COMMENTS on TOSSD Compendium

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First of all, thank you for the invitation to provide comments on the concept development of this new measure and for issuing an excellent document that explains the emerging concept - another demonstration of the OECD/DAC Secretariat's great strength in providing a good basis for discussion.

The following are my personal views from the perspective of a long-time Austrian statistical reporter and WP-STAT delegate as well as Bureau member. My comments, in line with my personal/professional experience, therefore reflect provider perspective. They do not represent Austria's position, although our views may converge in various areas.

On questions page 12

- *Are the objectives of the TOSSD measurement framework clear? What elements of the stated TOSSD objectives could be sharpened?*
- *Is the distinction between ODA and TOSSD sufficiently clear? If not, how could this be clarified further?*
- *How could TOSSD capture results and/or investment quality considerations (e.g. jobs created, technology improvements, energy cost reductions, etc.)?*
- *What international standards and principles should be integrated and monitored in the TOSSD framework?*
- *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?*

Bullet 1:

The objectives of the TOSSD measurement have been explained clearly and are plausible, however, in part overambitious. The narrative (e.g. para. 12) nurtures expectations that TOSSD will actually provide the complete financing picture and capture all components of complex projects with multi-source financing. Data collections in response to partner countries' requests for input to government/local aid management databases have shown how extremely difficult this can be in practice and how incomplete and inconsistent data have resulted in several cases, even for ODA. For finance from private sector sources, where confidentiality issues come into play, this can be expected to be a much greater challenge still. An ambitious long-term vision is fine, but it is more important at this stage to build confidence in the new measure, to strengthen trust that it will deliver robust, trustworthy information – maybe on a somewhat smaller scale first – than at once go for a global cover-all solution that delivers weak information. A realistic, credible picture of what TOSSD can do should be presented and, yes, that it would capture a much broader array of finance than ODA and in the long term would go for completeness, but that it would start on firm ground and expand further when intermediate stages have been consolidated. A good idea could be threatened by overselling it with "promises" that cannot be met.

In particular, the ascertainment that TOSSD would capture all components of complex projects (para. 12) seems an overstatement. It may be possible in individual, "ideal" cases (e.g. where multilateral organisations manage projects), however, there are so many other real-life cases where access to complete information is extremely difficult. Again, this is not to say that striving for a complete picture should not be a long-term objective, however, the TOSSD narrative should convey the idea that the measure will start out from a realistic basis. To be successful, gathering this type of information will have to happen in recipient countries largely (where projects take place) – and this will require much more capacity building than currently undertaken for data collection and management. It must be clear that recipient countries will have to bear a significant share of the data collection burden in this area.

Bullet 2:

The difference between ODA and TOSSD has been made clear with regard to TOSSD not being intended to supplant ODA. The narrative, however, at times gives the impression as if ODA and TOSSD were completely different measures with entirely different functions. What does not come through clearly is that ODA, conceptually, is a part of TOSSD, with the same function of being "official support for development" but with some specific characteristics. ODA is intended for development by definition, and if TOSSD is to give the full picture of development finance, ODA must be part of it. That some ODA (e.g. in-donor flows) would not be measured at recipient inflow point (because they never pass that point of measurement) or that, when doing the arithmetical calculation of TOSSD, provisions must be made not to count overlapping parts twice, are different issues that do not affect this basic idea.

The distinction could be sharpened by explanations that the ODA definition is based on <u>motivation</u> (i.e. financing <u>intended</u> to foster economic development and welfare), while the emerging TOSSD definition could be based on <u>relevance</u> (i.e. financing relevant for, enabling economic development and welfare). While the motivational test for ODA is problematic to begin with (subjective, lack of proof and - what action is actually driven by only one intention?), the relevance for development is easier to establish and verify (because it should be based on collective agreements when defining TOSSD eligibility). TOSSD is a measure that would cover finance highly relevant for (expected to have a significant impact on) development but excluded from ODA for "motivational" or other definitional reasons. In quite a few OECD/DAC meetings, representatives from partner countries expressed the opinion that they don't care whether providers call finance ODA or something else, it's the relevance, concessionality and other terms/conditions of finance that count for them. TOSSD should fill the gap that the ODA definition leaves in capturing development finance – it should be defined as finance <u>relevant</u> for development.

(As a side note on the language in the ODA definition referred to above: the wording "economic development and welfare" in the ODA definition should be modernised – in line with the terminology used in the new SDG framework – to "economic development and <u>human well-being</u>".)

Bullet 3:

TOSSD should, in the long run, link finance (input) to results as mentioned in the above question/bullet 3. However, this is one example of where TOSSD should expand further once a system is in place that delivers on giving a more complete picture of finance input. Critics often take a swipe at ODA, or recently TOSSD, as being input-biased instead of results-based. Well, yes, to start with cost, when doing a cost / benefit assessment (which should be a standard for development activities as well, not only business activities), is natural – and cannot be missing in the equation. ODA and TOSSD are clearly conceived as measures for input, and rightly so – after all, providers have made (global and/or individual) commitments to make certain volumes of financing available for development, how then could a measure for monitoring these promises not be designed to capture input? Results measurement requires a different approach with different instruments. No single system can deliver on both. But what the TOSSD measure can attempt is to provide the basis for linking input to results measurement by incorporating a unique project/activity identifier (an all but simple task that will require great coordination efforts)

Bullet 4:

My comments in response to this question relate to the quantitative side of TOSSD only, i.e. to standards in regard of definitions, eligibility criteria and statistical classifications (comments on qualitative standards are left to experts in that area). TOSSD should build on definitional standards and classification lists of OECD/DAC (e.g. ODA/TOSSD recipient countries, sector/purpose, type of finance, list of ODA-/TOSSD eligible multilateral organisations etc.), these should be adapted for TOSSD accommodation as necessary, but no "parallel" classifications should be created for TOSSD. The reason for this being simply that these classifications are well established and well-matured, tested and proven in practice, routinely and effectively maintained – and have become the recognised "gold standard" in the area of development finance statistics. A lot of experience, technical skills, time and labour have been invested – and have produced a quality system. Not to draw on this wealth, but starting afresh for TOSSD, would be unwise, to say the least. I have a strong view on this, because I have seen too many grandiose failures of attempts at starting new statistical systems or databases from scratch under the wrong assumption that they could do without fundamental definitional work – or that these are a walk in the park.

Bullet 5:

My ideas on a governance arrangement are not elaborate enough yet to draft a clear vision, however, I have a strong conviction that technical expertise in the area of definitional and classification work, data compilation and evaluation must be represented prominently in whatever the governance arrangement chosen. The TOSSD measure should not only be decided and developed further by political representatives based on political considerations, but should ensure equal participation by technical representatives to ensure technical integrity of the measure, which is equally important. I could mention examples, where the imbalance between political and technical considerations led to unsustainable measurement solutions that had to be dropped after huge initial investment.

Questions page 17

- *Can it be assumed that all activities with a developmental purpose currently eligible as ODA also qualify as TOSSD?*
- *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?*

Bullet 1:

Yes, as explained above (see bullet 2).

Bullet 2:

Yes, if they are collectively agreed to be relevant for development. I consider the assumption (pretence rather) that ODA is purely development-motivated a wide-spread self-deception by providers. Because ODA finance, of course, also caters - at least to some extent - to providers' self-interest. Just look at the mandates of bilateral development finance institutions, for example, that often reflect a dual purpose (fostering development and opening up markets), with parts of the finance they provide defined as ODA although it also emerges from that dual purpose. TOSSD should leave the swampy terrain of "purpose-based" and go for relevance (i.e. expected impact). What is relevant should be determined by collective agreement based on a common understanding of developmental relevance, not by individual providers themselves. This is intended as a safeguard against development or social welfare being used as a pretext or vehicle to spread religious beliefs or political ideologies.

Questions page 20

- *How could boundaries for mutual benefit activities in TOSSD be defined?*
- *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?*

I don't feel expert enough to comment on these questions.

Questions page 23

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

Bullet 1:
An element I find missing in the provider TOSSD measure is to incorporate design elements that incentivise, not discourage, TOSSD finance and activities. This may have been left out intentionally for fear it could lead to crowding out of ODA shares in provider budgets. However, it would be a real shame to hinder provider engagement in TOSSD activities that are highly relevant in meeting global challenges (e.g. climate change, security, refugee crises etc.) that can, by no means, be financed by ODA alone. Failing to give credit to providers for engaging in relevant activities (with finance and expertise) will discourage their endeavours. After all, a main function of statistical measurement, in addition to providing a facts base, is to provide a fair and visible assessment of efforts and progress made. This aspect would merit some additional attention. Dangers that the political and budgetary focus could shift from ODA to TOSSD should be met by other safeguards than not to give proper credit for TOSSD. Also, the narrow definition of ODA in some cases has led to the contradictory situation that a share of financing for one and the same activity can be ODA (as defined) while a complementary share is excluded altogether from statistical recording as "non-developmental". This seems absurd, because it is the <u>activity</u> – not the financing elements – that is either "developmental" or "non-developmental". While some financing shares may not meet the ODA definition, complementary shares should at least be captured as non-ODA development finance (e.g. TOSSD).

Bullet 2:
For recipients to comment on.

Questions page 25

- *What additional criteria for the decision tree could help further define the boundaries of TOSSD-eligible activities at country level?*
- *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?*

Bullet 1:
That the activity is a relevant contribution to and has an expected positive impact on meeting one of the global challenges could be an additional criterion. E.g. if an activity contributes to improving (or

mitigating effects of) conditions in the area of peace and security, human rights, climate change or refugee crises in developing countries mainly, then it should be eligible for TOSSD.
A criterion in the decision tree I find problematic is the item "Is the activity aligned with the developing country development priorities?", because it is fuzzy. How would this alignment be established - on what grounds? By requiring that the activity is (explicitly?) mentioned in development plans? Development plans tend to set priorities for the next, say, 3 or 5 years. Support for SDGs is a longer-term issue, and activities may be relevant for SDG implementation but not be mentioned in development plans. As mentioned before, relevance for development and human well-being and SDG implementation should be the criterion – and this relevance should be agreed on collectively in TOSSD governance fora (it should not be left to individual providers).

Bullet 2 & sub-bullets:
The definition regarding TOSSD eligibility should not be strictly limited to wording of SDG goals and targets, but consider the broader context of the global challenge in question. For example, in the context of migration, the SDG text *(Goal 10 and pertaining targets, in particular target 10.7 "Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies")* does not clearly enough address provider action in dealing with global refugee crises, which can only be solved if both the sources and receiving ends of migration take adequate action. Further analyses and discussions should be undertaken in all four mentioned areas to elaborate appropriate, detailed eligibility criteria. Existing fora (e.g. the DAC Temporary Working Group on refugees) could be used to advance work on proposals, not only for TOSSD eligibility criteria but also for the highly important delimitation between ODA and TOSSD in these areas, which could then be discussed more broadly.

Question page 28

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

Probably not, although this taxonomy provides a very good starting base, but the array of financing mechanisms, especially to foster private sector activities, is constantly expanding and new, innovative instruments are emerging. Methodologies and criteria have to be developed on how quantification should be handled for these instruments, particularly in relation to non-flow-types like guarantees and other risk-sharing arrangements.
Awareness should be raised that any taxonomy in any measurement framework requires permanent "maintenance work" (adaptation to new realities) to keep the measure relevant and credible – to counter the popular misconception that once in place, a taxonomy will do the job for a very long time, if not forever. Who is to take responsibility for this maintenance work would be a key question to be dealt with when agreeing a TOSSD governance arrangement.

Questions page 31

- *When measuring mobilisation in TOSSD from the provider perspective, should the resources mobilised be included in the measure or presented separately?*
- *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?*

Bullet 1:
Definitely, mobilised <u>private</u> resources should be presented separately. Austria's official position and my personal views are very likely to converge on this question, because of the shared experience.

The political implications are that Austria's private sector (both NGOs and private businesses) react very sensitively when fears seem justified that their efforts and contributions are being "hijacked" by the official sector. If contributions by them considered as "mobilised by official interventions" (discussion here e.g. on tax exemptions for engagement in specific areas) would simply be subsumed under the title TOSSD (TOSSD after all is a measure for official contributions, as the "O" in the acronym clearly indicates), the basis for cooperation towards a common agenda would be ruined. As mentioned before, any provider – be it a country or a community or an individual entity – will be discouraged to engage, if their contribution is not receiving adequate credit and visibility (attribution).
There is a technical side to this position as well: Items of a very different nature should not be "mixed" (aggregated) into one headline figure, because the meaning of that figure would become blurred. Mixing finance provided directly and finance deemed to have been mobilised by policy interventions would be detrimental to both a clear meaning and credibility (insinuations that this is being done to embellish headline figures would follow immediately).

Bullet 2:
As mentioned before, to capture the totality of cross-border flows, including complex projects, is a very challenging task. Confidentiality is a major obstacle to gaining access to necessary (even general) data when private-sector actors are involved, which will be the case for most large infrastructure projects. Lack of capacity to handle the great coordination effort required for identifying all contributions as belonging to the same project (often with project delimitation difficulties) is another obstacle. Sources that could be tapped are either the entity responsible for overall project management, or the central/local government in cases where governments take a strong role in project identification and management. However, for countries with weaker institutional frameworks (which will be the ones that would actually be more dependent on international TOSSD inflow data) strong engagement by the official sector in data collection at country level may not be feasible. Special pilot studies could deliver insights into how capturing the "complete" financing picture of complex projects should be tackled to be successful (and such pilots should include other projects than those managed by multilateral organisations where access to information is easier).

Questions page 34

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

Bullet 1:
I am not sure I have a clear and correct understanding of this question. Is it talking of inflows to multilateral organisations or inflows to recipient countries? Whatever the case, attribution of general contributions (e.g. unearmarked = core contributions or even broadly earmarked contributions) is extremely important for providers (for sure not only for Austria), because providers need to know how much of their financial input is spent e.g. on Africa, Least Developed Countries, climate finance etc. in order to monitor their own targets. If we are talking about counting imputed shares instead of actual contributions (inflows) to multilaterals, there will be a likely discrepancy between financial effort made at the time and the outflow imputed back (because of a significant time lag from contribution to outflow and, maybe more importantly, a reduction in actual volume due to administrative/management cost by the multilateral organisation not recorded as outflow). This

question requires further thorough consideration, because it affects provider performance significantly.

Bullet 2:

Colleagues from responsible authorities can give better answers on this question.

Questions page 36

- *Would the "gross" basis be the most appropriate for publishing TOSSD data, supplemented by information on reflows for transparency purposes?*
- *Could the OECD methodology serve as an international standard for measuring mobilisation in TOSSD?*
- *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)?*

Bullet 1:

There seems to be a rather strong bias in favour of using "gross" basis for measuring TOSSD. However, so far I have not found any text explaining the rationale of this preliminary decision. Preliminary results of the Senegal pilot refer to confirmation of gross basis as well, for balance of payment considerations. Why would a recipient country be interested in the complete picture of (gross) inflows but would not want to know what finance is drained from the country in repayment of debt, disinvestment and the like, and what the balance (net figure) would be? This issue would merit some more open discussion, as there seems to be a rather strong interest by providers to avoid a situation where net figures could result negative for them (reflows exceeding new outflows in a given year). To capture reflows "for transparency reasons" may not provide sufficient coverage to calculate net figures, as this might be limited to certain flows (e.g. private sector instruments). TOSSD should, however, provide the basis for calculating net results in addition to gross (for all, not just segments of TOSSD).

Bullet 2:

Yes, OECD methodology could serve as an international standard. OECD is ideally placed to conduct methodological and standardisation work of this kind, because of long-time experience and great strength in facilitating and managing complex agreement processes. However, I would warn against beliefs that the basis of available methodologies is sufficiently broad already for measuring mobilisation in TOSSD. Not all financial instruments in use are covered yet – and new ones pop up. Austria, for example, has not been able to respond to related OECD surveys mainly for two reasons: lack of available methodology for instruments used (e.g. sub-participation in risk-sharing arrangements) and lack of access to necessary data (partly due to confidentiality issues). There is an additional aspect not to be underestimated: available methodologies are highly sophisticated and complex, and thus not easily handled by agencies extending these mobilising instruments, whose capacities are focussed on implementation and not so much on statistical reporting.

Bullet 3:

Yes, this is thinkable, but I cannot give specific comments at this point.

Some additional general comments:

Terminology:

The use of the term "flow" in the TOSSD definition may be misleading, since non-flow finance (guarantees/ risk-sharing instruments) is covered as well. Could "finance" be considered as an alternative?

On para. 92 (Treatment of in-donor costs):

Inclusion of in-donor costs such as imputed students' costs, development awareness spending, in-donor refugee costs, administrative costs and possibly other expenditures apparently are being considered for inclusion in the provider perspective of TOSSD (details to be discussed). But as a matter of principle, would this imply that such costs – or part thereof - included in ODA would be moved from ODA to TOSSD or that any such costs beyond what is currently included in ODA would be considered as TOSSD?