

Comments on the TOSSD compendium - DCD/DAC(2016)35

The Netherlands, 17 June & 15 July 2016

DAC - TOSSD compendium – preliminary comments by the Netherlands, 17 June 2016

General remarks and definition of TOSSD

1. The Netherlands thanks the Secretariat for its hard work and for the opportunity to comment at this early stage. We agree to some of the basic principles: TOSSD is complementary to ODA and should not replace ODA; it includes private sector flows and other resources that support development in developing countries etc.
2. We feel the concept is still in its early stage. We do not feel a full fledged proposal can be presented to the DAC SLM, since time is too short for consultations with all experts and actors involved. We run the risk of agreeing on an opaque concept and a complicated governance system, while we do not understand their possible impact.
3. We propose that DAC should strictly adhere to the definition of TOSSD as a statistical measure to measure officially supported, cross border resource FLOWS i) targeted at efforts to achieve the SDGs in developing countries, ii) aligned with developing country development priorities and iii) in conformity with UNIVERSALLY ACCEPTED MULTILATERAL standards, principles and rules.
Each of these criteria has then subsequently be DEFINED in the compendium in order to be able to determine eligibility. The current draft of the compendium does not allow for a clear understanding or for determining eligibility.

The definition is currently not applied consistently throughout the document.

- (1) As regards the nature of TOSSD as cross border 'flows', we are surprised the text already in para 13, page 7, second bullet point, departs from this idea ("regardless of whether the support gives rise to cross border flows").
- (2) Page 9. Questions in box, 3e bullet point: Capture results: do we want to measure results if they do not count in deciding on eligibility? That makes it very complicated; it would make TOSSD more than a statistical measure. If we include results, the definition should be adapted. We should then no longer speak about 'flows targeted at efforts to achieve the SDGs', but about 'flows resulting in reaching the SDGs'. In the current definition, the intention suffices (input thinking).

On the principles.

3a. On the **definition** of TOSSD (page 5, para 7-8):

The definition and the descriptions throughout the paper create a risk that TOSSD will be an extremely broad concept. The challenge will be to limit it. If all SDGs are included, and all developing countries (that is, all countries except HIC) are included, and all kinds of flows and all sorts of recipient actors (not just governments) count, it seems we want to capture all financial flows to those countries, full stop.

Furthermore, we think the criterion of conformity with international standards is vague and will be hard to implement, although we agree to its spirit ("iii) in conformity with international standards*, principles and rules", page 5). In addition, it is unclear who decides what will be included, also because only donors are asked to report on TOSSD flows. I agree it would be good, but will we then exclude projects/funds that are not human rights

proof or WTO compatible? How about environmentally sustainable and socially responsible? This raises the question whether we are trying to establish a political and normative category, rather than a statistical standard.

Following the questions in box, page 9, 4th bullet: what international standards? We propose to use UNIVERSALLY ACCEPTED, MULTILATERAL standards, to include efforts by donors who have not agreed to the standards that are meant (eg China, OECD instruments). They also need to be multilateral, since we are considering only OFFICIAL flows. E.g. the Equator Principles will not be acceptable to all countries. A suggestion: learn from the EU's Everything But Arms initiative, that in its annex VIII contains a list of relevant international agreements.

In the phrase "the preponderance of benefits is destined for developing countries", the word preponderance is odd, perhaps you mean 'bulk' or 'majority'.

3b. On the **relationship of TOSSD to ODA**, we are afraid TOSSD may become a container concept for everything that is not ODA, because the compendium allows for many categories of flows (even non-financial resources).

What happens if we decide not to report our PSI/DFI's output as ODA, while the reporting rules say it is ODA? Can we report it as TOSSD and will this be accepted by all actors?

Para 14, last bullet point, a point of correction: ODA is not only characterised by the level of concessionality, but also by the level of additionality (for PSI).

Page 15, figure 4: we feel the figure and the terminology used are confusing. In the light of ODA modernisation, it is not clear how all of the terms correlate.

On scope, **boundaries, motivation** and intentions (page 12-14, 17), self-interest and mutual benefit: the text seems to suggest that if the intentions of the donor are – according to the donor - said to be good, you can count it as TOSSD. That is hardly limitative. For instance, para 39 (page 16) is far from ODA, and trade and private sector flows hardly ever have socio-economic development as their main objective. Also, the SDGs are so all-encompassing that they do not provide clear boundaries (page 18, para 46, third bullet point).

The inclusion of peace & security and global challenges ((page 18, third bullet) begs the question who decides which flows are in line with international standards (see remark * above).

3 and 4. Reporting system and measurement framework

3. On the **donors' and recipients' perspectives** (section B, page 17 ff), it is unclear how the two relate. Are they complementary, like pieces of a puzzle, or is there significant overlap?

Recipients are asked to provide information, yet only donors are obliged to report on TOSSD flows. There seems to be an area of overlap and a risk of duplications in reporting. Para 90 (page 32) on in-donor questions raises the question whether the providers' perspective is something else than a TOSSD report.

In our view, the difference between *provider perspective* and *recipient perspective* does not really matter. Simply reporting the flow of funding would mean recording the recipient perspective. If you measure the donor effort in ODA, ODA (mostly) represents the provider perspective. Thus, TOSSD is the recipient's perspective, and ODA is the provider perspective.

One area of possible duplication in reporting would be flows to and from multilateral institutions: Voluntary Contributions can be reported both by the donor and the institution, as well as by the recipient.

Finally, the question comes up what happens if donors and recipients report differently and disagree.

On the recipient perspective: who is considered the recipient and who can report? Central governments only? Para 49 mentions all external flows that reach the country. Yet the document speaks about recipient governments mostly. Are NGOs, private sector, individuals, also considered eligible recipients?

4. The proposals on the **governance** arrangements and measurement framework (para 19, page 8) seems elaborate, heavy, broad and difficult. They will be difficult to execute if the concept remains as broad and ill-defined as in the current proposal.

5. More specific.

Policy and technical issues: *Responding to your points.*

List of eligible countries and providers (Section C, page 20 ff) – TOSSD will be very broad if you limit developing countries only by saying all non-HIC are eligible. We should start from the list of ODA-eligible countries, which is equally broad, and then try and see if we could limit the list, for instance by having countries opt-in rather than opt-out.

We do not agree with para 61 that HIC should explicitly be considered as recipients (page 22-23). Let us focus on developing countries (LDCs, LICs and MICs).

Taxonomy of all **financial instruments** and inclusion of mobilisation of private finance (para 65): the proposal is very liberal; and the limits are unclear, so who decides where they are?

Para 57: would there also be a list of NGO's and Foundations who implement TOSSD activities?

Para 71 ff: what to measure? We agree with your proposal to focus on direct **mobilisation**.

Para 74: what would be done with the information on amounts catalyzed? If you include this in TOSSD, the concept and amounts may be extremely large.

On **multilateral support** (para 84 a.o.): when donors provide Voluntary Contributions (often earmarked), they can be reported both by the donor and the institution, as well as by the recipient, but with different amounts (e.g. depending on whether you include overhead/transaction costs).

On **Purchasing power parities**, page 33-34, it may be a useful proposal, but it seems a separate exercise, assessing the net worth of the flow, and therefore a judgment, rather than reporting about the flows per se. Using the PPP for all TOSSD data would provide a distorted picture, interpreting data in a way that we are not used to.

DAC - TOSSD compendium – further comments by the Netherlands, 15 July 2016

These comments are additional to our earlier comments.

I. General comments and alternative approach

We recommend taking a much narrower approach, focussing on the measure as such. The current compendium, including two different perspectives and various complicated figures, is too much dispersed and confusing.

TOSSD should offer insight into all official flows to developing countries, which various partners in those countries can use for promoting sustainable development. Recipient countries should commit themselves to dedicating all TOSSD resources for sustainable development. The intention of the recipient is relevant in this respect.

The provider's intention is not relevant; and neither is the donor effort (which is reported as ODA). The ODA flows (explicitly not the donor effort) are part of TOSSD, but also all other

official flows towards developing countries, regardless of their objective, intention or primary focus.

- In this proposal, TOSSD always represents the recipient perspective. ODA represents the donor perspective. The grant equivalent does not come into play in TOSSD; it is related to ODA only.
- Just like in your proposal, we think the provider country should report on the official flows, for the benefit of the recipient country.

The recipient's responsibility (commitment) is to ensure the flows are used to promote sustainable development.

- Multilateral organisations will also have to provide insight into their flows to developing countries, from core contributions and non-core programmes. NGOs/CSOs should do so, too.
- Donors will not be asked to provide information on what intermediary recipients (multilaterals, NGOs etc) do. We can only provide information on direct flows.
- Loans will only be reported (by provider/donor countries) in terms of flows (rather than grant equivalent) to specific developing countries.
- We recommend leaving aside the issues around Balance of Payment and Purchasing Power Parities.

In conclusion, we do not think the current concept and compendium can provide the solution. We think it is too complicated, based on two conflicting thoughts; an ODA-like provider's concept and a wider flow-based concept with a recipient' perspective. We suggest only building upon the latter.

II. Specific comments and questions

These comments apply if you decide to continue working on the compendium, rather than changing the approach as suggested above.

We think the text is insufficiently clear about

- The provider: who it is and what their responsibilities are
- Reporting obligations
- Grant equivalent based versus flow based approach
- Cross-border nature vs Domestic Resource Mobilization
- Intention, purpose:
 - o National priorities and/or SDGs as explicit goals
 - o Religious and cultural motivations vs international standards and principles
- Attribution:
 - o Of contributions to multilateral institutions
 - o Of mobilised funds

Part I.

Definition, page 7: what 'officially supported' means becomes clear only on page 20:

governments and public corporations. That is rather late, because it is very important. Perhaps you should add somewhere in the beginning that wherever you say '**provider country**', you mean its government (agents) in the broad sense. The current use of the terms 'provider', 'provider country' and 'provider's perspective' creates confusion. Sometimes, it seems as if the private sector (in the provider country) is included.

Definition, continued: we agree with those who have said it is necessary to describe what is meant by 'the majority of benefits'.

Box 2, page 8, second para. The text mentions 'granular project-level information'. If the idea is that only providers will report data and submit information, it may be hard for the developing country to get access to granular project-level information on the projects in their country.

Page 8, third para. 'Without creating additional burden of data collection at country-level'. Similar to the above, it may be hard to distill and aggregate country-level information, if the system is filled with provider data.

Para 12, page 8-9. I don't see how information about the full financial implications of finance to borrowers/recipients will be disclosed.

Para 14, page 9. **Recipient perspective**. If only providers provide data and information, who will track all cross-border resource flows? Who will collect the data from all relevant provider institutions? Could this be done by an automated system or does a statistical expert need to compile and aggregate data?

This para and para 46 and figure 6 (pages 19-20) suggest that only **cross-border flows** are measured (see also paras 50-51). How can that be if Domestic Resource Mobilisation is included? Does the latter then only consist of taxation of citizens living abroad or pensions and subsidies coming in from third countries, such as the ones from the Netherlands to Morocco?

How can providers contribute to the insight into flows entering a country? As Theo said: for instance by reporting on the pensions and subsidies, although they are not intended to support the implementation of the SDGs.

Figure 6, page 46, continued. How can 'all other cross border flows' (G) be included? That would be an enormous amount and intraceable. Probably the volume of this flow (G) is limited due to the TOSSD definition and criteria (cf figure 7, page 23): SDGs implementation as an intention and developing country's priorities.

Para 18, page 10, **monitoring**. How can a framework be self-regulatory? Monitoring and measurement as described in paras 18-21 seems very heavy and complicated.

Para 20: 'data reported' - by providers?

Para 21: developing tools and processes, **measurement framework**, governance and management arrangement seems heavy and complicated. Including finance from other actors (last bullet point) will be very difficult too; how could it be done, who will provide the data, who will check it, who will aggregate and edit the data? We risk setting up another bureaucratic monster.

Page 11, in response to the questions. Capturing **quality** considerations will be very hard, because who will be the judge of quality? Similarly, integrating and monitoring standards and principles will be hard, since they tend to be politically coloured. You would need a fulltime expert working on those issues (quality and standards)... A technically competent governance arrangement can only exist if you have technically competent experts working on it and keeping the system alive and updated, constantly... Too heavy.

Paras 32-33, 35: it will be very hard to distinguish projects objectively on the basis of their **motives**. A project can be religiously motivated, i.e. the provider assumes promoting his religion will benefit the development of the recipient, but measured against human rights or other standards and principles, the project may be at odds with them: e.g. in the field of women's rights. Also, ethnical or religious bias in projects may discriminate against other groups in the country.

Page 16, in response to the first question: yes, but please clarify whether this is true only if activities have the SDGs as an explicit purpose (compare figure 7, overarching first question).

To the second question: be clear whether the purpose or the impact is the criterion. The text is confusing, as is.

Para 44, page 18, and second question: what is trade finance? Public funding promoting trade would only qualify if it meets the criteria (cf figure 7). It will be hard to define boundaries, apart from those criteria.

Para 46, page 19, provider perspective (and para 48, page 20). Cf my remark above: clarify earlier on whether provider country means government (institutions) or other.

Para 46, page 19, recipient perspective. Cf the remark above: how does the cross-border nature of flows relate to the fact that you want to include DRM?

Figure 6, page 20: see the remarks above. Clarify how 'cross border share' of G and H can be measured.

Para 48, page 21. Direct **linkage to the SDGs** (intention to support the implementation of the SDGs) is on the one hand hard to prove, but on the other hand, the SDGs and 2030 Agenda are very broad so providers can fit many activities into that framework. Who will assess objectively what qualifies as TOSSD?

Norm-setting is often politically coloured and this category may prove contentious.

Paras 50-51, page 21. See remarks on cross-border nature above.

Para 51. How will remittances be captured, if at all? Providers can probably not report/map them, either.

Para 53. More than 90% of our ODA is not attributable to a country. Excluding those flows may be OK, but please realize that TOSSD may not amount to much if flows need to be country specific; that applies even to private sector flows.

Footnote 22, page 21. How do you know whether FDI has been mobilised by public funding?

Para 54, page 22. Can reflows be captured? By whom and how?

Para 55. Who can record and connect up diverse data systems?

Page 23. Figure 7. As Theo van de Sande said at WP STAT, it may not be useful to relate TOSSD to **activities**.

Also, SDGs are not explicitly an objective in most ODA activities.

If you strictly apply the criteria/questions, you will end up with only a subset of ODA in your TOSSD. Recipients are interested rather in flows coming in, not just activities with the SDGs as an explicit aim which are in line with their priorities/national plans.

Page 24, para 61. Using more than one **multi-dimensional** set of criteria will make TOSSD very complicated. Also, using criteria other than GNI may result in very strange rankings, eg there is a lot of inequality in USA and HIC/MIC Latin American countries. That does not mean we want to support them though TOSSD (or ODA).

Page 25, para 63. The work described reminds me of OECD Governance work. Would OECD support to Latin-American MIC and HIC qualify as TOSSD? Elsewhere the document mentions Brazil as a donor and recipient of the Mercosur Fund (para 34, page 15; note: the same applies to GEF, for instance) . Do we want TOSSD to capture net flows only?

Page 25, para 64. We need to discuss whether we want a list of **TOSSD-eligible countries** and whether it would be the same as or different from ODA-eligible countries list. Eg Chili and Uruguay (HIC) want to remain eligible for support...

Page 27. This figure 8 shows how complicated the flows are. How would you aggregate such flows and report them under TOSSD?

Page 28-29: **Mobilisation** is very hard to measure. The MDBs have rightly said at the DAC that **attribution** is hard to determine. Allocating mobilisation shares will therefor also be very hard.

Pages 32-33, treatment of resources mobilised: a very large share of contributions to MDBs and UN organisations is through voluntary contributions (VC) rather than assessed contributions (AC). How will you capture them?

Para 88: If you calculate/report the effects of the initial contributions, including funds mobilised, they will be forever counted, without any further donor efforts. It will inflate the TOSSD 'performance'.

Page 30, second question: who will provide the detailed project information?

Questions on page 34: Answer to the first one is no, VCs are excluded in the proposal. 2nd question: Callable capital should be excluded because promises/commitments do not mean inflows into the recipient country.

Para 95. Using the **Balance of Payment** seems very complicated; can it be done?

Page 34-35, **PPP**: the use of the measure, although it may provide useful insights, may lead to politically sensitive or subjective information. What would be its value added for the TOSSD framework and concept?