

DEVELOPMENT CO-OPERATION AND THE PROVISION OF GLOBAL PUBLIC GOODS

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Abstract

This paper looks at the implications for development co-operation of increased spending on global public goods and “bads”. It explores shifts in the narratives and financing priorities of development co-operation providers over recent decades and puts forward key considerations for them on their future role.

Foreword

This paper tracks work across international fora and academia on the need for better and more effective international co-operation on the provision of global public goods (GPGs), and considers the implications for development co-operation, based on currently available evidence.

It begins by summarising an emerging body of analysis and data to take stock of escalating pressures to better prepare for, and respond to, global challenges. This includes work across the Organisation for Economic Co-operation and Development (OECD), recent discussions within the Global Partnership for Effective Development Co-operation (GPEDC) and preparations for the upcoming United Nations' Summit of the Future in 2024. In doing so, it recognises the significant remaining gaps in the evidence base.

Next, the paper focuses on how the OECD Development Assistance Committee (DAC) as a donor co-ordination forum and standard bearer for development data and measurement, is contributing to these discussions by providing evidence around changing development co-operation narratives; implications for development finance; and measurement and management issues.

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Abbreviations and acronyms

COP	Conference of the Parties (United Nations Climate Change Conference)
CPA	country programmable aid
CRS	Creditor Reporting System
DAC	Development Assistance Committee
G20	Group of Twenty
G7	Group of Seven
GPEDC	Global Partnership for Effective Development Cooperation
GPG	global public good
ODA	official development assistance
R&D	research and development
SDG	Sustainable Development Goal
SIDS	Small Island Developing States
TOSSD	total official support for sustainable development
UNFCCC	United Nations Framework Convention on Climate Change
WP-STAT	DAC Working Party on Development Finance Statistics

Executive summary

Global public goods and their alter egos – global public “bads” or challenges – are claiming an increasing share of development finance budgets as a source of finance. Bilateral aid spending on what could be considered as the provision of global public goods by members of the OECD Development Assistance Committee (DAC) has grown from an estimated 37% of average bilateral official development assistance (ODA) in 2007-11 to around 60% in 2017-21, due in large part to growing expenditure related to climate challenges, costs for refugees in donor countries, food security, and infectious diseases. Over the same period, the share of aid financing to meet country-level development priorities – defined by the OECD as country programmable aid (CPA) – has declined to the extent that it now accounts for less than half of total ODA.

This raises several important questions on the future role of development co-operation, in three main areas: (i) definition and measurement; (ii) governance and co-ordination; and (iii) development effectiveness.

There are multiple challenges around the definition and measurement of global public goods and how this relates to shifts in development finance. This paper looks at how to account for these investments in the OECD’s Creditor Reporting System based on previous methodologies, the role of total official support to sustainable development (TOSSD) in measuring development finance for global public goods, and recent financing trends for aid allocated directly to developing countries through the CPA measure.

On governance and co-ordination, the international community faces two major challenges. The first is coming up with truly participatory global governance models, either by offering every country an equal say, or by privileging those facing the greatest impacts from global risks. The second is to design funding mechanisms that are fit for the future, including by deciding where funding streams for ODA and global public goods should meet.

Going forward, the OECD can help inform the debate with data, analysis and its convening power in the following areas:

Definition and measurement:

- Deciding on *principles for the eligibility of global public goods allocations as ODA*, informed by concrete cases discussed in the DAC Working Party on Development Finance Statistics (WP-STAT), could help DAC providers in their reporting.
- International organisations, the TOSSD Governing Board and other relevant stakeholders could agree on *how to capture global public goods spending in development finance statistics*, in co-ordination with OECD committees and other international organisations.

Governance and co-ordination:

- As the donor group responsible for financing over 70 percent of the multilateral development system, the DAC and its Secretariat have an important role to play in contributing data and analysis to international summits, including the UN’s *2023 SDG Summit* and *Summit of the Future (2024)*.

Development effectiveness:

- As part of efforts to improve measurement and reporting of global public goods flows, international partners could explore how to *better capture multilateral financial flows* that also contribute to global public goods financing.
- A survey of developing country partners could help understand on *how these trends are aligned to national development priorities*.

1 Global public goods are putting development assistance under pressure

The 21st Century is increasingly defined by complex disruptions and cross-border risks that threaten global stability and increase inequalities between and within countries (United Nations, 2021^[1]; World Economic Forum, 2022^[2]). In addition to (and partly a consequence of) the continuing climate and biodiversity loss ‘twin crises’ (IPBES and IPCC, 2021^[3]), health-related crises have increased in frequency and intensity. The corresponding social and economic costs are compounding other challenges with global impact (IMF, 2022^[4]; OECD, 2020^[5]; World Bank and World Health Organisation, 2022^[6]). Multi-dimensional fragility across six inter-connected dimensions – economic, environmental, political, security, societal and human – increased worldwide from 2020 to 2021, with 60 countries facing a high level of fragility. These fragile contexts account for 24% of the world’s population and 73% of the world’s extreme poor in 2022, a share that is projected to increase to 86% of the world’s extreme poor by 2030. Moreover, an intensification and diversification of drivers of fragility have contributed to growing inequality between fragile contexts and the rest of the world (OECD, 2022^[7]).

These challenges highlight the world’s interconnectedness and the need for new ways of working to increase resilience to compounding risks and cascading shocks and minimise threats to global stability. For example, Russia’s war of aggression against Ukraine, combined with broader geopolitical tensions have displaced millions, threatened food and energy and heightened risks of nuclear proliferation (Cordesman, 2022^[8]). While the impacts of many shocks are shared, they do not affect all countries equally, as evidenced by the disproportionate impacts of rising sea levels and other climate change spillovers for small island developing states (SIDS). Indeed, developing countries and SIDS in particular often find themselves at the forefront of these crises (e.g., climate change or food price volatility) with limited scope to respond through fiscal stimulus, social protection or other measures (United Nations, 2021^[1]; OECD, 2020^[5]).

In that context, global public goods (GPGs) and their antithesis – global public “bads” or challenges – are claiming an increasing share of development finance budgets. This has become particularly apparent over the past two decades, in the absence of specific international mechanisms to finance GPGs (OECD, 2020^[5]; OECD, 2021^[9]). At the political level, Development Assistance Committee (DAC) members and other providers of development co-operation may be facing a growing dilemma: how to balance *country-driven* demands for assistance with increasing pressures on aid budgets to deal with development-related *global* challenges?

As recognised in the UN SG’s report “Our Common Agenda”, resolving these tensions is a challenging but critical exercise (United Nations, 2021^[1]). This issue is expected to take centre stage in the lead up to negotiations on the post-2030 Agenda. In preparation of these discussions, starting with the 2024 UN Summit of the Future, the next sections of this paper provide new data and analysis on the role of development co-operation in the provision of global public goods.

2 Understanding global public goods

A public good is an established economic concept, defined in 1954 by Paul Samuelson as “[a good] which all enjoy in common in the sense that each individual’s consumption of such a good leads to no subtractions from any other individual’s consumption of that good...” (Samuelson 1954). The concept has evolved in contemporary analysis to define a good or condition that is “non-excludable and non-rival” (Pickhardt, 2006^[10]). In other words, no one can be excluded from the consumption of the good, and one person’s consumption does not reduce the consumption of another. Within the OECD, Reisen et al (2004) first defined a ‘public good’ as:

“... a commodity, measure, fact or service: which can be consumed by one person without diminishing the amount available for consumption by another person (non-rivalry); which is available at zero or negligible marginal cost to a large or unlimited number of consumers (non-exclusiveness); which does not bring about disutility to any consumer now or in the future (sustainability)” (Reisen, Soto and Weithöner, 2008^[11])

In practice, beyond goods that are inherently available to all (such as the light from a lighthouse), the term “public good” is often used to refer to cases where governments are willing to provide finance, legislate or undertake other measures to expand access, with the aspirational goal of universal access (Love, 2021^[12]; Davies, 2017^[13])

Public goods that confer benefits beyond national borders are referred to as international public goods and may be regional or global in scope. As such, global public goods (GPGs) are those that are potentially of benefit to all countries, people, or generations, while regional public goods are limited to a specific area. The willingness of governments to supply GPGs, either through international co-operation, or by their own efforts, can be a response to externalities that cross borders, and which no individual country can fully address. These goods tend to be undersupplied due to a combination of factors – from the tendency to “free ride”; to concerns about ceding national sovereignty to other governance mechanisms such as international standard-setting bodies; to the difficulties of achieving agreement to collective action by governments with divergent interests and approaches to tackling common challenges (Stiglitz, 1995^[14]; Lopert et al., 2023^[15]).

In current analysis, efforts to characterise “pure” global public goods (e.g., knowledge, world peace or clean air) have moved to a focus on more normative interpretations (e.g., a stable climate, thriving biodiversity and ecosystems, an effective international financial architecture, or digitalisation)¹. In other words, not all goods or services that are critical for global stability and security are “pure” public goods, even though they exhibit some of their characteristics. For example, food and energy security, as well as protection for refugees or climate change adaptation, are increasingly referenced as categories of GPGs because they point to conditions that ought to be resolved if global stability is to be preserved.

As such, global or international public goods are seen as things (international law, knowledge, communication systems) or conditions (control of infectious diseases, peace, security, sustainable human economic activity) whose reach transcends borders (Kaul, 2013^[16]). As consciousness of the importance of GPGs increases, including through the framing of the 2030 Agenda and its Sustainable Development Goals (SDGs) as universal in application, new priority areas are emerging (Kaul et al., 2015^[17]). For example, Box 2.1 highlights how the COVID-19 pandemic spurred new interest in encouraging the development of health technologies.

Box 2.1. Health Technologies as global public goods

The COVID-19 pandemic exposed how unprepared the world was to deal with a crisis of such scale and intensity and has prompted extensive consideration of how to recover from and adapt to future threats. This will require, inter alia, investment in the development of health technologies needed to address future crises. Viable mechanisms are therefore required, not only to incentivise investment in appropriate R&D but also to ensure that the outputs are diffused in ways that are as widely accessible as possible.

Prior to the emergence of COVID-19, the development of vaccines had largely fallen out of favour in the biopharmaceutical industry, with low returns on investment and few big market players. The failure to complete the development of vaccine against earlier coronaviruses (e.g., SARS, MERS) was, in retrospect, a missed opportunity, but these outbreaks were too limited to make the completion of vaccine development commercially viable.

By contrast, the COVID-19 pandemic has been notable for the unparalleled success and speed of vaccine development. This was facilitated by massive public sector “push” funding for both R&D and manufacturing capacity. While the scientific response to the virus has been hailed as one of the most positive aspects of pandemic management, it also exposed weaknesses in how policies support and encourage the development of the knowledge needed to produce effective vaccines. This scientific success also sits in stark contrast to the failure to ensure equitable distribution and affordable access, where supply based largely on bilateral agreements led to preferential access in high-income countries – an outcome that was both inequitable and inefficient. Thus, there are both strong moral and economic arguments for encouraging the development of health technologies so that, by minimising excludability and rivalry, they can approximate global public goods as far as possible.

Source: OECD (2023^[18]), Ready for the Next Crisis? Investing in Health System Resilience. <https://doi.org/10.1787/1e53cf80-en>.

Meanwhile, discussions in a range of international fora are focussing on the need to reform the international financial architecture and decide who should pay for extending GPG provision – for example, through the United Nations Framework Convention on Climate Change (UNFCCC) Conference of Parties (COP) 27 agreement to establish a Loss and Damage Fund, recent efforts by the G20 to set up a new Pandemic Fund, or the “burden and responsibility sharing” call under the Global Compact on Refugees. More broadly, the United Nations Secretary-General issued an ambitious call to identify and review the governance of GPGs and the global commons as areas of critical international concern (United Nations, 2021^[11]).

3 Development co-operation and the financing of global public goods

Global public goods (GPGs) as a concept relating to development co-operation has evolved over more than two decades. (Birdsall and Diofasi, 2012^[19]; Kaul, Grunberg and Stern, 2003^[20]; OECD, 2020^[5]; Reisen, Soto and Weithöner, 2008^[11]) This body of work recognises that today's public goods are increasingly interlinked and therefore require scaled up international co-operation to ensure their provision. Within the literature, there is disagreement on the extent to which sources of external development finance – notably regarding GPG-related expenditure from official development assistance (ODA) budgets – should contribute to GPG provision.

Nevertheless, there is general acknowledgement that while some public goods will have universal relevance for all countries, the net benefits and responsibility for their provision will sometimes be unequally shared. To give a common example in relation to climate change: Small Island Developing States (SIDS) are not responsible for climate change but find themselves at the forefront of climate- and nature-related risks due to their specific vulnerabilities and a pattern of development that has led to dramatic biodiversity loss, which makes SIDS' development pathway vulnerable to nature-related shocks, such as hazards or ecosystem collapse (Arlaud et al., 2018^[21]).

For this reason, the world's largest economies, which bear most of the responsibility for climate change, have agreed on efforts to reduce impacts of climate change on these countries through various financing commitments, including through the negotiation of a new Loss and Damage fund under the UNFCCC's COP 27 or the agreement of the Kunming-Montreal Global Biodiversity Framework in 2022 to encourage commensurate financing of biodiversity investment gaps in developing countries and in particular SIDS (CBD, 2022^[22]) (see Box 3.1).

In line with these and other efforts to manage a growing range of cross-border risks, the place of GPGs and/or challenges in both development policy narratives and financing is increasing (Davies, 2017^[13]). Recognising this trend, the Development Co-operation Report 2020 (OECD, 2020^[5]) provided an overview of GPG relevance for development co-operation. In doing so, it acknowledged the fluidity of terminology in this area and lack of concrete borders between GPGs, risks, threats, shocks and challenges in definitional terms. Overall, it concluded that the term “global public goods” tends to be used as a catch all phrase to refer to a range of cross-border issues as diverse as health security, biodiversity, digitalisation, refugees, and adaptation or mitigation of climate change.

Beyond definitional issues, this work highlighted a range of dilemmas around both governance and underinvestment in GPGs as development finance becomes increasingly strained in its effort to meet growing development and humanitarian needs, exacerbated by climate change, while also contributing to the provision of GPGs. The report also stressed the critical role of capacity development that international development actors can play in strengthening resilience and preparing for the future², calling on world leaders to reform or redesign the multilateral system to ensure adequate provision of GPGs and to close the gap between increasingly complex systems and methods of managing their risks. Finally, while the report acknowledged the rise of health security to the top of the international agenda with COVID-19, it

also highlighted the urgency of identifying financial sources beyond ODA to avoid crowding out of other priorities for developing countries while encouraging state and non-state actors to support and protect GPGs (OECD, 2021^[23]).³

Box 3.1. Financing biodiversity challenges in developing countries

Biodiversity refers to the variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems (i.e., life on land and life below water – SDGs 14 and 15). It encompasses the diversity within species, between species and of ecosystems. We are all dependent on well-functioning ecosystems to give us clean air and water, fertile soil, climate regulation and protection from natural hazards. The genetic diversity represented in the planet's living organisms therefore represents a global public good (GPG) in itself, providing valuable future options for life in changing conditions and the natural capital upon which every human is dependent (European Commission, 2022^[24]; OECD, 2021^[25]). Biodiversity provides local, regional and global benefits. At the global level, biodiversity benefits include contributing to a stable and healthy climate, underpinning food security, and promoting good health.

Despite the benefits that biodiversity and ecosystem services deliver, these tend to be underprovided and undervalued, often due to their public good characteristics which make it difficult to account for biodiversity in market terms, although one attempt to provide a monetary estimate put the economic value of biodiversity at over 150 percent of global GDP (Costanza et al., 2014^[26]). This, in turn, leads to market failure in the form of biodiversity losses and increased risks to global sustainability. For example, in 2019 the Intergovernmental Platform on Biodiversity and Ecosystem Services reported that 1 million animal and plant species were threatened with extinction, significantly altering land and marine environments, and threatening planetary boundaries. In response to these global biodiversity challenges, the OECD has drawn up Incentive Measures for Biodiversity, to improve decision-making regarding biological resources by incorporating their value to society into the price system (OECD, 2022^[27]).

Given that some of the most biodiversity-rich countries in the world are developing countries struggling to finance biodiversity themselves, further co-operation is essential. However, while support for climate change mitigation and adaptation has long been recognised as an important area for development co-operation, there has been less attention to biodiversity (Casado Asensio, Blaquier and Sedemund, 2022^[28]). This is reflected by the difference in development finance spending between the two areas: while DAC members spent USD 44 billion on climate-related activities in 2020, they spent only USD 10.4 billion on biodiversity related activities (OECD, n.d.^[29]). Similarly, multilateral institutions spent USD 3.1 billion on biodiversity-related activities in 2020, compared to the USD 36.9 billion for climate change in the same year.

At the same time, such comparison begs further definition given that an estimated 80% of biodiversity finance from DAC members is climate related. In addition to improving measurement of development-related spending on biodiversity through the OECD Creditor Reporting System (CRS) and total official support for sustainable development (TOSSD), the OECD is now looking to enhance the coherence of its statistical system on biodiversity-related data entries (i.e., Rio Markers, SDGs 14 and 15, and special purpose codes). Doing so will contribute to the monitoring of the Kunming-Montreal Global Biodiversity Framework agreed in December 2022, which includes a target on international finance for biodiversity (United Nations Environment Programme, 2022^[30]).

The need to reform or redesign the international system to better support GPG provision has been consistently underlined in a range of discussions on the future of multilateralism, with suggestions that GPGs might feature even more prominently in global goals and governance frameworks in the future (Kaul, 2013^[16]; Kharas, Snower and Strauss, 2020^[31]; Nishio and Tata, 2021^[32]; Davies, 2014^[33]). In 2021, in addition to UN efforts to better incorporate a GPGs perspective in its strategic framework, the G20 launched a High-Level Independent Panel on the Financing of Global Commons for Pandemic Preparedness and Response, stressing that the prevention of pandemics or climate change required the clear recognition of “the benefits that all nations share”, and that support to these areas “is fundamentally not about aid but about investment in GPGs from which all nations benefit.” This work informed the development of a new G20-sponsored Pandemic Fund based at the World Bank and launched in 2022, although current indications are that most of this financing will come from G20 member aid budgets rather than other funding sources.

Driven by this demand, Multilateral Development Banks and their partners have also increasingly shifted their attention to operationalising provision. For example, in 2019 the International Bank for Reconstruction and Development (IBRD) established the “Innovative Fund for GPG Solutions”. Other more thematic funds and initiatives related to global challenges have since been established or are in preparation for the G7, G20, COP 27, and 2023 Climate Summit in Paris, with the Bridgetown Initiative also calling on multilateral banks and other lenders to change how they operate. As discussed in the following section, many of these initiatives have real or potential impacts for ODA, given they will require more concessional finance, debt relief or guarantees in a context of already constrained aid budgets.

4 Key trends in official development assistance for global public goods

The 2030 Agenda for Sustainable Development, adopted in 2015, made clear that global challenges have a central place in development co-operation. As such, many DAC members have been laying increasing emphasis on the benefits of “win-wins” related to the provision of global public goods (GPGs) in their development co-operation strategies or narratives over several decades. In general, these motivations co-exist with a more traditional rationale around the obligation to assist poor countries and the mutual benefits of doing so (Davies, 2017^[13]). Within these narratives, awareness of undersupply of GPGs is often expressed through references to the need for development co-operation to tackle problems such as ocean acidification, illegal capital flight, lack of control of infectious diseases and displaced populations, including through discussions on policy coherence for development (Hegertun, 2021^[34]). Beyond aid administrations, other government sectors are also looking at the questions of rising demand for GPGs and who should pay for them (OECD, 2022^[35]).

In terms of measurement, much of the increased volume of bilateral aid budgets in last decades has been attributed to increased flows to GPGs (Barder, Ritchie and Rogerson, 2019^[36]). While DAC members reported record aid levels in 2019, 2020 and 2021, it is unclear how much overall GPG related financing is included in those amounts or is additional to existing aid budgets (Kenny, 2020^[37]; Davies, 2014^[33]). Attempts to define the impact of GPGs spending on ODA began more than two decades ago (Reisen, Soto and Weithöner, 2008^[11]; Raffa, 1999^[38]), with the recognition that OECD countries tend to finance GPGs through aid budgets (Kaul, 2017^[39]; Davies, 2014^[33]). Nevertheless, the measurement of ODA flows contributing to the provision of GPGs remains challenging, largely due to differing views on how to categorise these flows, and debate on what should and should not be included (Kenny, Snyder and Patel, 2018^[40]). For example, while there is general agreement that activities related to climate mitigation contribute to the provision of GPGs, the quantification of development benefits is difficult, particularly for “pure” mitigation projects such as carbon capture and storage, despite the clear increased welfare for those living in developing countries from reduced pollution (Kenny, 2020^[37]).

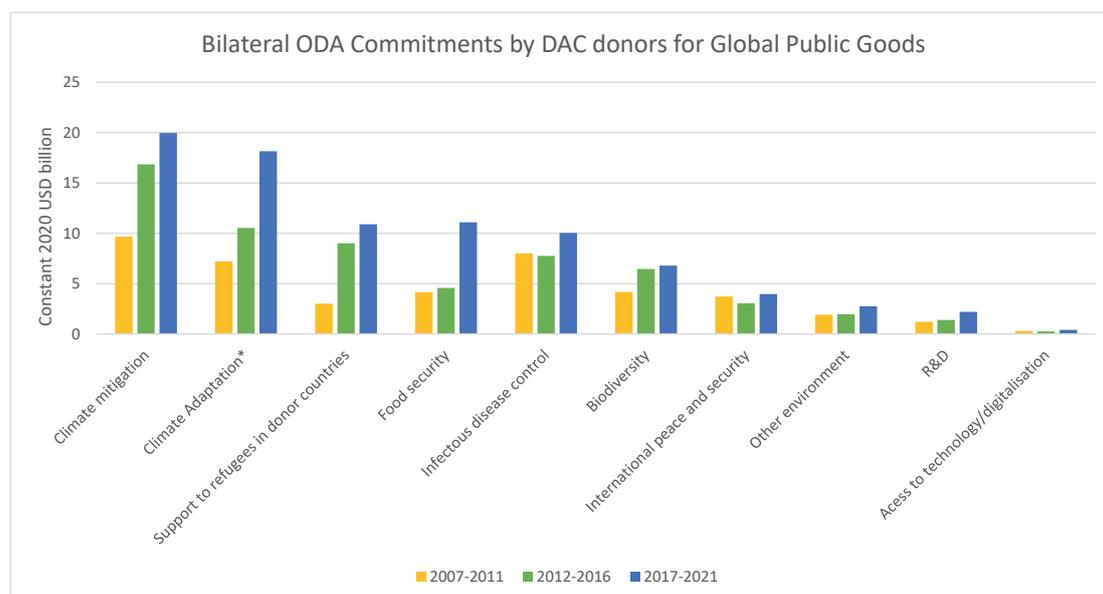
Meanwhile, there is contention over whether development support for climate-related adaptation should be accounted for in the context of GPGs, as adaptation interventions are local in essence given that they enable continued sustainable development in a defined area. In reality, climate-related activities reported as ODA are usually more clear-cut. For example, a ‘typical’ mitigation project would be building energy capacity through renewables. Given that energy is at the core of development, and that increasing energy generation and use are linked inseparably to the development process, these projects contribute to the provision of a stable climate and clean energy, while also directly addressing the need for increased access to energy to underpin development. These and other issues are important when considering how to treat cross-cutting activities in development finance reporting that address mitigation and adaptation and would then in principle require factoring out the adaptation components. Furthermore, in terms of development results, a range of trade-offs need to be considered. For example, some energy projects have been shown to result in negative social, economic and environmental impacts (e.g., construction of mega dams, or extraction of photovoltaic materials and devices to convert sunlight into electrical energy).

Health-related activities are another area where the line between development objectives and GPGs is debated, for example in the case of ODA eligibility of research and development for COVID-19 vaccines. In general, research into the problems of developing countries is ODA-eligible, whether conducted in the donor country or elsewhere. This ruling has led to the exclusion from ODA of research that benefits developed countries as much as developing countries and to the inclusion in ODA of medical research only in relation to diseases that disproportionately affect people in developing countries. For example, medical research on cancer is excluded from ODA unless it focusses on cancers with a high burden on developing countries. Similarly, research for a vaccine/tests/treatments for COVID-19 would generally not count as ODA as it contributes to addressing a global challenge and benefits both developed and developing countries. However, finance to provide vaccines to developing countries can be counted as ODA if the overall benefits are considered developmental in nature⁴.

With these caveats, the OECD Secretariat has undertaken its analysis on ODA spending on GPGs based on previous OECD methodologies described above, which entails defining proxy categories of GPGs that can be drawn from existing data. While ODA statistics are not geared to capture this expenditure precisely and in full, it is at least possible to gain some sense of the pace of its growth by looking at expenditures in a range of related sectoral capacities.

Overall, the analysis conducted for this paper found that bilateral ODA spending on what could be considered as the provision of GPGs by DAC donors has grown from an estimated 37% of average bilateral ODA in 2007-11 to around 60% in 2017-21⁵. Most of the growth in spending has been related to increased spending on global challenges, such as climate change, costs for refugees in donor countries and food security, with a surge in spending on infectious diseases in 2020 and 2021. The figure below illustrates the trend for ODA since 2007 using a conservative selection of sectoral categories, based on previous OECD methodologies.

Figure 4.1. Bilateral ODA commitments by DAC donors for global public goods



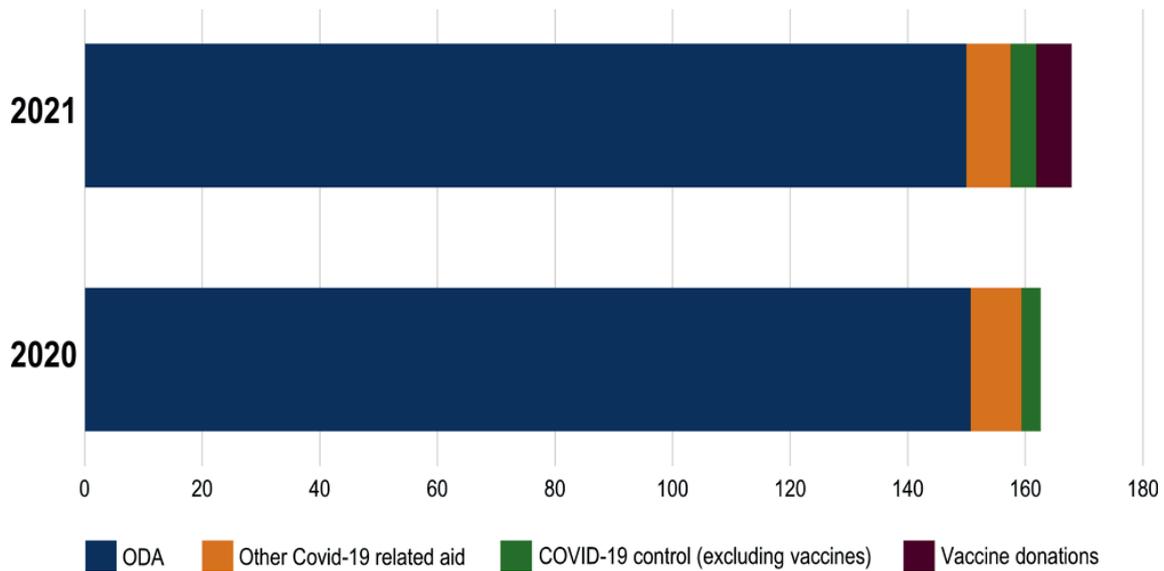
Notes: (1) For Rio marker data derived from CRS reporting, these were more accurate on a commitment basis (especially for older data), hence the rationale for using commitments data in the chart. Given the marker data are used for several categories in the chart, there is an overlap (e.g., between climate mitigation and adaptation), which means the data in the columns cannot be added together and should be viewed separately. Note the totals used are based on total bilateral aid and not sector-allocable, as some of the categories used here (refugees for instance) are not considered sector allocable aid. (2) The reason the share is based on bilateral ODA is because the individual components (climate, refugees, etc.) show the bilateral effort by DAC members only. Imputing shares of some components (e.g., climate, environment) to show total ODA is a more complex exercise, with initial calculations showing that the share of bilateral GPGs represented total DAC ODA from 23% in 2006-10 to 43% in 2016-20. (3) The CRS contains information on reporting of ODA against the SDGs. This chart was produced using CRS policy marker data. (4) For refugees, this data refers only to support to refugees in donor countries. This only represents a small share of overall support to refugees globally given that more than 74 percent of global refugees are hosted by low and middle-income countries rather than high income countries (UNHCR, 2022).

* Data from 2010 only for climate adaptation.

Source: OECD (2023^[41]) Creditor Reporting System (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1> (accessed 19 January 2023).

In terms of additionality and effectiveness, the question of whether these demands draw finance away from other underlying development challenges confronting partner countries or are investments that support development is a particularly complex one to answer. In 2020, ODA increased to record levels (\$162 billion), including a \$16 billion boost in finance for Covid-19-related activities. In 2021, ODA reached a new record (\$186 billion)⁶. Of the USD 21.9 billion mobilised for COVID-19 response in 2021, USD 11.1 billion was spent on support related to COVID-19 control (e.g., prevention, treatment, care and vaccines). Based on the analysis shown in Figure 4.2 below, it might therefore be argued that most of this spending on COVID-19 related activities was additional and that future support for GPG-related flows will require more ODA as well as other sources of GPG financing when benefits are more global than developmental, although pinpointing this distinction requires further reflection (see more in section 5, Total official support for sustainable development (TOSSD) and global public goods).

Figure 4.2. DAC members' bilateral ODA allocations for COVID-19 response, 2020-21



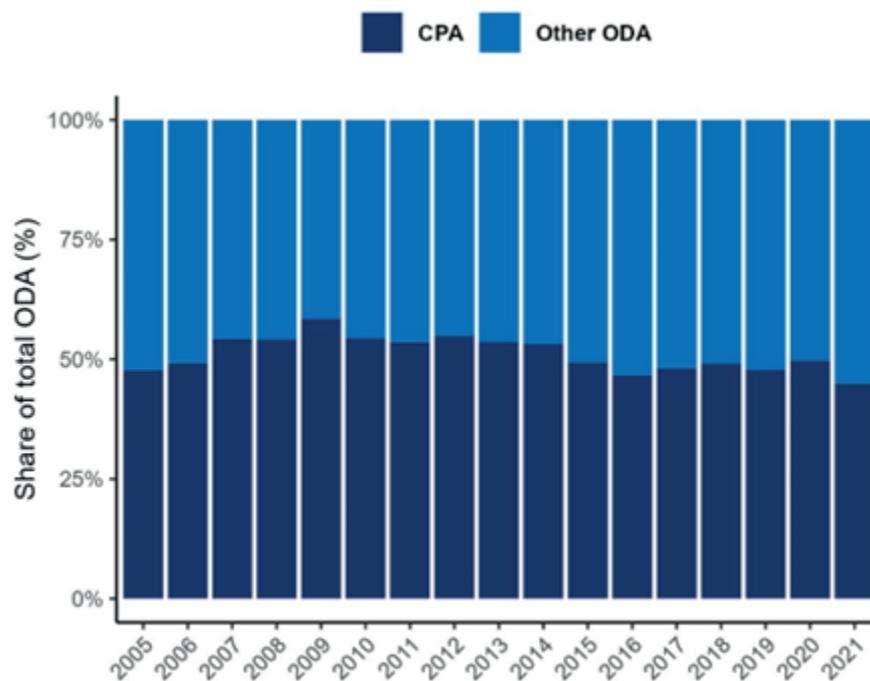
Note: constant 2020 USD (billions)

Source: Ahmad and Carey (2022^[42]) "How COVID-19 and Russia's war of aggression against Ukraine are reshaping official development assistance (ODA)", Development Co-operation Report Profiles, <https://doi.org/10.1787/223ac1dd-en>.

The impacts of this increased spending of bilateral aid on global challenges for country level priorities of developing countries have yet to be fully measured. Of note is that the year 2016 represented a low-point for country programmable aid flows, likely due to the high share of spending on in-donor refugee costs in 2015-16 – a situation that could arise again with the expected high in-donor costs of hosting Ukrainian refugees if this financing is not allocated as additional spending.

Overall, as shown in Figure 4.3, CPA flows have fluctuated in recent years but for the past six years consecutively these have accounted for less than half of total ODA, with CPA never recovering as a predominant share of donor funding since the 2015-16 refugee crisis. Beyond in donor refugee costs, DAC countries' humanitarian ODA increased overall by 111% from 2010 (USD 9.8 billion) to 2021 (USD 20.7 billion). In 2020, it amounted to 10.7% of total ODA, compared to 16.95% of total ODA in 2021, a 6-percentage point increase in share.

Figure 4.3. Share of country programmable aid within total ODA



Note: CPA increased by 1.8 percentage points as a share of the total from 2019-20 – the largest single year increase in CPA since 2007-08. This is attributable to donor efforts to support developing countries to address the impact of the COVID-19 crisis, with the bulk of the increase due to ODA loans rather than grants. However, CPA declined by 4.8 percentage points as a share of the total from 2020-21, the largest single year decline in the period analysed (2005-21). This is likely due to the humanitarian response to the secondary impacts of the COVID-19 crisis, as well as the increase in ODA spending on in-donor refugee costs from 2020-21.

Source: OECD (2023^[41]) Creditor Reporting System (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1> (accessed 6 December 2022).

5 Total official support for sustainable development (TOSSD) and global public goods

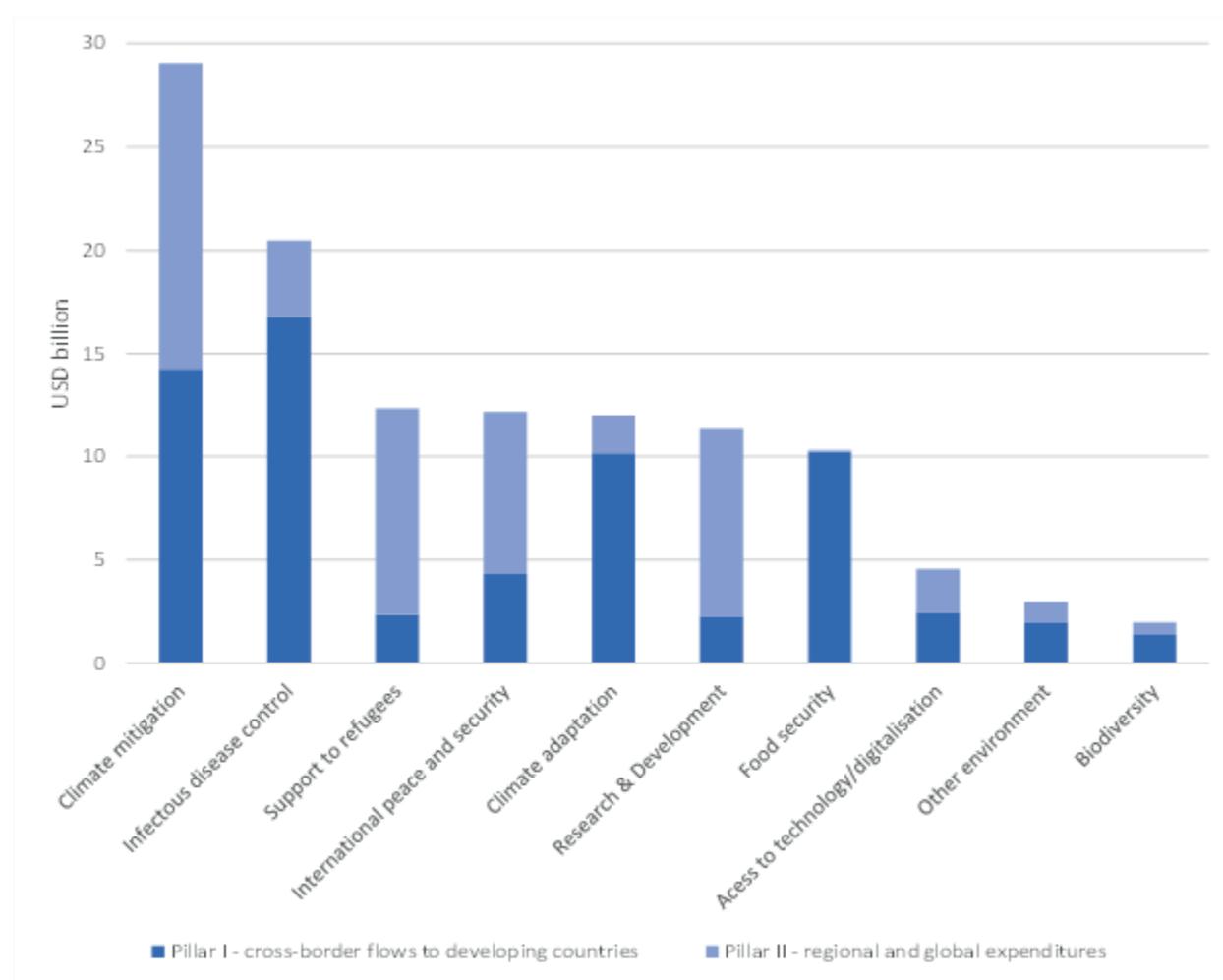
While there is no universally agreed standard to measure official support to sustainable development and global public goods (GPGs), the new measure total official support for sustainable development (TOSSD) aims to help fill this gap by providing the first official statistics on the financing of both cross-border flows to developing countries and regional/global contributions to international public goods and global challenges. (OECD, 2022^[35])

The figure below divides these flows into two categories, with around three quarters of cross-border flows going to developing countries (Pillar I) and the remaining support to international public goods and global challenges (Pillar II)⁷, with particularly high proportions of pillar II flows going to areas such as climate financing, peace and security, support to refugees, R&D and infectious diseases control. Considering expected new development spending in the wake of Russia's war of aggression against Ukraine, these trends are likely to evolve further over the short term with more funding for cross-border challenges in the future.

When it comes to assessing eligibility criteria for foreign aid versus other forms of development finance, the accepted distinction is about whether the funded activity aims to directly benefit developing countries, i.e., they are identified as immediate beneficiaries of the outputs/outcomes of the activity. Nevertheless, pressures are increasing to consider areas where the scale of benefits to developing countries is in a more intermediate zone and where substantial global benefits may also accrue for developing countries (e.g., vaccines for diseases that are likely, but not certain, to originate in developing countries). As such, it will be critical to further increase our collective capacity to be open and transparent about the trade-offs of investing in GPGs means for direct support to developing countries, while also considering the broader role of development finance in the provision of GPGs.

At the same time, this reflection is difficult without any consensus or common view on the intersection between GPGs and development progress. One solution would be to develop a taxonomy of scale, spectrum or layered approach to show where the provision of GPGs and development co-operation might meet. Such an analysis could help identify where GPG provision requires efforts by all countries and compensation for free riding by some countries that have little incentive or desire to contribute, versus the cumulative gain for the world from peace, stability and development at country level.

Figure 5.1. Bilateral and multilateral TOSSD disbursements for international public goods and challenges in 2020



Note: (1) To reflect what has actually been spent and transferred to recipients, the TOSSD measure is primarily based on disbursements. (2) As one activity can support several policy objectives (e.g., climate mitigation and adaptation), there is some overlap (e.g., between climate mitigation and adaptation), which means the data in the columns cannot be added together and should be viewed separately. (3) Support to refugees includes both support in provider countries and in other countries of asylum. (4) For more information on the methodology used to compile the data, see the Annex of this document. (5) TOSSD is a new statistical measure, its data coverage has not yet reached its full potential but will improve over the next few years. Given the marker data are used for several categories in the chart.

With both Creditor Reporting System (CRS) and TOSSD statistics forming part of the data sources of the suite of indicators for the Sustainable Development Goals, these measures also monitor progress in financial resources towards the goals. As a global hub for development data, the OECD can deliver indicator data derived from the CRS and TOSSD, working with other international bodies and processes to align definitions and capture GPGs spending.⁸ These data contribute to building the evidence base for international decision-making on assessing financing gaps and supporting measures to increase resilience and prevent future shocks globally. For example, combined data from the CRS, TOSSD and OECD System of Health Accounts enabled the G20's Joint Finance and Health Task Force and its partners to calculate the funding envelope required for global pandemic preparedness and response efforts for the future⁹.

6 Next steps

As work accelerates at national, regional and international levels (OECD, 2021^[43]), what role could the OECD play to help the global community provide the GPGs for a resilient future?

A preliminary step is to establish a baseline, by assessing ongoing work and the capabilities mobilised in OECD member countries, including DAC members. This assessment could help to better understand any perceived or actual tensions between development co-operation priorities and the broader global development agenda, including commitments in the following areas: additionality, effectiveness, ownership, leaving no one behind, gender, poverty/inequalities, concessionality, policy coherence, nature-positive solutions and other areas.

Going forward, the OECD can help strengthen the evidence base for decision-making through its data, analysis and convening power in the following areas: (i) definition and measurement; (ii) governance and co-ordination; and (iii) development effectiveness.

Definition and measurement

As the guardian of the ODA Reporting Directives, the DAC determines ODA eligibility where the provision of GPGs is driven by a core motivation to assist developing countries or to contribute developmental benefits. Over recent years, the DAC's Working Party on Development Finance Statistics (WP-STAT) has faced complex discussions around determinations of this nature, particularly on in-donor refugee costs, climate finance, and the reporting of COVID-19 vaccine research and development costs, as well as in-kind vaccine donations. These deliberations have helped build a form of "case law" on where aid should end, and where GPGs financing not primarily focussed on development should begin.

However, several OECD development providers have expressed interest in developing a clearer set of principles or other guidance to inform eligibility around development flows of this nature. Such principles might highlight the need to reaffirm poverty elimination as the central focus of ODA, with the dual qualification that if some GPG-related funding is ODA eligible it is: (i) prioritised by developing countries; and (ii) helps them to deal with global challenges (Hegertun, 2021^[44]). A likeminded suggestion includes a litmus test for whether ODA should fund GPGs based on whether investments bring important national benefits to developing countries that they would prioritise regardless of any global benefit (Kenny, 2020^[37]). Nevertheless, a significant divide remains between those who argue for the separation of ODA and GPG budgets, and those who are wary of firmly separating the moral case for aid and the common interest case for financing GPGs (Kaul, 2001^[45]; Davies, 2014^[33]).

As the Secretariat of the international TOSSD Task Force, which includes both OECD and non-OECD countries, the OECD is also playing a key role in advancing the monitoring and measurement of GPG flows internationally. In the future, this work will provide a more comprehensive picture of current trends and gaps over time, for both aid and other flows to developing countries. There is also potential for broader co-ordination on definition and measurement discussions with other OECD communities producing financial data on national accounts in other sectors (e.g., R&D or health expenditure), as well as other international partners. Ultimately, efforts to strengthen the visibility of other funding sources for GPGs could reduce the

pressure for these flows to be recorded as ODA, particularly in cases where there is doubt over where the primary purpose is developmental.

Potential next steps:

- Deciding on *principles for the eligibility of global public goods allocations as ODA*, informed by concrete cases discussed in the WP-STAT, could help DAC providers in their reporting.
- International organisations, the TOSSD Governing Board and other relevant stakeholders could agree on *how to capture global public goods spending in development finance statistics*, in coordination with OECD committees and other international organisations.

Governance

The international community faces two major challenges for the governance of GPGs. The first is coming up with truly participatory global governance models, either by offering every country an equal say, or by privileging those facing the greatest impacts from global risks. The second is to design funding mechanisms that are fit for the future. On both these issues, discussions are underway on the reform of the international financial architecture (OECD, 2020^[5]; Kahler, 2021^[46]; United Nations Centre for Policy Research et al, 2022^[47]; Kharas, Snower and Strauss, 2020^[31]).

For development co-operation providers, there are questions around how ODA and other funding streams should connect in order to: (i) expand ODA and other GPG financing sources, including through increased co-operation with non-OECD emerging economies, despite current fiscal constraints; and (ii) increase co-ordination efforts rapidly between the various actors (OECD, 2020^[5]). For development financing, this issue is complicated by the fact that, for some OECD countries, aid budgets have been one of the few channels for external expenditure. As such, internal reforms would also be required to allow other ministries (e.g., finance, social affairs or health ministries) to allocate funding to promote global stability and address global risks. For example, within current G20 discussions on the establishment of a new Financial Intermediary Fund (FIF) for Pandemic Preparedness and Response (known as the Pandemic Fund), the OECD has warned that pandemic surveillance platforms and technologies with global benefits would be unlikely to meet an ODA eligibility test, and new sources of funding must also be sourced for the provision of GPGs in this area. Similarly, while a share of the Ukraine response will fall to development agencies – e.g., support to refugees and financing with developmental objectives – other sources of financing will also be needed for reconstruction efforts, such as defence budgets for civilian protection.

Potential next step:

- As the donor group responsible for financing over 70 percent of the multilateral development system, the DAC and its Secretariat have an important role to play in contributing data and analysis to international summits, including the UN's *2023 SDG Summit* and *Summit of the Future (2024)*.

Development effectiveness

Discussions at the Effective Development Co-operation Summit (December 2022) touched upon a range of issues related to GPGs (Box 6.1).¹⁰ These discussions, in line with the WP-STAT eligibility discussions, aim to ensure effective development financing and avoid misaligned budget allocations at the national level. The fact that the share of country programmable aid has decreased in recent years, while that of funding going to global challenges has increased, raises questions on whether the alignment of aid with country priorities is deteriorating. It should be noted that the ODA data used to measure the trends in global public good financing only captures flows from bilateral donors, as comprehensive data for multilateral flows in ODA is currently lacking. It is therefore not possible to directly assess the share of total ODA going

to global challenges or GPGs over time, nor to directly correlate these findings with trends for country programmable aid.

Potential next steps:

- As part of efforts to improve measurement and reporting of global public goods flows, international partners could explore how to *better capture multilateral financial flows* that also contribute to global public goods financing.
- A survey of developing country partners could help understand on *how these trends are aligned to national development priorities*.

Box 6.1. Global public goods and development effectiveness

“[W]e see many bilateral programs that remain loosely co-ordinated or not anchored in national priorities of concern ... many countries are increasingly diverting funding away from long-term development goals towards immediate crisis related needs including within donor countries themselves. At a time of surging and mutually reinforcing crises we need additionality and the alignment of financing with the SDGs, not creative repurposing.”

Opening remarks by Amina Mohammed, United Nations Deputy Secretary-General, at the 2022 Effective Development Co-operation Summit, Geneva.

As underlined by UN Deputy Secretary General at the 2022 Effective Development Co-operation Summit, tensions are emerging on how best to protect nationally-determined development priorities in an era of compounded international crises. On the one hand, many at the Summit highlighted the need for scaled-up international and multi-stakeholder co-operation for global stability, including through better multilateral donorship. On the other hand, several development partners, such as providers of South-South Co-operation, worried that increasing competition between a range of urgent priorities (including for immediate humanitarian needs), along with tighter fiscal constraints at home, risked crowding out financing for longer-term national development priorities.

To address these tensions, many participants urged increased co-ordination and co-operation between institutions and providers to protect ODA allocations for national development priorities, including by optimising available resources through *nexus* approaches between multiple humanitarian and development priorities. Countries including Mongolia, Timor-Leste and Niger shared their approaches to leveraging development finance for crisis response (e.g., for pandemic response and recovery, rising food insecurity and the impacts of climate change) while keeping in sight national development priorities for the medium to long-term, and highlighting the value of innovative tools such as Country Co-operation Frameworks and Integrated National Financing Frameworks.

The Summit’s outcome document reasserted the importance of international partnerships to deliver country-owned development plans, while addressing the direct impacts of global challenges on developing countries. As such, it recognised the crucial and complementary role of regional and global development co-operation, while also committing GPEDC stakeholders to support and strengthen national capacity for development and participation in the multilateral system.

Source: Global Partnership for Effective Development Co-operation (2022^[48]), Geneva Summit Declaration, <https://effectivecooperation.org/Summitoutcomedocument>.

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Annex A. Methodological note: using CRS data to compile ODA allocations for GPGs

The OECD Development Assistance Committee (DAC) gathers statistics on an annual basis on official development assistance (ODA) and other resource flows to developing countries from bilateral and multilateral development co-operation providers. The data on global public goods (GPGs) are based on ODA statistics reported by DAC donors to the OECD¹¹. These data are used to measure donors' compliance with various international recommendations in the field of development co-operation (terms, volume), and are indispensable for any analysis of development and development co-operation. The statistics are open and free and accessible on the web¹².

The data used in this paper to compile trends on ODA spending towards GPGs are based on the DAC statistical framework and data classification system that is used by DAC donors to report individual activities and their objectives. The analysis uses CRS policy markers, co-operation modalities and sector codes. Policy markers allow for the identification of activities targeted to a policy objective and provide information on the degree to which providers implement these policies in their aid programmes. Co-operation modalities identify the modalities that are used in the provision of development co-operation. Sector codes reflect the specific area(s) of the recipient's economic or social structure which the aid allocation is intended to foster.

Given the data on policy markers are used to identify several GPG items, there can be an overlap with some categories (e.g., climate mitigation, climate adaptation, etc.), which means the data in the different categories cannot be added together and each should be viewed separately.

For each specific GPG, the following CRS classifications were used¹³, the numbers shown in brackets refer to the specific CRS codes used:

- Access to technology and digitalisation: CRS purpose codes targeting Communications policy and administrative management (22010), Telecommunications (22020), Information and communication technology (22040).
- Biodiversity: CRS activities which have a as primary or significant objective to target the policy marker on biodiversity; CRS purpose code targeting biodiversity (41030).
- Climate mitigation: CRS activities which have a as primary or significant objective to target the policy marker on climate mitigation; CRS purpose codes targeting Energy generation, renewable sources (codes in the 232xx series); CRS purpose code on Energy efficiency (23183).
- Climate adaptation: CRS activities which have a as primary or significant objective to target the policy marker on climate adaptation.
- Food security: CRS activities with purpose codes targeting Food security policy and administrative management (43071), Household food security programmes (43072), Food assistance (52010), Emergency food assistance (72040); and CRS activities which have a as primary or significant objective to target the policy marker on nutrition.

- Infectious Disease: CRS activities with purpose codes targeting Infectious disease control (12250), Malaria control (12262), Tuberculosis control (12263), COVID-19 control (12264), STD control including HIV/AIDS (13040).
- Other environment: CRS activities which have a as primary or significant objective to target the policy markers on desertification and environment; CRS purpose codes targeting General environment protection (codes in the 410xx series).
- Peace and Security: CRS activities with purpose codes targeting Security system management and reform (15210), Civilian peace-building, conflict prevention and resolution (15220), Participation in international peacekeeping operations (15230), and core contributions to UNDP; and activities targeting crime prevention and control: Narcotics control (16063), Agricultural alternative development (31165), Non-agricultural alternative development (43050).
- Research and development: CRS activities with purpose codes targeting Educational research (11182), Medical research (12182), Research for prevention and control of NCDs (12382), Energy research (23182), Agricultural research (31182), Forestry research (31282), Fishery research (31382), Technological research and development (32182), Environmental research (41082), Research/scientific institutions (43082).
- Support to refugees in donor countries: CRS activities with co-operation modalities Refugees/asylum seekers in donor countries (H02), Asylum-seekers ultimately accepted (H03), Asylum seekers ultimately rejected (H04), Recognised refugees (H05).

Annex B. Methodological note: compiling TOSSD data on support to international public goods and global challenges

Total official support for sustainable development (TOSSD)¹⁴ is a new international statistical measure that aims to provide a complete picture of all official resources and private finance mobilised by official interventions in support of sustainable development and the SDGs. TOSSD complements the Official Development Assistance (ODA) measure by also capturing other types of support, including non-concessional flows, South-South co-operation, Triangular co-operation, activities to address global challenges and private finance mobilised by official interventions.

Activity-level data are collected on annual basis from bilateral and multilateral providers and are publicly accessible.¹⁵ TOSSD data are presented in two categories: cross-border resources to developing countries (pillar I) and regional and global expenditures in support to international public goods and global challenges (pillar II). Although systematically classified in pillar I, cross-border flows to recipient countries may also support international public goods (IPGs) or address global challenges.

The data compiled in this paper on TOSSD spending towards IPGs and global challenges cover both cross-border flows to developing countries (pillar I) and regional and global expenditures. The analysis is based on the TOSSD classification system,¹⁶ in particular the sectors, the modalities and the keywords. The sector identifies the specific area within the recipient's economic, social or environmental architecture that the resource transfer fosters. The TOSSD modality describes the form in which support is provided, such as budget support, projects, or experts. The keywords field is used to identify activities of particular policy interest.

Given the data on keywords can be used to identify several IPG items, there can be an overlap with some categories (e.g., the same activity can target both climate mitigation and climate adaptation), which means the data in the different categories cannot be added together and each should be viewed separately.

For each specific IPG/global challenge, the following TOSSD classifications were used, the numbers shown in brackets refer to the specific codes used:

- Access to technology and digitalisation: Sector codes targeting Communications policy and administrative management (22010), Telecommunications (22020), Information and communication technology (22040).
- Biodiversity: TOSSD activities which have the keyword on biodiversity; sector code targeting biodiversity (41030).
- Climate mitigation: TOSSD activities which have the keyword on climate mitigation; sector codes targeting Energy generation, renewable sources (codes in the 232xx series); sector code on Energy efficiency (23183).
- Climate adaptation: TOSSD activities which have the keyword on climate adaptation.

- Food security: TOSSD activities with sector codes targeting Food security policy and administrative management (43071), Household food security programmes (43072), Food assistance (52010), Emergency food assistance (72040).
- Infectious Disease: TOSSD activities with sector codes targeting Infectious disease control (12250), Malaria control (12262), Tuberculosis control (12263), COVID-19 control (12264), STD control including HIV/AIDS (13040).
- Other environment: Sector codes targeting General Environment Protection (codes in the 410xx series) excluding the biodiversity sector (41030) and the keywords on biodiversity, mitigation and adaptation.
- Peace and Security: TOSSD activities targeting:
 - Crime prevention and control: Sector codes on Narcotics control (16063), Agricultural alternative development (31165), Non-agricultural alternative development (43050), Fight against transnational organised crime (1513010);
 - International peacekeeping: Sector code on Participation in international peacekeeping operations (15230); core contributions to UNDPPO;
 - Sector codes targeting Security system management and reform (15210), Civilian peace-building, conflict prevention and resolution (15220);
 - Sector code on Disarmament of Weapons of Mass Destruction (1520010);
 - Preventing and countering violent extremism: Sector codes on Prevention of violent extremism (1520020), Countering violent extremism (1513020).
- Research and development: TOSSD activities with sector codes targeting Educational research (11182), Medical research (12182), Research for prevention and control of NCDs (12382), Energy research (23182), Agricultural research (31182), Forestry research (31282), Fishery research (31382), Technological research and development (32182), Environmental research (41082), Research/scientific institutions (43082).
- Support to refugees: TOSSD activities with co-operation modalities Support to refugees/protected persons in the provider country (up to 12 months of their stay) (I01), Support to refugees/protected persons in the provider country (beyond the 12-month period) (I02), Support to refugees/protected persons - in other countries of asylum (I03), Support to refugees/protected persons - voluntary returns (I04), Support to refugees/protected persons/migrants for their integration in the economy of provider countries (I05)

Notes

¹ For a deeper discussion on how increasing globalisation over recent decades has enabled the transition from “regular” public goods that are global in nature, and how these have contributed to the introduction of the concept of GPGs in international development discourse, see: (Birdsall and Diofasi, 2012_[19]); (Kaul et al., 2015_[17]) (Davies, 2017_[13])

² See also (Casado Asensio, Blaquier and Sedemund, 2022_[49]), <https://doi.org/10.1787/0481c16a-en>

³ For further information on capacity building, see (Casado Asensio, Blaquier and Sedemund, 2022_[49]), <https://doi.org/10.1787/0481c16a-en>

⁴ For further information, see Reporting Directives [DCD/DAC/STAT\(2020\)44/FINAL](https://www.oecd.org/dac/statistics/2020/44/FINAL).

⁵ Note that only bilateral data is currently provided as multilateral data collected is not sufficiently disaggregated to allow a similar calculation by GPG proxy categories.

⁶ In 2021, ODA grew by 8.5% in real terms, however as a share of gross national income it remained stable at 0.33%.

⁷ Approximately 40% of TOSSD pillar II commitments come from the CRS and 38% from ODA. Pillar II from ODA includes some global/regional ODA programmes which do not involve any transfers to developing countries (e.g., CEPI which mainly carried out global research). Pillar II finance that goes beyond ODA and the CRS includes activities that contribute to international public goods beyond development finance, e.g., domestic investments in provider countries on climate mitigation or global normative activities.

⁸ For example, see the United Nations review of the System of National Accounts (SNA) due by 2025 at <https://unstats.un.org/unsd/nationalaccount/Towards2025.asp>

⁹ The total annual financing need for the future pandemic preparedness and response system is estimated at US\$ 31.1 billion, with at least an additional US\$ 10.5 billion per year in international financing will be needed to fund a fit-for purpose architecture. For more information, see [this G20 analysis](#).

¹⁰ See: <https://effectivecooperation.org/hlm3>

¹¹ See <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm>

¹² See <https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/idsonline.htm>

¹³ For more details on the classifications and definitions see here: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/dacandcrscodelists.htm>

¹⁴ See <https://www.tossd.org/what-is-tossd/>

¹⁵ See <https://tossd.online/>

¹⁶ Several TOSSD classifications are based on the CRS classifications.