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TOSSD Compendium 2016

Contribution of the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) to the Organization for Economic Co-operation and Development (OECD) public consultation on the Total Official Support for Sustainable Development (TOSSD) Compendium 2016

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Preface

This paper is both based on DIE (German Development Institute / Deutsches Institut für Entwicklungspolitik) research, as well as on the authors' direct engagement in relevant OECD processes. The contribution follows the order of the document as presented in the TOSSD Compendium and is structured as per the 11 question boxes of the Compendium, which can be viewed here

<http://www.oecd.org/dac/financing-sustainable-development/TOSSD%20Compendium2016.pdf>.

The views presented in the contribution are those of the authors.

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Introductory remarks

We welcome the OECD's initiative to launch a broad public consultation on its draft 'TOSSD Compendium'. This initiative is an important response to the 2015 Addis Ababa Action Agenda (AAAA), in which the international community committed to open, inclusive and transparent discussions towards the adoption of a new proposed measure of 'Total Official Support for Sustainable Development' (TOSSD) (para. 55). At the same time, the TOSSD initiative is an opportunity to inform debates on the future of development cooperation, which are taking place within the United Nations Development Cooperation Forum (UN DCF) and the Global Partnership for Effective Development Cooperation (GPEDC) and are open to various stakeholders from provider and recipient countries.

We observe that this consultation invites views on the essence of the proposed new measure, but that the later chapters in the Compendium presents significant details on the technical aspects of the measure in a way that expresses the Organization for Economic Co-operation and Development 's (OECD) preference for the nature and approach of the measure. A more appropriate approach to ensuring an open, inclusive and transparent approach might be by structuring the public consultation in two parts:

- (1) A first consultation on the overall aims, purpose and design features of TOSSD (i.e. part I of the Compendium), and
- (2) A second consultation, taking account of the results of the former, presenting proposals for the details of the new measure in terms of procedures, statistics, calculations etc. (i.e. part II of the Compendium, notably sections B and C).

In view of these considerations, we have chosen to give most emphasis in its response to part I of the Compendium, and to express the desire for this TOSSD proposal not to be a 'one shot exercise', but the start of broad-based, transparent and inclusive consultations in the spirit of the Addis Ababa Action Agenda (AAAA).

In addition to our responses to the questions in the Compendium, we would like to emphasize that TOSSD might be an outstanding opportunity to facilitate a dialogue on concepts and technical aspects of development cooperation / international development cooperation approaches between different actors (the OECD Development Assistance Committee (DAC) members, emerging economies, etc.). The motivation to develop such an umbrella approach for all relevant actors is also mentioned in the Compendium. In order to emphasize this aim, the Compendium should state at the beginning that the narrative of TOSSD is to a large extent driven by the intention to create a truly new joint concept, which provides sufficient flexibility for adjustments. This requires the DAC Secretariat to provide a detailed and transparent response to the contributions provided through this consultation, and we assess that the revisions of the Compendium will be a key factor determining different actors' motivations to engage in future discussions on TOSSD.

Against this background we propose that the DAC makes additional outreach efforts to actors, which have to date not yet engaged strongly in TOSSD and relevant Official Development Assistance (ODA) modernization discussions, particularly to key actors in influential non-DAC cooperation such as from Brazil, China, India and South Africa (governments, think tanks, civil society organizations). We would recommend that this outreach should include dedicated regional events outside Europe.

Part I: Overview of TOSS

1. *Are the objectives of the TOSSD measurement framework clear? What elements of the stated TOSSD objectives could be sharpened?*
2. *Is the distinction between ODA and TOSSD sufficiently clear? If not, how could this be clarified further?*
3. *How could TOSSD capture results and/or investment quality considerations (e.g. jobs created, technology improvements, energy cost reductions, etc.)?*
4. *What international standards and principles should be integrated and monitored in the TOSSD framework?*
5. *How might an inclusive, representative, technically competent governance arrangement for TOSSD be structured? What institutions might be associated? How might the thinking and planning for this take shape?*

A1: First of all, it appears that the objectives of TOSSD as presented in paragraph 9 mix up objectives and means. Logically, TOSSD statistics should facilitate learning and exchange of good practice by means of ensuring (not 'promoting' as mentioned) transparency on TOSSD expenditure.

Secondly, the reference in paragraph 9 to 'traditional donors' is imprecise. It appears to refer to DAC members, but many of them joined only recently, whereas it is unclear, which actions are considered to be 'traditional' (Keijzer and Klingebiel 2015).

Thirdly, it would be advisable for this Compendium as well as other related documents presenting main motivations, key features and ideas behind TOSSD to focus more on describing the distinct added value of this approach to measuring development-relevant external contributions. Why is TOSSD being developed? Answering this question would be crucial for both informing and involving stakeholders, in particular those that were less involved in initial preparations. In other words: if TOSSD is the answer, then what is the question?

Related to this point is the issue of incentives to perform, and making the case for measuring performance compared to others. In contrast to both ODA and climate finance, no input target is proposed for TOSSD, so it is likely that only absolute figures of finance will be reported and published. What would then be a source of peer pressure, or a basis for one actor to pride itself on performing better than another? Moreover, some actors – particularly those not reporting ODA – may be interested in being effective development cooperation partners, but much less in comparing their own performance to others. In other words, although the objectives of TOSSD as formulated in the draft are promising, the revised version could make explicit what kinds of incentives would drive development cooperation actors to learn from each other and exchange experiences – for which TOSSD could play a facilitating role. A basis for such a statement on the relevance and pertinence of TOSSD is found in paragraph 11 and could be elaborated further.

Fourthly, it seems advisable to add a paragraph or a section about 'what TOSSD is not going to cover' and to discuss its conceptual limitations. In our view a transnational cooperation in support of the 2030 Agenda would provide even more choices to think about measurements beyond the existing structures. Since ongoing ODA modernisation debates contributed to the idea of TOSSD, this new measurement continues to focus on developing countries and those actors providing transfers in support of the Sustainable Development Goals (SDGs). As a consequence, its attention is less on assessing contributions to global public goods by all official actors. The current emphasis is understandable in view of technical constraints and path dependencies created by ODA statistics. Hence, transparency on the limitations of TOSSD should be added, while increasing ambition where possible.

A2: It is commendable that the paper proposes a working definition of TOSSD in paragraph 7, which provides key means distinguishing ODA and TOSSD. We would have a few comments on the definition itself:

1. It is unclear to what extent the 'majority of benefits are destined for developing countries' differs from the ODA definition of 'administered with the promotion of the economic development and welfare of developing countries as its main objective'.
2. Perhaps these 'benefits' can be elaborated upon. Is this a reference to economic development and welfare as mentioned in the ODA definition (see the point made above) or does the word 'benefits' open the door to corporations that seek profitable investment with side-benefits of development of one kind or another? Or both?
3. The use of 'includes' in the definition may give the idea that the definition is incomplete and that other actions may also be considered as TOSSD. Clearer word choices would be 'refers to' or 'encompasses'.
4. The exclusive focus of 'resource flows' would reduce chances of reporting by non-DAC donors, who provide such support in-kind. It could be considered to extend the definition to read 'resource flows (or estimated resource flow equivalent of in-kind support)'.
5. The term 'development enablers' is not adequately defined. One of the main differences to the ODA definition is that private actors and private finance might be included in TOSSD. If that shall be the case, and if TOSSD should be inclusive and broadly accepted, a definition should be provided (and included in paragraph 7 and the working definition).

TOSSD might provide the opportunity to overcome some further weaknesses of ODA and CPA (country-programmable aid). Technical cooperation (TC) remains one main modality under TOSSD. However, a more appropriate and comparable value per unit of TC would be a great improvement. For example, from a recipient point of view the support for a sector reform under development cooperation provider A and B might be very similar in terms of results. However, the price tag between provider A and B might differ considerably, and as a result its respective 'value for money' and possible recipient preference for one of the provider to deliver a different type of assistance.

Additionally, TOSSD should look at other non-cash modalities/ approaches, which should be more comparable and transparent from the perspective of recipients. This would require the TOSSD measure to unpack what is currently considered by some providers as 'in-kind' support.

Lastly, paragraph 17 is important and well-formulated, but could be extended by emphasising that TOSSD would fill an information gap to facilitate learning for global development cooperation that ODA statistics cannot provide.

A3: This question can be linked to the two 'perspectives' as introduced in paragraphs 13-15. While in principle commendable by moving ahead with the discussion on including a recipient-perspective, the current proposal could be perceived as an 'agree to disagree' between recipients and providers, whereas the TOSSD definition would indicate that the recipient's understanding of development relevance should guide analysis. Moreover, there would likely be a lack of consensus among recipients as well as providers, and not one perspective for each, as apparent from disagreement among DAC members on the inclusion of in-donor refugee costs. Finally, the definitions would imply continuing to equate 'recipient' and 'nation state', whereas regional organisations such as the African Union (AU) or the Association of Southeast Asian Nations (ASEAN) are expected to play a stronger role in promoting the 2030 Agenda. It should thus be considered whether TOSSD could also go beyond the statist orientation of ODA statistics and instead add priority to measuring cooperation at the regional level.

We would suggest a similar approach to the one taken with ODA statistics: one dominant TOSSD perspective that presents statistics guided by the definition and reporting guidelines, and a separate CPA-equivalent. If the recipient perspective is developed further as described here than it should address the problem that technical cooperation is included in CPA, but is in practice not country-programmable and also not regarded by many developing countries as open to 'programming' (Keijzer 2016).

As a final point, since both ‘perspectives’ should still be about external support (from any source) provided to facilitate development, it is not relevant to include domestic resources in the recipient’s perspective. This could be perceived as a conditionality, in the sense that ‘provider countries’ may also choose to use their domestic resources for investments that are not development-relevant, e.g. military expenditure.

A4: Proposals for integrating principles and international standards in TOSSD reporting as set out in paragraphs 18 and 19 are pertinent and relevant to consider in the next steps to setting up and operationalising TOSSD reporting. Both the Addis Ababa Action Agenda (AAAA) and the United Nations (UN) climate negotiations on climate finance offer many principles and standards. Experience with monitoring and reporting of private climate finance shows that this can be very complicated and time-intensive, e.g. depending on what is being monitored and whether data is available. Private mitigation finance is much easier to monitor and report than private adaptation finance, because the former is well defined and measurable whereas the latter is not (see e.g. Pauw et al., 2016 for an analysis of adaptation finance criteria and the way private investments are meeting these).

A5: Both technical and political feasibility considerations are required for realising an inclusive, representative, technically competent governance arrangement for TOSSD. We would suggest that a format similar to the DAC Working Party on Development Finance Statistics² is used, yet co-chaired by the UN and the OECD, while both providers and recipients should have membership and voting rights. In view of the larger group, they should convene once a year to discuss trends in TOSSD figures and endorse or reject any changes to the measurement as proposed by the UN and OECD.

In order to avoid convening a group similar to an UN-level meeting, the TOSSD governance structure could draw inspiration from the steering committee of the GPEDC³, in which its members jointly represent all stakeholders, or from the Open-Working Group that drafted the Sustainable Development Goals. The UN/OECD Secretariat should enjoy no right of initiative in this regard, but can only prepare proposals for technical adaptation when duly mandated by the group, which should endorse changes by a qualified majority (2/3rd in favour with either provider or recipients votes in favour no lower than 40%).

² [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT\(2015\)19&docLanguage=En](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC/STAT(2015)19&docLanguage=En)

³ <http://effectivecooperation.org/about/leadership/>

Part II: The TOSSD measurement framework: conceptual underpinnings, financing for development agenda

Section A. Setting the framework for TOSSD

6. *Can it be assumed that all activities with a developmental purpose currently eligible as ODA also qualify as TOSSD?*
7. *Can activities motivated by the provider's self-interest be included if they have an equally important developmental purpose or are expected to have a developmental impact?*

8. *How could boundaries for mutual benefit activities in TOSSD be defined?*
9. *How, and to what extent, could trade finance be covered in TOSSD? What parameters could be used to determine the boundaries for TOSSD-eligible trade finance, where the motivations are both promoting domestic interests and developmental impact abroad?*

A6: This cannot be assumed because decisions with a developmental purpose are made through a different governance arrangement. The developmental purpose of ODA expenditure is currently decided unilaterally by OECD members and may not correspond with recipients' views. Working on this assumption would open up TOSSD to criticism (e.g. by civil society organizations) as ODA statistics currently include some activities as having a developmental purpose although this has not been stipulated (Keijzer and Klingebiel 2015). Considering ODA expenditure as TOSSD-eligible would, therefore, require reforming ODA statistics governance in a similar manner as we propose for TOSSD under question 5.

In any case, an overarching definition of TOSSD is essential to clearly define what is considered as interventions that by large (i.e. 'majority' in the working definition) support developing countries. The governance arrangement should clearly adopt such a universal definition of 'development-relevant' based on the 2030 Agenda, since unless this is done providers and recipients may simply report anything based on their own understanding of an approach being relevant for development.

A7: See answer to question 8.

A8: When purely judging based on the working definition set out in paragraph 2, mutual benefit activities should not count as TOSSD, because the definition does not allow for it, given that it requires the majority of activities to benefit developing countries. This, however, seems neither realistic nor desirable, also since South-South co-operation (SSC) providers often rely on the term mutual benefit in their cooperation discourse. So the Compendium should set out a clear and TOSSD-suitable working definition of mutual benefit in its first section stating, for example, that despite the formal objective of TOSSD, reportable activities would typically cater to a mix of other legitimate objectives. This working definition of mutual benefit should be informed by the body of literature on development effectiveness, in order to avoid being construed as promoting activities that are questionable from an effectiveness viewpoint, such as tying of expenditure or the use of export subsidies. After all, it is safe to assume that a large share of corporate philanthropy provides mutual benefits. Critical standards are, however, required on all other private flows if TOSSD wants to have a high standard and broadly shared credibility in recipient countries.

Furthermore, a 'negative list' of those activities, which are clearly outside the boundaries for mutual benefit activities in TOSSD would provide additional guidance.

A9: See answer to question 6: it should first be clarified what types of trade finance would be considered as TOSSD-relevant.

Section B. Core architecture of the TOSSD measurement framework: The provider and the recipient perspectives

10. *Do the features of the TOSSD provider perspective seem balanced, relevant and useful? What is missing?*
 11. *Do the features of the TOSSD recipient perspective seem balanced, relevant and useful? What is missing?*

A10 and 11: Please refer to our input on question 3. We do not consider it desirable for TOSSD to be perceived as inherently subjective by presenting two perspectives that assume an 'agree to disagree' on development-relevant finance between providers and recipient.

One added argument is that two perspectives could be construed as requiring a dual governance structure, with providers making decisions on reporting from a provider-perspective (as is currently done for ODA reporting), and recipients reporting in parallel from their perspective.

TOSSD in support of the provision of global and regional public goods that are deemed to have a developmental purpose should be explicitly eligible (see paragraph 53). This approach should give examples how those (quite often) complex actor constellations might be part of such activities, which are TOSSD eligible (global solution network approaches etc.). Such 'orchestrated' activities would typically blur the lines between the provider and recipient perspective, and thus would require reflection on how to value and mirror these engagements (Paulo and Klingebiel 2015).

Section C. TOSSD-eligible activities, countries and instruments

12. *What additional criteria for the decision tree could help further define the boundaries of TOSSD-eligible activities at country level?*
 13. *What further insights and proposals could be considered for defining the TOSSD-eligibility of activities addressing development enablers and global challenges at regional and global level in the areas of:*
- *Climate change?*
 - *Migration?*
 - *Peace and security?*
 - *Human rights?*

14. *Which alternative multi-dimensional approaches beyond income criteria could be used to assess country eligibility?*
 15. *Which multilateral organisations should be TOSSD-eligible and how can they be identified? Should these organisations include regional, sub-regional and sector-specific bodies?*

16. *Would the taxonomy of financial instruments presented in Annex 2 sufficiently cover all TOSSD-eligible interventions?*

17. *When measuring mobilisation in TOSSD from the provider perspective, should the resources mobilised be included in the measure or presented separately?*
 18. *How could the recipient perspective measure adequately record private finance mobilised through TOSSD operations? What would be needed to ensure availability of detailed project information so that TOSSD could capture the totality of cross-border flows, including complex project schemes, at country level?*

A12: The formulation of the third question relating to TOSSD-eligible organisations currently reads as if the question only refers to multilateral organisations; this list should, however, be much broader and also include other international and regional organisations.

The note underneath the decision-tree saying that mutual benefit of activities could be considered TOSSD-relevant is not consistent with the working definition in box 1, that requires activities to be mostly relevant for developing countries (see also answer 8). Mutual benefit typically assumes a 'win-

win' approach or an equal benefit to provider and recipient. The Compendium should clarify this by presenting a mutual benefit working definition that is consistent with the overarching objectives and criteria of TOSSD.

A13: Referring to the listed activities, the categories in the Centre for Global Development's Commitment to Development Index⁴ could be taken as a reference, where peace operations are only included if there is a UN-mandate. TOSSD would need a more restrictive approach in view of the need to assure that the majority of benefits of development enablers profit developing countries (see paragraph 64 and working definition).

A14: One complicating factor here is that the term 'developing country' is a self-assigned statistical status, while a few developing countries actually have equal or even higher incomes than some OECD countries. Paragraph 64's approach to making the list voluntary would, thus, be pragmatic and multi-dimensional criteria should not be applied to determine eligibility.

In addition, we would like to point out that the World Bank recently decided to abandon the terms 'developing countries' and 'developed countries' in its flagship reports and statistics. Yet, the World Bank still uses the income categories for lending purposes and is not (yet) introducing a new country classification approach.

A15: The list of eligible organisations should decisively be as broad as possible so as not to exclude any official providers of TOSSD-eligible support.

A16: Yes, the taxonomy of instruments appears to be comprehensive.

A17: The resources mobilized should be presented separately, because TOSSD is about official sources, not private sources. Mobilised finance is an important aspect determining the relevance of the official source's engagement, yet should not be seen as part of its efforts but as 'brokered other' capital.

It is notoriously difficult to determine the amount of private capital which has been mobilized. Figure 9 is a useful approximation to the different aspects of mobilization of private finance. It is recommended that the methodology as mentioned in paragraph 75 will be further developed and discussed. It would be particularly relevant to know the grant/subsidy element that is needed to mobilize a certain amount of private finance, as an indicator for the effectiveness of TOSSD in leveraging private finance. However, public financing institutions are rather secretive about the grant/subsidy elements used in leveraging private finance. OECD should pressure them for greater transparency.

A18: A project-by project recording of private finance mobilized through TOSSD operations is not very helpful from a recipient's perspective, because the amount of private finance in a project (see example in Figure 8) can have been leveraged with a (too) high grant element and might therefore not be scalable (how many privately financed toll road projects will follow in Senegal?). From a developmental perspective a recipient country would rather be advised to record the totality of cross-border (and domestic) private finance in specific sectors. This would also indicate whether rising TOSSD volumes would be accompanied by rising private investment. It has to be assumed that rising TOSSD volumes can also lead to a **crowding out** of private finance. This can be observed in the energy sector, for example, where rising volumes of concessional public finance rather discourage private investment.

It should be noted that the private sources cannot be attributed back to the provider countries, since private funds, particularly when they are mobilized through investment funds and/or are channeled through off-shore centers, do not carry a passport of their country of origin (which may well be a developing country).

⁴ <http://www.cgdev.org/cdi-2015>

Section D. Core measurement issues and features

19. Does the rationale of attributing multilateral outflows back to provider countries make sense when measuring TOSSD from the provider perspective (instead of counting inflows)?
20. Which indicator best represents countries' ownership? Is there a need to reflect both paid-in and callable capital in the indicator?

21. Would the 'gross' basis be the most appropriate for publishing TOSSD data, supplemented by information on reflows for transparency purposes?
22. Could the OECD methodology serve as an international standard for measuring mobilization in TOSSD?
23. Should differences in price levels between countries be factored into TOSSD data in order to provide a fairer and more comparable measure of resources? Should the PPP conversion factor be applied to all TOSSD modalities, or possibly just to parts of it (e.g. technical co-operation, aid in kind)?

A19-23: From a process-perspective, the proposals presented (and this also goes for Annex 3) are already formulated at a rather specific and operational level and assume support and broad-based ownership of the main characteristics of TOSSD, including the approach to reporting from a provider and recipient perspective. While the OECD has already done significant amounts of 'homework' and has developed development cooperation statistical capacity over the decades, the detailed proposals presented could be seen by some non-OECD actors as an introducing bias into the TOSSD measure that should cater to a large group of actors.

In view of this, it would seem better to put out section D for a second round of consultations once this has been adapted based on the feedback received by the actors on the general characteristics and attributes as proposed for TOSSD.

A23: A conversion to Purchasing Power Parity (PPP) should be applied to all modalities in view of great differences between unit costs of all providers, i.e. five million USD worth in inputs from one provider may be much more than the five million USD provided by another.

Annex 3. Technical specifications about the proposed treatment of multilateral support

24. Which indicator in the table below is for you a good proxy of shareholding?
25. Which indicator do you use to calculate the shares in General Capital Increases?
26. Could data on the indicator be provided as part of reporting on TOSSD? While most of this data is available through annual reports, its gathering is time consuming and data are often presented in different formats.

A24: The indicator should consider introducing a 'penalty' for excessive earmarked contributions to UN bodies, given that global governance can be considered a global public good and excessive earmarking as free-riding.

A26: This question signals that future TOSSD discussions should depart from a clear cost-benefit analysis so as to allow for informed decision-making on which investments are proportional to their value.

Sources used

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