



Pending issues on TOSSD classifications

TOSSD Task Force Issues Paper¹ - Agenda item 7

6-9 October 2020

I. INTRODUCTION

1. This paper follows up on earlier discussions on TOSSD statistical classifications/taxonomies held by the Task Force during the meeting in Pretoria². It addresses issues raised by members for the sector classification (section II), the financial instruments (section III) and the tracking of climate mitigation and adaptation (section IV).

2. Task Force members are invited to provide feedback on, and possibly approve, the proposals below.

II. TOSSD SECTOR CLASSIFICATION

3. During the Task Force meeting in Pretoria, members generally agreed on the new sector codes proposed by the Secretariat in the field of peace and security. However, one member recommended using an internationally or regionally recognised definition for “cyber security” instead of the one proposed by the Secretariat based on Australia’s practice i.e. “operational policing to protect computer systems from theft or damage covering hardware, software and electronic data”. As noted by the United Nations Office for Drugs and Crime (UNODC), “*there is no international definition of cybercrime nor of cyberattacks*”.³ However, in the Secretariat’s view, there are two international/regional sources that could be used to refine the operational definition of cyber security in the TOSSD context:

- UNODC, which notes that, for cybercrime or cyberattacks, “*Offences typically cluster around the following categories: i) offences against the confidentiality, integrity and availability of computer data and systems; ii) computer-related offences; iii) content-related offences; iv) offences related to infringements of copyright and related rights*”.
- The European Union, which uses a definition of cyber security for the purpose of its Operational Guidance for the EU’s international cooperation on cyber capacity building⁴: “*Cybersecurity commonly refers to the safeguards and actions that can be used to protect the cyber domain, both in the civilian and military fields, from those threats that are associated with or that may harm its interdependent networks and information infrastructure. Cybersecurity strives to preserve the availability and integrity of the networks and infrastructure and the confidentiality of the information contained therein.*”

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² See Issues Paper on complementing TOSSD classifications <http://www.oecd.org/dac/tossd/task-force/item%204.%20TOSSD%20classifications%20FINAL.pdf>

³ See <https://www.unodc.org/unodc/en/cybercrime/global-programme-cybercrime.html>

⁴ <https://www.iss.europa.eu/sites/default/files/Operational%20Guidance%20for%20the%20EU%E2%80%99s%20international%20cooperation%20on%20cyber%20capacity%20building%20%E2%80%93%20A%20Playbook.pdf>



4. It is therefore proposed to adjust the definition of the cyber security sector in TOSSD by i) making it less specifically focused on “computers” but rather generalising it to the “cyber domain” as in the EU definition and ii) aligning its scope with the categories of offences described by UNODC. The proposed revised definition is shown below:

- **Cyber security:** Activities to protect the cyber domain – including the internet, telecommunications network, computer systems, and embedded processors and controllers – both in the civilian and military* fields, from those threats that are associated with or that may harm its interdependent networks and information infrastructure. This includes protection measures against i) offences against the confidentiality, integrity and availability of computer data and systems; ii) computer-related offences; iii) content-related offences; iv) offences related to infringements of copyright and related rights.

* *There are specific eligibility criteria for engagement with partner countries’ military. Eligible activities include: i) capacity building of partner countries’ armed forces to make them accountable and managed under democratic control; ii) training of partner countries’ military in delivering any activity that has a development impact, for the benefit of civilians; and iii) delivery of humanitarian assistance by the military.*

Issues for discussion

- **Do Task Force members agree with the proposed revised definition of the “cyber security” sector in TOSSD? Do Task Force members have suggestions for further improvements?**

III. FINANCIAL INSTRUMENTS FOR TOSSD PILLAR II

5. At the South Africa meeting, members had no objections to the inclusion of “subsidies” as a financial instrument but recommended further reflection on which kind of subsidies could be reported, in particular export subsidies, which can distort trade and contribute to create imbalances in competition.

6. The Preamble of the TOSSD Reporting Instructions states that *“Particular attention is paid to commercially motivated resource flows – such as officially-supported export credits and resources mobilised from the private sector – and on their compliance with global standards and disciplines, including to ensure that they do not create trade distortions.”* Many export-related subsidies are indeed prohibited by the WTO⁵ and are therefore not reportable in TOSSD. The Secretariat proposes to include specific provisions regarding subsidies in the Preamble and to edit the proposed definition for the new financial instrument “Subsidies and similar transfers” to include a reference about trade distortions (additional proposed text bolded and underlined), as follows:

- Preamble (paragraph 5): “(...) Particular attention is paid to commercially motivated resource flows – such as officially-supported export credits, **subsidies** and resources mobilised from the private sector – and on their compliance with global standards and disciplines, including to ensure that they do not create trade distortions.
- Financial instruments - Subsidies and similar transfers: This category includes subsidies and social benefits to households as defined in the System of National Accounts (SNA).

⁵ See https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm8_e.htm



Subsidies are unrequited payments that government units, including non-resident government units, make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services which they produce, sell or import. **Export-related subsidies that create trade distortions (especially subsidies prohibited by the WTO) are not reportable in TOSSD.** Social benefits to households are current transfers received by households that are intended to provide for the needs that arise from certain events or circumstances, for example, sickness, unemployment, retirement, housing, education or family circumstances.

Issues for discussion

- Do Task Force members agree with the proposed change to the Preamble and the revised definition of “subsidies and similar transfers”?

IV. TRACKING CLIMATE MITIGATION AND ADAPTATION ACTIVITIES

7. The TOSSD Task Force decided at the Pretoria meeting to introduce a “flag” field to identify activities supporting climate change adaptation, mitigation, or both. This section provides a proposal on how to operationalise this decision⁶.

8. Different definitions and methodologies for tracking climate-related activities are used by countries, development finance providers and international organisations⁷, notably:

- For external support, several bilateral and multilateral development finance providers use the OECD-DAC Rio Markers⁸ to flag climate-related activities in their reporting on Official Development Assistance and Other Official Flows to the OECD. Multilateral institutions have developed their own methodology⁹ for tracking climate components in their portfolio. Some reporters do not have systems to track climate action in their development co-operation.
- Different methodologies and definitions are also used for tracking domestic climate expenditures. For example, Bangladesh, Ghana, Indonesia and the Philippines have established budget tagging systems based on guidance provided by UNDP, but they use different classifications and weighting systems¹⁰. The European Union uses a methodology adapted from the OECD Rio markers¹¹ and

⁶ See: <http://www.oecd.org/dac/tossd/2020-04-20-10th-TOSSD-TF-Meeting-Action-Point.pdf>

⁷ A detailed comparison table of the operational definitions of climate finance and criteria used by various institutions is contained in the Annex B of the UNFCCC Standing Committee on Finance, 2018 Biennial Assessment and Overview of Climate Finance Flows Technical Report. Available at: <https://unfccc.int/sites/default/files/resource/2018%20BA%20Technical%20Report%20Final%20Feb%202019.pdf>

⁸ See https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

⁹ See <https://www.ebrd.com/2019-joint-report-on-mdbs-climate-finance>

¹⁰ See <https://www.undp.org/content/dam/undp/library/planet/climate-change/RBAP-DG-2019-Climate-Budget-Tagging-Guidance-Note.pdf>

¹¹ See https://ec.europa.eu/clima/sites/clima/files/docs/tracking_climate_expenditure_en.pdf



enabling the provision of quantified financial data.¹² The OECD Green Budgeting initiative aims to provide a framework¹³ to implement green budgeting and support more international comparability. On the specific issue of green budget tagging, the OECD, World Bank, IMF, IADB and the UNDP are currently preparing an introductory guidance for countries aiming to implement this tool.

9. The UN Framework Convention on Climate Change (UNFCCC) does not have a formally approved definition of climate finance. Rather, UNFCCC has elaborated an “operational definition” on the occasion of the 2014 Biennial Assessment and Overview of Climate Finance Flows report, which is compatible with the OECD and MDB definitions¹⁴:

Climate finance aims at reducing emissions, and enhancing sinks of GHG and aims at reducing vulnerability, and maintaining and increasing the resilience of human and ecological systems to negative climate change impacts.

10. In line with the UNFCCC operational definition above, the Secretariat proposes the Task Force to adopt the following definitions of climate change adaptation and mitigation.

Mitigation	<i>Activities aiming at reducing emissions and enhancing sinks of GHG</i>
Adaptation	<i>Activities aiming at reducing vulnerability, and maintaining and increasing the resilience of human and ecological systems to negative climate change impacts</i>

11. A new data field needs to be created to collect climate change information in TOSSD. To avoid the proliferation of data fields, and keep the TOSSD reporting format simple, the Secretariat proposes the Task Force to consider adopting a multiple-objective field. A multiple-objective field could be used to identify climate change activities, but also other objectives such as COVID-19, or other themes that the Task Force would deem of special interest (see detailed proposal contained in the Issues paper for item 3 of the 11th meeting of the TOSSD Task Force).

12. In practical terms TOSSD reporters that already use **either the Rio Markers or the MDB climate components methodologies** could find the following mapping useful to report TOSSD data (see table 1 below).

¹² Climate markers are applied to all EU expenditures: A 100% marker to expenditures supporting climate action as the primary objective; a 40% marker to expenditures supporting climate action as a significant objective; a 0% climate marker applies to expenditures which do not target climate action.

¹³ See <http://www.oecd.org/environment/green-budgeting/OECD-Green-Budgeting-Framework-Highlights.pdf>

¹⁴ See the 2014, 2016 and 2018 editions of the Biennial Assessment and Overview of Climate Finance Flows Report, prepared by the UNFCCC Standing Committee on Finance, available at <https://unfccc.int/topics/climate-finance/resources/biennial-assessment-of-climate-finance>



Table 1: Mapping of Rio Markers, MDB climate components and TOSSD climate change flag

	Adaptation	Mitigation	TOSSD flag
Rio Markers	Principal or Significant objective	Not targeted or NULL	Adaptation
Rio Markers	Not targeted or NULL	Principal or Significant objective	Mitigation
Rio Markers	Principal or Significant objective	Principal or Significant objective	Adaptation and Mitigation
MDB Climate Component	> 0 (USD)	NULL	Adaptation
MDB Climate Component	NULL	> 0 (USD)	Mitigation
MDB Climate Component	> 0 (USD)	> 0 (USD)	Adaptation and Mitigation

Issues for discussion

- Do Task Force members agree with the use of the operational definition of climate mitigation and adaptation contained in paragraph 10?
- Do Task Force members agree to identify the climate change information through a multiple-objective data field (paragraph 11)?
- Do Task Force members have any comment on the proposed mapping in paragraph 12?