

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

Open consultation on the draft Proposal for SDG Target 17.3

Brief explanations

(Included in the last section of the consultation but provided as WORD document for ease of reference)

Part 1: Sustainable development criteria

The Group generally believed that indicators for Target 17.3 should focus on flows likely to contribute to the sustainable development of developing countries. The criteria proposed are based on the sustainable development criteria first discussed by the Total Official Support for Sustainable Development (TOSSD) Task Force. The Working Group reviewed and further developed those criteria to allow for the fact that data on FDI and other private flows are not generally available at activity level, and that providers may not always explicitly link their activities to an SDG target or goal (in fact, it was observed that as of July 2021, the [TOSSD Data Visualisation Tool](https://tossd.online/about) (<https://tossd.online/about>) showed that 55% of TOSSD Pillar I activities reported for 2019 had no SDG goal or target specified).

Activity-specific reporting (e.g. a grant for building a school) is helpful to allow a more direct application of the criteria. However, there are different ways to validate data and statistical reporting need not be made dependent on detailed activity-level information.

Part 2: Proposed indicators

The proposed indicator 17.3.1 consists of six proposed sub-indicators, the coverage of each of which is described below. For each sub-indicator, annual totals will be reportable for the gross receipts of each developing country. While the sub-indicators follow the recipient perspective, the data for all proposed sub-indicators except foreign direct investment are reportable by the providers. Gross means the amount disbursed, without any deduction for repayments of loan principal, payments of loan interest, or other return flows.

As already noted, the proposed sub-indicators make use of existing data sources and do not imply any additional reporting burden for recipient countries.

Official sustainable development grants

Grants are transfers in cash or in kind for which no legal debt is incurred by the recipient.

Official concessional sustainable development loans

Loans are transfers in cash or in kind for which the recipient incurs legal debt. A concessional transfer is one which gives something of value away. It is proposed to regard as concessional a loan which embodies at least a 35% [grant element](#) when its service payments are discounted at 5% p.a. This test is derived from the World Bank-IMF Debt Sustainability Framework for Low Income Countries (see [here](#) and [here](#)) and has also been adopted by the TOSSD Task Force.

Official concessional sustainable development loans

These are loans (see above) which bear a grant element of less than 35% when their service payments are discounted at 5% p.a.

Foreign direct investment

Foreign direct investment (FDI) is a category of investment that reflects the objective of establishing a lasting interest by a resident enterprise in one economy (direct investor) in an enterprise (direct investment enterprise) that is resident in an economy other than that of the direct investor. The lasting interest implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the enterprise. The direct or indirect ownership of 10% or more of the voting power of an enterprise resident in one economy by an investor resident in another economy is taken as evidence of such a relationship.

Mobilised private finance

Mobilised private finance (MPF) consists of private resource flows for activities in developing countries which have been encouraged and supported by interventions of multilateral development banks (MDBs), bilateral development finance institutions, or other bilateral agencies. The World Bank explains the MDB method for counting MPF [here](#), and the OECD provides extensive documentation on its approach [here](#). Among those Working Group members that favoured including a sub-indicator on MPF, there was a preference for the OECD method. If a sub-indicator is included on MPF, it will have “memorandum item” status because it would likely include and overlap with some finance that would also be found in the FDI sub-indicator. MPF data are typically collected on a commitment basis, rather than in terms of developing country receipts.

As noted in the proposal, the measurement of Mobilised Private Finance (MPF) presents significant data availability issues, as well as some conceptual issues. Pilot testing may resolve some of these issues, but if they cannot be sufficiently resolved it may be suggested to consider this sub-indicator as part of the 2025 global review of the SDG indicators. One can also decide to include MPF as a memorandum item from 2022 even if there might be challenges solving the data problems in the short run, see the proposal.

Private grants

Private grants are here taken to mean grants from private institutions for developmental purposes – excluding commercial flows and personal transactions such as remittances. They essentially comprise grants from philanthropic foundations and other non-governmental organizations. The recorded flow was nearly \$50 billion in 2019, but the data are incomplete, with some significant countries not reporting. At present, there is only a recipient breakdown for flows from large foundations, which reported total disbursements for development purposes of about \$9 billion in 2019.

As noted in the proposal, the measurement of private grants presents significant data availability issues. Pilot testing may resolve these issues, but if they cannot be sufficiently resolved it may be suggested to consider this sub-indicator as part of the 2025 global review of the SDG indicators.

Part 3: Further details of what the indicators include and exclude

1. The main reason that the Working Group supported separate indicators for different types of flows was to reflect the different natures and concessionality levels of the flows. Presenting each financing flow individually, and not adding them up, following the approach adopted in the Addis Ababa Action Agenda on financing for sustainable development.

2. The emphasis on gross flows reflects the focus of the Target on “additional financial resources for developing countries”. The gross flow is the amount available to finance new sustainable development activities.
3. Exclusions within the indicators:

(a) Debt relief. The Group recognized the importance of providing debt relief but identified numerous reasons for not including it in indicator 17.3.1. Among these were that debt relief is not a new flow of resources; there was also a lack of clarity on how it should be accounted for; it does not fit easily with a gross approach to reporting loans which records the full value of the original loan and disregards all repayment obligations; it is already covered in donor figures under other indicators; and that if a debt relief indicator is required it might more appropriately be added under Target 17.4 which deals specifically with debt management issues.

(b) In-donor refugees. The costs of maintaining refugees in donor countries for the first 12 months of their stay are reportable as official development assistance (ODA). However, the Group recognized that these costs, while serving global humanitarian purposes, do not represent new resources for sustainable development activities in developing countries.

(c) Administrative costs. The general administrative costs of aid agencies are necessary expenditures in delivering assistance, but they do not constitute resources specifically allocated to or available to individual developing countries.

(d) Peace and security expenditures. The Group recognized that peace and security are necessary pre-requisites for development, but also recognized the focus of the Target on resources for developing countries. Limiting the coverage to those expenditures reportable as official development assistance (ODA) ensures that the indicator only includes peace- and security-related flows that have “the economic development and welfare of developing countries as their main objective”. In particular, this will exclude flows designed to promote the provider’s security interests, activities involving the use or display of force, any training that contributes to the fighting capacity of the armed forces, and any use of donor or partner country military personnel to control civil disobedience. For more information on the ODA coverage of peace and security expenditures, see pages 36 to 43 [here](#). The TOSSD Task Force suggested an expanded coverage of these expenditures (see pages 37-38 [here](#)), and presented data on additional activities captured by TOSSD. However, this information raised some concerns and questions within the Working Group, since it included activities in areas such as police liaison, defence cooperation, and anti-drug and anti-terrorism operations that may have been substantially designed to serve providers’ policing and security interests.

4. Excluded flows:

(a) Private non-concessional loans. Data on these market-term loans are only available at aggregate level. While some individual flows would clearly contribute to sustainable development, at aggregate level it was considered that it would be difficult to presume sustainable development impacts.

(b) Portfolio investment. This is investment which does not meet the tests of FDI (see above). As with private non-concessional loans, data would only be available aggregate level and in the absence of activity-specific information it was considered that it would be difficult to presume sustainable development impacts.

(c) Export credits. These are trade-facilitating financial instruments which as a rule must be offered at commercial terms. Export credits finance developing countries’ imports. Some of these imports would have a positive impact on sustainable development, but export credit data

are often subject to confidentiality restrictions which would render it difficult to elaborate a method for consistently and comprehensively identifying and recording these. The imports themselves, as trade flows, would not qualify under any of the proposed indicators.

(d) Short-term flows. An emphasis on sustainability suggests that it may be advisable to exclude short-term flows, and in any case no method was proposed that would consistently and comprehensively identify all short-term flows with a sustainable development impact.

(e) Other flows outside the scope of the proposed indicators. This exclusion is designed to ensure that the indicators remain coherent and consistent in measuring clearly identified types of financing across all providers and recipients.

As noted in the proposal, an alternative suggestion to (e) was to add a seventh sub-indicator to capture either all other instruments or only those official instruments that mobilized private finance (i.e. that supported the flows under sub-indicator 17.3.1.e). However, this would include instruments such as guarantees that are not considered additional resources for developing countries. For example, the value or cost of a guarantee does not increase the flow to the developing country from the loan or investment guaranteed.

Another issue with a “miscellaneous” item is that it would mix in a single aggregate flows (and potentially also non-flows) that had different natures, impacts, and concessionality, which would seem to be contrary to the spirit of the Addis Ababa Action Agenda and the UN’s approach to tracking Financing for Development. Moreover, from a statistical point of view, miscellaneous items effectively create “open buckets” into which new flow and non-flow instruments could be progressively added, impairing the comparability of data over time. Another option would be to propose an additional indicator in the context of the 2025 comprehensive review.
