Official Flows: basic principles for transparent measurement and reporting by providers

A Eurodad discussion paper by Jesse Griffiths

Contents

Executive Summary

The OECD DAC is currently developing a new framework for monitoring and measuring flows that could be considered developmental but are not currently captured in Official Development Assistance (ODA, or 'aid'). This new framework is provisionally called Total Official Support for Sustainable Development (TOSSD). The stated purpose of this framework is not to supplant ODA but to provide transparency on other financial flows that support the new Sustainable Development Goals (SDGs) adopted by the UN.

However, Eurodad has argued in two blogs and a letter to the OECD that there are currently significant flaws in the proposal, and a more comprehensive approach to ensuring full transparency of official transfers to developing countries is needed. This paper sets out a framework and principles upon which we believe such an approach should be based. It is intended to inform discussions, and comments are welcomed.

Increasing transparency of reporting by the providers of cross-border official finance ('official flows') can help increase the accountability of those providers to their citizens and those recipients to whom they have made promises. However, it is important to note that, for developing country governments, it is likely to be a far lower order of priority than collection of information through their systems of national accounts.

Classifying provider flows by purpose can help to improve this accountability, and several provider purposes can be identified, divided into two broad categories:

- Official flows to meet international commitments (including development commitments and climate commitments) and
- Other official flows (to meet commercial, military or other foreign policy objectives)

In order to improve the transparency of official flows this paper sets out eight basic principles, summarised below, that should form the basis for improving efforts by international organisations to standardise reporting and information collection from providers. The first six apply to all official flows, and the last two to official development flows only.

Summary table

Purpose	**Principles**	**Notes**
All flows	1. Count official cost only	Do not include 'mobilised' or 'leveraged' flows in total
	2. Count flows only	ie. those that leave the provider country
	3. Count actual disbursements	Not all commitments materialise: disbursements are a better measure of actual flows
	4. Count net flows over lifetime of project	Count any reflows / return flows associated with the initial flow (repayments on loans, repatriated income from investments etc.)

	5. Do not double count	Do not use the same flows to report against two separate promises (eg. climate finance and ODA)
	6. Count all flows	Be careful not to provide a misleading picture by counting incomplete information
Development	7. Count flows to developing countries	Use objective criteria for defining the recipients list
	8. Ensure a developmental purpose	Ensure flows have over-riding objective of supporting development in recipient country. If flows have a significant commercial or foreign policy objective, count them in those categories only.

In addition, we argue that measuring official flows should not be confused with measuring amounts of private flows subsidised (or 'mobilised') by official flows, or with measuring domestic official expenditure that may contribute to meeting international objectives.

Finally, we analyse the OECD's TOSSD proposal against these principles, and find major problems, as well as a rushed process, which will seriously limit the input of two major users of the measure, civil society organisations (CSOs) and developing country governments.

However, one simple change could lead to radical improvements: to drop the 'provider perspective.' The OECD's proposal confusingly introduces two different ways of calculating flows, but the main problems are related to only one of these ways: the provider perspective. Dropping this, and producing only one single measure would have two major advantages. First it would mean that TOSSD would only measures official flows, and not introduce additional misleading figures for 'mobilised' flows. Second, it would mean no inclusion of costs in provider countries**,** particularly for global public goods: if these are to be measured, then this should be done so separately, based on a genuine good faith effort to calculate the net finance – ie. to estimate financing that undermines efforts to safeguard global public goods (such as fossil fuel subsidies) as well as that which may help safeguard them (such as climate finance.)

Finally, we argue that there is a significant need for improvements to the OECD's existing measures of ODA and Other Official Flows (OOFs), and we note that the OECD, as an exclusive club of mainly high-income countries, has serious legitimacy and effectiveness problems when trying to undertake global measurement projects.

1. Categories of official flows

In this section we will argue that the main purpose of increasing transparency of provider reporting is to increase the accountability of those providers to their citizens and those recipients to whom they have made promises. Classifying provider flows by purpose can help to improve this accountability, and two main provider purposes can be identified: meeting international commitments (such as on development aid or climate finance) and other official flows (with commercial, security or other foreign policy objectives).

The bigger impact – and the ultimate purpose of all transparency – is that it allows citizens in both recipient and provider countries to better understand the activities of governments and hold them to account. Ensuring full transparency of information on official flows from a provider perspective would help civil society organisations, such as those in the Eurodad network, hold providers to account for how they are using public money, and for the international commitments they have made. It also allows other actors to whom governments have made commitments to hold them to account.

Before we explore this further, it is important to note that, from a recipient government perspective, the most important information to guide policymaking ought to be produced through their own system of national accounts. The UN, supported by other agencies, including the IMF and the OECD, provides a detailed manual: the *System of National Accounts*, which aims to provide "a comprehensive, consistent and flexible set of macroeconomic accounts for policymaking, analysis and research purposes."[1] Care therefore needs to be taken that efforts to improve provider information do not divert recipient government resources away from using and improving their own systems of information collection.

Measurement by purpose of the official flow

Defining flows by the purpose that the provider of the flow attaches to it is a sensible, but imperfect, method of classification. It allows providers to be held to account for the policy priorities they are pursuing by using official flows, and also can help clarify exactly what those priorities are, and the weight attached to each.

The main drawback is, of course, that defining flows by purpose inevitably relies heavily on the providers' definition of that purpose. International organisations can help to provide some standardisation, but existing examples (see below) show the limitations. Care needs to be taken to ensure that providers do not:

- Fail to report all flows (currently the case for flows related to military expenditure).
- Misclassify flows (in order to hide their true intentions).
- Use their influence to damage the definitions used (for example OECD DAC rules are agreed by the providers themselves, which is why large categories of in-donor expenses are allowed as ODA).

[1] United Nations and others, *System of National Accounts 2008* (United Nations, 2008) <http://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf> [accessed 24 August 2016].

Official flows may be motivated by a number of purposes, which can be divided into two main categories:

1. *Official flows to meet international commitments.* As the SDGs are the overarching document setting out global goals, this could also be thought of as flows to support the SDGs. However, focusing on international commitments is a better approach because it focusses on the purpose of counting provider flows: to increase the accountability of those providers for commitments they have made. The main sub-categories here would include development flows (to meet ODA commitments) and climate finance (to meet international climate commitments) as well as flows to meet other commitments, related, for example, to biodiversity protection.
2. *Other official flows.* The main sub-categories could be:
    a. Commercial subsidies (for international investments or private loans).
    b. Military and security flows.

Official flows with a development purpose

Since 1969, the OECD has been measuring a subset of all official international flows, known as Official Development Assistance (ODA). The measurement of ODA has become very important, as it is the measurement yardstick for the longstanding commitment for rich countries to devote 0.7% of their national income to aid the "economic development and welfare of developing countries".

Donors report ODA to the OECD DAC annually[2] and the rules for what can be counted as ODA are set out in detail.[3] A wide variety of methods or instruments are allowed within ODA, so long as each transfer meets the test of being:

- *Official* – "provided by official agencies"
- *Development* – "with the promotion of the economic development and welfare of developing countries as its main objective"
- *Assistance* – "concessional in character"

The concessional in character test was significantly tightened in 2014, with only the 'grant equivalent' portion of a concessional loan now counted, based on market-adjusted interest rates[4] with a minimum threshold.[5]

However, ODA rules also allow a number of items that are not resource transfers to a recipient country:

- Student costs (of developing country nationals in the developed country)
- Refugee costs (for refugees arriving in the donor country)
- Development awareness programmes (in the donor country)
- Research undertaken in the donor country

---

[2] By filling in questionnaires in the DAC's Creditor Reporting System (CRS).
[3] OECD DAC, 'Converged Statistical Reporting Directives for the Creditor Reporting System (CRS) and the Annual DAC Questionnaire', 2016 <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DCDDAC(2016)3FINAL.pdf> [accessed 10 August 2016].
[4] IMF rates (at the time) +1-4%
[5] 45% for Least Developed Countries (LDCs) and Low-Income Countries (LICs), 15% for Lower-Middle-Income Countries (LMICs) and 10% for Upper-Middle-Income Countries UMICs).

- Administrative costs

In addition, the recent addition of a new category of ODA provided through Private Sector Instruments opens significant potential for providers to categorise commercially motivated flows as ODA, unless the rules - that the OECD DAC are currently working out - are very tightly set and monitored.[6]

This means that ODA does not provide a perfect example of how flows could be measured, and ODA measurement rules are in need of significant reform.

Other official flows

Official flows that are not primarily motivated by development purposes are currently very poorly measured. The OECD DAC collects information on OOFs which "are defined as official sector transactions that do not meet official development assistance (ODA) criteria."[7] Eurodad has argued previously that OOFs are "less an attempt to capture all non-ODA government-to-government transfers than a mechanism to classify reporting to the DAC that does not meet ODA requirements."[8] As such, OOFs are currently an incomplete and confusing measure that does not provide consistent or coherent information.

A coherent and comprehensive system to accurately and transparently count official flows for other purposes, such as commercial subsidies and military aid would therefore be a significant improvement. It is surprising that the OECD has not invested more effort in improving this category, at the same time as embarking on creating a new set of TOSSD figures (see chapter 4).

2. Principles for measuring official flows by providers

In order to improve the transparency of official flows this section sets out eight basic principles that should form the basis for improving efforts by international organisations to standardise reporting and information collection from providers. Two of the principles apply only to flows to meet international development commitments.

2a. Principles that apply to all flows

Principle 1. Count official cost only

The aim of this principle is to ensure that flows measured as 'official flows' do in fact come from official sources. There is a lively debate about whether and how to measure financing from private sources that might by subsidised by official flows, which we cover in Section 3. However, there should be no suggestion that such private flows could be counted under any official category: they are private flows and should be counted as such. Instead, only the actual public subsidy for such flows should be counted.

---

[6] A coalition of civil society organisations, including Eurodad, produced recommendations for this: http://eurodad.org/files/pdf/5776799f80c79.pdf

[7] https://data.oecd.org/drf/other-official-flows-oof.htm

[8] {Citation}

Principle 2. Count flows only

The aim of this principle is to ensure that domestic official expenditure is counted as domestic expenditure, and only official finance that flows across borders is counted as official flows. Unfortunately, as noted above, current ODA measurement rules allow a number of domestic expenditure items to be counted as ODA. To recognise this shortcoming, the OECD DAC also provides a measure of Country Programmable Aid (CPA) which is (though not perfect), as the OECD says, "a better estimate of the volume of [ODA] resources transferred to developing countries."[9]

Any new measure of official flows should abide by the principle of counting flows only. However, as we argue in section 3, an additional measure of domestic expenditures that have international impacts would be welcome, and could help to valorize important elements of domestic expenditure, such as those related to refugees, so long as these are measured along with other elements of domestic expenditure that have negative impacts.

Principle 3. Count actual disbursements

The aim of this principle is to ensure that the flows that are counted are those that actually occur, as not all promises ('commitments') materialise. There is normally a significant gap between the amounts that official providers commit to transferring and the amounts they actually disburse. This is due to understandable factors such as changes in project costs or exchange rates but may also reflect changes in donor or recipient policies or programmes. Only disbursement figures give an accurate picture of actual official flows, which is why the OECD DAC reports disbursement figures when it releases its annual ODA statistics.

Collecting commitment figures may provide additional useful information and allow for estimates of future finance trends, but it should not be seen in any way as a replacement for disbursement figures. If commitment figures are to be presented, they should only be presented as additional information beside disbursement figures, and great care should be taken to stress the limitations of these figures.

In addition, for flows that support commercial objectives, or for development flows that involve subsidising private investments, it is important to remain focussed on measuring the actual official cost of these flows. For example, if a public institution makes a loan as part of a financing package that includes other loans or investments from private actors, only the net public costs of the public loan should be counted as official flows.

Principle 4. Count net flows over lifetime of project

The aim of this principle is to ensure that the actual transfer of finance over the lifetime of any loan or investment is counted, not just the initial disbursement.

[9] Julia Benn, Andrew Rogerson and Suzanne Steenson, 'Getting Closer to the Core: Measuring Country Programmable Aid' (OECD DAC, 2010) <http://www.oecd.org/dac/aid-architecture/45564447.pdf> [accessed 24 August 2016].

Flows given in the forms of loans, equity investments or guarantees may earn income during the lifetime of the project, which means that the actual net transfer of resources is lower than the initial disbursement. Such return flows could include:

- Repayments of loans (the 'principle'), and interest payments on loans.
- Dividends earned from equity investments, as well as capital realised when equity stakes are sold.
- Income from charges for guarantees. For example, the World Bank Group's guarantees arm, the Multilateral Investment Guarantees Agency (MIGA) earned $128 million from premiums (charges) in the 2015 financial year.[10]

This principle is already recognised to some extent in ODA reporting, where the OECD DAC measures "Net flows" which "equal total new flows (gross disbursements) minus amounts received (eg. repayments of principal, offsetting entries for debt relief, repatriation of capital, and occasionally recoveries on grants or grant-like flows)."[11]

In practical terms, the simplest way to account for these is as negative transfers (as is the case for ODA) which means, in effect, measuring the net transfer over the lifetime of the project.

Principle 5. Do not double count

The aim of this principle is to ensure clarity, and to provide transparent accountability by providers for different promises they have made.

Above, we suggested a simple method of classifying flows, dividing between (a) official flows to meet international commitments and (b) other official flows, and flows should clearly not be double counted in both categories. However, an additional critical distinction would be between sub-categories of each: it is important not to double count within a category, particularly for flows to meet international commitments. Where flows are being measured against an international commitment, such as ODA or climate finance, it is important that the same money cannot be used to meet both commitments. Without this principle, governments, in effect, can mislead both their own citizens, on whose behalf they make commitments, and the recipients of the finance. Double counting therefore seriously undermines the credibility of government commitments, and hence the potential for international cooperation.

This is an obvious point of accountability at the national level: governments that, for example, promised to increase expenditure on both education and healthcare would be condemned if it were uncovered that they were meeting their commitments by counting some expenditure in both categories.

Some flows will inevitably span more than one category, and clear guidelines would need to be put in place to decide how to allocate in these instances. One clear point, detailed in principle 7, is that, to safeguard their developmental nature, flows that meet development

[10] MIGA, WBG, *Management's Discussion & Analysis and Financial Statements*, 2015, p. 16 <https://www.miga.org/documents/MIGA_MD_A_AR2015.pdf> [accessed 24 August 2016].
[11] OECD DAC, p. 34.

commitments should be overwhelmingly focused on these objectives, and so should not also have significant commercial or other foreign policy related objectives.

Finally, it is also very important not to double count flows that pass through more than one institution; in this case the flow should be attributed to the country from which it originated (not any subsequent countries through which it was transferred on the way to the final recipient).

Principle 6. Count all flows

The aim of this principle is to ensure that accurate information is reported, and to prevent the misleading picture that would be presented if only partial data was reported.

Despite the shortcomings noted above, the OECD DAC has developed a careful system for estimating developmental flows. Most of the problems with this system relate to inclusion of items that should be included in other categories, particularly those that should be counted as domestic spending. In addition there remain problems of double counting between flows that meet development commitments, and those that meet climate commitments.

However, systems for measuring other types of official flows are inconsistent and incomplete, as noted above. If these are to be measured, then providers must provide a full account. The danger of not including all of these flows is that a very misleading picture of the activities of governments could be presented.

The clearest example is official flows with military and security objectives, where governments often try to keep their activities secret. If only part of these flows are reported, then the real expenditure on official flows with military and security objectives will not be revealed. This can lead, for example to a government appearing to be devoting most of such flows to an important cause, such as peacekeeping, when in reality they are actually transferring greater sums to finance a proxy war.

Therefore, unless providers are willing and able to report all such flows in each category, it is doubtful whether only reporting selected flows actually improves transparency at all.[12]

2b. Principles that apply to developmental flows only

Principle 7. Count flows to developing countries

The aim of this principle (and principle 8) is to ensure that there is a clear way of defining what a developmental flow is. The first step is to make sure the flow is to a country that is classified as a developing country. There are a variety of measures of defining what a

[12] It is an open question as to whether it is worth reporting any flows at all if governments withhold crucial information. For example, why should a government get credit for transferring ODA to a country when it is secretly also financing a war in that country? However, on balance, it remains better to measure and track developmental flows in order to measure commitments against the 0.7% target, and to focus on improving reporting of other types of flows so that they can become sufficiently complete and reliable to be reported.

developing country is: whichever one is used should be updated regularly and use objective criteria for inclusion.

The problem with not updating categories regularly or using objective criteria is shown by the World Bank's category of Developing and Transition Countries (DTC) which it uses for reforming voting power within the World Bank Group.[13] This category is not updated and contains obvious anomalies, such as Saudi Arabia being counted as a Developing and Transition Country, one of several high-income countries on the list.

Principle 8. Ensure a developmental purpose

The aim of this principle is to ensure that official flows with a development purpose have the over-riding objective of supporting development in recipient countries. This is already recognised in the definition of ODA, as noted above.

However, defining whether a financial transfer has a developmental purpose is not always straightforward, which is why it is important to have international standards and for providers' reporting to be verified against these, as they are for ODA.

The point of measuring flows based on the providers' objective is to improve the transparency and accountability of providers for the money they are providing to other countries. This accountability becomes blurred if the same flow can be counted in several categories at the same time: hence the need for no double counting (principle 5).

The purpose of measuring developmental flows separately is to identify that portion of official flows that are genuinely given with the over-riding purpose of supporting the development of other countries. It is important for the effectiveness of these flows in achieving developmental objectives that this purpose remains strong.

This is particularly important for official flows with commercial objectives, where it is often possible to make a case that there may also be developmental benefits, such as creating jobs. Unless this principle is respected, there is a potential incentive for donors to classify a portion of their flows with primarily commercial objectives as developmental – helping meet 0.7% targets when really undertaking export promotion.

3. Notes on other related measurements

In this chapter, we make very brief comments on two other issues that often lead to confusion, but which are in reality quite different from estimating official flows. First, the 'mobilisation' of private finance is not an official flow, nor are estimates for measuring the impact ('additionality') of the public subsidy well enough developed to give confidence that leverage ratios can be accurately measured. In addition, motivations for measuring this are sometimes misguidedly driven by a donor desire to gain credit for amounts mobilised, when

[13] World Bank Group, *2015 Shareholdingreview. Report to Governors*, 2015 <http://siteresources.worldbank.org/DEVCOMMINT/Documentation/23689867/DC2015-0007(E)Shareholding.pdf> [accessed 24 August 2016].

in fact it is the quality, not the quantity of such finance that should be the focus. Second, domestic expenditure is not an official flow. Measuring the estimated contributions to international goals of domestic expenditure would be a welcome innovation, but it should be done separately, with both positive and negative credit awarded.

3a. Mobilisation / leverage of private finance

The debate about measuring official flows often becomes confused because of a desire by some donors to claim credit for commercial flows which they subsidise. This is a mistaken agenda for two reasons related to private financial flows:

- Additionality: it is very difficult (if not impossible) to attribute the amount mobilised to the public intervention. Hence it is far better to concentrate on estimating the public subsidy amount which can then be compared with other possible uses for the public finance.
- More is not necessarily better (and can be worse): there are risks and well as rewards. Recipient countries, particularly in the developing world, have to take care to manage inflows of private finance, as they can have major impacts on the domestic financial sector, impact exchange rates, and may precipitate financial crises. Therefore the quality of the flow matters a lot: incentivising providers to subsidise ('mobilise') more private finance does not therefore make sense: the correct incentives would be to focus on the quality and impact of the private finance mobilised.

The difficulty of determining additionality is why we prefer the term 'subsidising' to 'mobilising' – it is a more neutral and accurate description of what actually happens. It is important to note that there are a wide variety of ways that providers can subsidise private flows: ranging from direct subsidies, to activities that reduce the costs or risks for private investors, such as guarantees or equity positions. A useful discussion on the topic is included in a recent ODI paper, which defines a subsidy as "any intervention by a public development agency, at the project level, that has the effect of raising expected risk-adjusted returns for private investors".

Unfortunately, as we shall see in chapter 4, this is a major problem with the OECD's proposed 'provider perspective' TOSSD measure, as it specifically aims to give providers the credit for all commercial flows that they subsidise ('mobilise').

3b. Domestic spending for global public goods or development purposes

It is clear that domestic expenditure can have a major impact on other countries, probably far greater than official flows. This is partly because domestic investment dwarfs all sources of foreign capital.[14] However, it is also clear that official domestic expenditure is not the same as official flows that cross borders: there is no coherent argument for mixing the two together in any single measure.

---

[14] Griffiths, Jesse, *The State of Finance for Developing Countries, 2014* (Eurodad, 2014) <http://www.eurodad.org/files/pdf/54f98666925bf.pdf> [accessed 24 August 2016].

Creating an alternative measure of the international impact of domestic expenditure would be an excellent idea, and some non-governmental organisations, such as the Center for Global Development,[15] have made attempts in this direction. However, if this is to be attempted it will be critical to ensure that it presents negative as well as positive impacts – counting fossil fuel subsidies as well as contributions to transforming green energy systems, for example.

4. Analysis of the TOSSD Compendium

The OECD DAC is currently developing a new framework for monitoring and measuring flows that could be considered developmental but are not currently captured in Official Development Assistance (ODA, or 'aid'). This new framework is provisionally called Total Official Support for Sustainable Development (TOSSD). The stated purpose of this framework is not to supplant ODA but to provide transparency on other financial flows that support the new Sustainable Development Goals (SDGs) adopted by the UN.

In June, the OECD launched a detailed *TOSSD Compendium* setting out its proposals for the measure, with a very short timeframe for public consultation, later extended to seven weeks - very short for a global consultation, as Eurodad noted in a letter to the OECD.

The following table summarises how well the OECD's proposals in its TOSSD Compendium meet the above principles. Traffic lights are awarded as follows:

- Green: upholds the principle.
- Amber: partly upholds the principle but has significant weaknesses. For principle three we have awarded a light amber rating, as though unclear, the evidence suggests the principle is close to being upheld.
- Red: Does not uphold the principle.

Where the colour is left blank, this is because the proposal is unclear or open to interpretation.

Principle	Traffic light	Notes / examples
For all flows		
1. Count official cost only		The proposal is to count "all officially supported resources flows" – which potentially means including private flows as well (at least in the 'provider perspective' as "Mobilised resources will also be measured")
2. Count flows only		Will include "those resources that support development enablers or address global challenges" and in the provider perspective, this could include in-provider costs. ('Greater clarity is required to establish the boundaries for acceptable levels of provider country investments in global public goods/development enablers, in particular within their own

[15] Center for Global Development, The Commitment to Development Index: http://www.cgdev.org/cdi-2015

		borders". The recipient perspective "would only capture cross-border flows.")
3. Count actual disbursements		Intention is to count both disbursements and commitments, although implication (not clear) is that the focus is on disbursements (hence the light amber rating). For the recipient perspective, providers "would also report financial information linked to the activity over its lifetime, including commitments, associated disbursements and repayments as well as reflows." However, the wording for the provider perspective is not as clear.
4. Count net flows over lifetime of project		See above. However, it is not clear whether these reflows will be included in the TOSSD measure as the paper says "Information on reflows would be collected for transparency purposes."
5. Do not double count		How TOSSD will be used remains unclear as does its relation to other commitments such as those made on climate finance, though "to address double-counting risks, efforts are ongoing to co-ordinate a wide range of reporting efforts across public and private actors." However, there is an important commitment that "The TOSSD measure will not supplant the ODA measure.'
6. Count all flows		TOSSD proposes to only count official flows related to meeting the Sustainable Development Goals, and will therefore provide only a partial (and hence potentially misleading) set of information on official flows with commercial or foreign policy purposes. It is not clear how TOSSD will be presented and there remains a danger that it will be aggregated into a single figure.
For developmental flows		
7. Count flows to developing countries		As noted above, the provider perspective will include in-donor costs. However, there remains some confusion on these points as the Compendium also says "As long as an activity is carried out in a developing country, and is aligned with the development priorities of that country, it is eligible to be considered TOSSD."
8. Ensure a developmental purpose		The provider perspective aims to include private finance (commercial) flows that are 'mobilised' by the official flows and present this as SDG-supporting finance. Despite the need for a "link with the SDGs" the inclusion of 'mobilised' commercial flows in the provider perspective means that flows with a primarily commercial purpose will be counted.

In summary, it is clear that the OECD's TOSSD proposals need significant revision if they are to meet their stated objectives of providing "greater transparency." However, the consultation process – though extended – remains very rushed, making it hard for the two primary users of TOSSD information - developing country governments and civil society organisations – to engage.

This raises the issue of whether the exercise can hope to produce a step forward towards the principles set out above. However, it may be possible to see a way forward, as the greater part of the problem is caused by the inclusion of a ‘provider perspective’ in the TOSSD Compendium proposal, which threatens to obscure more than it enlightens.

The simplest way to make radical improvements to the OECD’s proposal would therefore be to remove the provider perspective. This would have many beneficial impacts, two of the principle ones being:

- **Only measures official flows with no misleading figures for ‘mobilised’ flows** – these will be highly misleading (as the issue of calculating additionality is a long way from being resolved) and also provide bad incentives (to increase quantity of such flows rather than improve quality.)
- **No inclusion of costs in provider countries,** particularly for global public goods. If the OECD wants to do this, then a separate measure would be needed based on a genuine good faith effort to calculate the net finance – i.e. to estimate financing that undermines efforts to safeguard global public goods (such as fossil fuel subsidies) as well as that that may help safeguard them (such as climate finance.)

Doing this would also help end the idea that there is somehow a difference in meeting the SDGs between provider and recipient countries, and reduce the confusion that will inevitably follow from producing various measurements purporting to be assessing the same thing but from different ‘perspectives’.

In the most recent paper released by the OECD on September 16 2016, it appears that steps may be taken towards this approach. The paper, which contains recommendations from the OECD’s secretariat to government members of its Development Assistance Committee, suggests splitting the measurement of (a) "cross-border flows at a country level” from (b) “global and regional finance for development enablers and global challenges.” The OECD staff say that “implications of this structural change include [that] the provider perspective moves out of the TOSSD measurement framework”. This would be extremely welcome. However, later in the paper it says that the “provider perspective would become a supplemental ‘separate track’ analytical tool” suggesting that the change proposed is not as radical as it first appears. It is clear that if the OECD is to ensure credibility for its TOSSD process, it should follow through fully on the implications of this new paper, and drop the provider perspective entirely.

Finally, it will be important not to see the TOSSD process in isolation: clearly the ODA measure is in need of significant improvement, as highlighted above. There also remains the need to measure Other Official Flows that are not directed at meeting international commitments, and of measuring domestic expenditures with international impacts.

5. Process and institutions

This paper has focused on defining principles that could guide a significant improvement in measuring official flows. However, an equally important question is related to how such principles could be implemented and by which organisations.

These processes and institutional questions are not the focus of this paper, though will merit further consideration in the future. However, several key points emerge from the OECD's flawed approach to developing the TOSSD measure.

First, while the OECD can play a useful role in helping measure ODA commitments – as it is largely OECD members that made those commitments – its role in measuring providers beyond the OECD is hugely problematic. The TOSSD Compendium expects all provider countries, including emerging markets, to participate in the exercise. The obvious question is: why should governments that have had little input into designing a measurement system accurately report to an organisation that they are not members of?

This issue points to a fundamental problem for the OECD: its exclusive membership structure dramatically undermines its ability to develop standards or systems that they expect the whole world to be part of.

Finally, any process of collecting and publishing information from providers, and of improving transparency more generally only makes sense if the objective is to provide information to the public as a way of improving accountability, and through that, of improving effectiveness. Logically, therefore, civil society organizations (CSOs) ought to be a key stakeholder that would be crucial for helping to define how such measures could be constructed. It is a shame therefore that the whole TOSSD process appears to be driven by a rapid bureaucratic timetable that effectively excludes the majority of CSOs from participating.