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Considerations on the definition of an indicator of total official support for sustainable development (TOSSD)

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1. A new indicator: Why and what for?

Financing for development involves a combination of many different types of resources: private, public, domestic and international. Proper measurement of these resources is a prerequisite of efficient financing. However, there has been significant expansion in recent years, both in the range of instruments used to mobilise resources and in the scope of the development agenda. In order to steer development policies, we need a new way of measuring these instruments, which takes all these changes into account.

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What are we trying to measure? The OECD Development Assistance Committee (DAC) is seeking to define a measure to complement Official Development Assistance (ODA) and cover *'the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources'*.[1] This measure is provisionally entitled *total official support for sustainable development* (TOSSD).

What is the current situation? The OECD DAC already has a measure for non-concessional official flows in support of development. This is the *other official flows* (OOF) measure, which calculates official sector operations in support of development that do not meet ODA criteria. OOF includes:

i) grants to developing countries for representational or essentially commercial purposes;

ii) official bilateral transactions intended to promote development, but having a grant element of less than 25%;

iii) official bilateral transactions, whatever their grant element, that are primarily export-facilitating in purpose. This category includes, by definition: export credits extended directly to an aid recipient by an official agency or institution (official direct export credits);

iv) the net acquisition by governments and central monetary institutions of securities issued by multilateral development banks at market terms;

v) subsidies (grants) to the private sector to soften its credits to developing countries;

vi) funds in support of private investment.[2]

Why create a new measure? In view of the proliferation of funding mechanisms mixing public and private sources, and the broadening of the development agenda to include new aspects such as the environment, climate change and security, the OOF indicator now seems insufficient to fully capture public support for sustainable development, beyond ODA.

Policy planning would benefit from a measure of official resources mobilised in support of sustainable development that includes the aspects omitted by current measures such as ODA and

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[1] The final communiqué from the High Level Meeting of the DAC in December 2014 gave the following definition of TOSSD:

- *complement and not replace ODA;*
- *potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions, regardless of the types of instruments used and associated terms, i.e. including both concessional and non-concessional financing provided through various instruments, such as grants, loans, equity and mezzanine finance;*
- *cover activities that promote and enable sustainable development, including contributions to global public goods when these are deemed relevant for development and aligned with developing countries' priorities;*
- *make a clear distinction between official support and flows mobilised through official interventions, but also between flows and contingent liabilities;*
- *capture and report resources on a gross cash-flow basis, while also collecting and publishing net flows so as to ensure full transparency of support and flows.*

Source: OECD (2014)

[2] Source: www.stats.oecd.org

OOF. It is not simply the content and technical aspects of a more comprehensive measure that need to be defined, but also the purposes for which such a measure would be used.

Should we simply revise the OOF indicator? A simple solution would be to remove and add various components to the OOF indicator to reflect the changes in development finance arrangements. Alternatively, the concept of TOSSD could be much more ambitious and involve the development of a completely new indicator. It all depends on what exactly we want to measure. Although the final communiqué from the High Level Meeting of the DAC in December 2014 explicitly requests the introduction of a measure of 'official support', uncertainty remains on two counts. Firstly, does the term 'support' refer to provider effort or to flows to recipient countries? Secondly, recent discussions in the OECD DAC about the official character of TOSSD show that the scope of the new measure remains to be defined (OECD (2016b)).

Does the term 'support' refer to provider effort or to flows to recipient countries? The first definition of TOSSD, given in 2014 (OECD (2014)), refers to the '*totality of resource flows extended to developing countries and multilateral institutions [...] originating from official sources and interventions [...]*'. Should we understand this as an intention to design an indicator from the provider perspective (effort) or the beneficiary perspective (what the latter receive)?

The term 'flows' suggests that it refers to the resources that recipient countries receive (what the donor makes available to the beneficiary, regardless of the true cost to the donor). The term 'flows' is however used in the official definition of ODA,[3] where it is seen more as an effort (by donors) than a benefit (to recipients), although both concepts are often used in interpreting ODA. (One of the main criticisms of ODA is that it does not really distinguish between the concepts of effort and benefit.)

The OECD DAC has still not settled this issue for TOSSD. Preliminary work for its High Level Meeting in February 2016 (OECD (2016a)) emphasises that the two perspectives, those of the donors and the beneficiaries, '*need to be integrated in the TOSSD measurement framework*' and that it will be key to '*provide clarity on how these two perspectives interact and can be reconciled*'. The DAC points out, however, that these two perspectives are not equivalent and that the choice of one or the other has implications for the scope of TOSSD. Otherwise, TOSSD could be subject to two distinct measures, as the most recent DAC consultative document on TOSSD in June 2016 appears to suggest (OECD (2016c)).[4] This new stance of the DAC matches that long advocated by Ferdi.

These two concepts (effort and flow) seem difficult to reconcile in a single indicator. It is, however, essential to decide on one or the other before determining the components of TOSSD, and especially how each will be reportable.

[3] According to the DAC definition, ODA constitutes 'those flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions' which meet the criteria given here:
http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm

[4] Following on from this document, Ferdi will be participating in the OECD's online consultation by responding to the points raised by the DAC in the draft TOSSD Compendium (OECD (2016c)).

One step forward is reflected in the DAC's decision to report resource flows in TOSSD on a gross cash-flow basis and not on grant equivalent. This favours a beneficiary approach, which has the advantage of identifying true inflows rather than net present value of these flows.

A second step is the intention of the DAC to include private flows mobilised by official interventions. The reality is that development finance blends a number of different types of instruments. Adopting a beneficiary perspective would mean calculating total inflows to recipient countries, by distinguishing between flows from an official external entity, private flows mobilised through official external interventions, and purely private flows (raising the issue of whether the latter should be included in the scope of TOSSD). Adopting a provider perspective would mean calculating total official outflows and finding a way of reporting the cost to the provider of using financial tools to mobilise private flows. The main difference between the two perspectives therefore lies in the way in which these tools are reported. It therefore seems unrealistic to try to reconcile the two perspectives within a single indicator; it appears preferable to choose a single perspective or to distinguish between two different indicators. Throughout this paper, we distinguish between the two perspectives every time the choice of one over the other leads to a different measurement of the purpose or instrument in question.

How should the term 'official' be understood? There does not initially appear to be any ambiguity in the use of the term 'official'. However, recent discussions in the DAC suggest the inclusion of private flows mobilised by official interventions, and flows from NGOs (OECD (2016b)). This is driven by a wish to measure the 'leverage' of official flows. Below is an attempt to provide both technical and conceptual suggestions for defining the scope of TOSSD. This is similar to the process to redefine ODA, both in the scope of measurement and in the more technical discussions about the various potential components of the future indicator.

2. Defining the scope of total official support for sustainable development

2.1. How does the definition of TOSSD compare to that of ODA?

Regardless of the perspective, TOSSD could be seen as the successor to OOF. However, the communiqué from the High Level Meeting of the OECD on 14 December 2014 (OECD (2014)) stipulates that TOSSD will '*potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions, regardless of the types of instruments used and associated terms, i.e. including both concessional and non-concessional financing*'. TOSSD therefore encompasses expenditure reportable as ODA.

It also specifies that TOSSD is designed to '*capture and report resources on a gross cash-flow basis, while also collecting and publishing net flows so as to ensure full transparency of support and flows*.' TOSSD does not therefore entirely encompass ODA as newly defined, as loan transactions are not reportable in the same way. The OECD DAC has just adopted new rules for reporting concessional loans, for which the ODA contribution will now be assessed based on their grant equivalent (OECD

(2014)). However, flows reportable as TOSSD will be reported as gross and net flows (as under the former definition of ODA).

2.2. What should be included in TOSSD?

TOSSD represents (r)evolution for the existing measure, which has until now comprised ODA (from a provider perspective) or country programmable aid (CPA) from a beneficiary perspective, plus OOF.

Three issues are to be addressed in relation to the composition of TOSSD. One concerns the type of expenditure to be included in such an indicator, which involves defining the boundary of sustainable development, particularly in relation to expenditure on addressing climate change and on supporting peace and security. The second relates to expenditure incurred in the provider country, which is currently reportable as ODA but not counted as a transfer of resources. Finally, the third concerns the financial instruments used — both their significance and the way they are reported — as the current DAC system still overlooks many instruments used by official actors to finance development.

2.2.1. What type of expenditure should be included in TOSSD? The scope of sustainable development

The scope of the indicator depends on what we are trying to measure. In this case it is development, i.e. a significant and sustainable improvement in the living conditions of individuals. As development is a goal in itself, we need to decide whether the scope should be restricted to the critical factors of development (and we then need a clear definition of these) or whether it should be expanded to include factors with an essential but less direct link. The latter would primarily include expenditure relating to environmental protection and promotion, combating climate change, and ensuring state and individual security.[5]

Alongside the ongoing debate on thematic expansion of ODA, there is already a question as to whether the aim of TOSSD is to incorporate thematic aspects which are considered marginal to development and have, until now, been ‘neglected’ by OECD accounting.

The emphasis on the sustainable nature of development implies that expenditure related to environmental and climate issues should be included. Their eligibility is due to technical criteria for reporting (depending, for instance, on the level of concessionality of the expenditure), rather than their assumed contribution to development, recorded as part of the alignment of agendas. For the climate component, a distinction needs to be made between expenditure on adaptation to climate change, which counts as development assistance, and expenditure on climate change mitigation, which comes under TOSSD.

[5] Beyond what is currently reportable.

Due to the nature of peace and security issues, the same approach cannot be taken here, at least not in a systematic way, even though ensuring a secure territory is a key prerequisite for development. The activities currently reportable as bilateral ODA do not include military expenditure committed to pacifying a region destabilised by conflict (termed as peacekeeping operations).[6]

The debate about expanding the range of expenditure reportable as official effort in support of development is complex. The amounts involved are potentially so large that there is a high risk of diluting the concept of aid, or of official support for development, in something much broader but less defined. In addition, making military operations reportable carries a risk of steering development finance towards expenditure on security.

The scope of expenditure reportable as aid or official support could however be expanded to include expenditure on building state capacity for security. Nevertheless, there would need to be a limit to the types of support that were eligible (for example, tied aid from provider X for the purchase of weapons from the same provider could obviously not be considered ODA or included in TOSSD). Expenditure on training an army to defend the national territory could be reportable by the DAC as TOSSD.

In addition, and on another scale, expenditure to ensure security in developing countries could be included in TOSSD where the provider's military intervention is under a United Nations mandate.

Is TOSSD then simply all non-concessional official expenditure that directly or indirectly contributes to sustainable development, or should the level of contribution to development be as clear as that required to meet the eligibility criteria for ODA? We should take note of the critique by Jesse Griffiths of Eurodad (http://www.eurodad.org/arguing_the_tossd), who emphasises the risk here of defining a new 'waste bin' indicator to recycle all the expenditure that providers have not been able to report as ODA. This risk, which could also be seen as an opportunity, particularly applies to expenditure related to the use of certain instruments currently excluded from OECD accounting but which do make finance possible for obvious development factors. The debate about the scope of TOSSD is therefore also instrumental (see Section 2.2.4).

2.2.2. Costs relating to expenditure incurred in the donor country ('in-donor costs')

There is frequent criticism of some types of expenditure reportable as ODA, due to their unclear contribution to development.

Three types of expenditure are particularly subject to debate: refugee aid, tuition fees and administrative costs, mainly due to the fact they are not cross-border flows; in other words, they do

[6] Only the following expenditure is reportable: *election monitoring, rehabilitation of demobilised soldiers and of national infrastructure, monitoring or retraining of civil administrators and police forces; security sector reform and other rule-of-law activities; training in customs and border control procedures; advice or training in fiscal or macroeconomic stabilisation policy; repatriation and demobilisation of armed factions, and disposal of their weapons; and mine-clearing.*

not constitute a direct transfer of funds to developing countries. However, these types of expenditure represent aid that can indirectly benefit development. Not reporting them as ODA could be equally open to criticism.

From a beneficiary perspective, these costs should not be reportable as they do not constitute an inflow of resources. From a provider perspective, the issue of their contribution to development depends on the type of expenditure.

i. **Refugee aid** in donor countries. This is estimated as a flat rate calculated ex post, based on the number of new refugees who have arrived during the year. The amounts can be significant for some providers, even outside crisis periods such as now. Although accepting refugees is down to migration policy as much as development policy, the costs of refugee aid should be reportable as official support to the country of origin (*Is this not support for the human capital of the country of origin?*) beyond the first 12 months, for as long as the person has refugee status.

ii. **Imputed costs for students** coming to donor countries from developing countries (tuition fees): flat rate cost calculated ex post; tuition fees are more a consequence of university decisions and migration policies. As there are a variety of different situations, their significance to development is unclear. Some of these students return to their country of origin and practise the profession for which they have been trained, which is the ideal outcome of student migration. Others return without finding employment related to the training they have acquired abroad: in this case, the effect on development is more limited, but the provider effort to increase the human capital of the beneficiary country is genuine. Others move to a third country where, if they work for an international organisation, they can indirectly benefit their country of origin. Alternatively, they may move to a third country and not exert any real beneficial influence on their country of origin; the effect on development can then be considered to be zero, but this does not diminish the provider effort to increase the human capital of a national from a beneficiary country. Lastly, the individual may stay in the country where they have studied; this is more representative of brain drain than of development. As it is impossible to distinguish between these cases in reporting tuition fees as aid, it is up to the DAC to determine whether or not this expenditure has an overall benefit to development, and/or to design a more refined reporting methodology based on the average cost of a student, calculated by subject and by university year (these statistics must be easy to collate).

iii. **Administrative costs**. These primarily cover the administrative budget of the central aid agency or agencies, and of executing agencies wholly concerned with ODA delivery (OCDE (2013a)). For some donor countries, the amounts involved in this type of expenditure are comparable to the amounts reported for project grants. There is a lack of methodology in the reporting of this expenditure, in that the amount reported for an employee post largely depends on their salary level and therefore on the price structure in their country of origin. This results in a difference in scale between the statements from different providers. The valuation level needs to be more transparent and, above all, improved to take account of the cost differential between the employees of different providers. Introducing a correction factor for reported amounts to reflect the price structure differential between providers, similar to the purchasing power parity (PPP) coefficient, would be a positive step in reporting this expenditure and making it more comparable between countries.

There is a fourth type of 'expenditure' whose inclusion in ODA, and by extension in TOSSD, is subject to debate: debt cancellation and debt relief.

2.2.3. Debt treatment operations

Debt cancellation and debt relief are another type of expenditure that is controversial due to not being cross-border.[7] The situation depends on the indicator used and the way in which the lending risk is reported.

There were significant fluctuations in some providers' ODA during the 2000s, following major operations to halt the budgetary suffocation of poor countries due to their debt servicing burden.

From a provider perspective, it seems difficult not to report this type of transaction, unless the inherent risk of unpaid loans has already been reported (for example, through the discount rate).

From a beneficiary perspective, debt treatment provides dual benefit: i) a welcome reduction in the budgetary cost of the debt, and ii) a reduction in the debt ratio offers potential for more favourable future loans.

Are debt cancellation and debt relief support for development? In principle, these transactions allow beneficiary countries to free up budgetary resources for development. They should therefore be reportable as aid, or at least as official support for development. In reality, their true value — their exchange value on financial markets — is often significantly lower than their face value, as some of these debts would never have been paid. This reduces the true benefit to the beneficiary and sometimes reduces the initiative to a simple accounting operation (Dettes & Développement (2004)). This gives these operations a unique character, making it less appropriate to regard them in the same way as project-grant type donations. They need to be identified separately or included in TOSSD, not amalgamated with a donation indicator (such as ODA) that already covers a diverse content. These operations should be notified in aid statistics, but the way they are reported needs to change.

How should these operations be reported? Debt cancellation and debt relief can refer to operations which either were or were not originally ODA-eligible.

In the case of cancellations in relation to ODA-eligible activities, using the earlier definition of ODA (in force until 2017), as the loan capital has already been reported at the time of disbursement, the only consequence of a cancellation would be not to reduce the net ODA, as no repayment would

[7] Particularly among many civil society organisations, who do not question the legitimacy of these mechanisms but rather the way they are reported; mixed in with other types of donations such as project grants.

now be made. In other cases, the cancellation is reportable, for the amount cancelled, at the time of cancellation.

Using a measure of the grant equivalent of the effort, as adopted in 2014 for ODA reportable from 2017, a debt cancellation will be reportable, for the amount cancelled, if the original loan is non-concessional, as there will have been no previous reporting of the transaction. By contrast, in the case of a concessional loan, a grant equivalent will already have been reported as aid. If the default risk is not included in the discount rate,[8] the cancellation will be counted at the net present value of the amount cancelled. If the default risk was originally included in the grant-equivalent calculation via the discount rate, the cancellation will not be reportable, due to the risk of partial duplication in reporting.

Should we consider the nominal value of the amount cancelled or the market value? Debt operations are currently reportable based on the total cancellation (or relief) amount, rather than on their market value, which is often much lower. Taking the perspective that an official loan substitutes the market when this is not available, a cancellation can be seen as a repurchase of debts, valued at the price fixed by the market.

From a provider perspective, should an opportunity cost to the provider, in forgoing future interest, be reportable? In cancelling a debt, the provider also forgoes an interest flow linked to the future principal repayments, which he will now not receive. The lost opportunity therefore constitutes a cost to the provider. As ODA statistics currently consider forgiven interest as a new ODA flow (OCDE (2013a)), the DAC reports it as such. However, an ODA-eligible activity is not supposed to have a primary purpose of generating interest for the provider; it is therefore difficult to defend counting the opportunity cost of not receiving future interest from the activity. In the case of debt cancellation of loans that were not originally ODA-eligible, if the lender is a state agency, then it is normal to consider the loss of earnings equivalent to the interest that this agency will now not receive. If the loan has been issued by a private agency and the debt cancellation is covered by the provider state, the uncollected interest only relates to the private lender. It must therefore not be reported as an opportunity cost for the provider state.

2.2.4. TOSSD also reflects a commitment to recognise all development finance instruments

The traditional financial instruments for the purpose of development, such as grants and loans, as well as the six components of OOF listed on page 1, seem appropriate for inclusion in TOSSD.

Beyond this, the rationale for designing a new measure is to take into account a range of financial instruments that have so far been neglected in OECD reporting.

To this end, there have been several public consultations on the definition of TOSSD, during which the OECD DAC has raised questions, not about the principle of whether or not particular

[8] This option has been excluded from the new definition of ODA but may be revisited in the future.

expenditure should be reportable, but rather about the significance and way of reporting specific instruments, particularly the following.[9]

How should export credits be treated? These are granted by official Export Credit Agencies (ECAs) in developing countries and are currently reportable as OOF. These credits from providers to their own companies working in developing countries provide finance for investment in these countries, mainly in infrastructure; they take the form of loans, guarantees and insurance products.[10]

As the OECD DAC points out, *'these credits are commercially-motivated and have no explicit objective of promoting economic development and welfare in host economies. However, by mitigating risks for investors and enabling production and large infrastructure or energy projects (e.g. roads, dams or hydroelectric plants), these flows play an important role in providing access to capital in developing countries. For this reason, officially-supported export credits also receive particular attention in broader analyses of developing countries' external finance.'*[11] As such, it seems reasonable that they should be reportable as part of a measure of provider effort in support of development and a measure of recipient benefit. They should simply be reported according to the rules in force for the instruments used (non-concessional loans or guarantees).

How should public-private partnerships be treated? The point of PPPs is to connect actors with financial instruments to make public interest projects economically and socially viable and sustainable. As the *Agence Française de Développement* (French Development Agency — AFD) points out, a wide range of public tools is available: market-rate or soft loans, equity investments, technical assistance and grants (AFD (2012)).

As each of these tools is reported as ODA or TOSSD subject to established rules or rules in progress, accounting for PPP in TOSSD should not cause a problem, so long as it follows the principle of including all public amounts mobilised via each of the instruments above and according to their respective reporting rules. This is true from a provider perspective. From a beneficiary perspective, the question arises whether it is the public part of the transaction that is reportable or the total funds mobilised (the idea being that these funds would not have been raised without the public intervention). In reality, this question arises for all private finance raised due, at least in part, to public funds and there is a need to distinguish between blending operations mixing public and private funds, and the official flow of risk coverage enabling private funds to be mobilised.

From a beneficiary perspective, how should we treat private finance mobilised as a result of blended public-private operations? The first question is whether or not to include the private amounts mobilised in TOSSD. The 'official' character of TOSSD would suggest a negative response,

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[9] OECD (2015). '*Financing the post-2015 agenda: shaping a measurement framework for monitoring resources in support of the Sustainable Development Goals (SDGs)*.' Summary points from an Expert Workshop, 13 May 2015. Paris: OECD.
[10] *The term 'officially-supported export credits' covers:*
- *direct export credits, i.e. loans extended by ECAs to facilitate and encourage exports to developing countries.*
- *officially-guaranteed/insured export credits, i.e. loans extended by the private sector but guaranteed/insured by ECAs to finance an export transaction.*

Source: http://www.oecd.org/dac/stats/beyond-oda-export-credits.htm
[11] http://www.oecd.org/dac/stats/beyond-oda-export-credits.htm

but from a beneficiary perspective, it would be useful to know both the public amount available to the beneficiary and the private amount this has made it possible to generate. The latter could be indicated for information without actually being included in the TOSSD amount. There is still the issue of how to measure these amounts. For a blending operation, the public finance is relatively easy to establish. By contrast, estimating the private amount mobilised requires an estimation of the additional private amount which would not have been mobilised without the official flow. This is no mean feat. Otherwise, we could count the total amount of private funds mobilised, which would potentially overestimate the additional funds resulting from the official intervention.

How should we treat private funding mobilised through an official risk coverage instrument? Risk coverage, as a state guarantee from a donor country for a private loan granted to a developing country, appears to meet 'in spirit' the eligibility criteria for ODA (official resources to cover market insufficiency, and which provide leverage in support of development). It should therefore be included in the measure of official support — or even in a measure of official assistance, which would encourage providers to make more use of it.

Reporting these mechanisms as such only makes sense for a measure of provider effort, whether as ODA or TOSSD, from the provider perspective. If risk coverage facilitates the award of a loan, it is not in fact an additional flow. From the beneficiary perspective, the emphasis will be on the flow of resources to the recipient that is facilitated by the risk coverage. This flow can be reported using the total amount of the loan awarded, as facilitated by the guarantee, although this risks adding together private and public flows in the same indicator. One solution would be for the statistical monitoring of TOSSD (from the beneficiary side) to specify 'private amounts mobilised through public intervention'.

From the provider side, the technical aspect of reporting guarantees (as provider effort) is currently being debated at the DAC (Mirabile, Benn & Sangaré (2013)). The main difficulty is how to quantify the provider effort in guaranteeing a transaction. The OECD DAC has recently decided that *'guarantees are counted on a grant equivalent basis, applying differentiated discount rates and, when appropriate, an additional risk premium for the private sector'*. They are therefore considered reportable based on the concessionality of the guarantee. (Other options explored were reporting them based on the government support to guarantee-extending institutions, or on the risk taken by the guarantor.)

How should civil society contributions be reported? From a beneficiary perspective, civil society contributions could be specifically defined as external private resources for financing, with the same status as the private inflows covered above. From a provider perspective, including in TOSSD resources transferred or used by NGOs for interventions in developing countries would mean expanding TOSSD beyond its basic official remit. They could, however, be recognised based on the cost to the donor state of a tax measure to encourage its taxpayers to make private donations to development NGOs. Such a measure would rely on an official policy to promote development finance, which justifies its eligibility. As this would be budgetary financing, it would be appropriate to include the reported tax cuts in an indicator of total official effort. This would, however, rely on the tax authorities being able to distinguish taxpayers' donations to development NGOs from donations to other organisations.

How should tied aid be treated? According to the OECD DAC definition, tied aid describes '*official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries*'. The DAC members agree on untying aid granted to least developed countries (LDCs) and to heavily indebted poor countries (HIPCs). In the case of a tied grant that meets the technical criteria for ODA-eligibility, or of tied official support with limited or no concessionality, the public amounts mobilised should be reported not as ODA but as TOSSD, in line with the reporting rules for the instrument used.

How should non-concessional loans from state banks be treated? The expression 'state bank' can refer to various types of institutions.

It generally means banking institutions where the state is shareholder but the purpose is commercial or may also be partly social. If the finance is for an eligible purpose — sustainable development in a developing country — non-concessional loans from banking institutions with a state shareholder should be considered official support for development (from the donor perspective) if, and only if, the decision to invest reflects a commitment to support development rather than a primarily profitable financial transaction or a straightforward financial investment. This involves establishing the official or unofficial reason for the decision, which may depend on the statutes and mandate of the institution and on the proportion of state shareholding.

The expression 'state bank' less frequently refers to a central bank or institutions dependent on the central bank. In the case of refinancing for a state in difficulty, through debt buyback for its banks from a provider's central bank, the funds mobilised by the provider's central bank are of public origin. These funds could therefore be considered part of official support for development (still from a provider perspective).

These considerations raise the issue of what is meant by the 'official' character of the instruments used and the funds mobilised. For example, what about investments in developing countries from French financial funds held by the state?

How can South-South cooperation be introduced into this model? Provided the information is available (which is proving a significant constraint), development operations conducted between actors in the South should be able to be categorised and reported in line with rules similar to those adopted for TOSSD, regardless of the perspective (provider or beneficiary). The fact remains that until now, only DAC member countries and a few non-members have declared their development aid and support in line with DAC rules. Recording flows from developing countries to other developing countries as part of TOSSD would require improved statistical cooperation with non-DAC countries.

3. A move towards TOSSD commitments?

If the adoption of a measure such as the TOSSD indicator helps to improve knowledge of the various types of finance flows for developing economies, and thus offers hope of making this finance more efficient, how will such an indicator be useful and what will be its political application?

Until now, the barometer of development cooperation policies has always been ODA. Although there are numerous commitments by various donors, it is still those relating to ODA, expressed as a percentage of gross national income (GNI), that are used as an international benchmark to assess these policies. However, few providers have fulfilled their commitments according to the definition of ODA that has applied up until now. It could be tempting for providers to finally withdraw them, on the pretext of a new barometer that is more representative of their contribution to development (TOSSD), arguing primarily that the broader remit of the Sustainable Development Goals (SDGs) requires a broader measure of this contribution.

Modifying the rules for reporting loans as ODA will involve, at the very least, converting the value of the ODA/GNI commitments in line with these new rules. Beyond that, as highlighted by Boussichas and Guillaumont (2014), it is above all an opportunity to reflect upon new commitments that better meet the needs of the most vulnerable countries. By valuing concessional financing for the most vulnerable countries, the new rules encourage financing in these countries.

However, the main commitment — providing ODA equivalent to 0.7% of the donor country's GNI — has a highly symbolic value. This makes it difficult to abandon it (or its converted value in line with the new rules for reporting ODA) and thus to adopt new, more relevant, commitments.

The definition of a broader measure such as TOSSD could also be an opportunity for donor countries to overcome both the incentive to provide concessional financing to vulnerable countries, and the (mainly political) difficulty of abandoning the 0.7% target in favour of commitments to TOSSD, where the amounts would seem higher without the true effort involved being any greater. In effect, as TOSSD could be reported as gross flows, including various expenditure involving limited or no concessionality, there is little incentive to use concessional instruments. Adopting commitments to TOSSD therefore runs the risk of diluting the priority given to the poorest countries up to now.

Conclusion

The development of TOSSD is complicated due to problems with the identity of the indicator, which need to be resolved before we can define its scope and specify the technical procedures for calculating it. Is it designed to measure donor effort in support of sustainable development, beyond the basic concessional effort, or rather to measure the benefit to recipient countries due to the donors?

It seems risky to combine the two perspectives into a single indicator, as it always has been for the ODA indicator. If we consider the ultimate goal of improving shared understanding of flows in support of development, the two perspectives seem relevant and complementary and would each merit being measured through two distinct TOSSD measures.

The DAC's intention is to take into account a broader range of aspects of development and of financial instruments to promote them. These instruments are highly diverse in nature, well beyond the traditional duo of donations and official loans. This paper proposes that, for each potential component of TOSSD (whether an aspect or an instrument), there is a discussion about whether or not it is appropriate to include it in such an indicator and about the methodology for reporting it if required.

In short, the DAC will adopt a broad measure for flows in support of development by the end of 2016.

For beneficiary countries, the information about inflows will be a real bonus for developing public policy in these countries.

For donors, one question we can anticipate is: what purpose does a broad measure serve? Will commitments be made to TOSSD? Not in principle, according to the stated intentions of the DAC members (OECD (2016b)). However, the DAC member countries — and others, if the DAC manages to convert its emerging partners to TOSSD and transparency — could benefit from publicising the amounts revealed, which will probably be considerably higher than those for ODA. This will be even more applicable to countries using 'leveraging' instruments, due to their theoretical capacity to mobilise considerable amounts using limited public resources. These instruments take the form of mechanisms blending various types of financial tools (technical assistance, donations, loans, guarantees, etc.), solely public or public/private. The danger in the future TOSSD is the advantageous use that could be made of it if it did not clearly show what was due to real donor effort, what was truly additional mobilisation due to public intervention, and what could have been financed elsewhere, regardless of the level of public intervention. This distinction could prove complicated, due to the potentially large array of factors affecting a decision to invest, and the low incentive for a bank to communicate this type of information. The OECD DAC's statistical monitoring governance must ensure that TOSSD is not simply a communication and marketing tool.

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"Sur quoi la fondera-t-il l'économie du monde qu'il veut gouverner? Sera-ce sur le caprice de chaque particulier? Quelle confusion! Sera-ce sur la justice? Il l'ignore."

Pascal

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