

# NEW DEVELOPMENT FINANCE MEASURE SHOULD BE TOSSD OUT THE WINDOW!

NEISSAN BESHARATI

## EXECUTIVE SUMMARY

In light of the new global 2030 Agenda, donor countries have been developing a new statistic to measure their contribution towards the Sustainable Development Goals (SDGs). Although still a work in progress, Total Official Support for Sustainable Development (TOSSD) endeavours to count all financial flows from traditional and emerging donors aimed at supporting global public goods and sustainable development. While TOSSD stretches the boundaries of its predecessor, official development assistance (ODA), it is being created without consulting the main beneficiaries, the developing world, in the process.

At the third UN Conference on Financing for Development it was agreed that countries would 'hold open, inclusive and transparent discussions ... on the proposed measure of total official support for sustainable development'.<sup>1</sup> Unfortunately the process has been far from such. This policy insight paper captures some of the views from Africa and the Global South on the new development finance statistic put forward by the Organization for Economic Cooperation and Development (OECD).

## INTRODUCTION: THE NEW DAC STATISTIC

Last year the world adopted the *SDGs* to guide international development efforts until 2030.<sup>2</sup> In tandem, the OECD *club of donors* have been developing a new statistic, *TOSSD*, to measure their contribution towards these SDGs.<sup>3</sup> *TOSSD*

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endeavours to count all financial flows (public and private, concessional and non-concessional)<sup>4</sup> from traditional and emerging donors aimed at supporting global public goods and sustainable development.

The problem with the new measure is that it is being created without consulting the main beneficiaries – developing countries – who did not even ask for this new statistic. The concept of TOSSD originated from and was driven by discussions within the OECD [Development Assistance Committee \(DAC\)](#).<sup>5</sup> In June 2015 at the [third UN Conference on Financing for Development](#) in Ethiopia, TOSSD crept into the text of the [Addis Ababa Action Agenda](#) when countries agreed ‘to hold open, inclusive and transparent discussions on the modernization of the ODA measurement and on the proposed measure of total official support for sustainable development’.<sup>6</sup>

Unfortunately, the process has not been open, inclusive, or transparent. The details of TOSSD have been written up by OECD technocrats representing a small circle of wealthy countries, with token representation from the rest of the (developing) world, where 80% of the population of the planet actually resides.<sup>7</sup>

### **DIMINISHING DONOR ACCOUNTABILITY**

It seems that Northern donors have still not learnt from their past mistakes with ODA. The old measure contains many flaws, such as counting in-donor costs like administrative and marketing expenditures, refugee and student support, and aid tied to products, services and institutions from the provider country. Nonetheless, ODA remains a useful indicator of rich countries’ generosity towards poor countries.<sup>8</sup>

The most powerful aspect of ODA is that, since 1970, it has been accompanied by a commitment from industrialised countries to provide 0.7% of their gross national income (GNI) to ODA, as a way to fight poverty and redress global socio-economic inequalities. To date only the UK, the Netherlands and the Nordic countries have reached this target.<sup>9</sup>

TOSSD is a sexy new measure, but it comes with no commitments, no responsibility and no expectations attached. This makes the Global South very suspicious. Creating, calculating and reporting TOSSD could easily distract donor countries from their existing ODA commitments and historical responsibilities.

### **SO WHAT IS WRONG WITH TOSSD?**

#### **IN-DONOR COSTS AND IN-FLOWS**

The architects of TOSSD have stated that the new measure is about cross-border flows and will not include in-donor costs. However, the recent debates around TOSSD<sup>10</sup> have seen many OECD donors pushing for new spending items that they would like to report in the new measure, so they can say that they are giving more towards sustainable development than they are currently.<sup>11</sup>

In 1988 the DAC decided that the first year of in-country refugee support could be counted as ODA, and since then (alas) this has become common practice in aid

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reporting.<sup>12</sup> With the new wave of Syrian and African refugees flooding Europe, EU governments are strongly advocating for support to refugees beyond the first year to be included in TOSSD as well.

ODA was the main development finance measure for industrialised countries' contribution to the Millennium Development Goals (MDGs), and now TOSSD is seen as the new measure to be used for the SDG framework. Unlike the MDGs, the SDGs do not apply only to developing countries but to all countries, regardless of economic status.<sup>13</sup> Thus, to qualify as TOSSD, expenditure needs to be either 'for the benefit of developing countries' or 'for global public goods'.<sup>14</sup> This opens a can of worms on what to count and what not to count as TOSSD. Donor countries have convincingly argued that many domestic expenditures such as scientific and health research, education and capacity-building programmes, national efforts to reduce greenhouse emissions, assistance to political and economic migrants, or anything else that indirectly contributes to global development, may potentially be counted as TOSSD. By the same token, should points be subtracted from TOSSD when domestic policies of OECD countries hurt developing countries, such as high carbon emissions, agricultural subsidies and illicit financial flows?<sup>15</sup>

### CONFUSING PRIVATE AND PUBLIC FUNDING

A concern with TOSSD is that the OECD also wants to include all non-concessional loans in the new measure. If a financial institution from a Northern country is providing a loan on commercial terms and making a profit from the misfortunes of poor beneficiaries, how can this be considered 'support to sustainable development'?

The 'O' in TOSSD stands for 'Official',<sup>16</sup> but there is a tendency to include in TOSSD all kinds of flows that are beyond government jurisdiction. Including 'publically-mobilized private financing'<sup>17</sup> in the new statistic is very ambiguous, as it opens the possibility to include in TOSSD blended finance, public-private partnerships, private capital raised by state-owned enterprises, and financing where the state has minimal involvement (such as reducing interest rates, providing guarantees even though they are never used).<sup>18</sup> This allows governments to take credit for investments made by private financiers, and for donor countries to count as TOSSD the support they provide to their own profit-making private sector.

### MISAPPROPRIATION OF THE SOUTHERN DISCOURSE

Another dangerous trend, observed in the initial TOSSD proposals, is the use of the rhetoric of 'mutual benefit',<sup>19</sup> which has traditionally been part of the discourse of South-South cooperation.<sup>20</sup> The principle of mutual benefit in cooperation between developing countries legitimises the domestic interests of Southern partners, as both countries endeavour to reduce poverty in their respective territories through the development cooperation arrangement.<sup>21</sup> This modus operandi, however, is utterly inappropriate to apply to North-South cooperation, which comes from a different tradition and carries a different set of historical responsibilities that developed countries have towards the Global South. While it may be acceptable for a low-income country such as India (with 60% of its population living under the international poverty line) to provide non-concessional lines of credit to other developing countries – tied to its companies, products and technical experts, in the

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name of ‘mutual benefit’ – it would be unacceptable (and almost ridiculous) for the US or Germany to act under the same paradigm.

Although traditional donors would prefer the providers of South–South cooperation to also be part of the new TOSSD reporting effort, the BRICS and other emerging economies have not shown any appetite for this new statistic and have made it clear that they do not want to be part of yet another DAC-led initiative. Instead of succeeding in bringing emerging donors into the narrative of traditional donors, TOSSD has rather witnessed a ‘Southernisation of the DAC’.<sup>22</sup>

### NON-DEVELOPMENTAL PUBLIC GOODS

TOSSD is opening up debate not only on commercial flows but also on political, cultural and religious cooperation. Should we start counting the language classes of Alliance Française or mosques built by Arab donors in developing countries as TOSSD as well? A departure from the strict developmental focus of ODA is the desire to also account for the environmental, security, governance, justice and human rights expenditures made in the context of global or regional public goods. With such a new orientation also comes the need for a new list of eligible multilateral institutions for which financial and in-kind contributions can be counted as TOSSD.

Under the old regime, only 7% of non-military contributions to UN peacekeeping operations were counted as ODA.<sup>23</sup> But in [Agenda 2063 – Africa’s 50-year development vision](#) – the continent has made clear the central role that peace and stability play in its long-term development.<sup>24</sup> From an African perspective, therefore, humanitarian, safety and capacity-building operations conducted by security forces of a provider country upon request of a recipient country should also be counted as ‘support to sustainable development’.

Nonetheless, many grey areas still remain, such as with the fight against international crime and trafficking, intelligence gathering and counter-terrorism activities. Are these really global public goods, and who defines them as such? External interventions in the arena of security, governance and human rights are always politically sensitive, as they often imply infringement on national sovereignty and can therefore be questioned in terms of legitimacy. This is why financing of these activities should be counted as TOSSD only if they have been mandated by the UN or other regional bodies such as the [AU](#), the [Arab League](#), or the [Organization of American States](#).

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The excessive focus on financial inputs overshadows other non-financial contributions that are equally important, such as technology transfer, knowledge exchange and technical assistance

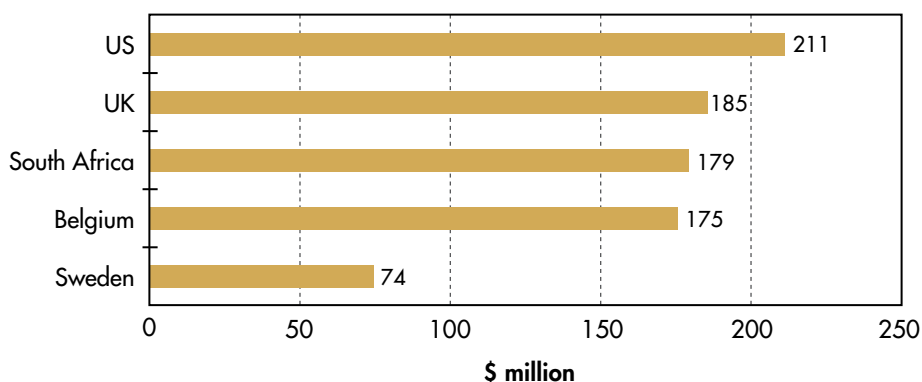
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### THE DEVILS OF FINANCIAL QUANTIFICATION

Accounting for the ‘inputs’ towards sustainable development is certainly important, but most peoples and countries are more concerned with the ‘outcomes’ of development efforts. However, these are not well captured by the TOSSD framework. The excessive focus on financial inputs overshadows other non-financial contributions that are equally important, such as technology transfer, knowledge exchange and technical assistance. A trip by say former South African president Thabo Mbeki to a neighbouring African country to mediate between opposing parties in a conflict-affected region does not cost much, but its impact on long-term development can be much greater than a large-scale UN peacekeeping mission, for instance.

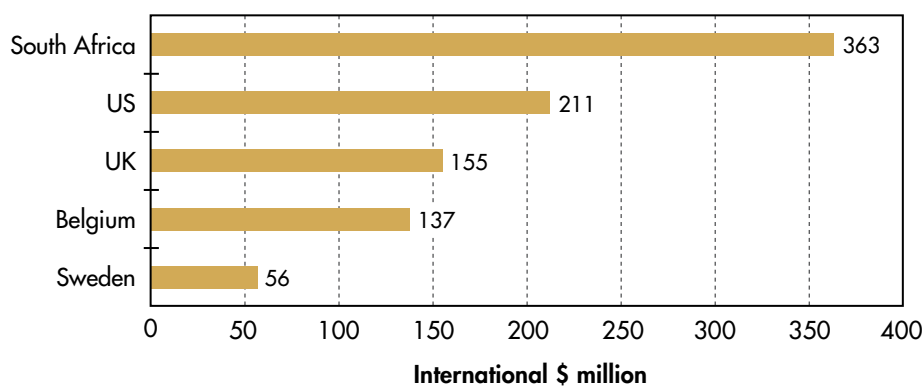
The problem with comparing technical cooperation from different countries is that its value varies depending on salaries and prices in each economy. One million dollars of goods and services in China gets you a lot more than a million dollars of goods and services in Switzerland. This is why the proposal to use purchasing power parity (PPP) when calculating TOSSD from different countries is a welcome new feature of the proposed metric.<sup>25</sup> In a recent study conducted by SAIIA on South Africa's development support to the Democratic Republic of Congo (DRC), South Africa's ranking among the top providers to the DRC had a two-place variation (from third to first place), depending on whether the amounts were converted in relative US dollar terms or whether PPP was applied to the exchange rates.<sup>26</sup>

**FIGURE 1** TOP FIVE PROVIDERS OF DEVELOPMENT ASSISTANCE TO THE DRC IN 2008 (RELATIVE \$ TERMS)



Source: Aidflows, '<http://www.aidflows.org/>', accessed 3 April 2017; World Bank, 'PPP conversion factor, GDP (LCU per international \$)', '<http://data.worldbank.org/indicator/PA.NUS.PPP>', accessed 3 April 2017

**FIGURE 2** TOP FIVE PROVIDERS OF DEVELOPMENT ASSISTANCE TO THE DRC IN 2008 (PPP ADJUSTED)



Source: Aidflows, '<http://www.aidflows.org/>', accessed 3 April 2017; World Bank, 'PPP conversion factor, GDP (LCU per international \$)', '<http://data.worldbank.org/indicator/PA.NUS.PPP>', accessed 3 April 2017

## BIASES OF DONOR SELF-REPORTING

One big flaw of ODA statistics is that data is gathered primarily from the donors' own reporting systems, and is thus easily susceptible to the inflation of figures. When I used to work for the aid coordination unit of the National Treasury of South Africa, we could account for only 50% of the funds that the DAC donors were claiming they were providing to South Africa. Country Programmable Aid (CPA), a 2010 initiative of the OECD, was then welcomed as it provided more accurate figures on the funds that recipient countries could actually use for their national development, instead of referring to ODA figures that also included many in-donor expenses.<sup>27</sup>

The draft TOSSD compendium document, released by the OECD for public consultation in June 2016, suggests that data is collected from both provider and recipient perspectives.<sup>28</sup> Some have argued that this might place an unnecessary burden on the already weak statistical systems of developing countries.<sup>29</sup> If accounting is done by both providers and recipients, the figures are unlikely to match, as donors are typically incentivised to report more than what they actually give (so they can look better). For this reason, one should give primacy to data supplied by the beneficiaries of TOSSD transfers, rather than that of the providers.

## PURPOSE AND TRANSPARENCY

Overall, it is still unclear what the difference is between TOSSD, ODA and other official flows, or indeed if there is a need at all for a new development finance statistic.<sup>30</sup> Without a clear target it is hard to see how the new measure of TOSSD can incentivise the mobilisation of more resources in support of the sustainable development agenda, as it claims to do.<sup>31</sup>

The stated purpose of TOSSD is 'to promote greater transparency of the full array of external officially-supported resources available to developing countries'.<sup>32</sup> While there certainly should be better information available on different development finance flows, is a new 'composite measure' really needed, for rich countries to inflate their numbers and have a false beauty contest on how much they are each contributing to the SDGs?

There are already many existing statistics developed by different organisations to measure aid, trade, investment, remittances, philanthropy, climate financing and other flows in service of the developing world and global public goods. If the purpose is really to promote transparency it is best to keep such data disaggregated, so it can be scrutinised and analysed better.

## CONCLUSIONS AND WAY FORWARD

If the discussions around TOSSD are going to continue in any legitimate manner, these have to take place in a forum more inclusive of developing world views, and of private funders who are expected to participate in the new reporting scheme. Many experts and academics in the Global South, such as in the [Network of Southern Think Tanks](#), are able to do the technical work required to develop an appropriate new development statistic. This is preferable to leaving the exercise to bureaucrats based in Paris, remote from the reality of developing countries.

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As a Chinese scholar commented, 'TOSSD is a survival strategy for the DAC'<sup>33</sup> to remain relevant in the post-2015 development era. Before investing more energy in TOSSD, the OECD needs to go back to improving CPA and ensure that all DAC countries reach their historical commitment of 0.7% of GNI to ODA.<sup>34</sup> A far better use of the time and resources of OECD experts would be to improve national systems and statistical capacities directly in developing countries. These two lines of action would certainly be a better contribution by the OECD to the 2030 global development campaign.

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## ENDNOTES

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