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Double Standards in Financing for Development

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Contents

Executive summary

The issue of international development and climate financing is currently at the forefront, especially in the run up to COP29, COP30 and to the 2025 FfD4 Conference in Seville. However, the international community lacks widely shared and adapted measures that could form the foundation of a comprehensive global policy in this area, particularly through precise eligibility standards, target-setting, and tracking progress. Despite its recognized limitations, Official Development Assistance (ODA) remains by far the most well-known and used metric, particularly in public and democratic debates.

The "Total Official Support for Sustainable Development" (TOSSD) and the various climate finance aggregates have more recently been added to the toolkit used by the development community. However, so far, these measures have not resulted in a standardized, clarified, and complementary framework that could support a comprehensive global public policy and the clear set of incentives linked to it.

This *Policy Paper* revisits these various concepts to outline a series of proposals and directions for evolving towards a coherent architecture for measuring development financing.

Due to the dual effect of accounting for concessional loans through their grant element, as well as the inclusion of significant amounts of domestic expenditures by donors, ODA has gradually shifted from measuring concessional flows to developing countries to measuring budgetary efforts that donor countries dedicate to international solidarity. This evolution has resulted in an ODA/International Solidarity Effort (ISE) better suited for tracking financial targets set as a percentage of donor countries' GNI and useful in public debates. However, at the same time, this ODA/ISE has moved away from the actual financing needs of recipient countries, especially with the inclusion of numerous expenditures that do not occur in ODA-eligible countries. Furthermore, it does not account for non-concessional finance and for the multiple spillover and leverage effects of public action, including, first and foremost, the mobilizing private flows.

Thus, a second aggregate needs to be added to ODA to form a comprehensive dashboard for development financing. This could be derived from TOSSD, which, in its current form of multiple pillars, is very ambitious but complex, particularly as it seeks to aggregate, all expenditures, either domestic or international, contribution to global public goods in order to mobilize international development community.

This *Policy Paper* proposes the concept of I-ISD (International Investment for Sustainable Development), which would measure, in both gross and net terms, all cross-border financial flows stemming from international public policies aimed at achieving the SDGs. This would include non-concessional flows and mobilized private flows. This aggregate, measured by recipient country, would align with the work of local platforms currently being established in several countries., of which it could be one of the dimensions. In practical terms, this aggregate would build on climate finance measurement methods, expanding them to cover the SDGs.

The dual metric of ODA/ISE and I-ISD, measuring efforts on one side and actual transferred and aligned flows on the other, could form the basis of a comprehensive global public policy for development financing.

This two-pronged approach could also be adapted for climate objectives alone, with a climate ISE, representing the grant element of international climate policies, and an I-ISC (International Investment for Sustainable Climate), a subset of I-ISD with a climate co-benefit. This would closely align with the current "climate finance provided and mobilized by developed countries" and be tracked under the future NCQG (New Collective Quantified Goal).

The proposed dual measurement for development financing would require only limited statistical adjustments compared to current metrics. Proposals are made to bring ODA closer to being a true measure of international solidarity budgetary efforts. The I-ISD could also extend TOSSD's current measurement of private flow mobilization to include certain public flows, particularly through public development banks grouped together in the Finance in Common (FiCS) movement.

Desired changes could be more significant in terms of donor and recipient scope. ODA/ISE should gradually expand its contributors beyond traditional donors to include many countries that also dedicate budgetary efforts to international development solidarity. An ODA/ISE allocation rule protecting the most vulnerable interests should be defined, based on the targets for the least developed countries (LDCs) today. The I-ISD's long-term goal would likely be to move beyond the developed/developing country dichotomy, integrating all cross-border flows from public actions financing the SDGs.

The proposed dual measurement of ODA/ISE and I-ISD, even when applied to climate, would clarify existing frameworks. Additionally, two newer perspectives should complement the architecture of international development financing measurement.

The first would be the shared development of real recipient perspectives, based on national platforms, founded on local information systems and prioritizing SDGs in line with national strategies. The second, transversal perspective would be the multi-stakeholder development of a quality filter based on SDG alignment, which could internationally qualify the compatibility of all these financings with SDGs.

Introduction

The issue of international financing for development has once again taken center stage in international debates. For example, this issue was the focus of the Summit on a New Global Financial Pact held in June 2023 in Paris and led to the Paris Pact for People and the Planet (4P). It is also at the forefront of the so-called Bridgetown agenda and of G20 deliberations. The issue will be discussed again in the summer of 2025 at the "Addis + 10" summit in Seville, which will coincide with the expiration of current financial commitments on climate change. International fora, which are an opportunity to follow up on the commitments and define objectives, regularly point to the urgency and magnitude of the global investment needs. Back in 2015, this impatience had already given rise to the slogan "from billions to trillions". The recent report entitled "The Triple Agenda: A Roadmap for Better, Bolder and Bigger MDBs" (G20 2023), and prepared by a group of independent experts for the G20 Summit in India, thus puts the annual investment requirement for the achievement of the SDGs in developing countries (excluding China) at $3 trillion, including $1 trillion of international investments, with $500 million from public sources.

In this situation, the measurement of international financing for development, which can serve as a basis for the "political" exercise of assessing the progress and setting targets to be achieved, is limited, often contested, and not proportionate to the scale of the challenges and the expectations of the various stakeholders. The resulting set of incentives has become uncertain and ill-adapted to the challenges of this century.

Despite its limitations, which are the subject of ancient and repeated criticism,[1] Official Development Assistance (ODA) is still by far the best-known and most used metric for the measurement of development finance, in particular in the public and democratic debate. "Climate finance" and then "Total Official Support for Sustainable Development" (TOSSD) have more recently been added to the measurement of development finance. The objective of the latter indicator is to extend the narrow focus of ODA and climate finance to all the SDGs, to a broader scope of financial instruments, and to South-South cooperation. Now that we have some perspective, the fact remains that this TOSSD metric has not yet become a strong element of either the domestic or international debate. We could add to this analysis the multiple so-called ESG (environmental, social and governance-related) benchmarks, –which, although they originated in the private financial sphere, are gaining ground in the field of development financing and its institutions, as well.

[1] For example, Melonio *et al.* (2022) for a recent review of debates on ODA.

This paper is based on the assumption that if it is to be useful in terms of mobilization for development, the measurement of development finance must represent clear concepts that are statistically measurable and understandable by citizens and political leaders. This is the only type of measurement that may be assigned relevant targets and serve as a basis for mobilizing commitments and a follow-up by the stakeholders. This has historically not always been the case for ODA, and is certainly not yet the case for either climate finance or TOSSD.

In the first section, we will analyze how ODA, which was initially devised as a hybrid concept, has gradually become a measurement of the financial effort of OECD donors. This is both the reason for its "visibility", partly based on its target of 0.7% of the Gross National Income (GNI) of donor countries, and also what limits its relevance in terms of a broader assessment of issues related to climate and development finance.

In the second section, we look at TOSSD, which was also originally intended to reconcile and integrate various dimensions of development finance in the form of a multi-pillar measure. By reviewing both the strengths and certain limitations of TOSSD, the paper attempts to shed light on the reasons behind its limited take-up thus far. Once simplified, simplified, clarified and undoubtedly renamed, this aggregate could measure the financial flows provided by international development institutions to support the SDGs in developing countries, thereby becoming not only a statistical aggregate, but above all an indicator of international public mobilization in favor of SDGs, assigned with targets and objectives, and placed in the framework of the country platforms currently being structured.

In the third section, we advocate retaining and guiding a dual measurement of public international development finance, firstly, of the international solidarity effort and, secondly, of the financial flows of all development actors in each national financial system. This section sets out concrete reform proposals and possible developments to adapt the existing measurement of ODA and TOSSD to this dual metric.

Finally, the conclusion of this policy paper goes a step further by looking at the other dimensions that still need to be explored to complement these metrics: the construction of a real "recipient" perspective for international development finance, and an extension to private and local investment flows mobilized for the SDGs. Both cases involve developing the new concept of aligning investments with a matrix of objectives: alignment with national priorities to develop a recipient perspective, and alignment with the SDGs to determine the private and local investments that make a positive contribution to development and global public goods (GPGs), according to jointly agreed quality criteria.

1.
Official Development Assistance as a measurement of the international solidarity effort

1.1 – A hybrid concept clarified only recently

The concept of Official Development Assistance (ODA) was adopted by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) in 1969. Its definition was tightened in 1972 has remained virtually unchanged in substance since then. ODA flows are made up of: "*Flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:*

- *provided by official agencies, including state and local governments, or by their executive agencies; and*
- *each transaction of which:*
    - *is administered with the promotion of the economic development and welfare of developing countries as its main objective; and*
    - *is concessional in character.*"

(Official Development Assistance: Definition and Coverage - OECD (oecd.org)).

This definition establishes the scope of ODA flows: it concerns non-market resources of a public source with the development of the recipient countries as its main objective.

Until very recently, this definition also seemed to propose a compromise between the measurement of a flow of resources and the measurement of a level of "generosity", which will subsequently be described as an "effort": ODA is indeed considered as the aggregation of flows of resources towards developing countries, but it is limited to flows that are "concessional in character" defined in normative terms.

ODA thus aimed to measure both the level of effort made by donor countries for development and the volume of public flows received by the recipient countries. For example, this can be seen with the objective of 0.7% of the GNI of donor countries, which was initially legitimized for two reasons: an ambitious yet achievable level of increase in the efforts of donor countries, and a volume of financing compatible with the investment needs not covered by the domestic savings of the recipient countries (Clemens and Moss 2005).

This ambiguity was only resolved in 2024, with the OECD now distinguishing between ODA flows, which still correspond to the definition given above, and grant-equivalent ODA, which represents a measure of the level of subsidies contained in these ODA flows, defined as a measure of donor effort. When we speak of ODA without further clarification, we refer to donation-equivalent ODA. To fully understand the issues involved in measuring development financing, we need to retrace the long road that led to this recent clarification.

1.2 – Between effort and contribution: a succession of statistical compromises

Public opinion often sees development assistance as a budgetary donation made by a donor country to a recipient country. In this case, what is given is equal to what is received. In other words, the financial effort of the donor is equivalent to the contribution of resources to the recipient.

The reality is far more complex, and these direct financial donations without intermediaries account for only a minority of the public financial flows received by developing countries. In most cases, the financial effort of the donor and what is received by the recipient can be measured in different ways, and ODA had to resort to complex statistical conventions to arbitrate between these different measurements. To distinguish between the two, we will refer here to financial effort at the source and contribution at the destination. Indeed, the latter can be assessed in terms of gross flows or flows net of reimbursements made by the recipient.

To arbitrate between these different approaches, the donor community has had to resort to specific statistical conventions for measuring ODA, depending on the instruments used.

1.2.1 – Accounting for in-kind transfers

An in-kind grant raises the issue of the choice of valuation method. To count the provision of an expert from a donor country to the administration of a recipient country as ODA, several options are available: a valuation at the actual cost of the expert borne by the donor, meaning the aid effort, or at the value of a local or international replacement of its expertise.[2] Valuation at local replacement value would, for example, be closer to measuring the contribution actually received by the beneficiary. A similar question arises with regard to in-kind aid, such as food and vaccines.

While these instruments (technical assistance, food aid) were major components of ODA at its inception, this question of valuation would not appear to have generated extensive debate within the aid community. From the outset, the option retained was the effort made, meaning valuation at the full cost borne by the donor, and it still prevails today.

1.2.2 – Accounting for multilateral flows

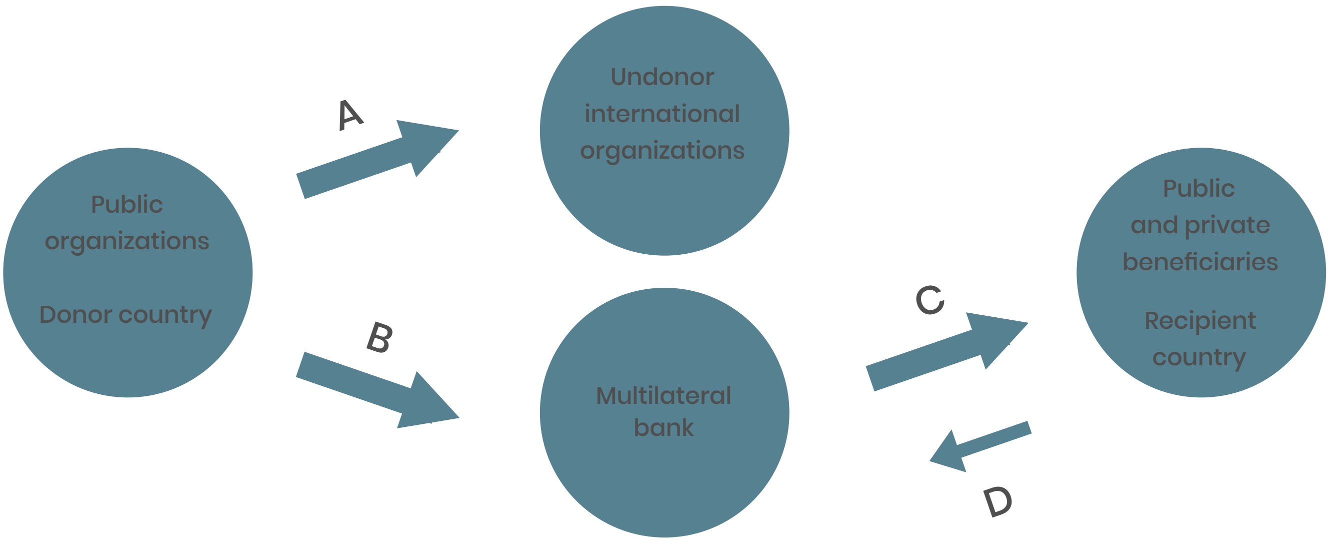
Development financing flows *via* multilateral institutions can also be measured in different ways (see figure 1).

The option chosen for calculating ODA was to count flows between donor countries and international organizations (A+B). Once again, this measures the contributions of donors.[3]

This option clearly distances ODA from a measure of the contributions received by recipient countries (C in gross or C-D in net on the diagram). In measuring ODA, it is as if multilateral institutions were in fact recipients of aid.

There are in fact two distinct cases. On the one hand, there are international organizations that are not themselves donors, i.e. whose function is not to transfer the resources they have received to recipient countries, but to transform them into public goods such as knowledge or advocacy.[4] In this case, aid flows do not give rise to transfers to recipient countries: we can speak of "contributions

Figure 1 - Accounting for concessional flows through the multilateral system



[2] In fact, there are several tenable valuations: cost of an equivalent expert in the donor country, cost of the expert including the coverage of the expatriation costs, cost of an equivalent expert on the international market, cost of an equivalent expert (if available) on the local market.

[3] There are very few cases of loans granted by bilateral donors to international institutions where the effort made is not identical to the flow between the bilateral donor and the multilateral organization.

[4] These institutions are referred to as "enablers" in the TOSSD methodology (see section 2).

without financial input". On the other hand, we have multilateral development banks that acquire a financial "leverage effect" by integrating flows collected on the market with the public resources they receive. These institutions provide concessional resources to recipient countries that are far greater than the efforts made by donors, and which are therefore not taken into account when calculating ODA.[5]

1.2.3 – Accounting for loans

A loan can be counted as ODA if it contains a minimum grant element. This grant element is a percentage established by comparing the conditions of the loan with a reference rate meant to represent the cost of the public resource.[6]

When it was defined in 1972, this reference rate was set at 10% and was left unchanged until 2018. It was then established at a fixed reference cost of the resource of 5% (which is, however, variable and would benefit from being "recalibrated" to a more realistic figure, such as the SDR interest rate), plus a variable risk premium of between 0% and 4% depending on the income category of the borrowing country. The grant element threshold was changed at the same time. The rules of 1972 required a grant element of a minimum of 25% of the loan amount. In 2018, it was changed to a variable threshold depending on the income category of the borrower, ranging between 45% for LDCs and LICs to 10% for UMICs (and international organizations).

However, the 2018 reform mainly concerned the valuation of loans, which were originally valued in net flows, i.e. payments minus repayments excluding interest. Since 2018, loans have been valued solely on their grant equivalent, meaning the grant element (as a percentage) applied to the value of the loan.

This change in the method of counting loans as ODA marks a real break from a calculation method focused on financial input to one based on "contributions" (see detailed analysis below). It should be noted, however, that this new rule may result in a failure to account for grant elements included in loans below the ODA eligibility thresholds.

1.2.4 – Accounting for bilateral instruments for the private sector

Until recently, declarants were given a choice of public instruments to support the private sector (loans, mezzanine loans, equity stakes, guarantees).[7]

- They could be accounted for by measuring the public contribution made to "vehicles" (i.e., mainly what is commonly referred to as "DFIs", for Development Finance Institutions) which provide support to the private sector. In other words, DFIs are treated as multilateral banks and only their financing by donor countries is counted
- They could also be accounted for by instrument, meaning for each loan, guarantee or equity investment, in accordance with accounting rules for net transfers similar to accounting for concessional loans before 2018

In fact, ODA accounting rules allowed the declarant to adopt an approach based on the overall effort by institution (A in the chart), or an approach based on the net flow by instrument (B-C broken down by instrument), which is particularly illustrative of the historical hesitation between these two approaches in ODA accounting.

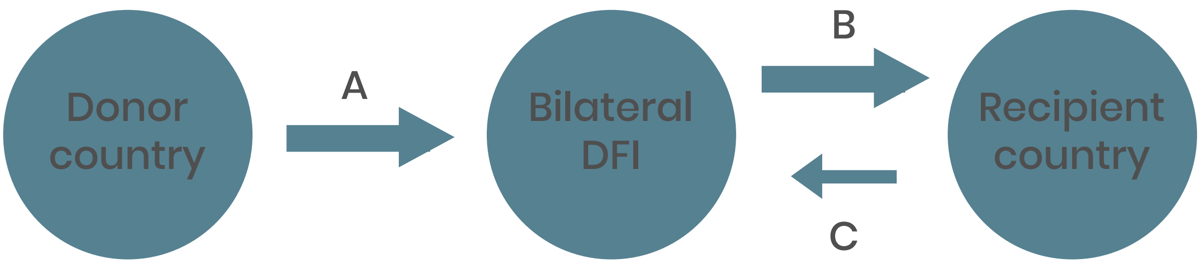
These rules have recently been clarified. Since 2023, only the public contribution of donors has been taken into account (first option above). Here again, it has thus been decided to recognize the financial efforts made by the donor rather than the flows received by the recipient country.

[5] Multilateral flows to recipient countries are only taken into account indirectly, for example to provide distribution keys for aid donor flows in terms of allocations by country or region.

[6] More precisely, the calculation is based on the difference between the face value of the loan allocated and the sum of the annual instalments (capital and interest) paid by the borrower, discounted at the reference rate. The grant element is equal to the ratio, expressed as a percentage, between the difference thus defined and the face amount of the loan.

[7] See: Modernizing Official Development Assistance (ODA) - OECD (oecd.org)

Figure 2 - Accounting for bilateral instruments for the private sector



1.3 – The unfinished shift to measurement of solidarity efforts

There have been several major changes in ODA accounting over the years bringing ODA closer to a stricter measure of donor effort.

1.3.1 – Donation-equivalent cash flows

Since 2018, loans have been recorded on a grant equivalent basis and no longer on a net disbursement basis. The calculation methods for the grant element have also been modified.

This new method for recording loans marks a new development in the initial balance of ODA between efforts and flows. ODA no longer seeks to assess the amount of the flows received by developing countries,[8] but rather the intensity of the financial effort made by the donor.

The same change applies to for instruments to support the private sector in 2023. For example, guarantee instruments will no longer be recorded according to the financial flows they generate (i.e., flows triggered by cases of default), but according to their management cost for the donor institution.

This change in the accounting method gives greater coherence to ODA, which previously aggregated different types of flows: grants to beneficiary institutions in recipient countries with contributions to multilateral institutions and net loan disbursements with borrowing countries.

It endorses the calculation of all the components of ODA with a common metric, the grant or grant equivalent, and therefore of the effort for the donor measured approximately (see below) by the budgetary cost of the flows involved. Hynes and Scott (2013), regarding this new valuation of loans based on the grant element which at the time was only under consideration, envisaged a change from ODA to Official Development Effort (ODE).

However, it can be considered that the 2018 reform remains incomplete. Indeed, by maintaining a fixed cost for the reference resource (5%) for the grant equivalent of loans, even if it is modulated by a variable risk premium depending on the borrowing country, the latter retains a parametric character, rather than it being linked to a real budgetary effort, as would be the case if the reference rate was linked to the market rate. This point will be reviewed in the conclusion.

1.3.2 – From development to international solidarity

Another concern for the DAC in its initial definition of ODA was to only include flows that had "as principal objective the promotion of the economic and social development" of countries eligible for aid.

[8] This has always been the subject of debate and the OECD warned about this point back in 1967: "It must be emphasized that while it is possible to express the grant element in terms of absolute amounts, this is an entirely notional figure. It does not correspond to an actual flow of funds or of goods and services nor is it in any way related to the net benefit of aid to the recipients." (OECD 1967, quoted by Scott 2015).

International financing, including concessional financing, serves various kinds of purposes, for example, for political, security and commercial interests. The spirit behind the creation of ODA was to identify among the concessional contributions provided to recipient countries those which met a developmental objective in priority to any other consideration of the interest of the donor country.[9]

Retracing the history of the construction of ODA, Hynes and Scott (2013) consider that this criterion of "alignment with development" was the most difficult element to apply in ODA accounting. They explain how the usage, as a result of the persistent requests of donors wishing to record more flows under their ODA,[10] shifted gradually from "principal objective of development" to "intention of development".

Indeed, the approach based on the budgetary effort, combined with a scope gradually interpreted as an "intention of development", has led to an extension of ODA on a case-by-case basis to new internal flows in donor countries, such as the operating costs of aid agencies (included as of 1971), expenditures for education in development and advocacy (as of 1979), tuition fees (in the North for students from the South, included as of 1984), expenditures related to the reception of refugees (as of 1988) and, a hybrid case, debt cancellations (starting in the 1990s).

In fact, this extension of ODA marks a conceptual break. The initial approach based on flows transferred to developing countries has gradually been extended to domestic flows for donors, such as budgetary efforts (including parametric or accounting), giving rise to no international financial flows. And this break is far from being simply symbolic. The domestic costs recorded as ODA can reach extremely significant proportions. For example, debt cancellations accounted for up to 25% of ODA in the 2000s, and in 2022, spending on refugees will amount to 15% of total ODA. As in the case of multilateral flows, solidarity efforts, including domestic ones and without corresponding contributions to recipient countries, have been included in ODA, further blurring the understanding and support of the countries that are supposed to benefit from this support.

ODA has thus moved beyond the criterion of "the economic development and welfare of developing countries as the main objective". By including domestic spending, donor countries have shifted the meaning of the word development. It was initially seen as a "recipient perspective", as sustainable "progress" in the recipient countries, but has gradually adopted an "at source perspective" to characterize the scope of the international solidarity policy of donor countries, even if this solidarity is exercised in the domestic sphere.[11]

1.4 – ODA as an international solidarity effort: a more coherent but narrower concept

Basically, the initial dual objective of measuring both the volume of concessional financial contributions received by recipient countries and the effort expended by donor countries on these transfers was based on a statistical compromise that raised problems of consistency.

The ODA aggregate summed up public flows according to different valuation methods, by very partially treating the leverage effect of

[9] This principle of development as the principal objective in particular led to the exclusion of two types of international flows from the calculation of ODA: those in a field outside development, such as the field of security or, in part, the field of culture; flows primarily aimed at specific interests, credit exports for example, even if their purpose fell within the scope of development. Tied aid, with a dual development and commercial objective, was retained in ODA, but the DAC waged a persistent "campaign" for the untying of aid.

[10] "The most difficult element of the ODA definition involves the judgmental/motivational determination of the purpose of 'economic development and welfare'. The archival records are replete with requests from members for rulings on the ODA eligibility of expenditures as diverse as aid to resistance movements in Angola, pensions for former colonial officers, and compensation for the expropriation of assets through nationalization." (Hynes and Scott 2013).

[11] Hart (2001) pointed to the fact that the word "development" was used with two completely different meanings and proposed to refer to development to describe the process of progress in countries of the South, and Development, with a capital letter, to describe the purpose of the solidarity policies of countries of the North.

public resources [12] and combining investment flows towards the South with domestic current expenditure in countries of the North.

The two main breaks in the measurement rules – the inclusion of all (or almost all) the domestic spending of donors as international solidarity, and the switch to accounting for loans and private sector instruments based on the cost or grant element – have now made ODA a much more coherent aggregate. It today appears as an approximate measurement of the budgetary efforts linked to the international solidarity policy of donor countries. ODA is measured in terms of quasi-fiscal costs for countries of the North, allowing a coherent addition of the various instruments (such as grants, the grant element of loans, tuition fees, debt cancellations, and guarantees).

This metric of approximate costs provides a concrete interpretation in terms of the level of effort of the international solidarity policy. The target of 0.7% of GNI to be dedicated to development assistance also becomes clearly understandable for public opinion and political actors in countries of the North as the share of national income to be devoted to international solidarity in the form of (quasi) public spending. This conceptual clarity no doubt accounts for the persistence of ODA in the public debate, and even for the fact that the target of 0.7% is increasingly cited in this very debate.[13]

But this conceptual clarification comes with a cost. Now a gauge of solidarity efforts, ODA has in fact moved resolutely away from being a measure of the concessional contributions received by developing countries, and thus from its original definition. It is no longer a measurement of the “flows to countries and territories on the DAC List of ODA Recipients” and which have “the economic development and welfare of developing countries as its main objective”, according to the DAC definition.

As a result, ODA has gradually fallen back on a narrow vision precise or narrow, depending on one’s point of view - of financing international solidarity rather than development. Based on the costs borne by donors rather than on international financial transfers, it has thus become marginalized in terms of volume in the face of financing needs linked to the climate and, more broadly, the MDGs, and also because it was never envisaged in the ODA paradigm to mobilize private investment flows.

[12] The treatment of multilateral banks meant that the leverage effect, i.e., the mobilization of additional private resources, of bilateral development banks (and other lenders in countries of the North) was fully taken into account in ODA, whereas the leverage effect of multilateral banks, considered as aid recipients, was not.

[13] “In 2005, for the first time ever, individual donors have unilaterally pledged to actually reach 0.7% of GDP by 2015. The Europeans may have settled on this ‘accepted’ number largely because the press and nongovernmental actors have focused intensively on the 0.7% figure. In just the 12 months leading up to June 2005, the 0.7% aid goal was mentioned 407 times in the world’s top 50 English-language newspapers. The number of these mentions has grown over time: just 45 during 1980-1984, but 381 during 1990-1994, and 584 during 2000- 2004.” (Clemens and Moss 2005).

2.
Measure finance for climate and sustainable development beyond ODA

2.1 – Overview of existing measurements

Chronologically, the first measurement of flows "beyond ODA" was that of international public climate financing. The "climate finance provided and mobilized by developed countries" is tracked as a result of the commitment made at COP15 in Copenhagen in 2009. It has also been the subject of regular reports by the OECD and the United Nations Framework Convention on Climate Change (UNFCCC) since the preparation of the Paris Agreement in 2015. Indeed, a target of $100 billion of financial transfers for climate, from developed countries to developing countries, had been agreed in Cancun in 2010. This target has become both a major issue in international negotiations and a marker known by public opinion.

Beyond the international commitments of high income countries towards developing countries under the Climate Convention, the International Development Finance Club (IDFC), a platform composed of 26 public development banks, including national public banks, also calculates an amount of "Green Finance", almost entirely made up of Climate Finance, delivered by its members, in accordance with common principles defined with the multilateral development banks. This measurement is less well known and until recently was less strictly standardized than the others. Yet it deserves to be mentioned, as it breaks new ground in terms of a flexible approach by a club of institutions with potential to extend the scope of investments concerned by a common measurement standard.

Conceptually, these climate finance measures stand in stark contrast to ODA. They are public and private financial transfers to recipient countries, and do not take the approach of measuring efforts at source.

Finally, beyond aid and the climate, the main development finance measurement, in a conception extended to the SDGs and beyond ODA, is TOSSD. This OECD-driven measurement was launched by an international task force in 2016, following the adoption of the SDGs.

The table below sets out some of the main characteristics, which will be analyzed below, of the various existing measures.

The remainder of this section is largely devoted to TOSSD, which is not limited to the climate and is devised as an extension and complement of ODA.

Table 1 - The various measurements of development finance and climate finance

	Development Finance (SDGs)		Climate Finance	
Measurement	ODA	TOSSD	Climate Finance	IDFC Green Finance
Principle	Aid provided by donor countries to developing countries	Financing of SDGs for the benefit of developing countries	Climate financial transfers of developed countries to developing countrie	Climate Finance delivered by the members
Scope	Public financing	Public and private financing mobilized	Public and private financing mobilized	Public financing, including local financing
Declarants	DAC (OECD)	In principle all countries and IOs (today 26 member countries)	Developed countries and IOs	26 PDB members
Amount	$204 billion (2022)	$394 billion (2021)	$90 billion (2021)	$288 billion (2022)

Source: Authors, OECD, TOSSD, IDFC.

2.2 – Total Official Support for Sustainable Development

The main objective of TOSSD is to take account of development finance from a broader perspective than ODA based on three areas:

- Extend the measurement of the commitment for development to all the SDGs, and including GPGs
- Take into account all public financing flows, even when not provided on favorable terms, and private money mobilized by these public flows
- Include financing from emerging countries, and including South-South cooperation and triangular cooperation

To this end, TOSSD has two pillars, firstly separating cross-border flows and, secondly, domestic and global expenditures.

> *"Total Official Support for Sustainable Development (TOSSD) is a new international statistical measure that provides a complete picture of all official resources and private finance mobilized by official interventions in support of sustainable development and the SDGs. It comprises two pillars: cross-border resources to developing countries (Pillar I) and support for International Public Goods and the response to global challenges (Pillar II)."*
> (tossd.org)

Pillar I of TOSSD proposes a measurement of the cross-border flows of development finance with the broadest possible approach: it includes all the gross flows received by developing countries (DCs), whether concessional or not, provided by public entities to third countries and public international organizations, provided that they contribute to sustainable development.[14]

[14] "An activity is deemed to support sustainable development if it directly contributes to at least one of the SDG targets and if no substantial detrimental effect is anticipated on one or more of the other targets." (tossd.org).

Pillar II of TOSSD includes in addition, for all reporting countries, expenditures for the SDGs that do not involve flows towards developing countries. This means domestic expenditures for international solidarity (already included in ODA), plus expenditures that contribute to development and GPGs, whether they are domestic or transferred to non-donor international development organizations (called enablers),[15] and provided that these expenditures have substantial benefits for developing countries and their populations and/or are implemented in collaboration with institutions from these countries.

Using the same concepts as before, we can say that Pillar II accounts for all efforts to promote development and global public goods, whether domestic or international, which do not involve financial transfers to developing countries. Pillar I, on the other hand, encompasses all flows transferred from donor countries to recipient countries, whether or not these include a subsidy component and therefore a solidarity effort.

In addition to these two pillars, firstly for cross-border flows (Pillar I) and, secondly, for domestic and global solidarity efforts (Pillar II), there is a third block consisting of private expenditures mobilized by this public action. This last block includes international private investments, as well as local resources mobilized by external financing[16]. This block, which in our view should also include domestic flows from non-state public players directly mobilized by international flows, notably publicly-owned banks, can be "aggregated" with Pillar I.

The inclusion of this last block allows all the leverage effects of external financing to be taken into account, following the example of climate

[15] The TOSSD documents refer to "enablers", for example, the International Court of Justice, a peacekeeping mission, a multilateral research or advocacy organization for biodiversity or the climate, or a regional cooperation organization.

[16] "TOSSD measures the resources mobilized by official development finance interventions from private sources, where a causal link between the provision of the private finance and the official intervention can be documented… Data on resources mobilized from the private sector are collected for the following leveraging instruments/mechanisms: guarantees/insurance; syndicated loans; shares in collective investment vehicles (CIVs); credit lines; direct investment in companies; grants and loans in simple co-financing arrangements; and project finance schemes." (TOSSD 2023).

finance, and in particular *via* financing for the multilateral, regional and local banking sectors. Loans allocated by a local or regional bank that benefit from an interest subsidy or an international guarantee will thus be included in this block of private finance mobilized. Throughout the rest of this paper, the sum of public flows recorded in Pillar I and the private flows mobilized will be referred to as extended Pillar I.

The diagram below from the official presentation of TOSSD summarizes this conceptual and statistical architecture.

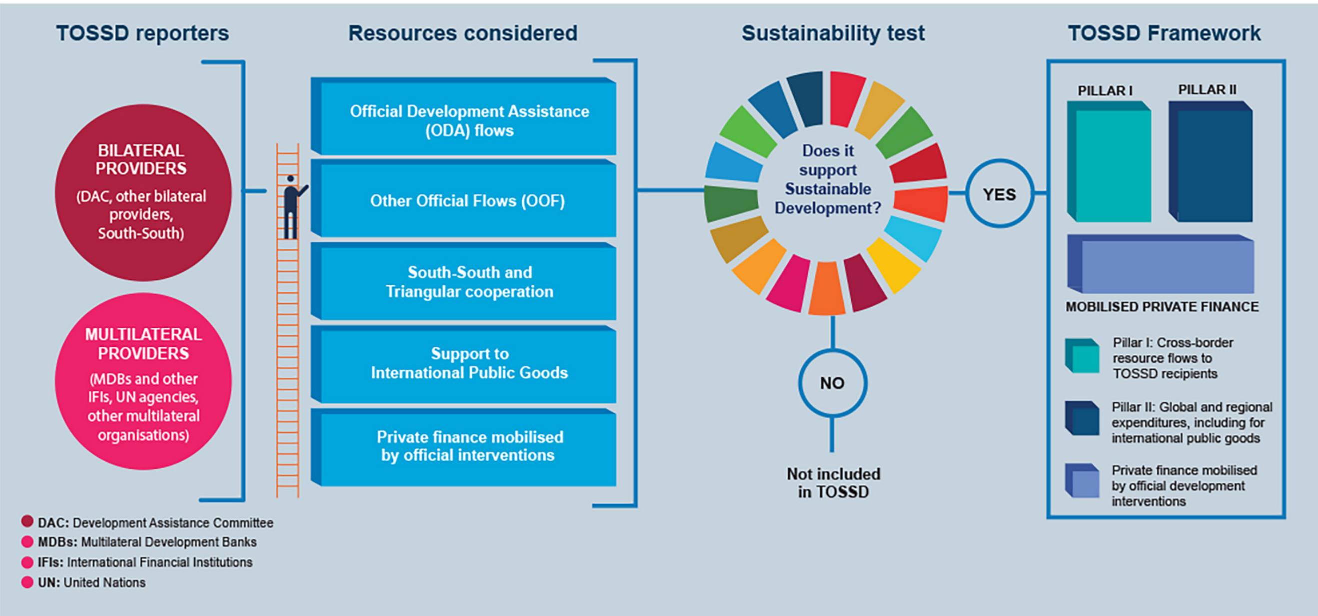
The recipient countries of TOSSD are the countries eligible for ODA in 2015. An opt-in procedure allows this list to be extended on a case-by-case basis. However, all countries can report expenditures under TOSSD. This includes cross-border public flows, private flows mobilized, domestic expenditures, and flows from GPG enablers, i.e. under the various TOSSD components. These declarations are still patchy and incomplete, even if the trend is now clearly underway.

2.3 – A measurement in need of broadened support

Now that there is some perspective, it has to be said that this new concept of TOSSD has not yet convinced enough countries to become an international reference, and above all has not been the subject of an international political agreement that would change its nature from a simple statistical basis to a public policy, marked by a target. TOSSD clearly does not yet enjoy the same status as ODA. The forthcoming Financing for Development Forum (FFD 2025, Seville) could provide such an opportunity, provided that the commitment to international solidarity is clearly reaffirmed.

If we look at the initial objectives outlined above, the extension to emerging countries, which is identified as a core objective, has only partially been achieved. A number of major emerging and developing countries are already involved in the TOSSD, such as Brazil, South Africa, Nigeria, Egypt, Bangladesh, the Philippines and Peru; but some of the most important (notably China and India) have not yet joined the platform[17] This is perhaps less

Figure 3 - Who is developing TOSSD and how?



Source: tossd.org, OECD.

[17] As is the case for certain developed countries, such as Germany and the Netherlands, which have not opted in at the time of writing (May 2024).

a criticism of the concept and statistical rules of the TOSSD than of the process of developing and declaring this instrument around an expansion of ODA, and the important role played by OECD member countries as both a promoter and statistical focal point.[18] Eight G20 member countries are currently part of the task force dedicated to TOSSD.

Nor has TOSSD succeeded at this stage in developing a widely agreed measure of each country's commitment to the SDGs, particularly through Pillar II.

This second pillar is intended to measure expenditures/efforts for development and GPGs that do not give rise to actual transfers to developing countries. A portion of these expenditures is included in ODA (including tuition fees, costs related to refugees, and transfers to certain multilateral or regional organizations), but another portion, composed of domestic expenditures for GPGs, is radically new.

This new concept of "domestic expenditures for GPGs" still seems vague in terms of the definition of its scope, and complex in terms of its statistical application. For example, the inventory of GPGs is not formally established, and the alignment of domestic spending and investment with global public goods has yet to be defined at international level.

The case of the climate makes it possible to characterize the incomplete nature of Pillar II of TOSSD. Indeed, according to the reporting instructions of TOSSD, expenditures related to: "activities that limit anthropogenic emission of GHGs… are eligible in principle" (TOSSD 2023). This "in principle" in itself shows the problem that arises from such a broad and ambiguous definition. Should it be considered that expenditures to reduce domestic emissions in a given country "produce substantial benefits for DCs"? All kinds of public expenditures in many fields (such as transport, industry, agriculture, and urban planning), and in all countries, could claim to qualify as TOSSD in this respect. The determination and reporting of these expenditures would appear to be an enormous statistical task which, in many countries, cannot draw on existing databases.

Furthermore, this definition does not consider expenditures and investments which, conversely, contribute to an increase in emissions:[19] in the case of the climate, the contribution to GPGs can only be meaningful if it is measured in net emissions. Accounting based on the reduction of emissions by country, which is moreover the existing measurement, is much more relevant in terms of the contribution to GPGs than that of domestic financial flows which have generated reductions of emissions.

All in all, the result of these difficulties is that there are few declarants for Pillar II and, in addition to the expenditures already eligible as ODA, they report few expenditures and in disparate ways.[20] By 2022, a total of only $126 billion had been declared under Pillar II, of which a significant proportion (around 30%) had already been reported in ODA as domestic expenditures. France and the European Union together accounted for more than 50% of the global reporting under Pillar II in 2020 (Tomlinson 2021). By way of comparison, this falls far short of the $2.5 trillion of estimated annual investments by the 530 public development banks gathered since 2020 in the Finance in Common (FiCS) movement.

The statistical and conceptual weakness of Pillar II is detrimental to the entire concept of TOSSD and could partly account for the limited response to it thus far.

[18] "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." (Prof. Sachin Chaturvedi in Besharati 2017).

[19] The climate is not the only case, as noted by Besharati (2017): "Donor countries have convincingly argued that many domestic expenditures such as scientific and health research, education and capacity-building programs, 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?"

[20] Certain donor countries report nothing, others only in the field of research, and others again only report expenditures for the climate.

2.4 – The incomplete search for a recipient perspective

Pillar I of the TOSSD also reverses the valuation options used in ODA, to provide a measure of flows that are actually transferred between donor and recipient countries.

Pillar I of TOSSD records all the public flows contributing to the SDGs transiting to developing country, including multilateral flows, and all the instruments and conditions combined. It even values in-kind transfers at the prices for recipient countries. Measuring real financial transfers for development, Pillar I of TOSSD can thus be seen as a complementary concept that mirrors ODA, accounting for the efforts made by donors.

Does this mean that Pillar I of the TOSSD can be described as a "recipient perspective" on development financing, complementary to the "donor perspective" of ODA? The term "recipient perspective" was used in the first TOSSD methodological documents, but is no longer used today.[21] Even if some of the statistical options adopted are destination-oriented (such as valuing in-kind transfers at recipient country prices), there are two reasons - one statistical, the other political - why Pillar I of the TOSSD departs from a recipient perspective.

In practice, transferred resources, measured as cross-border flows, cannot be equated with resources actually received. A number of studies have shown that there are significant differences depending on whether the flows transferred are accounted for at "source", i.e. using the accounting systems of the donor country, or at "destination", using the statistical systems of the recipient country.[22] In addition to the unavoidable differences between the measurements of two different statistical systems, the discrepancies are also due to objective differences. Flows at source generally contain structure and intermediation costs - for operators, NGOs or implementing organizations - which are often significant and absent from flows as measured at destination. Flows at source may also include domestic expenses included in the financial transfers under consideration, in the field of communication or research for example, included

Table 2 - Valuation methods of ODA and TOSSD

Public financial instruments	ODA	TOSSD Pillar I
In-kind transfers	Valued on the basis of costs borne	Valued at the prices for recipient countries (purchasing power parity value)
Multilateral contributions	Disbursements by donors to multilateral organizations (source approach)	Disbursements by multilateral organizations to recipient countries (recipient approach)
Loans	Concessional loans measured in grant equivalent	Gross concessional and non-concessional flows
Private sector instruments	Donor payments to DFI	Gross concessional and non-concessional flows

[21] In 2016, the TOSSD Compendium (OECD 2016) gave the first definition of TOSSD: "TOSSD will be composed of two measures: one that relates to the 'recipient' perspective and one that relates to the 'provider' perspective." In this founding methodological document for TOSSD, the term "recipient perspective" is used 39 times in 49 pages to define one of the components of the dual approach of TOSSD (the future Pillar I which is not yet referred to as such): "The recipient perspective measure will track all officially supported cross-border resource flows, including mobilized resources, irrespective of their terms and conditions." Yet in the recent methodological documents (OECD 2021, TOSSD 2023), this term of "recipient perspective" has disappeared and, furthermore, the detailed statistics of Pillar I of TOSSD by recipient country are not made available. The promoters of TOSSD have abandoned the idea that Pillar I could represent a recipient perspective of development finance flows that could be broken down for each developing country.

[22] See, for example, Barret et al (2019) for the Sahel or the earlier Naudet (2000) for Mali.

in certain project financing. Finally, commissions or other charges may be borne by the receiving institutions and charged against the resources transferred.

These differences, well known to all those involved in development, mean that it will not be possible to measure flows into a recipient country using databases and statistical systems from donor countries. A true "recipient perspective" can only be based on the use of local statistical systems, such as balances of payments, public accounts and other ad hoc declarative systems.

There is also a political reason for hesitating to speak of a recipient perspective with regard to Pillar I of the TOSSD. This pillar aggregates extremely disparate flows in terms of their nature and purpose, ranging from localized humanitarian intervention to market-rate export credit in the energy sector, and even foreign direct investment (FDI) benefiting from a public guarantee in the country of origin if Pillar I is extended to mobilized private flows.[23]

Between 2018 and 2020, the TOSSD task force conducted several pilot outlook studies on TOSSD concerning developing countries.[24] While these studies recognize the interest of TOSSD for recipient countries, they highlight a need for an alignment of Pillar I of TOSSD with national strategies to give it political meaning at local level. For example, this is the case with the Senegal report (OECD 2017) which advocates for an alignment with national priorities as a key eligibility criterion for Pillar I of TOSSD, and concludes that this will lead to a focus on a subgroup of SDGs set out as priorities in the national development plan.

[23] For example, for a given recipient country, the expanded Pillar I of the TOSSD will combine the financing of humanitarian aid provided by an international NGO following a climatic event, a grant to a local media organization defending human rights and democracy, a project grant to local authorities to strengthen their capacities, budgetary aid to support the national education budget to improve school attendance by girls, multilateral grant support for the financing of marine protected areas, a concessional loan to finance the construction of a public health facility, public participation in a company developing the fiber-optic network, an export credit for the purchase of turbines for hydro-electric power generation, and a private investment by a multinational agri-food firm, backed by a public guarantee from the country of origin.

[24] These studies published by the OECD have been conducted on Burkina Faso, Costa Rica, Indonesia, Nigeria, the Philippines and Senegal.

The report on the Philippines places particular emphasis on this aspect, noting that:

> *"Some activities carried out by providers in developing countries (for example through foundations, civil society organizations or other non-governmental institutions) may not be directly in line with national priorities (e.g. activities targeting minority groups, support to governance in non-democratic states, support for strengthening media and civil society, etc.)… In that regard, the government of the Philippines considered that one of the key criteria that should be considered for TOSSD eligibility is the alignment of the investments with the priorities exposed in the 2017-2022 Philippine Development Plan and priority SDG targets in the country."*
> (OECD 2018)

These reports highlight a third dimension of the evaluation of international financing for development, after the efforts made and the volume of flows transferred. It concerns the level of alignment with the priorities of the recipient country, which must also take into account the prioritization of the policy targets within the full scope opened up by the SDGs (Forestier and Kim 2020, Bierman *et al*. 2022). Such a measure should be closely linked with ongoing work on country platforms.

Consequently, the aggregation of all the gross flows of public origin transferred (and private flows mobilized), which as a minimum contribute to at least one of the 17 SDGs, irrespective of their source, their nature, their financial terms, their recipient (State, local authority, civil society, company, for example), and their objective does not yet build an economic magnitude that could be interpreted by political actors and civil societies in the recipient countries, with the same clarity and quality as ODA has become as a measure of international solidarity effort in donor countries, made consistent by the common metric of costs borne.

Defining politically significant targets is a way of assessing the relevance of a financial measurement. So far, no recipient country has defined a target with respect to Pillar I of TOSSD, and it is difficult to imagine how such a target could mean anything in terms of public policies.

2.5 – A measurement of the volume of financial transfers resulting from international public policies for development

While the extended Pillar I of TOSSD cannot be assimilated to a real recipient perspective, it does measure all the international financial flows transferred to developing countries under the SDGs that have been generated by international public action for all institutions combined.

The financial scope of the extended Pillar I is the same as for "climate finance provided and mobilized by developed countries", extended to all the SDGs. The visibility of the $100 billion target for this climate finance in itself shows that it would be quite possible to define a target in the same way for the extended Pillar I of TOSSD, and make it a benchmark in international discussions for development.

The extended Pillar I of TOSSD would thus be an appropriate measurement to track the objectives, announced at the Summit for a New Global Financial Pact (Paris, June 2023), of a $200 billion increase in lending by multilateral development banks over the next decade, and $100 billion of SDR reallocations from rich countries to the most vulnerable countries.[25] Indeed, the overall approach of Pillar I of TOSSD allows not only to verify the achievement of specific commitments, but also to evaluate their additionality compared to other channels of financing. Thus, with these commitments alone, Pillar I of TOSSD is set to almost double from 314 billion (2022) to between $500 billion and $600 billion over the next ten years.[26]

Indeed, the extended Pillar I of TOSSD is therefore a useful aggregate able to measure the level of commitment of international public action as well as its effectiveness, by taking into account the leverage effect, financial innovation,[27] and the mobilization effect of private resources. Closely linked to the gradual introduction of country platforms, it would enable dialogue on the preferences of recipient countries in the use of international resources, short of a complete shift to a "recipient perspective", unattainable in the short term. The so-called JET-P processes (Partnerships for a Just Energy Transition) in South Africa, Indonesia, Vietnam and Senegal foreshadow such discussions.

However, one of the limitations of this measurement is that it only calculates gross flows. It thus reflects a level of commitment and effectiveness, but only gives an idea of the flows actually transferred. This would require adding a measurement of net flows to the current measurement, with a methodology to be determined. This has already been done by ActionAid (ActionAid 2022) and would make it possible to evaluate the financial impact of international public activity for development.[28]

[25] Paris Pact for People and the Planet (Paris Pact for People and the Planet. | Élysée (elysee.fr)). It should be noted that these two commitments cannot be completely added together, as part or all of the reallocation of Special Drawing Rights (SDRs) will pass through multilateral institutions.

[26] A figure quite commensurate with the $500 billion a year of public transfers for development recommended by the "Triple Agenda" report quoted in the introduction (G20 2023).

[27] In the sense of financial flows not based on attributable budgetary costs, as can be the case for the issuance or reallocation of SDRs, or certain forms of international taxation.

[28] For example, this type of recommendation appears in the recipient perspective of Senegal on TOSSD: "The Senegal study confirmed that TOSSD should be measured both in gross and net terms… it was also highlighted that net data is important to be able to assess final project costs, including borrowing costs; the Government Financial Operations Table also records flows on a net basis." (OECD 2017).

3.
Gradually build a new system of “weights and measures”

3.1 – Clarify and organize the measurement of development finance

The foregoing has shown that a new system for the measurement of international financing for development is gradually being built in the light of new developments, but often contingently, based on insufficiently clarified concepts and hybrid statistical systems. The current accumulation of measures, and their respective incompleteness, blurs the incentives of development players.

The above analysis also shows that a measurement will especially be used if it is based on a clear concept, is understandable in political terms in the public debate by stakeholders and by public opinion, and can be assigned relevant targets to be achieved that constitute areas for collective mobilization.

A first clarification would be to define and organize the current need for measurements, indicators and targets.

Two dimensions of international public financing for development are already subject to existing measurements.

- The measurement of the efforts (budgetary or quasi-budgetary) of donor countries deployed to finance their international solidarity policy (equated with development)
- The measurement of financial volumes transferred to developing countries under international public development policies.

For these measures - derived from ODA and the enlarged Pillar I of the TOSSD - the challenge is to propose a broader range of stakeholders, statistical improvements, better communication and the setting of relevant, mobilizing targets.

However, these existing measurements do not cover all the needs: i) neither the need to offer a real recipient perspective that would become a local political issue and a benchmark for the dialogue between partners; ii) nor the measurement of all the investment efforts for the SDGs, in particular flows of local and/or private origin, and thus measure the collective mobilization that would enable the move “from billions to trillions”. For this, we can only sketch the outlines of the projects that need to be developed, which are largely dependent on a collective definition of the quality of investments to attest to their alignment with the SDGs.

3.2 – Completing the redefinition of ODA as the global measure of international solidarity efforts

We have seen that ODA, and its target of 0.7% of GNI, made sense because for donor countries, it was close to a measurement of the costs of their international solidarity policy.

This statistical concept is clear and meaningful for the public debate. It is however at odds with its official definition. ODA is no longer the measurement of “flows of resources that are provided to developing countries, or to multilateral institutions”. It can also not be considered as being “administered with the promotion of the economic development and welfare of developing countries as its main objective”.

A first proposal is therefore to adapt the definition of ODA to ensure that it reflects more the measurement of a public cost for the international solidarity policy of donor countries, and why not change the name to “international solidarity effort” (ISE), which would better reflect what it actually is.

International solidarity efforts are not limited to OECD DAC member countries. Many countries classified as emerging or developing have international solidarity instruments: Calleja *et al*. (2023) list institutional arrangements dedicated to international cooperation in 54 non-DAC countries.[29]

[29] In 2020, 21 countries declared their aid to the DAC, even though they were not members. Their declarations amounted to almost 10% of DAC countries' aid. Among them, Turkey has been one of the world's leading aid donors in recent years. Many other countries (China, India, South Africa, Argentina, etc.) are not currently DAC declarants.

The same desire for broadening that characterized the TOSSD should first and foremost apply to ODA itself. International solidarity is far from being limited to a narrow and outdated (Melonio *et al*. 2022) division between North and South: the agenda for a future measurement of international solidarity efforts should be to converge the old respective traditions of ODA and South-South cooperation (Bracho 2015). Of course, this broadening should be accompanied by collective reflection on the targets to be set, particularly for new entrants to a common calculation of international solidarity effort.

Beyond this expansion, several statistical adjustments could be proposed to the calculation method on the one hand, and to the perimeter on the other, in order, once again, to make ODA/ESI coincide more closely with a real measure of public international solidarity efforts.

The valuation of loans in the calculation of ODA to some extent stopped halfway, by retaining the reference to a fixed cost of the resource to evaluate its grant element. Consequently, this valuation is largely dependent on market rates and loses its meaning by moving away from a real measurement of efforts. Between 2018 and 2021, a period of low rates, development banks were thus able to report all their loan operations as ODA, including those at market rates, with a significant grant element. Since 2022, there has been a marked increase in the actual cost of the resource and the eligibility of loans as ODA requires a substantial interest subsidy. This therefore entails substantial budgetary costs which are poorly valued in ODA. This dependence of the valuation of ODA on the market rate of the resource creates a statistical noise that distorts its interpretation in terms of the solidarity effort.

A modification of the valuation of loans in ODA by indexing the reference cost of the resource based on a market rate, for example, the interest rate of the SDR,[30] would be a simple reform to implement. It would bring ODA closer to an evaluation of solidarity efforts and give more meaning to the achievement of targets redefined by donor countries.

The measurement of the solidarity effort should also include the fiscal expenditures for supporting private expenditures, by foundations, companies and NGOs, for international development. The tax benefits given to private donors are indeed part of the national solidarity effort of aid donor countries. The fact that this cannot be directly associated with actual financial flows cannot be an argument, as this is also the case for several parametric items already included in ODA, such as debt cancellations, the cost of refugees, and tuition fees.

These adjustments would bring ODA now ESI, even closer to its purpose of measuring the national effort, estimated as a budgetary cost, of the international solidarity policy of each donor country. It would also give greater meaning to the target of 0.7% of GNI to be devoted to it. In addition, this redefinition would automatically lead to this ODA being strengthened for the most vulnerable countries.

Finally, ODA/ISE could be broken down according to specific major objectives, leading to the creation of a Climate ISE, which would provide an approximate measure of the budgetary effort corresponding to the financial transfers related to climate finance provided and mobilized—essentially aligning with the NCQG (New Collective Quantified Goal).

3.3 – I-ISD as a measurement of the financial flows from public policies for development

We have seen that the extended Pillar I of TOSSD effectively measured all the financial flows from public action for the SDGs transferred to developing countries. Furthermore, this measurement is made on the basis of coherent valuation parameters that measure the actual values of the flows received by the recipient country.

[30] The interest rate of the SDR is a short-term rate, whereas the cost of the resource for ODA loans is based on long-term rates. However, with appropriate adjustments, it would be higher than the assumption of a fixed cost for the resource.

But this measurement of development finance is clouded by the separation of TOSSD into two pillars, one of which, Pillar II, is conceptually and statistically incomplete.

A first recommendation would therefore be to focus on the extended Pillar I of TOSSD, pending a conceptual clarification and substantial statistical work on Pillar II.

This Pillar I of TOSSD should be designated as a concept in itself and not as part of a larger whole. This would make it an indicator understood and discussed in the public debate. We propose here the term “International Investment in Support of Development” (I-ISD). It reflects the fact that it must mainly concern investments (which is not the case for ODA) resulting from international public policies, while going beyond solidarity alone, and in support of development understood as all the SDGs. This 1/I-ISDD pillar could be supplemented by a number of methodological improvements, in particular its mobilization component should better integrate the mobilization of public finance and public banks, which play a major role, particularly in China and Latin America, and whose financing is beginning to be captured by databases such as Finance in Common (FICS).

Thus defined, I-ISD could include a subset called “International Investment in Support of Climate” (I-ISC) which would take over from what is currently called “Climate Finance Provided and Mobilized by Developed Countries”, and which would be the subject of specific monitoring when the new collective target known as the “NCQG” is agreed upon within the framework of the UNFCCC.

To bring the measurement as close as possible to an actual financial impact, I-ISD needs to be calculated according to both gross flows and net flows.

Thus defined, I-ISD (and hence the I-ISC) would therefore measure, on a gross and net basis, the financial transfer to developing countries resulting from bilateral and multilateral policies in favor of the SDGs. It thereby not only evaluates the volume of transfers from donor countries to recipient countries, but also its leverage effect, in particular via development banks, its mobilization effect on private flows and, finally, the potential financial impact of financial innovations arising from international public policies (such as international taxation and the creation or reallocation of SDRs). Linked to country platforms, it would form the basis for a dialogue on the best use, country by country, of these flows for the common good and according to the preferences of each sovereign country.

3.4 – Processes to evaluate the quality and alignment of investments with development priorities

In the context of a global mobilization for the SDGs, two needs for the evaluation of development finance, which are complementary to the previous measurements, remain uncovered: i) on the one hand, a genuine recipient perspective defined by a measurement of international financial flows to destinations aligned with priority investment needs; ii) and, on the other hand, the definition of a quality filter for all public and private, local and international investments, to verify their alignment with the SDGs.

These two measures cannot be elaborated simply by reforming what already exists:

- Both require specific data systems that cannot be built directly from the existing declarative system of international public flows. The receiver perspective can only be built on local statistical systems specific to each country concerned. Understanding all local and international flows, both public and private, also requires a specific statistical approach based, no doubt, on international coalitions of declaring players, as is the case with the IDFC.
- They are based on the construction of collective processes and standards making it possible to define the quality and alignment of the investments under consideration with given objectives: alignment with the strategic priorities of a given country with regard to the

recipient perspective; alignment more broadly with the SDGs for global investments.

But that is where the common ground between these two very different avenues of work ends.

The preceding analyses have focused on the existing situation, and we can only give a brief indication of what such measures might look like.

A genuine "recipient perspective" for international development funding could only be built around a national strategy that enjoys a certain level of consensus, is cross-cutting (energy transition, just transition, specific national contribution) and sufficiently precise to be able to build a joint eligibility mechanism with the main donors, based on the alignment of funding received with the priorities thus defined. Such a system would be steered by the relevant national authorities and the local statistical system, no doubt, as mentioned above, within the framework of the first country platforms currently under discussion and based on national institutions.

Assessing the alignment of all global investment financing with the SDGs is an even more ambitious objective, but one that is required if we are to meet the global investment needs, numbered in the trillions, to achieve the objectives of a shared world (development plus global public goods). This will undoubtedly require the development of investment quality criteria, possibly with several levels of stringency in order to include all players in the financial systems, and be based on different experiences, such as that of the sustainable development opinion in place for ten years at the French Development Agency (AFD), which now provides half of its financing on the financial markets.

This understanding of global investments will most likely only come about gradually, by blocks of investments and coalitions of the actors concerned. In terms of the climate, the green finance of IDFC, described above, is an example of this type of approach by a global club of organizations sharing common characteristics. This approach could be replicated in the Finance in Common (FiCS) movement, gathering the 530 public banks from around the world and with $23 trillion in assets, whose objective is to gradually adopt an evaluation methodology on alignment with the SDGs. These examples show how this scaling up towards more ambitious measurements of global financing for development can be initiated.

Conclusion

The recommendations resulting from the analyses in this *Policy Paper* are summarized in the table of conclusions below. The following paragraphs address public policy reforms that could be undertaken alongside the proposals for clarifying the measurement of development financing presented in this article.

The goal of this article is not only to suggest improvements in the measurement of official development assistance (ODA) — to move towards an estimation of international solidarity efforts — or to reform TOSSD (Total Official Support for Sustainable Development) — to make it more credible as a tool for tracking SDG (Sustainable Development Goals) financing. Through these technical subjects, which at first glance may seem directed only towards experts specializing in the measurement of international financial flows, the intention is also to initiate discussions on substantial reforms of public policies aimed at addressing vulnerabilities and protecting global public goods.

In a previous article (Melonio, Naudet, Rioux, 2022), we proposed a clearer distinction, based on the historical experience of public development assistance policy, between international actions in favor of poor and vulnerable countries, which pertain at least partially to solidarity, and actions defending mutual interests through the protection of commons, international actions of collective interest. France's cooperation policy, as well as that of particularly generous countries like Norway, and multilaterally, the World Bank, have since followed paths moving in this direction.

Here, we take a closer look at the question of the measurement, as well as of the modalities of these two public policies, which have different objectives. While it is important not to confuse a public policy with the metrics that describe it, the two rarely progress without each other, as demonstrated by the debates around development and the measurement of ODA, as well as the confrontation with the 0.7% target.

Regarding the effort for international solidarity, we still frequently observe political and societal debates whose quality and scope are greatly affected by the complexity and heterogeneity of ODA as an aggregate. For example, the eligibility of non-concessional loans to China for ODA, which do not "cost" anything, often raises questions about the justification for such financing. We note that these questions change once the ODA calculation method is explained, the economic balance is demonstrated, and the usefulness of these loans in reducing carbon emissions or protecting biodiversity is established.

In and of itself, this example demonstrates, if needed, that ODA is not always a good reflection of budgetary effort and that its objectives have become too diverse to be presented uniformly. Generally, we believe that stricter measurement of the budgetary effort made for international solidarity would allow citizens in donor countries to better understand the cost of this policy, which is often overestimated.

Continuing with the example of climate action, in a previous article (*ibid.*), we argued for increased resources for adaptation and "loss and damage" in the poorest and most vulnerable countries, particularly small island developing states. Again, clearly distinguishing between solidarity and responsibility efforts, primarily directed towards the most affected countries, and mitigation financing, which will be more focused on managing the commons in major emerging emitter countries, helps clarify the meaning, objectives, and resources dedicated to each public policy. The upcoming COP29 — as well as, undoubtedly, COP30 — could help clarify the two essential targets: greater climate justice by protecting the most vulnerable countries, and more efficiency in preventing warming by using the strongest possible leverage to reduce CO_2 emissions in the main emitting countries.

Additionally, the governance of ODA remains strongly marked by the dominance of donor countries, reflecting the world of the 1970s. From this perspective, a substantial reform could be complemented by governance reform, including all countries that have also developed international sustainable development financing policies and should therefore participate in discussions on its measurement and modalities. The creation of export banks, as well as development agencies and banks in many non-ODA reporting countries (India, China, Indonesia, Thailand, Colombia, Mexico, South Africa), would justify this extension of international solidarity governance.

Regarding international SDG financing, we recommend ensuring high-quality statistical measurement by using the OECD's TOSSD database, in both its Pillar I and its "mobilization of private financing" component, or even a future component for mobilizing domestic public finance. This statistical aggregate could form the basis of international public policy for financing the SDGs, referred to as International Sustainable Development Investment (I-SDI) in English. We note that this I-SDI encompasses "international climate finance", often known through its $100 billion target set within the Paris Agreement framework for 2020–2025. To transition from a database to public policy, this international ISD will also need to adopt a target. Its climate component is already set to be revised upward under a forthcoming global climate agreement, including a financial dimension for the post-2025 period (NCQG/New Collective Quantitative Goal), which is on the agenda of current climate negotiations. We believe that extending this target to other SDGs is feasible in the medium term.

This reflection on a new quantitative measurement of international SDG flows could be complemented by efforts to improve their quality. Sustainable finance is advancing toward establishing quality standards from major global financial hubs (United States, Europe, China...). We also propose devoting more energy to verifying the alignment of these flows with the priorities of the recipient countries. In our view, good alignment connects the starting point with the destination. The example of JET-P (Just Energy Transition Partnerships) has shown that it is possible to entrust recipient countries with the responsibility of certifying their proper alignment. The work underway within the G20 on local platforms could usefully incorporate this question of measuring flows aligned with the SDGs in the countries at stake.

Finally, while the SDG framework thankfully transcends the North-South divide, development financing tracking sometimes falls into this trap. We therefore advocate for a renewal of this framework at the conclusion of the next Forum on Development Financing (Seville 2025), to reach an agreement that is fully coherent with the SDGs and contributes precisely to reducing the gap between continents.

Summary of the conclusions

Proposals	Solidarity effort for development/Efforts by donor countries	Investment in Support of Development /Financing received by developing countries
Political purpose	International solidarity policy (domestic and external components)	Financial flows for DCs from international public policies, including climate finance
Measurement	Budgetary effort, as close as possible to the cost to taxpayers of this public policy	Gross and net volume of disbursements to developing countries by governments and public agencies and banks, including leverage effects, and the impact of financial innovation and the direct mobilization of non-state financing, including for the climate
Reporting countries	Any country with an international solidarity policy	Countries and multilateral institutions intervening in international development
Indicator	Adjusted ODA	ISD (extended Pillar I of TOSSD), including Climate ISD, in gross and net terms
Target	0.7% GNI traditional donor countries Including 0.15 to 0.3% for LDCs (target could change to include highly vulnerable countries) To be defined for new entrants Possible ODA/ISE climate target	• For example: +$200 BN of financing from MDBs by 2030 (Summit for a New Global Financial Pact), + $100 BN of SDR reallocations • Target for post-2025 climate finance to be defined in 2024/2025 ("New Collective Quantified Goal" on climate finance)
Proposals	• Adapt the definition of ODA to its real purpose • Extend to all countries with an international solidarity policy • Calculate the grant element using a sliding reference rate, based on the SDR rate measured by the IMF plus a risk and maturity premium • Integrate tax expenditure accompanying private expenditures • Internationally define the high vulnerability to make it a criterion of concentration of funds	• Focus on Pillar I of TOSSD • Define I-ISD as the extended Pillar I of TOSSD • Double counting in gross and net • Encourage emerging countries to report their I-ISD (independently of their reporting under Pillar II)

Avenues for reflection	Recipient perspective for international financing for development	Investment for the SDGs (Sustainable Development Investing – SDI)
Policy purpose	External financing for national strategies	Amount of global investments contributing to the SDGs
Measurement	Volume of external financing for priority investments defined in a national strategy	Gross volume of investments
Declarants	Recipient countries	By coalitions (groups of institutions or countries)
Indicator	• Volume of financing • Percentage of needs	• Amount of investments (SDI) • Percentage of total investments
Target	Needs defined in the context of a national strategy (just transition, climate strategy, etc.)	Targets to be defined by coalition as a percentage of the amount of investments
Stages	• Existence of a crosscutting national strategy indicating the volumes of investment expected by source, risk and maturity premium • Partnership mechanism of eligibility of investments received depending on their alignment with national strategic priorities	• Define by coalition an SDG alignment procedure and standard • Example of coalition: public development banks, economic sector (finance, agribusiness industry, etc.)

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