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Why and how might a new measure of development cooperation be helpful?

A positive approach to International Development Contributions (IDC)

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Introduction

There has been much discussion recently of creating additional measures of international development cooperation, starting with the so-called Total Official Support for Sustainable Development, or TOSSD, which has been spearheaded by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD) (See Box 1). The DAC oversees the production of statistics on official development assistance (ODA), and the committee is now proposing to also measure the full array of officially-supported development finance that contributes to the 2030 Agenda for sustainable development. Encouragingly, as the new definition promises to have far-reaching implications, the process to formalize TOSSD has included an open, inclusive, and transparent discussion, as agreed to in the Addis Ababa Action Agenda.[1]

The main innovations being proposed by the OECD would recognize the value of resources supporting development enablers or addressing global challenges.[2]

Box 1. Working definition of TOSSD

Total Official Support for Sustainable Development includes all officially supported resource flows to promote sustainable development at developing country, regional, and global levels where the preponderance of benefits is destined for developing countries, including those resources that support development enablers or address global challenges.

We have briefly contributed to this debate[3] and suggested among other things that spending on global public goods should be included, but that the definition of such goods should be bounded sensibly; that it is vital to measure South-South cooperation properly by expanding coverage of reporting countries and by valuing it, if possible, according to outcomes instead of costs; and that since the new measure should support the Sustainable Development Goals (SDGs), those tracking it should have the necessary legitimacy to do so. We also suggested a different, simpler name: International Development Contributions (IDC).

However, in this note we step back from normative debates of what should be included or excluded from TOSSD/IDC and instead explore the practical challenges of measurement. Part of the reason for stepping back is that, outside a diehard group of United Nations and DAC experts perhaps, it is not obvious that there is any major political constituency that is particularly keen to hear the details of this story. Most are more interested in the big picture trends and, indeed, we have found it surprising to see how little is understood about non-ODA flows, despite acknowledgement that these will be critical to achieving the SDGs. The demand for a better system of measurement of international development contributions therefore needs to be created and arguing the finer definitional points, or about who should be in charge of the housekeeping, will not do that. It may even stand in the way.

So for this reason, it's important to break down the argument for new measurement techniques as simply as possible: If useful information can be provided relatively cheaply, then there is a strong case to make it accessible and improve the transparency of development cooperation. On the other hand, if a large new statistical exercise is required, the cost-benefit calculus becomes more complex.

We find that there are already several ways to improve the understanding of the broad patterns of global development cooperation, but that the data must be drawn from alternative sources. This raises issues of how information is compared between sources because each may differ in how they collect and sort data. In some cases, we find striking differences between organizations in their estimates of the same variable. Even after acknowledging that differences in fiscal years, exchange rates, and other statistical techniques mean that identical estimates from different organizations should not be expected, the order-of-magnitude differences suggest that improvements in statistical quality is at least as important as refinements in the coverage of data (more countries, private philanthropy) and the concepts of what to include (guarantees, public goods).

What principles are at stake?

Having agreed last year on the Sustainable Development Goals in the Agenda 2030, the global community needs to find ways to direct as much funding to the right places and in the right forms and times to make them happen. So what matters is, *how much funding is being mobilized and where, how, and for what to underpin key SDG-related investments?* And, what could be done and by whom to make that mobilization more effective?

The range of SDG endeavors is so wide and interconnected that many billions—literally—of separate household and private decisions will in the end drive how the bulk of relevant resources are deployed. For practical and accountability reasons, it nonetheless helps to focus separately on funding of investments in the public interest that fit national and international SDG priorities.

As we argue below, funding of investments in the public interest—a purpose-oriented approach—is our main filter for deciding what to include and what to exclude from international development contributions. This is a very different filter from those used for ODA. ODA measures concessional funding, official funding, and funding that promotes the economic development and welfare of developing countries. These criteria are crucial for understanding the budgetary effort of individual donors in contributing to development and comparing them to each other. They are less relevant to understanding the volume and quality of investments in the public interest, serving to promote achievement of the SDGs.

ODA is a provider-centric metric. We propose that IDC be a recipient-centric metric. To keep this distinction as clear as possible, we further recommend that TOSSD drop its dual recipient and provider perspectives and retains only the recipient perspective.

Using such a recipient filter of funding of investments in the public interest suggests that remittances should be excluded from the IDC measure—they finance household expenditures, not direct spending in the public interest. Similarly, foreign direct investment should be out, but mobilized private finance used in public investments and money borrowed from private capital markets by governments and their agencies should be included. Similarly private philanthropy to expand health and education services, for example, as well as humanitarian assistance should be included as these are investments that are traditionally undertaken by the public sector when there are sufficient funds and capabilities to do so. As an example, consider the case of the Global Fund to Fight AIDS, Tuberculosis and Malaria. From a recipient perspective, it makes little difference whether the origin of the funds is from an official donor or from the private Bill and Melinda Gates Foundation. In both cases, the money finances the same projects.

There will of course be grey areas up for debate—official export credits and debt relief come to mind, the former because the purpose of the credits is not stipulated, the latter because there may be no actual flow of funds to support new investments.

All sources, instruments, and funding channels that contribute to investments in the public interest should be considered. For example, it does not matter what the declared "motive" of the funder is—they may buy a sovereign bond for its combination of risk and yield, they may be supporting their home exporters, or looking for bilateral technology tie-ups, or have many other reasons, including purely altruistic ones. Instead, the test should simply determine whether funding contributes to public-interest investments related to the SDGs. Under this test, private investments within a context of a structured public-private partnership, or deliberately mobilized by application of a public guarantee, subsidy, or other intervention, or oriented towards the SDGs as is the case for "green" finance and impact investments, would count but also be separately identified.

Similarly, while we care whether funds are "concessional," that is whether and to what extent they are subsidized compared to alternatives readily obtainable on markets operating for profit, we also care about non-concessional funds. Most investments, after all, even those in support of sustainable development, are based on rate-of-return considerations and should generate development returns that are well above the low real interest rates that constitute the "new normal" of today's capital markets.[4] For developing countries, it is access to foreign capital rather than the terms of financing that will determine the level of investment in the SDGs that is possible.[5] The so-called non-concessional finance from the World Bank, for example, carries an interest rate today of about 2 percentage points for long-term maturities, a rate that would have been considered "concessional" in the past. Given that non-concessional finance is the primary source of multilateral funding for over 100 middle-income countries, it would be odd to exclude consideration of this when thinking about resources available to implement the SDGs.

Islamic finance also does not fit well into the concessional/non-concessional classification because it carries no interest rate. At some level, given its profit sharing characteristics, it could be claimed to be even more desirable than concessional lending as an instrument for SDG financing.

The inclusion of non-concessional flows in IDC is a major departure from the principles that underpin ODA, which remains the mostly commonly used measure of development cooperation. It is because the purposes of the two measures are quite different. ODA focuses on concessionality because it tries to "score" and rank donor generosity, for example, toward meeting country commitments, made at various U.N. meetings, to provide 0.7 percent of gross national income to development assistance. It is used as a comparative benchmark among donors for burden-sharing. By contrast, IDC is about providing resources in support of investments in the public interest and, therefore, deals with flows of funds rather than the terms of financing.

Another distinguishing feature between ODA and financing for sustainable development is that the latter mostly require cross-border resource flows, into recipient countries. A substantial part of what is now classified as ODA (scholarships to study in the donor's higher education institutions and administrative costs of aid agencies in donor countries and of awareness promotion of development cooperation in particular) is in-donor spending and does not directly contribute to sustainable development financing. There is a ready-made subset of ODA, called country programmable assistance, which filters out these elements, and this provides a sound empirical basis for parts of IDC.

A third distinction relates to the treatment of spending that benefits all countries, including global public goods. By definition, global public goods, such as norm setting, are universal in nature; they do not have the economic development of developing countries as their main motivation, something that is central to the definition of ODA. As a result, only a portion of the funds that go to norm-setting bodies are eligible to be counted as ODA. But Agenda 2030 is universal, and developing countries, like all other countries, benefit from norm-setting (think Principles of Responsible Investment in Agriculture, or World Health Organization disease surveillance), so it seems anachronistic not to account for these efforts. Indeed, there is a concern that organizations have underinvested in norm-setting precisely because there is no global acknowledgement for the funds that are spent. In many agencies of the United Nations, core funding for development-related operational activities has stagnated, while non-core funding has grown steadily.[6, 7]

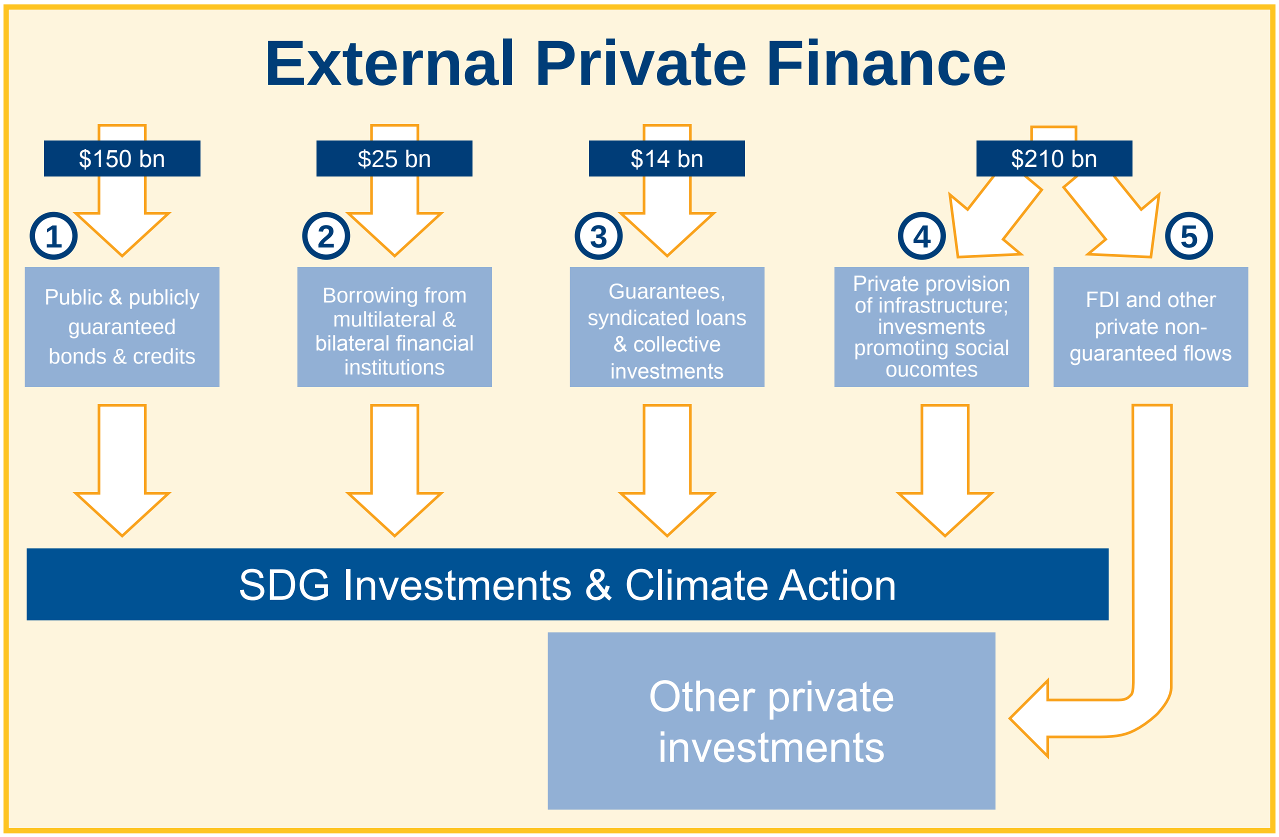
(This is not to say that all spending on global public goods is ignored in ODA. Take the case of climate mitigation. This is clearly a global public good, but as a matter of fact, most cross-border flows from bilateral and multilateral agencies for mitigation are captured in ODA or what the DAC calls other official flows.)

Peacekeeping costs under U.N. mandates are not a global public good in the classical sense (peacekeeping in one country takes resources away from peacekeeping in another country). Traditionally, there has also been a strict line between security expenditures and development expenditures and only 7 percent of peacekeeping is eligible as ODA under today's rules. But as Agenda 2030 explicitly recognizes peace and security as a fundamental development outcome, it seems natural to include all its costs in our concept of international development contributions.

Private capital flows will also play a major role in funding Agenda 2030, but there are choices to be made as to which flows to include. Figure 1 provides a schematic of how private capital is channelled to developing countries. Channels 1 through 4 could, in theory, be counted as supporting investments in the public interest.

There are also choices to be made about whether to present data in net or gross terms. The tradition of ODA is to present net disbursements. From a macroeconomic point of view, net disbursements

Figure 1: Private finance channels for investing in the SDGs (net, annual flows of U.S. dollars in 2014)



Source: Authors' calculations based on World Development Indicators (channels 1 and 2); OECD Survey (channel 3); and UNCTAD (channel 4 and 5). Note that data are presented in net terms, that is by subtracting repayments from gross disbursements.

represent the amount available for investment without changing the balance of payments pressures on an economy. But the quality of investment also matters for achieving SDG outcomes, and that may be more closely linked to gross disbursements that are made to finance actual investments on the ground. Both concepts are important. Both should be presented where data is available.

The first channel represents sovereign bonds and credits raised by developing country governments, either directly or through guarantees of investments made by their agencies. These private flows are a large source for public investments in developing countries. The second channel represents the private savings that are intermediated through multilateral agencies, again, toward public investments in developing countries. This channel appears to be becoming more important as even aid agencies like the World Bank's International Development Association are exploring ways of accessing global capital markets to expand their scope of operations. The third channel relates to private finance that is mobilized by official sources, usually through contractual guarantees, syndication in specific projects in which official agencies participate, or through other forms of collective investments with official agencies.

The last channel consists of foreign direct investment and in turn is subdivided into two components. One component is aimed at specific public interest projects, like social impact investments or private provision of infrastructure. The other component is pure for-profit foreign direct investment that we propose should be excluded from a measure of IDC.

Finally, we made some judgements on how to treat remittances and philanthropic flows. The latter are sometimes intermediated through international health, agriculture, and other institutions and their programs and, therefore, are already scored under the relevant aid or global public goods heading. But in principle, to the extent they are aligned with country-level SDGs, it would be good to measure them separately. The former can be associated with public-interest spending (for example by augmenting household spending on education), but quite often also goes toward other activities.

Sources of data and bases of calculation

We used the following publicly available data sources:

- U.N. budgets have been analyzed by researchers at the Dag Hammarskjold Foundation and the U.N.'s Multi-Partner Trust Fund Office. These have produced two annual reports on financing the U.N. Development System in 2015 and 2016, respectively. The data can be updated each year. Data from these reports have been used to compute non-ODA global public goods and peacekeeping.

- DAC statistics provide data on country programmable aid and on the components of aid from DAC and multilateral aid donors. They also report on selected non-DAC country activities. DAC statistics for non-concessional flows are also provided (but we choose to use an alternative, see below).

- Two DAC surveys on mobilization of private capital have been published, the latest of which covers the period 2012-2014. A survey approach seems to be the best avenue for collecting this data and it is already going to be mainstreamed into the standard DAC data collection effort.[8]

- The World Bank's World Development Indicators provide data on non-concessional flows, both for multilateral and bilateral donors.

- The Hudson Center for Global Philanthropy provides data on private philanthropy from major countries (some of which is from official aid agencies, but this is netted out by using the concept of country programmable aid).

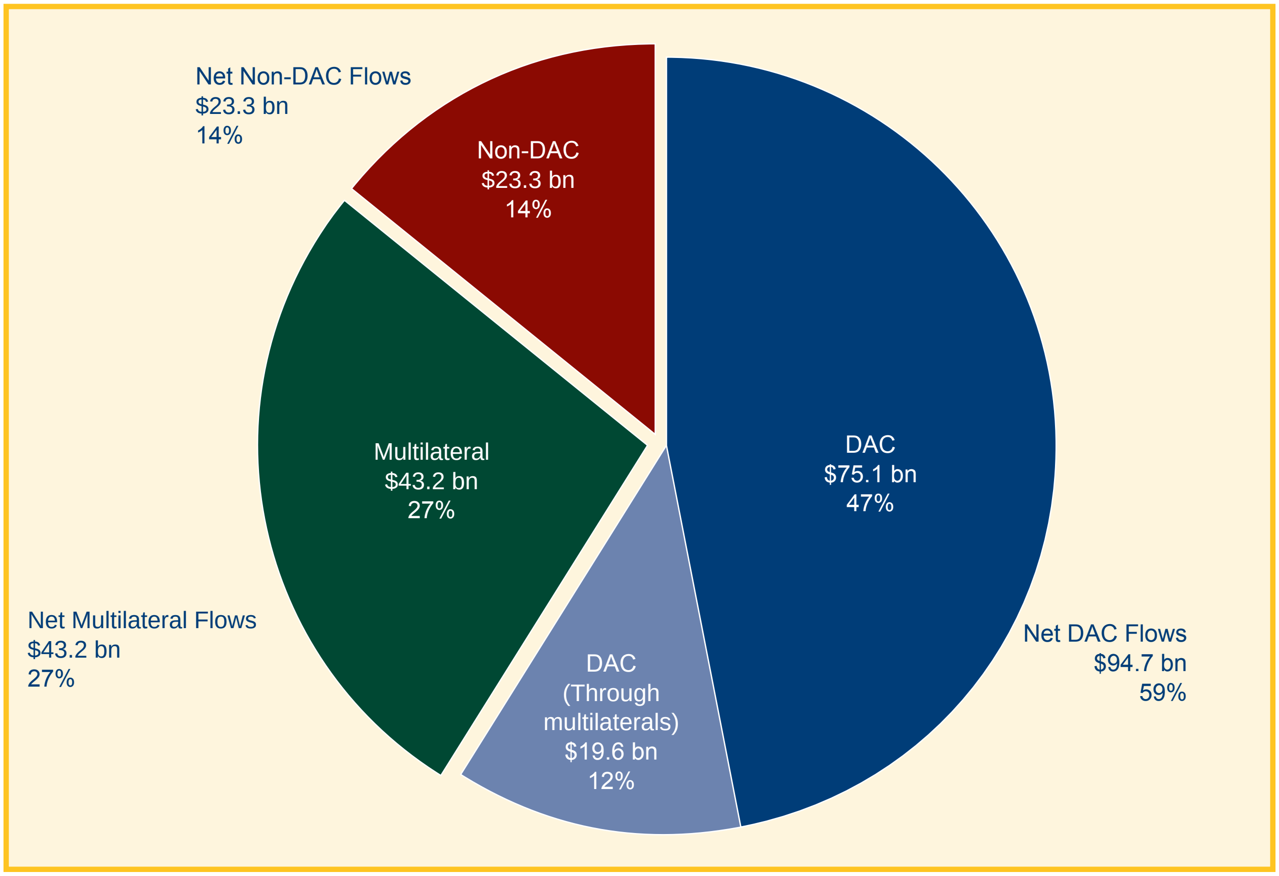
- The Rand Corporation has studied China's foreign aid and government sponsored activities.[9] These data are rather controversial. Data on Chinese aid (concessional flows) are far smaller, at about $5 billion,[10] but the China Development Bank and China Export-Import Bank disburse large amounts of non-concessional flows as well. In net terms, these are highly variable over time. For example, China Development Bank net disbursements could have been less than $15 billion in 2014 versus more than $34 billion in 2013. The figures may also include disbursements to developed countries.

- India also provides development cooperation in different ways, including substantial use of lines of credits, allowing countries to draw down flows (and repay them) at will. Studies are available to indicate the orders of magnitude.[11]

Using these various different sources, we can start to identify the pattern of global IDC.

We start with a conventional or "old world" presentation of ODA and ODA-like flows reported by DAC, including selected non-DAC donors who report to the DAC but notably excluding China and India (Figure 2). The identified net ODA flows total $161 billion in 2014. This has just one, relatively minor, change compared to standard presentations in that we show here outflows *from* multilaterals, rather than what DAC members put in to them. The former includes the ability of some development banks, notably, to recycle repayments on earlier loans and to include profit distributions as well as contributions from non-DAC donors, not just fresh support received from donors who report to the DAC. We also separately highlight the bilateral flows that are channeled through multilateral orga-nizations in the form of trust funds (what is sometimes called multi-bi flows), to demonstrate that multilaterals play, in this sense, a more important role in the overall aid architecture than the simple net ODA figures would suggest.[12]

Figure 2: ODA—Total net disbursement (2014 Current $) $161.1 billion



Next, Figure 2 (totaling $185 billion on a net basis) comes much closer to our idea of International Development Contributions (IDC), and also to what the OECD calls the "recipient view" of TOSSD.

We have labelled this a strictly-defined version of International Development Contributions because the focus remains on official and officially-supported flows only. Although the total resource pool is only a 10th or so larger than in the "old world" of Figure 2, its distribution is considerably different. In Figure 3 we try and provide orders of magnitude for the several financing flows covered in the Addis Ababa Action Agenda.

Several changes account for the differential impact. First, we have taken away the portion of ODA that does not cross borders—sometimes pejoratively styled "phantom aid"—such as costs incurred for aid administration and scholarships within the donor country. The smaller light blue aid wedge is based on the smaller core of country programmable assistance also tracked by the DAC. To this we have added back humanitarian assistance and debt relief (both debatable, see Section D) but subtracted repayments on concessional credits to present the data on a net basis as before. The impact of making these changes is considerable; developing country governments seem to receive, net, almost one-third less than what is recorded as "ODA" in funds that are programmable or that directly help achieve the SDGs.

Second, we have estimated a new wedge to include global public goods that are not already recorded as ODA. These are provided through multilateral agencies and appear as a green-colored segment in Figure 3. We used two approaches to estimate these, one from direct U.N. expenditure analyses (Jenks et al) and one by inferring the non-ODA shares of relevant organizations from their ODA-eligible ones. The methods converge on about $14 billion additional per annum.

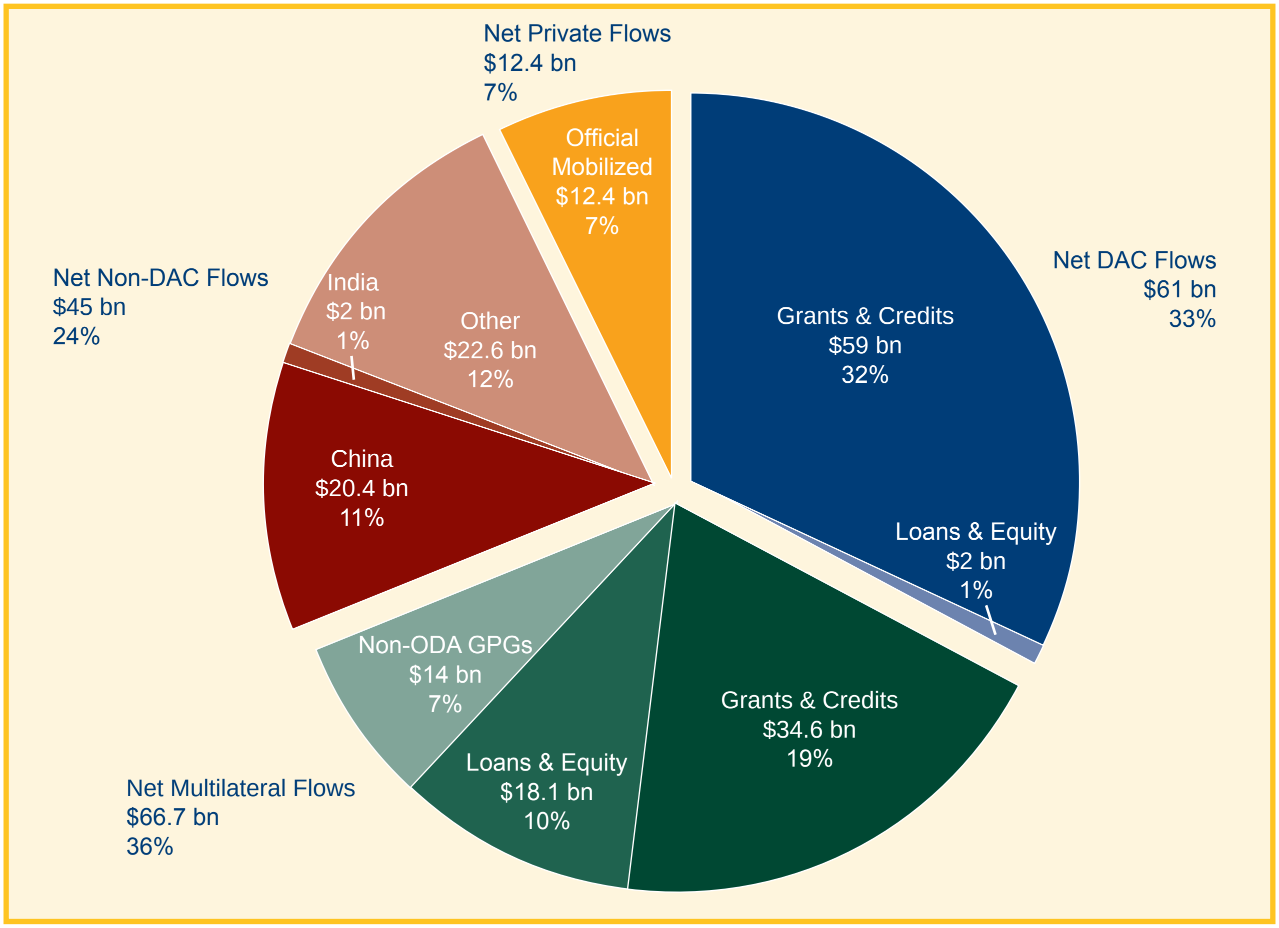
The U.N.'s annual $44 billion of expenditures can be broken down into different functional categories: development assistance, humanitarian assistance, peacekeeping, technical cooperation, and norm-setting activities. Categories 1, 2, and 4 are already included in the multilateral country programmable aid flows registered by the DAC. Peacekeeping and norm-setting have to be added back. Together, these amount to $14 billion according to Jenks et al.

To cross-check, we took all the multilateral organizations that are ODA-eligible and, using the DAC tables for the share of core contributions that can be claimed as ODA, we imputed the non-ODA contributions. We then subtracted out the development aid provided by these agencies directly to countries. There are some agencies that retain, internally, more contributions that they provide in development cooperation. We assume these funds are for norm-setting activities. Summing these across aid agencies yields a figure of $13.9 billion, very similar to the total derived by looking directly at U.N. agencies (although in this second case, the number of agencies is larger). This is not purely coincidence. The ODA coefficient agreed to by the DAC is based on an analysis of the actual budgets and expenditures of the agencies.

Note that unlike others we are not trying to account for how much is spent on global public goods (this would require us to also estimate what fraction of ODA spending is for public goods) just to ensure that amounts that are spent on useful development activities at the global level are properly incorporated into the concept of IDC.

Focusing on the activities of agencies that are eligible for ODA helps avoid the discussion of what to include in the concept of global public goods. For example, some ask whether research and development activities in advanced economies for clean energy or HIV-AIDS should be counted as helping achieve the SDGs. This research is of course crucial, but it is done in many different places. It is therefore almost certainly more useful to maintain focus on development cooperation and agencies that undertake development-related work.

Figure 3: Strictly defined international development contributions (2014 Current $) $185.1 billion



Another major adjustment in Figure 3 is to add a category of non-concessional lending for both bilateral and multilateral donors.[13] At current low interest rates the major difference between concessional and non-concessional loans is in the maturity rather than the interest rate (once fees are added in), but as official agencies tend to maintain or increase their exposure to country clients, it is unclear whether this is a meaningful distinction. In any case, the net amounts are quite small for bilateral DAC donors, and only $18 billion, in net terms, for multilateral development banks.

The size of non-concessional flows from multilaterals is surprisingly small compared to the size of multilateral concessional flows. Note that it is non-concessional flows that provide the bulk of resources from multilaterals to the 108 countries classified as middle income. As a point of reference, total investment in middle-income countries is $9 trillion per year, 500 times as large as multilateral non-concessional flows; in fact, multilateral flows as a share of middle-income country public investments has been falling steadily over time.

We also expand the range of non-DAC sources included, especially China and India, based on a number of additional studies including Rand (2012) and reports in AidData. These include less concessional funding as well as concessional (ODA-like) terms, the latter of which for China are thought to be about $5 billion a year[14] and the former, including China Development Bank, may be as high as $15 billion on a net basis. Data for China are notoriously unreliable and is based on educated guesses by analysts rather than on official sources, but the order of magnitude may be reasonable. The key point is that cooperation provided by developing countries like China and India does not conform to traditional concepts of concessional and non-concessional aid, but uses other instruments. For example, India uses lines of credit that countries may draw down as they need, making net disbursements or flows dependent on recipient country circumstance, not provider country actions.

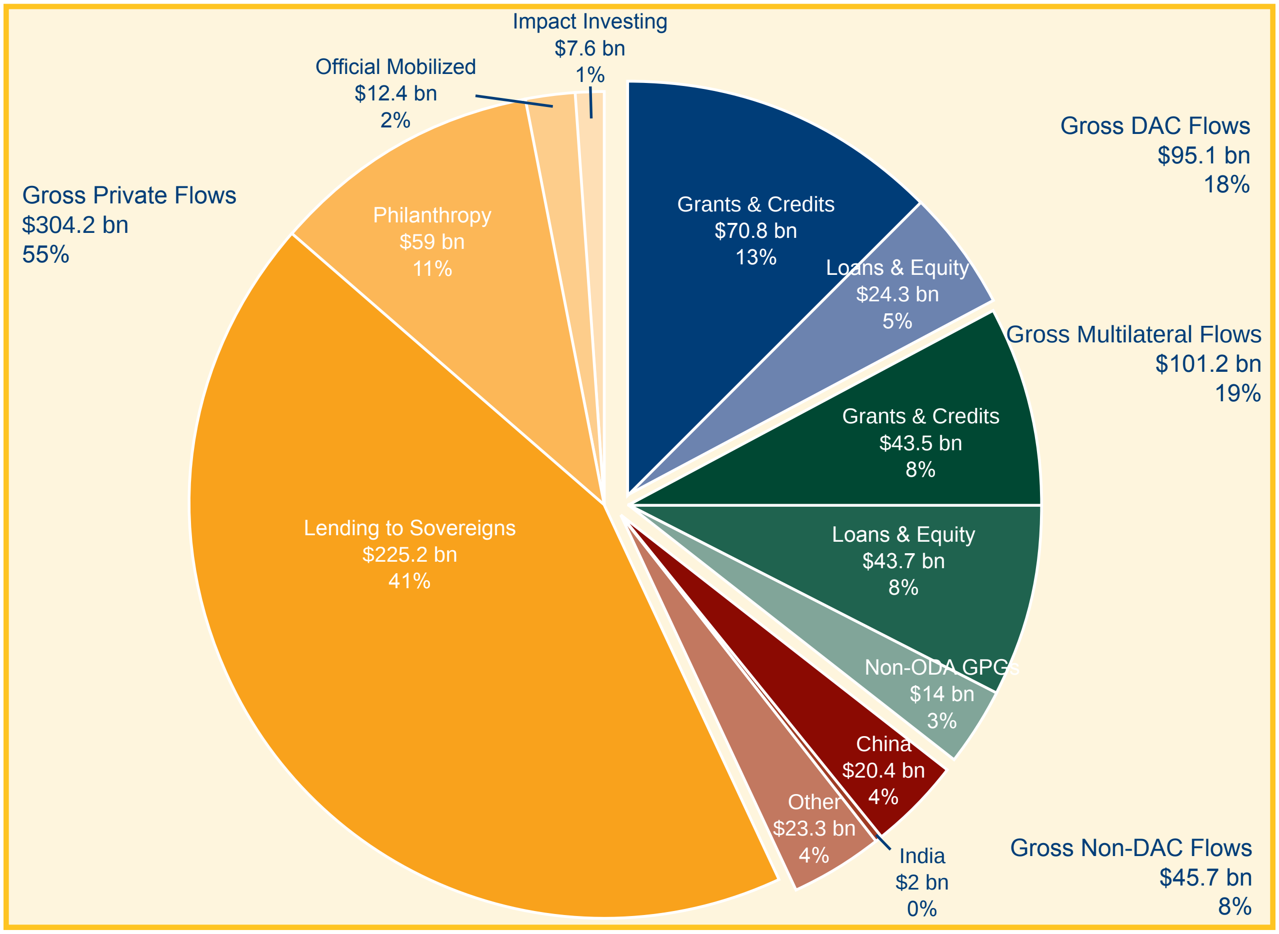
One major caveat is apparent when comparing non-DAC and DAC cooperation levels. When contributions are made in kind, as with technical assistance, the values assigned to DAC donors are far higher than those assigned to providers of assistance from developing countries. The same applies to private philanthropy. In theory, there is a simple solution: These kinds of assistance should be valued at common prices, for example, by using purchasing power parity conversions to move from national currencies into U.S. dollars. But in practice, this requires a level of detail that is not yet readily available. It is a priority for further research if the TOSSD project is to move forward. Issues like this suggest that what is important is to get TOSSD started, not to determine all the details in the initial phase of the project.

A final innovation is to estimate the private flows that are *directly* mobilized by deliberate efforts, like guarantees, of DAC members and multilateral agencies. We take this number ($12.4 billion) from the OECD survey.

What is clear from Figure 3 is that the relative role of bilateral DAC donors is far smaller than is the case when ODA alone is considered. Also relevant is that directly mobilized private capital, for all the promise and considerable debate about tapping into the trillions under management of institu-tional investors, is relatively small compared to other flows.

The third view (Figure 4) takes a much broader view of SDG-relevant flows and counts the gross flows—after all, these are what are used in actual investments. We have correspondingly labeled this figure as presenting "broadly-defined IDCs." With this definition we try to expand coverage to all flows that have a public interest as a main motivation. Doing this has a massive quantitative impact—causing a threefold jump to $538 billion. First, we count official (for example, multilateral bank) credits, loans, and equity on a gross basis, and include medium- and long-term export credits. Then, we include gross sovereign (and publicly guaranteed) international borrowings (mainly bond issues) by developing and emerging economies. These funds go directly to government budgets or to finance parastatal investments.[15] Add to this estimates of international philanthropic flows, compiled by the Hudson Institute, as an illustration of size. Also add estimates of impact investing, drawn from the Global Impact Investment Network's annual report.[16] These private, or at least non-governmental, sources of capital amount to around $300 billion, easily more than half the total. And we do not, in this estimate, include private investment flows other than the portion directly mobilized, nor do we add remittances as these go directly to households in developing countries, not to governments.

Figure 4: Broadly-defined international development contributions (2014 Current $) $546.2.1 billion



Some very preliminary reflections

These illustrations may help center the IDC/TOSSD debate around a relatively short list of priority questions, which can have a huge impact on the numbers with an apparently small change in the definitions used.

For example:

Should humanitarian assistance be included? It does not go toward financing the SDGs, per se. Nevertheless, we have added it in Figure 3 as it is a resource that does go directly to meeting the "leave no one behind" objective of the SDGs. It is also clearly an expenditure item that is in the public interest.

Should debt relief be included? There is no actual flow of funds, so nothing that finances investments other than the unrealistic counterfactual that otherwise governments would have paid. We have included debt relief in Figure 3, nonetheless, but are well aware that a strong case can be made to ignore this as simply an accounting entry.

Should philanthropy be included? It does not go to the government, but it probably does play a big role in SDG social service delivery. (The conventional U.S.-based estimates, which also include allowances for volunteer in-kind contributions, have sometimes been viewed as excessive, but equally technical assistance provided by "northern" official agencies may also be significantly overstated compared to its benefits.)

Should export credits be included? (We do in the larger of the two new aggregates, in Figure 4, but not in the suggested "IDC lite" in Figure 3). Probably they should, insofar as we should use compa-rable baskets for support from Brazil, Russia, India, and China and non-concessional support from OECD.

At heart, we would like the new concept to shed light on some problems and issues that cannot be addressed with the current system of tracking financial flows. Providing evidence and transparency on these kinds of issues are the core value proposition for a recipient-perspective TOSSD, or our IDC concept. Below, we list eight of our concerns that we hope any new system would address:

1. We worry that the focus on ODA is encouraging donors to provide more non-core resources to multilateral organizations at the expense of core functions, including norm-setting and peacekeeping that will be needed to achieve the SDGs. These important global functions are crucial and should be regularly monitored and acknowledged. Taking this a step further, we also wonder if failure to monitor all global public goods spending has resulted in distortions

favoring donor use of trust fund and other instruments that are specifically ODA-eligible at the expense of providing core resources for multilaterals, which may only have a fraction counted as ODA. Specifically, we believe that the sharp distinction made today between flows that are ostensibly motivated by the promotion of the economic development of developing countries and those that do not is anachronistic in a world where sustainable development is defined as a universal phenomenon. Instead, we recommend asking whether flows are being used for spending that is in the public interest, which is contributing towards achievement for the SDGs.

2. For all the talk about mobilized private finance and the use of guarantees, we find the aggregate amounts are small in comparison to overall flows for financing the SDGs. An agreed-upon metric will allow a better tracking of these flows over time and will hopefully put a spotlight on the fact that donors have, to date, only sparingly used development cooperation instruments to mobilize private funds.[17]

3. We also believe the data highlight the lack of attention paid to non-concessional resources. These could potentially be the most important source of SDG financing for middle-income countries but have grown more slowly than any other form of development finance. We have elsewhere commented on the dip in financial assistance that occurs as countries develop, and we are concerned that this not be used as an excuse to reallocate grants towards middle-income countries.[18] It would be preferable to provide these countries with greater access to non-concessional public loans.

4. South-South cooperation is an important, but untracked, source of financing, and its different concepts will need different standards for making data comparable with flows from DAC donor governments and their agencies.

5. Private capital flows provide a critical source of financing that can respond to policy changes in major countries. For example, the withdrawal of European banks from project finance in Africa following implementation of Basel III, the regulatory framework on bank capital, is almost certainly quantitatively an order of magnitude greater than the increase in ODA going to these countries over the last few years. Greater policy coherence is needed in all countries to attract private capital to areas where SDG investments are most necessary. Policymakers need to keep an eye on the flows of long-term capital into SDG-related investments from pension funds, insurance compa-nies, sovereign wealth funds, and other institutional investors to see if these can be scaled up by 10 or more times current levels.

6. Financial markets themselves are innovating rapidly. "Green" finance and impact investments are examples of financing categories with the deliberate purpose of contributing to the SDGs.

So is much private philanthropy. These flows should be monitored and, where possible, integrated into national development plans. Creating new asset classes for responsible investment is one of the tasks ahead in implementing the SDGs.

7. We are struck by the considerable variance in data across sources, even when the same international organizations are reporting their activities using different data aggregators. Here are some examples: The World Food Program reports expenditures of $4.38 billion in 2013; the DAC statistics report only $3.6 billion; the World Health Organization reports receiving $2.6 billion in revenues in 2013, while the DAC statistics only record $1.2 billion in member contributions; the World Development Indicators reports $15.9 billion in net multilateral non-concessional flows, while the DAC reports $18.1 billion.

   Although the methodologies and concepts differ, the size of these discrepancies, in the billions of dollars, is large enough to warrant detailed further examination and reconciliation.

8. Notice that some very important conceptual questions for the SDGs are underpinned by some relatively small numbers, but that we are still only just beginning to get to grips with needs and/or potential resourcing. So, in particular, we took an egregious shortcut in estimating spending on global public goods, by answering the more easily answered but different question of how much non-ODA money is spent on these goods within a relatively small circle of international agencies. The true answer to the question how much is spent on global public goods may be an amount much larger than what we have indicated.

What next?

Our exercise suggests that a considerable amount of relevant data exists to paint a rough but reasonably comprehensive picture of international development contributions in support of the SDGs, and that doing this yields patterns that are structurally different from those based on ODA data.

Looking at these patterns helps focus the discussion on a set of questions that are quite different from the traditional ones surrounding the level and distribution of ODA and aid effectiveness. In fact, the questions today are around funding global public goods and core multilateral activities, leveraging aid, expanding official non-concessional flows, expanding South-South cooperation, and building global capital markets that serve sustainable development more effectively. In each of these areas, we are concerned that lack of transparency and hard evidence has led to a drift in policy attention to the detriment of global development efforts.

It seems clear that important parts of the overall financial flows are poorly measured. Mobilized private finance, South-South cooperation from donors that do not report to the DAC, private philanthropy, and new forms of private development contributions like green bonds and impact investing are among the major gaps. Together, our estimates suggest that these flows could total well over $100 billion per year—surely too large a sum to be left to guesswork.

Nevertheless, we are convinced that it is possible to improve the measurement of financing for sustainable development without a dramatic overhaul of current statistical systems. We offer our illustrations, and particularly the comparison between the three pie charts, as background to the current consultations launched by the OECD to identify the most important quantitative gaps in the current system.

We do applaud the OECD's decision to have an open, consultative process on TOSSD. We are keenly aware that if countries that are the main users/recipients of finance, as well as entities providing new and nontraditional finance, are not strongly motivated and engaged in such debates, there is more than enough inertia and lingering suspicion for new aggregates to just become a way to dilute longstanding commitments and stymie such endeavors completely.

The consultation process, however, should not become an excuse for delay. We hope we have shown that it is already possible to present considerable evidence on a range of financial flows. We encourage the Inter-Agency Task Force on financing for development to work with the OECD to systematically produce such data in their annual report on monitoring the implementation of the Addis Agenda. We do not necessarily believe that all issues will be immediately covered by such a report, but do believe that presenting information for discussion, even partial information, is a good basis for continuously improving the evidence base on development financing. We believe it would be useful to start by compiling existing data, and then to move to identifying and filling remaining data gaps.

To highlight the broad implications of the work, we also suggest that this IDC approach be discussed in a wide range of fora, especially those where officials and think tanks from emerging economy sources of finance are well represented, such as the T-20, the think tank consortium of the G-20, which has already been calling on the multilateral development banks to optimize their balance sheets to expand lending. Other groups such as the Financial Stability Board should be aware of how regulations are affecting private financing flows for responsible investment.

This work is not simply something that the OECD or the U.N. should do. We would hope that respected bodies like the Network of Southern Think Tanks come up with proposals to better track the SDG contributions by large emerging economies, including the revaluation of their technical cooperation by using purchasing power parity conversions. The U.N. Conference on Trade and Development also has significant information on South-South cooperation and on foreign direct investments. The multilateral banks keep track of their green bond financing; more broadly, commercial services like Bloomberg review private green finance.

We believe that the IDC approach is worthwhile and will flag important issues that are currently debated in an "evidence-free (or evidence-light)" context. We have highlighted a number of questions that can only be addressed if a more comprehensive set of numbers is compiled. Doing this will require a systematic approach, probably involving aggregation of specific components produced by separate bodies. Building an understanding among these bodies on what needs to be done is the first step forward.

There is considerable concern that any effort to define a new indicator like TOSSD or IDC will result in less focus on ODA and a corresponding reduction in grants and concessional assistance. We think this view is shortsighted. It was raised and explicitly rejected during the Addis negotiations.[19] It is valuable to keep ODA as an indicator, flawed as it may be, of donor effort and to continue to monitor whether donors will keep to promises made that are based on ODA. With this in mind, we recommend that the OECD initially focus just on the recipient-perspective for TOSSD, and further recommend that some light partnership, or steering committee, of interested parties be formed to discuss the technicalities of the data that is produced.

Such a structure should allow other indicators, like IDC, to be developed. The level of ODA is no longer the only issue of importance with regard to financing the SDGs and in fact, as has been often remarked on, large amounts of ODA never reach developing countries at all. Today aid from DAC countries is a minority share of the cross-border finance made in the public interest, as we have tried to demonstrate. Therefore, it is important to build a system for monitoring the non-aid elements of financing. We believe much can be done without additional cost or dramatic changes in statistical recording. Instead, some focused analysis and data reconciliation can fill in the largest gaps. It is in this spirit that TOSSD should be pursued.

One final word: From a recipient point of view, the focus should be on total flows, not just "official support." There are many notable private contributions to the SDGs and substantial growth in green bonds, impact investments, institutional investment, and philanthropy is expected. We do believe it is worthwhile to make a distinction between investments that are in the public interest and those that are for purely private profit. It is for this reason that we again suggest a renaming of the current exercise to focus on international development contributions.

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1. United Nations, 2015, *Outcome Document of the Third International Conference on Financing for Development: Addis Ababa Action Agenda*, para. 55. http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf.

2. OECD, 2016, *TOSSD Compendium for public consultation*, http://www.oecd.org/dac/financing-sustainable-development/TOSSD%20Compendium2016.pdf.

3. Homi Kharas and Andrew Rogerson, "Don't TOSSD the baby out with the bathwater: The need for a new way to measure development cooperation, not just another (bad) acronym," *Future Development Blog*, Brookings Institution, April 15, 2016, https://www.brookings.edu/2016/04/15/dont-tossd-the-baby-out-with-the-bathwater-the-need-for-a-new-way-to-measure-development-cooperation-not-just-another-bad-acronym/.

4. Maya Eden and Aart Kraay, 2014, *"Crowding in" and the Returns to Government Investment in Low-Income Countries*, Policy Research working paper; no. WPS 6781, Washington, DC: World Bank Group.

5. Access and terms of financing are of course linked. If financing is made available on more favorable terms, then debt sustainability is higher and access is correspondingly greater.

6. Yannick Glemarec and Bruce Jenks, 2015, *Financing the UN Development System: Getting it right for a post-2015 world*, Dag Hammarskjöld Foundation, http://www.daghammarskjold.se/wp-content/uploads/2015/03/Financing_the_UN_Development_System_Final_web.pdf

7. See also OECD, 2015, *Multilateral Aid 2015: Better Partnerships for a post-2015 World*, http://www.keepeek.com/Digital-Asset-Management/oecd/development/multilateral-aid-2015_9789264235212-en#page1

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10. See, for example, Naohiro Kitano, 2016, *Estimating China's Foreign Aid II: 2014 Update*, JICA-RI Working Paper No. 131, Tokyo: JICA Research Institute. http://jica-ri.jica.go.jp/publication/assets/JICA-RI_WP_No.131.pdf.

11. See Rani Mullen, "5 Predictions for India's Development Cooperation Under New Government," *In Asia: Weekly Insights and Analysis* (blog), The Asia Foundation, May 28, 2014, http://asiafoundation.org/2014/05/28/5-predictions-for-indias-development-cooperation-under-new-government/.

12. OECD, 2015, *Multilateral Aid 2015: Better Partnerships for a post-2015 World*.

13. For convenience, we refer to non-concessional flows as loans and equity, while concessional flows are called grants and credits. As is standard, concessional flows are computed as those with a grant element greater than 25 percent using a 5 percent discount rate.

14. Kitano, 2016, *Estimating China's Foreign Aid II: 2014 Update*.

15. Currently, if private funds are borrowed on market terms and intermediated through an official agency, they are counted as part of "other official flows." But if a government borrows the same funds (for the same purposes) directly from the market, they are not counted. From a recipient perspective of financing investments to achieve the SDGs, there is no difference in the two cases. This is an example of the kind of anomaly that an IDC measure would help avoid.

16. Abhilash Mudaliar, Hannah Schiff, and Rachel Bass. 2016. *Annual Impact Investor Survey 2016*. Global Impact Investing Network. https://thegiin.org/knowledge/publication/annualsurvey2016.

17. The International Development Finance Club has established guidelines to define and track climate mitigation and adaptation financing. Based on this definition, the 2015 Joint Report on Multilateral Development Banks' Climate Finance shows $10.9 billion in private commitments co-financing MDB activities, a far higher number than that reported in the DAC survey. http://www.adb.org/sites/default/files/institutional-document/189560/mdb-joint-report-2015.pdf

18. Homi Kharas, Annalisa Prizzon and Andrew Rogerson, 2014, *Financing the post-2015 Sustainable Development Goals: A rough roadmap*, London: Overseas Development Institute, https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/9374.pdf

19. Paragraph 55 of the United Nations Outcome Document of the Third International Conference on Financing for Development: Addis Ababa Action Agenda, states: "…we affirm that any such measure (TOSSD) will not dilute commitments already made."

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