

**THE FUTURE MEASUREMENT AND MONITORING FRAMEWORK FOR DEVELOPMENT FINANCE
IN SUPPORT OF THE 2030 AGENDA: TOTAL OFFICIAL SUPPORT FOR SUSTAINABLE
DEVELOPMENT (TOSSD)**

TOSSD: GREAT OBJECTIVES, DISAPPOINTING PROPOSAL

José Antonio Alonso

Professor of Applied Economics, Complutense University, and member of the CDP

Presentation at the High-Level Panel Discussion Co-Hosted by OECD and UN Committee for Development Policy (CDP) in the margins of the United Nations Development Cooperation Forum

Thursday 21 July 2016

In its last plenary, the Committee for Development Policy (CDP) studied and discussed the proposal from the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) on total official support for sustainable development (TOSSD) as a more comprehensive measure of official support for development.¹ The CDP acknowledged the need for new data and approaches on development financing, in order to embrace, in a more comprehensive way, those areas, actors and instruments involved in supporting an inclusive and sustainable development agenda. However, the CDP identified some controversial aspects in the proposal and suggested a number of recommendations. I am going to base my presentation partially on the CDP's views, but I will also suggest other critical aspects that could be considered in the debate. I will focus my presentation on five aspects: i) the definition of TOSSD, ii) the eligibility of its components, iii) the different criteria of reporting for providers and recipients, iv) the relation between ODA and TOSSD and, v) the mobilization of private resources.

1.- Regarding the definition

As reported by the DAC, TOSSD was created to adapt development financing measures to the new international landscape, characterized for a broader development agenda (including economic, social and environmental dimensions), the increasing importance of new donors (South-South cooperation, private foundations and charities) and the presence of new instruments (market-like instruments, mechanisms for climate change financing, etc.) for

¹ See Committee for Development Policy, Report on the eighteenth session (14-18 March 2016), Economic and Social Council, E/2016/33 available at http://www.un.org/en/development/desa/policy/cdp/cdp_ecosoc/E_2016_33_en.pdf

supporting development. The DAC defines TOSSD as a measure of external finance that includes all officially supported resource flows to promote sustainable development, at all levels (national, regional and global) and regardless of financial instruments used or level of concessionality, where the majority of benefits are destined for developing countries.

The CDP recognized the need of widening the focus on development cooperation, to consider those means of development support that operate beyond ODA. However, the Committee held that the DAC's proposal should be better justified by offering an appropriate narrative of why a new aggregate measure, such as TOSSD, is needed, and by adapting the process for defining the new measure to that narrative.

Three questions could be raised here:

- Firstly, the DAC presents TOSSD as a response to the new 2030 Agenda. In its own words: "the distinction between the scope and focus of the MDGs and the new SDGs play out as well in measurement approaches". However, the OECD mandate for defining the new measure was launched in 2012, prior to the discussion around the 2030 Agenda. And, a reading of the first documents on TOSSD by DAC, confirms that an important purpose behind the initiative was to offer a more complete (and satisfactory) image of donors' contributions to the international development effort at a moment in time in which ODA was stagnant as a consequence of the public expenses shortcuts and of new providers (some of them coming from the South) becoming more active through South-South cooperation. It is legitimate that donors want a better recognition of their contributions to development financing, but this should not be the main purpose of the new measure. Otherwise there will be an undesirable tension for including instruments and components in the new framework that probably should not be considered and the process could end up giving more attention to the quantity than the quality of resources counted.
- Secondly, as you know, the 2030 Agenda aims to facilitate intensive engagement in support of the implementation of sustainable development goals and targets, bringing together governments, the private sector, civil society, the United Nations system and other actors. But TOSSD aims to identify only the contribution of public actors, and the private operators they are collaborating with. Therefore, if the new measurement wants to be consistent with the new Agenda, perhaps the focus should be expanded for including the activity of explicit development support promoted by private actors (NGOs, Foundations, etc.) and those means of support that are not financial in nature (such as sharing experiences, enhancing capacities, transferring technologies, etc). This

will move the measure to the broader field of development cooperation. The TOSSD Compendium announces the future exploration for adapting the measure to include finance from, and leveraged by, other actors but, for now, the measure proposed is clearly limited to officially-supported resources flows.²

- And thirdly, it is not clear why this approach should lead us to a new measure of development cooperation rather than a clarification and better measurement of the different areas of development finance (beyond ODA) separately considered. Especially if we accept, as the DAC recognizes, that “available statistics beyond ODA are not sufficiently detailed and consolidated to allow for comparable analysis”. Instead of counting different financial sources and instruments and merging them together into a single figure, perhaps it would be better to recognize that flows are different in nature, pursue different purposes and generate different developmental impacts. The CDP has argued that there should be a separate accounting of the different components (climate change finance, peace and security expenditures, etc.) and financial mechanisms (grants, loans, equity investment, etc.) that are now part of the proposed TOSSD measure.

2.- Regarding the eligibility of components

As the DAC recognizes, the main objective of any activity to be counted as ODA must be the economic development and welfare of developing countries. However, TOSSD aims to cover a broader range of activities that support sustainable development in developing countries, not necessarily with development as their primary objective. In fact, the Compendium considers that TOSSD “could serve equally the interests of other countries involved, instead of principally focusing on the development of one of the countries involved”; and it specifies that “these interests may be developmental, but could also be of a commercial, cultural or political nature”. In fact, the Compendium refers to trade finance (short and long term) as a significant part of development finance, which is true, and concludes that it may perhaps be appropriate for the TOSSD framework to include it in the global measure.

In my view, this approach is, clearly, debatable. In the OECD proposal, TOSSD will count all resources mobilized by official funds with expected development impacts even if development is not their main purpose. The problem here is whether we should count all sources with potential development impact, or only those that are promoted for developmental purposes (that is, those that deliberately try to correct market asymmetries)? Most international

² See public consultation on TOSSD Compendium available at <http://www.oecd.org/dac/financing-sustainable-development/tosssd-public-consultation.htm>

transactions have ultimately development impacts: moreover activities motivated by self-interest may have a developmental impact, but this should not be a criterion for including these activities as TOSSD. In this sense, the position of the CDP was clear: “TOSSD should preserve the developmental purpose of its components and their clear aligning with the recipient country priorities, rejecting those mechanisms (such as export credits) that are mainly oriented to promote donors’ interest”.

From my perspective, the financing for development area debate (in which TOSSD is located) should be shifted towards the development cooperation field (more concerned with the quality of the relationships between partners). To illustrate, together with another colleague, I defined development cooperation as all international interventions and activities (public and private) specifically intended to support development through actions that would not be promoted (or at least not in the same way) by the market alone. In order to clarify its boundaries, we underlined four criteria that could be used for identifying development cooperation activities: i) Explicitly intended to support national or international development priorities; ii) Not driven for profit; iii) Discriminates in favour of developing countries; and iv) Based on cooperative relationships that try to enhance developing country ownership. These criteria are more oriented to define the quality (rather than quantity) of resources mobilized.

3.- Discrepancies between recipient perspective and provider perspective

In accordance with the DAC, TOSSD will be composed of two measures: one that relates to the recipient perspective and one that relates to the provider perspective. The respective sums will not be equivalent, basically because components considered under each case are not the same. While the recipient perspective measure considers all officially supported cross-border resources flows, including mobilized resources by official funds, the provider perspective measure will capture not only funds channeled by official providers, directly and through core contributions to multilateral institutions, but also those resources mobilized by multilateral institutions, mechanisms for mitigating risks (even if they do not imply disbursements), contributions to international public goods and in-donor costs.

In my view, this discrepancy is a source of confusion. While the recipient perspective is clear, the provider perspective artificially enlarges the perimeter considered. It is difficult to avoid the perception that the provider perspective seems to be guided by the principle of “the more, the better”. In this regard, the CDP’s position is clear: “TOSSD should be based on accounting cross-borders flows only. In that sense neither refugee costs nor administrative expenses

should be part of TOSSD". It also holds the view that only those expenditures related to global public goods involving cross-border transactions should be registered as TOSSD.

4.- Regarding the relation between TOSSD and ODA

The TOSSD Compendium identifies some clear elements of distinction between ODA and TOSSD. While ODA is only applicable to DAC members, TOSSD aims to bring together all providers of public international finance; while ODA is measured by the grant equivalent, TOSSD will be measured by the full face value of the flows; and while ODA is characterized by eligibility criteria, TOSSD is a metric to simply capture broader resource flows.

It is important that TOSSD does not supplant the ODA measure. The DAC assures that TOSSD will be a different metric and reported separately from ODA. This is in accordance with what the CDP proposed in its argument that "ODA should be maintained as a separate measure and it should remain the basis for monitoring previous donors' commitments".

In accordance with the aforementioned difference between ODA and TOSSD, the country eligibility (and graduation) criteria should be equally different between these two measures. As the Compendium pointed out: "in the context of TOSSD, the term 'developing countries' would differ from the ODA definition of developing countries". In my view, this is right, because some countries that are graduated (or are close to graduating) for ODA could seek support in terms of technical cooperation, environmental policies or strengthening institutions. My point is that the eligibility and graduation criteria should be transparent and defined in a comprehensive manner so as to ensure that countries know what kind of support is available at each stage of development.

5.- Regarding private funds

As the DAC recognizes, there are important opportunities for mobilizing private resources in support of sustainable development strategies. Global savings have never been higher, there are new sources of funds and more financial instruments and options are now available. Therefore, there is a need to create the right incentives for aligning the objectives of private flows with the SDGs. Public funds can be used to create these incentives through guarantees, mitigating risks and promoting access to new sources of capital.

The TOSSD framework tries to measure the mobilization effect of official interventions. But, as referred to in the Compendium, the concept of mobilization is not clear, as other related concepts (such as mobilization, co-financing and catalytic-effect) are not either. In my view, the main problem is that there is not a convincing method for measuring the additionality of public resources, because there are serious problems of causality and attribution.

The CDP, for example, underlined that the developmental purpose of blended finance it is not always clear and highlighted the risk that some of the official funds may end up giving support to private activities rather than in catalyzing private resources in favor of recipients' development strategies. Studies on blended finance confirm this ambiguity and question the real additionality of the resources mobilized through these mechanisms. A report by the European Court of Auditors on EU blending activities during 2007-2013 suggests that in only half of the projects analyzed "the need for a grant to enable the loan was demonstrated". Therefore, it is important to be cautious in this area and clearly clarify terms such as "additionality", "leveraging", "catalyzing" when associating private flows with official interventions. In this regard, the CDP agreed that TOSSD should refer basically to those official flows mobilized for developmental purposes and that private flows mobilized with official support should be separately reported.

A final remark on transparency and governance

Notwithstanding the OECD proposal of using TOSSD as a metric for the monitoring of the implementation of the 2030 Agenda, during the process of discussing TOSSD there has not been a clear indication on how the participation of non-DAC members and other stakeholders has been operationalized in real terms. The level of inclusiveness of the process raises serious concerns as most of the technical discussion has, so far, been happening at OECD/DAC, with a few emerging countries being invited as observers, while experts from the UN system were invited to participate in their own capacity and not necessarily as representatives of their organizations. In this regard, the CDP recommended to move the discussion on TOSSD to the United Nations, as a more inclusive forum where both provider and recipient countries are represented. The Development Cooperation Forum should hold this debate. This side event and other events, such as those promoted by the UN Inter-Agency Task Force on Financing for Development could be first steps in the right direction.