals, and – given the degree of interdependence – creating artificial boundaries for these targets can be counterproductive. For example, having separate targets (0.7% of GNI for ODA and US\$100bn for climate finance) obscures the extent to which spending is additional, as [projects can be counted towards both](#)⁵. Combining the targets could help ensure that there is less focus on labelling financing, and more focus on it being additional. Conversely, efforts would be needed to minimise incentives that may exacerbate the decreasing focus on poverty reduction. Donors are more likely to benefit from mitigation finance given that their economies may also be adversely affected by climate change. Accordingly, they might be incentivised to focus on mitigation at the expense of poverty reduction if both counted towards the same target. Although there are *some* synergies, focusing on mitigation implies less aid to the Least Developed Countries (LDCs), who emit very little in the way of greenhouse gases.

One option would be a tiered target – as suggested by Rogerson and Ritchie (2020)⁶ – that includes subsidiary targets for poverty reduction/economic development on one hand and global public goods (GPGs) on the other. This would preserve the benefit of combining the targets as individual projects could not be counted towards both tiers (although the value could potentially be split if counting the bulk of the cost under one tier and the incremental cost of aligning it with the Paris Agreement under the second). Nevertheless, it would ensure that visibility of spending on poverty reduction was not lost. The most appropriate split between the two tiers should be subject to further research.

This is similar in principle to the Organisation for Economic Co-operation and Development's (OECD's) Total Official Support for Sustainable Development (TOSSD)⁷ initiative that aims to measure development flows under two 'pillars' (capturing 'cross-border flows' under pillar one, and 'regional and global expenditures' under pillar two) while reporting separately on mobilised private finance. However, after concern from some researchers in the Global South that it would distract attention away from ODA (see Besharati (2016)⁸, or Chaturvedi (2016)⁹ for example), the OECD explicitly abandoned the 'donor perspective'¹⁰, meaning it may not be appropriate as a basis for a donor target.

The original method for arriving at the 0.7% target is now outdated

The 0.7% commitment, originally suggested by the Pearson Commission in 1969¹¹, was largely the result of a political compromise, in line with what ‘developed’ countries (loosely corresponding to today’s HICs) at the time thought was politically achievable. However, it was also underpinned by academic models¹² prevalent at the time that linked economic growth to levels of investment. These models found that additional investment needs in ‘developing’ countries were equal to roughly 1% of the gross national income (GNI) of ‘developed’ countries to achieve adequate growth (defined as 6% per year). Given the rough split between public and private capital flows to developing countries at the time, this implied public financing needs of around 0.7% of developed-country GNI.

The world has changed considerably since the 1960s. In 2005, researchers attempted to re-estimate the current ‘required level of investment’¹³ using the same method, and found a dramatically lower figure (around 0.01% of “rich-country” GDP). Their point is not that we should reduce aid, but that this methodology is no longer credible or relevant for estimating need.

Such ‘financing gap’ models are far too simplistic as descriptions of how economic growth emerges. The drivers of economic growth are too multifaceted and context-specific to be reduced to simple, optimisable formulas. Furthermore, it is now recognised that there is more to development than economic growth: such growth needs to be sustainable and broad based, and many countries’ outcomes have improved even in places where economic growth has been absent¹⁴.

Nor is the division of the world into ‘rich’ and ‘poor’ countries useful or justifiable. While the global income distribution in the 1960s was bimodal¹⁵, with a clear gap between industrialised countries (mainly located in Europe and North America) and the rest of the world, today’s distribution is smoother with distinctions between countries that provide and receive aid proving increasingly anachronistic. Global challenges have gained prominence and it is increasingly clear that both agency and responsibility for addressing these challenges is shared beyond a narrow group of countries in the so-called ‘Global North’.

While discussions about ‘aid’ remain focused on the Development Assistance Committee (DAC), this may change in the future. Many countries outside this group have provided foreign assistance for decades and are increasing their global share of foreign assistance (albeit from a low base). Non-DAC countries now account for over a fifth of core contributions to the UN¹⁶, up from 10% only a decade ago. The number of non-DAC contributors to the 20th International Development Association replenishment (in 2022)

has more than doubled since the 13th replenishment (in 2002), and their share of contributions has grown from 2% to 11%¹⁷.

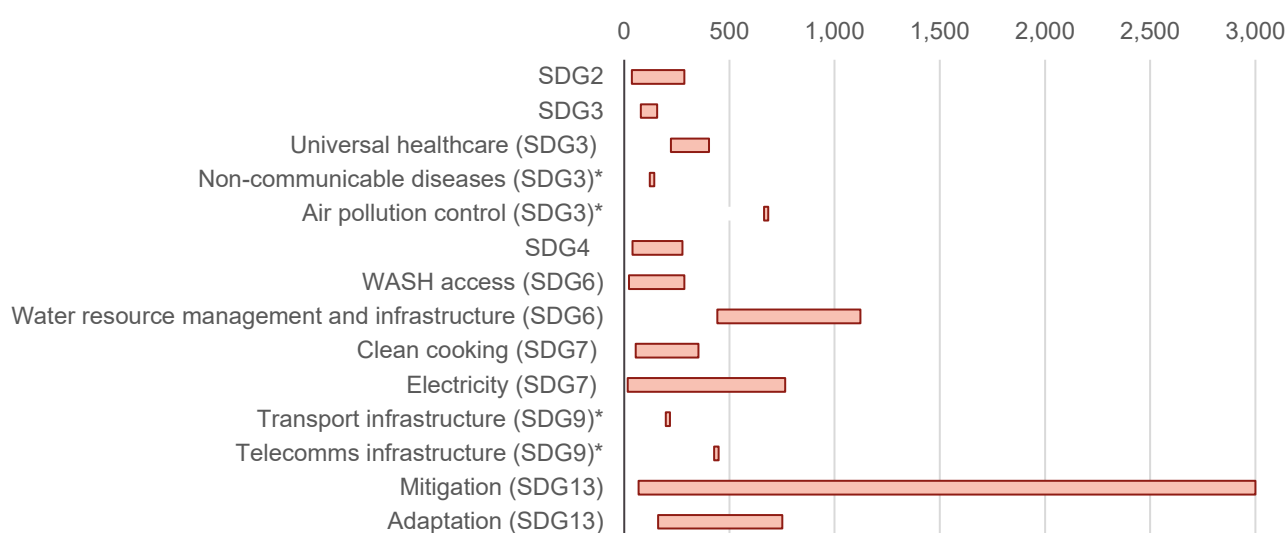
More recent estimates suggest total financing needs are in the trillions

Estimating additional financing needs is difficult and has been subject to numerous approaches, usually involving far more sophisticated (but still debatable) models such as integrated assessment models, other equilibrium-type models, or aggregated unit costs. Researchers generally begin with sector-specific models, allowing more nuance than the economy-wide model used to justify the original Pearson Commission target.

The range of estimates for individual Sustainable Development Goals (SDGs) or SDG targets is vast. Kulkarni et al. (2022)¹⁸ assessed a range of studies that attempted to measure the investment gap needing to be filled to meet various SDGs or SDG targets. They do not attempt to aggregate such estimates into an overall investment gap, but find that “for most SDGs, costs are in the order of hundreds of billion USD annually”¹⁹. For SDGs six and 13 however, “estimates of a trillion or more are reported”²⁰.

Figure 2: The range of estimates of additional investment needs can be broad

Bars show the range of estimates for additional annual investment needs (US\$ billion)



Source: Adapted from Kulkarni et al., 2022

Notes: Categories marked with asterisks (*) had only one estimate. Where a target is not specified, the range of estimates refers to the whole SDG.

This figure demonstrates the considerable uncertainty around estimates of investment needs – even for specific, quantifiable goals. Attempting to combine such estimates to obtain an overall investment gap necessarily compounds these uncertainties, especially given the potential overlap and synergies between these goals. This means that any such figure should be treated with caution. One of the most recent and prominent attempts to estimate financing gaps for the SDGs (including climate action) is Bhattacharya et al. (2022)²¹, which builds on numerous previous attempts, some of which are discussed in more detail in the [Appendix](#). We use these estimates below to illustrate how additional finance raised by a 1% target might compare to total needs, but stress again the uncertainties inherent to such an exercise.

Bhattacharya et al. estimate that by 2025, additional financing needs will be US\$1.3 trillion, rising to US\$3.5 trillion by 2030 (these figures are additional to 2019 levels). These numbers represent the total investment gap, which will need to be filled by a combination of domestic resource mobilisation (DRM) and private-sector investment as well as external official finance. The exact split will depend on SDG-relevant, private-sector investment trends which are hard to predict. However, to obtain a picture of what such numbers imply for external finance, we use the finance breakdown suggested by Bhattacharya et al. (2022). This anticipates that around 80% of the gap could be filled by private investment and DRM, leaving 20% to be filled by external official finance.

This would mean **additional external official finance of around US\$257 billion by 2025, and US\$688 billion by 2030**. These volumes are additional relative to 2019, when total disbursements from DAC and multilaterals came to US\$278 billion, including other official flows (OOFs) and export credits. Data on non-DAC countries is hard to obtain but those reporting to the OECD provided approximately US\$16 billion in 2019. This does not include some major contributors such as China. If we take **US\$300 billion as an estimate current public provision** and add it to the estimates of *additional* public finance needs from Bhattacharya et al. (2022) and the suggested financing breakdown, **we arrive at total public and multilateral finance needs of around US\$557 billion by 2025 and US\$988 billion by 2030** to meet the SDGs.

To reiterate, this is highly approximate and depends on a particular breakdown estimated by Bhattacharya et al. (2022). It would also mean that additional private SDG finance of around US\$400 billion by 2025 and US\$1.1 trillion by 2030 is required.

1% of HIC GNI would roughly meet financing needs to 2030

How do these estimates of financing needs compare to the total GNI of countries that are in a position to provide such finance? In this section we outline what percentage of GNI different country groups would need to spend in order to fill these financing gaps.

According to International Monetary Fund (IMF) forecasts, GNI in HICs is expected to be around US\$698 billion in 2025. This means that external public financing needs for emerging-market and developing countries (EMDEs) excluding China, estimated above at US\$557 billion, would be equal to 0.80% of HIC GNI. However, the estimates above suggest that needs will grow faster than HIC GNI. Whereas external public financing needs are expected to be US\$988 billion in 2030, extrapolating IMF forecasts to 2030 indicates HIC GNI of US\$844 billion, suggesting that needs will be equal to 1.17% of HIC GNI. If needs increase linearly as a percentage of HIC GNI, then needs will be equal to 0.98% of HIC GNI on average over this period. Given the considerable uncertainty around these numbers, we would assume that a target of 1% of GNI for HICs would be sufficient to cover external public-finance needs in EMDEs excluding China.

HICs are best placed to provide external public finance for EMDEs to meet the SDGs. However, there are other countries that also provide significant amounts of finance. If such countries were to join HICs in meeting a 1% target, then this additional finance would relieve the pressure to scale up other sources of finance. Even if HICs all met a 1% target, filling the SDG-financing gap would still require significant increases in domestic resource mobilisation (DRM) and private finance. Expanding the target to other countries would allow for a 'buffer' that increases the chance of meeting the SDGs in the event that such increases fail to materialise.

For example, if the **G20 group of countries (which through the inclusion of the EU comprises the majority of HICs) all provided one 1% of GNI, then this would raise US\$992 billion in 2025 and US\$1,248 billion in 2030**, enough to cover the estimated needs for both years. However, while many large middle-income countries (MICs) already provide external public finance, it tends to be on a much smaller scale than HICs relative to the size of their economies. This is understandable given these countries' income levels. Even within the G20, there are countries such as India and Indonesia with current incomes far below the OECD average (India's GNI per capita is around 15% of the OECD average, although this is not adjusted for PPP).

Applying a uniform target regardless of income level is not necessarily the only option. An alternative could be to set a progressive target which increases with countries' GNI per capita. One such proposal is the 'New Universal Development Commitment' from Sumner et al 2020²². However, we do not explore this option further in this paper.

DAC countries – for which detailed data is available from the OECD – currently provide just below half of 1% of their GNI in development finance. When including non-concessional flows, development finance provided by the DAC in 2021 was equal to US\$255 billion or 0.46% of GNI, suggesting a gap of US\$303 billion. Increasingly, public finance is being directed to raise additional private finance. In 2021, total private finance mobilised by DAC countries and multilaterals was estimated at around US\$41 billion. If this is included, development finance flows attributable to the DAC would be 0.53% of GNI. How much this could contribute towards the SDG financing gap in 2025 and 2030 is uncertain, but mobilised private finance has increased significantly over past years, at a compound average growth rate of 11%. If this continued, then the inclusion of mobilised private finance would generate an additional US\$64 billion in 2025 and US\$113 billion in 2030.

Table 1a and 1b: External public financing needs will account for approximately 1% of HIC GNI between 2025 and 2030

Estimated external public finance needs (US\$ billion)		
	2025	2030
External public needs	557	988

1% of GNI by group (US\$ billion)			
	2021	2025	2030
G20	825	992	1,248
High-income countries	603	698	844
China	176	222	301
Japan	51	50	52
Germany	44	47	54
India	31	45	63

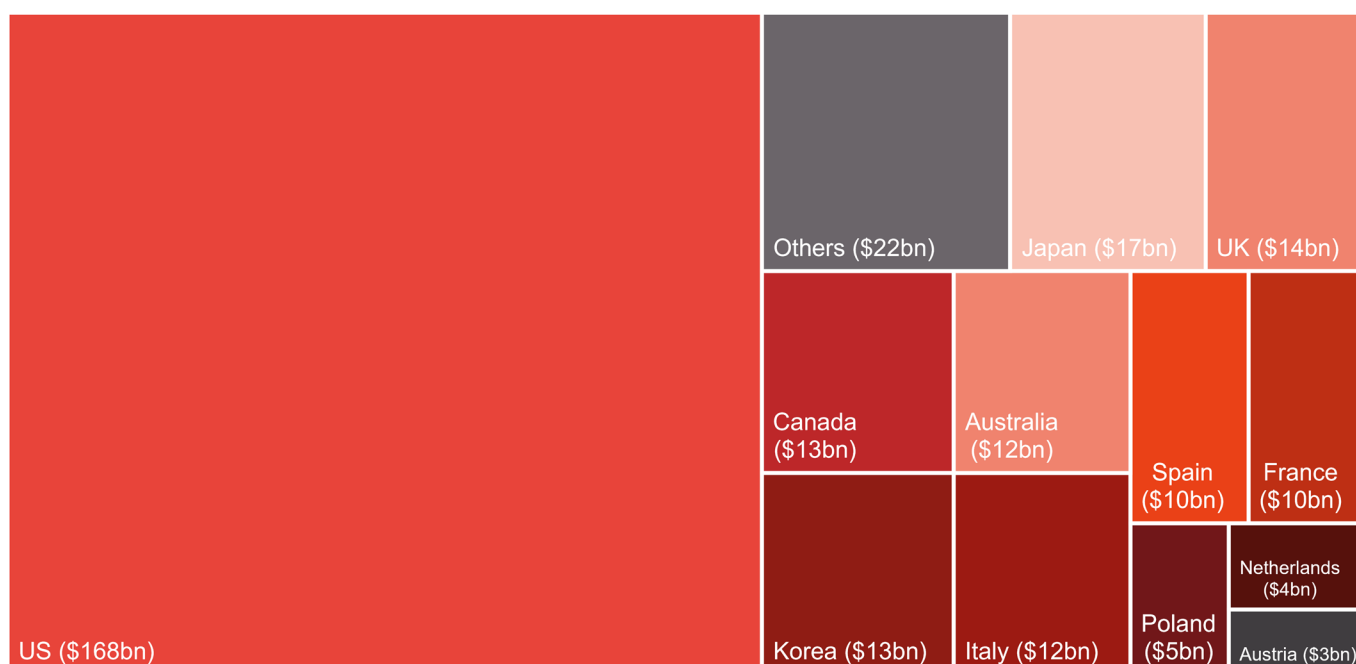
UK	31	39	50
France	30	31	36
Italy	21	22	24
Canada	20	25	32
Republic of Korea	18	20	23

Notes: Current \$ GNI at market exchange rates. Forecasts used are IMF WEO for current price GDP until 2027, after which they are extrapolated by linear trend. Estimates for needs are taken from Bhattacharya et al (2022) and divided according to the breakdown they suggest on page 9. External public finance needs refer to ODA disbursements, and non-concessional bilateral and multilateral official flows.
Source: Development Initiatives analysis of World Development Indicators (WDI), OECD DAC.

Caveat one: Specific countries can have huge impacts

Even within HICs, what the United States does is far more important than any other country, as it accounts for 40% of high-income GNI and 43% of DAC GNI. Taking into account all flows – bilateral ODA, OOFs, export credits and contributions to multilaterals – **the gap between current disbursements and 1% of GNI is US\$303 billion for DAC countries. The US accounts for US\$168 billion of this or 55%.** In fact, if the US matched the current average ODA/GNI ratio of the rest of the DAC, this would raise US\$100.0 billion, filling roughly a third of the entire gap for DAC countries (including the US).

Figure 3: The US represents the greatest share of the current gap between DAC countries' current official flows and a target 1% of GNI (all figures in US\$ billions)



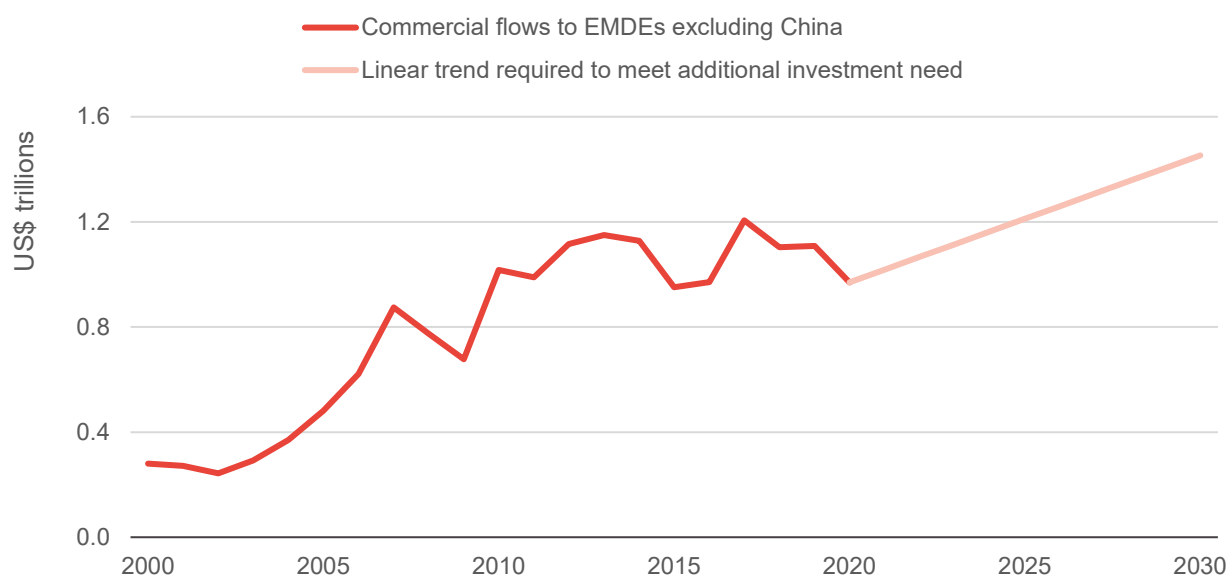
Notes: Flows considered are ODA and OOF-like disbursements, both bilateral and from multilateral organisations as well as export credits.

Source: OECD

Caveat two: Private-sector investment also needs to increase sharply

The above estimates for additional public finance needs assume a particular breakdown of the different types of finance needed to fill the gap, including both private-sector finance and DRM. How Bhattacharya et al. (2022) arrived at this breakdown requires further exploration but applying it to additional investment needs in 2030 implies a significant scaling-up of private investment. Even when all private investment into low- and middle-income countries other than China is included, the trend since 2000 suggests that private investment would fall short of this need (according to the above breakdown). Furthermore, the trend has been flatter over the last decade, and not all of this investment will be relevant for meeting the SDGs.

Figure 4: Commercial flows (US\$ trillion) to low- and middle-income countries, other than China, must increase significantly and consistently to meet additional investment needs



Source: Development Initiatives' internal International Resource Flows dataset

Notes: Includes foreign direct investment (FDI), long term commercial debt, net short-term debt flows, and net portfolio equity. EMDEs stands for Emerging Markets and Developing Economies

Caveat three: It is likely that concessionality will fall

Concessional resources are scarce and – as a percent of DAC GNI – have not increased substantially on aggregate over past decades. It is therefore likely that scaling up public finance to 1% of GNI will change the balance towards less concessional types of finance, such as loans on harder terms, and other types of investment, rather than grants.

Caveat four: Increased finance is no guarantee that SDGs will be met

While additional finance is necessary for meeting the SDGs, it is not sufficient. The additional investment that is enabled by increased finance needs to be well targeted, and in the case of loans, needs to increase countries' ability to generate revenue to avoid storing up debt problems for the future. This is especially important given the previous caveat: scaling up development/climate finance is likely to entail a reduction in concessionality, making the economic return requirements all the more stringent. Currently, some multilateral organizations are struggling to find sufficient opportunities to invest the capital they have available²³, suggesting that this would be an important consideration for an input target such as 1% of HIC GNI²⁴.

The original 0.7% target has never been met on aggregate

Since the 0.7% target was agreed in the 1960s, there has been little progress in aggregate: gross ODA has remained between 0.2% and just over 0.4% since 1970, despite tumultuous changes during this period. Multiple revisions have been made to the Development Assistance Committee (DAC's) rules to include additional items (in-donor refugee costs and imputed student costs were both added in the late 1980s), suggesting that the percentage would be even lower today if measured as originally intended.

Furthermore, the inclusion of climate-finance commitments has not significantly increased the ratio of public finance to GNI, as much of the subsequent finance reported has not been additional.

In 2009, developed countries agreed to provide US\$100bn per year in 'new and additional' climate finance by 2020. *If* this target had been met, and *all* of the US\$100bn was additional to ODA, then by 2021 **DAC countries²⁵ would have spent roughly 0.56% of GNI on ODA and climate finance combined**. Yet only US\$83.3 billion was reached by 2020, which would have been equivalent to 0.52% of GNI if it was all additional to ODA. It is difficult to assess the exact degree of additionality because of inadequate reporting standards²⁶ (including differing use of Rio markers by different countries), but an assessment of the OECD's estimated climate-finance outflows suggests it is likely that less than half of finance marked as climate is additional. This means that climate finance and ODA combined is only around US\$40 billion higher than ODA alone and that **DAC countries are currently providing 0.44% of GNI on ODA/climate finance at most**.

A combined target should avoid perverse incentives

To date, targets for climate finance (the unmet US\$100 billion target) and development (the rarely met 0.7% of gross national income target) have been separate. Setting a target that aims to address Sustainable Development Goal (SDG) financing needs in their totality implies bringing these aims together under the same target. This section explores the benefits of and risks to this approach.

Overall financing needs to increase, regardless of how it is labelled

There are currently separate targets for both ODA and climate finance. But the way the two are measured is not well harmonised, allowing many projects to be counted towards both. In practice, most donors use the Rio markers to indicate which projects are counted as climate finance. Any ODA projects marked as such will then be counted towards both targets, making it hard to assess additionality.

Given that there is overlap between development and climate objectives, and that both are underfunded, it matters less that a project is targeted more at one or the other than whether the project is additional (i.e. increasing total resources available to tackle both issues). Combining the objectives under the same target would make it easier to assess additionality.

Donors may prefer to focus more on global public goods (GPG) projects, from which they benefit

A target that includes both spending items from which donors get some benefit (such as climate mitigation spending), and those for which the benefit is *at best* indirect and very long term (such as health systems investments in LICs) could lead donors to skew spending more towards the former category. This is already happening to some extent within ODA. Mitigation finance occupies a larger and larger share, and donors view GPGs as an increasingly important purpose of ODA.²⁷

Risk of drawing attention away from increasing concessional flows

It is highly unlikely that a combined development-climate finance target would be feasible for ODA, or ODA-like flows. But increasing the attention on a target that includes non-concessional flows risks reducing the attention on the need for additional concessional flows. Given that donors can make a financial return on non-concessional financing (in fact, even some concessional loans) they already have more of an incentive to provide this than grant financing. But the latter remains of crucial importance, both for least-

developed countries (LDCs), and for objectives such as Loss and Damage financing, for which loans make less sense. Some developing countries were concerned about Total Official Support for Sustainable Development (TOSSD)²⁸ for this reason: it risks rewarding donors for activities they already benefit from, and reducing the pressure to actually incur fiscal effort.

Multilateral leverage is important, but hard to attribute

Multilaterals can leverage resources, and this can result in flows much larger than the original contributions from donors; achieving a finance input target may need to rely on this leverage. However, this makes attribution more difficult, as there is no direct link between multilateral disbursements in any one year and the contributions individual donors have made. It is possible that the target could be specified at an aggregate level, circumventing the attribution problem, but this could induce a free-rider problem (whereby responsibility for scaling up resources is shared too broadly to adequately incentivise individual donors).

Net disbursement figures also matter

The OECD uses net disbursement figures to assess donor performance as a percentage of gross national income (GNI). However, all the preceding figures – including the financing needs estimates from Bhattarcharya et al. (2022) and others – refer to gross financing. Net disbursements and grant-equivalent figures are inevitably lower. Given the current ratio between gross disbursements and net disbursements, and assuming that this would remain roughly the same if financing was scaled up (an optimistic assumption as the share of grants would likely decline), then gross flows would need to be roughly 50% higher than the figures for net disbursements to reach the same target in net terms. For example, net disbursements equal to 1% of GNI would imply gross disbursements of around US\$1.4 trillion, instead of US\$964 billion.

A potential way forward: a combined target but with separate tiers?

Including both traditional development goals and global-public-good (GPG) objectives under the same target risks donors prioritising the latter, from which they are more likely to receive some benefit. To mitigate this, Rogerson and Ritchie (2020)²⁹ suggest a **two-tier target that could add up to 1%** as an eye-catching figure. The target would consist of two parts: one for traditional development spending and the other for GPG spending. The aim would be to recognise worthwhile projects while trying to protect traditional development spending from continual GPG encroachment. The exact ratios could be subject to debate, but something like a 60:40 split – or even an even split – could be sensible. This would reflect the fact that some spending items would have been removed from the original ‘ODA basket’ (and transferred to the ‘GPG basket’) and so the 0.7% target is less appropriate. The ‘ODA basket’ could look more like country programmable aid, which by definition consists of spending that allows for multi-year targeting.

The two-tier target would retain the benefit outlined above of combining both sets of objectives into a total, aggregate figure, so that it is easier to assess additionality (projects would count equally towards the 1% target, regardless of which tier they were allocated to). There would still be debates about the extent to which a project counts towards each tier, but the impacts of misusing the marker system³⁰ would be less pernicious as the value of the project would be counted only once.

For projects that contribute towards both GPG and development objectives, a percentage of the project could be counted towards each. For example, generating energy capacity from wind in Mozambique might be more expensive than generating the same capacity from natural gas. In this case, it could make sense to count the incremental cost of making the energy capacity greener (the ‘green premium’) towards the GPG tier, and the remainder (what would have been spent on natural gas) towards the development tier.

This is similar in principle to OECD’s TOSSD³¹ initiative which aims to measure development flows under two ‘pillars’ (capturing cross-border flows under pillar one and “regional and global expenditures” under pillar two) while reporting separately on mobilised private finance. However, after concern from some countries in the Global South that it would distract attention away from ODA^{32,33}, the OECD explicitly abandoned the ‘donor perspective’³⁴ due to doubts over its suitability as a basis for donor targets.

One potential avenue of research could be to establish how the breakdown of such a target would look: what data could inform the share that should be allocated for ‘traditional’ development priorities and what share should be dedicated to GPGs (especially those that overlap less with traditional development goals). This research would necessitate more detailed categorisation of the extent to which addressing some

GPGs would also tackle development goals. There would also be the question of the proportions that should be counted towards each target for projects that address both. Bhattacharya et al. (2022) and other estimates include some breakdowns by sector of the additional finance figure; this could be used to inform the appropriate split between these objectives.

A major concern with combining GPG and traditional development objectives under the same target is that the former will displace the latter. A tiered target does not eliminate this concern: donors could still exaggerate the extent to which a project targets development or poverty reduction. However, by making it visible, it is possible for civil society to retain a focus on ensuring donors do not abandon traditional development goals.

Appendix I: Gap to 1% among DAC countries, 2021

Donor	GNI	ODA	ODA: Gap to 0.7%		ODA: Gap to 1%		All official flows	All official flows: Gap to 1%	
	US\$ billion	% GNI	US\$ billion	% GNI	US\$ billion	% GNI	% GNI	US\$ billion	% GNI
US	23,786	0.2	118.2	0.5	190.3	0.80	0.29	167.9	0.71
Japan	5,128	0.43	13.9	0.27	29.2	0.57	0.66	17.5	0.34
Germany	4,349	0.83	0	0	7.4	0.17	1.04	0	0
UK	3,118	0.53	5.3	0.17	14.7	0.47	0.56	13.8	0.44
France	3,042	0.64	1.9	0.06	11.0	0.36	0.68	9.9	0.32
Italy	2,125	0.31	8.3	0.39	14.7	0.69	0.46	11.6	0.54
Canada	1,975	0.32	7.5	0.38	13.4	0.68	0.33	13.2	0.67
Korea	1,830	0.17	9.7	0.53	15.2	0.83	0.31	12.6	0.69
Australia	1,601	0.22	7.7	0.48	12.5	0.78	0.22	12.5	0.78
Spain	1,417	0.26	6.2	0.44	10.5	0.74	0.26	10.4	0.74
Netherlands	1,010	0.53	1.8	0.17	4.7	0.47	0.56	4.5	0.44
Switzerland	782	0.51	1.5	0.19	3.8	0.49	0.65	2.7	0.35
Sweden	654	0.91	0	0.1	0.6	0.09	1.13	0	0
Poland	648	0.15	3.5	0.55	5.5	0.85	0.15	5.5	0.85

Belgium	605	0.44	1.6	0.26	3.4	0.56	0.53	2.9	0.47
Norway	505	0.93	0	0	0.4	0.07	0.99	0.1	0.01
Austria	476	0.32	1.8	0.38	3.2	0.68	0.38	2.9	0.62
Denmark	411	0.72	0	0	1.2	0.28	1.04	0	0
Ireland	383	0.3	1.5	0.4	2.7	0.7	0.3	2.7	0.7
Finland	304	0.49	0.6	0.21	1.6	0.51	0.53	1.4	0.47
Czechia	271	0.13	1.5	0.57	2.4	0.87	0.13	2.3	0.87
Portugal	247	0.18	1.3	0.52	2.0	0.82	0.18	2	0.82
New Zealand	245	0.28	1	0.42	1.8	0.72	0.29	1.7	0.71
Greece	217	0.16	1.2	0.54	1.8	0.84	0.16	1.8	0.84
Hungary	155	0.28	0.7	0.42	1.1	0.72	0.28	1.1	0.72
Slovakia	113	0.14	0.6	0.56	1.0	0.86	0.14	1	0.86
Slovenia	61	0.19	0.3	0.51	0.5	0.81	0.24	0.5	0.76
Luxembourg	55	0.99	0	0	0.0	0.01	0.99	0	0.01
Iceland	26	0.28	0.1	0.42	0.2	0.72	0.28	0.2	0.72

Notes: ODA refers to gross disbursements. All other official flows refer to gross ODA, other official flows and export credits. In contrast to the figures above, when it comes to assessing each country's performance against a 1% target, we have calculated the gap using multilateral contributions, instead of attempting to attribute multilateral outflows by country. This would reduce the gap, but attributability is more complicated at the country level.

Source: DI calculations based on World Development Indicators and DAC.

Appendix II: Alternative estimates of SDG additional needs

This appendix outlines several estimates of additional financing needs for meeting the SDGs:

- [Gaspar et al. 2019](#) This International Monetary Fund study focuses on five broad 'SDG areas' (education, health, roads, electricity and water and sanitation). It relates country performance in these areas to input variables, including expenditure, to obtain the level of expenditure needed to bring performance in these areas up to that achieved by countries that are currently high performing. 'Performance' is measured by the SDG index scores. It finds that **low-income countries (LICs) and emerging market economies would need additional spending of US\$2.6 trillion annually by 2030** for them to achieve high performance on these index scores. However, the study does not claim to be comprehensive and notes that other SDG areas "might involve substantial additional costs". It does not specify the extent to which these costs should be met from domestic or international sources.
- [Kharas and McArthur 2019](#) This Brookings study focuses on the literature pertaining to 10 SDG-related sectors, and compares investment needs to estimates of current and projected (2025) spend on the SDGs in these sectors. Aggregating these estimates, it finds that **additional investment needs are US\$922 billion annually by 2025 for L/MICs**. The estimate for spending in 2025 assumes that GDP per capita grows, and that this in turn increases the share of GDP spent on SDG sectors.
- [Bhattacharya et al. 2022](#) combine estimates from Kharas and McArthur with several other studies that estimate investments needed for the energy transition, sustainable infrastructure, and to protect nature, although methodological detail is unclear. In this London School of Economics study, the authors estimate that **by 2025, additional investment needs will be US\$1.3 trillion, growing to US\$3.5 trillion by 2030**, relative to SDG-spending in 2019.

Kharas and McArthur (2019) and Bhattacharya et al. (2022) arrive at reasonably similar figures for needs by 2025 given the uncertainties involved and different assumptions. Gaspar et al. (2019) arrive at a lower figure for needs by 2030 than Bhattacharya et al. (2022), but acknowledge that their estimates are not necessarily comprehensive. For this reason, we use the Bhattacharya et al. figures to examine needs over both periods, but stress again the uncertainty in these figures, which should therefore only be treated as illustrative.

Notes

¹ Bhattacharya et al. (2022), 'Financing a big investment push in emerging markets and developing countries for sustainable, resilient and inclusive recovery and growth', LSE. Available at:

<https://www.lse.ac.uk/granthaminstitute/publication/financing-a-big-investment-push-in-emerging-markets-and-developing-economies/> Needs in this paper are assessed relative to 2019 and for total needs, we use this year as the baseline.

² Songwe et al. (2022) 'Finance for climate action: scaling up investment for climate and development', LSE.

<https://www.lse.ac.uk/granthaminstitute/publication/finance-for-climate-action-scaling-up-investment-for-climate-and-development/>

³ Public external finance refers to concessional and non-concessional finance (ODA, OOFs and export credits) from both official donors and multilateral organisations.

⁴ IMF World Economic Outlook <https://www.imf.org/en/Publications/WEO/weo-database/2022/October>

⁵ Beecher and Ritchie (2022), 'Climate finance: Accounting and accountability', Development Initiatives.

Available at: <https://devinit.org/resources/climate-finance-accounting-and-accountability/>

⁶ Rogerson and Ritchie (2020), 'ODA in Turmoil: Why Aid Definitions and Targets Will Come Under Pressure in the Pandemic Age, and What Might be Done About It?', CGD. Available at:

<https://www.cgdev.org/sites/default/files/PP198-Ritchie-Rogerson-ODA-Turmoil.pdf>

⁷ OECD's Total Official Support for Sustainable Development <https://tossd.online/>

⁸ Chaturvedi et al. (2016), 'TOSSD: Southernisation of ODA', Forum for Indian Development Cooperation.

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Institute of International Affairs. Available at: <https://saiia.org.za/research/new-development-finance-measure-should-be-tossd-out-the-window/>

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¹¹ <https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/the07odagnitarget-ahistory.htm>

¹² Clemens and Moss (2005), 'Ghost of 0.7%: origins and relevance of the international aid target', CGD,

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¹⁴ Barder et al, (2019) 'It's Technology, Stupid: How Important is Innovation for Better Development

Outcomes?', CGD, <https://www.cgdev.org/blog/its-technology-stupid-how-important-innovation-better-development-outcomes>

¹⁵ Max Roser (2013) - "Global Economic Inequality". Published online at OurWorldInData.org. Available at: <https://ourworldindata.org/global-economic-inequality>

¹⁶ UN Chief Executives Board for Coordination (CEB) financial statistics <https://unsceb.org/financial-statistics>

¹⁷ World Bank International Development Association (IDA) replenishment documents <https://ida.worldbank.org/en/replenishments>

¹⁸ Kulkarni et al. (2022), 'Investment needs to achieve SDGs: An overview', PLOS Sustainability and Transformation. Available at: <https://journals.plos.org/sustainabilitytransformation/article?id=10.1371/journal.pstr.0000020>

¹⁹ Kulkarni et al. (2022), abstract

²⁰ Kulkarni et al. (2022), abstract

²¹ Bhattacharya et al. (2022), 'Financing a big investment push in emerging markets and developing countries for sustainable, resilient and inclusive recovery and growth', LSE. Available at: <https://www.lse.ac.uk/granthaminstitute/publication/financing-a-big-investment-push-in-emerging-markets-and-developing-economies/>

²² Sumner et al (2020), 'A Proposal for a New Universal Development Commitment', Global Policy. Available at: [https://kclpure.kcl.ac.uk/portal/en/publications/a-proposal-for-a-new-universal-development-commitment\(f824161c-b524-4e45-bee7-053dcf958550\).html](https://kclpure.kcl.ac.uk/portal/en/publications/a-proposal-for-a-new-universal-development-commitment(f824161c-b524-4e45-bee7-053dcf958550).html)

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²⁵ The countries that agree to the target are not completely the same as DAC countries but the differences are marginal, so for practical purposes it is reasonable to treat the groups as the same.

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