AUSTRIAN DEVELOPMENT COOPERATION

Summary of key issues resulting from TOSSD Workshop 30. August 2016 in Vienna

ADC`s[1] key messages derived from the workshop:

- Do not drop the providers' perspective
- Present private funds mobilised in a separate item as private sector contributions
- Need to discuss potential TOSSD components not sufficiently covered so far, i.e. a) export credits b) refugee costs c) UN-mandated peace missions
- Pay attention to practicability issues in new areas of data collection (especially private finance mobilised)
- Consider renaming TOSSD and safeguard ODA against being displaced
- Need for quantitative indicators that facilitate qualitative assessments (e.g. TOSSD distribution by income group to show poor-country targeting).

Part 1: Concept presentation and discussion

Austria's Foreign Ministry had invited OECD/DAC (represented by Ms Julia Benn and Mr Bruno Schoen) to present the emerging concept of this new, complementary measure with the working title TOSSD (Total Official Support for Sustainable Development) and to discuss it with representatives of the Austrian government, civil society and members of parliament. Representatives of other DAC members and emerging DAC members[2] had also been invited. Earlier this summer, OECD/DAC had issued a TOSSD Compendium explaining the emerging concept and state of development, which was submitted to the general public for comments until 9 September[3]. The Compendium had been sent to workshop participants in advance so that they could prepare for feedback and questions.

The **TOSSD concept was presented in three parts by the OECD/DAC** representatives:

i. Intentions of TOSSD and processes of developing it (Julia Benn)
ii. Key messages from pilot studies on TOSSD (Bruno Schoen)
iii. Status of development and discussion and milestones going forward 1 (for summary see attached PPP slides)

Short presentations by NGO representatives on their feedback to Compendium:

Globale Verantwortung: (umbrella organisation of Austrian developmental NGOs):

- Questioned the additional value of TOSSD as presented in Compendium
- Requested to rename TOSSD and revisit each letter of the acronym
- T (Total) - criticised emphasis on gross amounts (vs net disbursements) in measuring TOSSD
- O (Official) - private sector money needs to be separated from official funds and excluded from TOSSD
- S (Support) – is misleading term, because suggests "assistance" rather than mutual benefit; suggests to replace it by "flow"
- S, D (Sustainable Development) – since the SDGs address almost all activities, any activity could qualify, so who will be drawing the line?
- The political implications and incentives are not well considered. How will TOSSD affect ODA?
- Negative impacts are expected on core development cooperation

OECD/DAC response:

- ➢ TOSSD (working title) came from provider perspective, name could be changed completely

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[1] ADC: Austrian Development Cooperation
[2] Representatives from Hungary were present at the workshop.
[3] See: http://www.oecd.org/dac/financing-sustainable-development/tossd-public-consultation.htm.

- Gross vs net measurement: with a net measure, market-like instruments will come to zero; but net flows will also be captured all the way through for reasons of transparency
- Additional value of TOSSD was to improve the quality of available information on development financing beyond ODA
- Can agree not to mix private and public money
- The term “support” was used to replace “aid” – maybe call it “flows”
- Pending question is whether all of ODA can be considered “sustainable development”, i.e. addresses the environmental dimension (probably not)

ÖFSE – Austrian Foundation for Development Research:

Expressed general concerns
- Need to separate private and public flows
- Do not sum up development enablers to one total (validity and analytical value is questioned, will only inflate figures)
- Results and positive impacts of interventions may be captured in the long run, but what about negative impacts?
- Reliability of data is at stake, a breakdown by major components is necessary
- If there is no target for TOSSD, there is no comparison of performance: a ranking should be made based on quality indicators; safeguards should be included on “forgotten” targets/indicators (e.g. on aid to LDCs or on CPA – country programmable aid)

Part 2: Summary of key issues resulting from expert meetings

With the exception of item 3 (mobilised private finance), each discussion item was introduced by a brief presentation of the fiche describing the main technical characteristics of the item and main discussion points on eligibility for TOSSD (and ODA because of the close link); this was followed by complementing remarks from the responsible ministries/agencies, feedback and observations by the OECD/DAC representatives, and contributions by participants.

First, the function of the fiches was explained as: to provide some basic technical background of the component and how it is currently captured in DAC Statistics; notes on eligibility and SDG-linkage did not represent a final Austrian position but a first response on what should be considered and discussed - it represented <u>additional feedback on the TOSSD Compendium</u>.

Item 1 - Participation (with a contingent) in UN-mandated peace missions

In introducing the subject, the presenter stressed that contrary to the current provisions bilateral participation with a military contingent in UN-mandated peace missions with ODA-eligible activities should be eligible for ODA to the same extent (percentage) as multilateral (cash) contributions. The difference between the ODA-eligible share and 100% of total eligible costs should be eligible for TOSSD.

Ministry of Defence and Sports (incl. comments on compendium):
- TOSSD and ODA should be complementary and coherent with each other. The provision in ODA to use “military as the last resort” gives the impression that this should not happen in any case in a development context. However, TOSSD should be open for considering the role of the military in support of SDG Goal 16.
- Goal of TOSSD is to support the 2030 agenda – has ODA been adapted to do the same? (Issue raised also in other sessions – doubts were raised whether the “sustainable” in “sustainable development” is sufficiently addressed in ODA definition)
- Eligibility should be based on the activity, not the agent of delivery – recipient’s agents should not be excluded in principle (e.g. civilian demining carried out by recipient military experts should be eligible); the expected outcome should be the basis for eligibility (e.g. lives saved, mutilations avoided by demining)
- Activities that are expected to promote one of the SDGs but at the same time are expected to be counter-productive to any other goal (e.g. SDG 16 /to promote peaceful and inclusive

societies) should be excluded. For instance, support based on ethnic or religious motivation, as expressed in para. 32 and 33 of Compendium, might in some cases contribute to destabilisation rather than building peaceful societies.
- The list of TOSSD recipient countries might differ from the DAC List of ODA recipients. Countries that might currently, or in the future, be ranked as “upper middle income countries” still need support in the field of peace and security (e.g. North African countries). Especially when it comes to the risk of regional spill-over effects and the fact that insecurities often cannot be contained within the borders of the country concerned.
- On governance: If data collection/presentation is governed by different bodies (ODA by OECD / TOSSD by UN organisation) rivalry between the two instruments could be the result.
- It is also in the interest of the Ministry of Defence not to include “robust” missions in TOSSD generally. However, more activities have to be recognised as part of development if they fall under the mandate of UNSCR acting under Chapter VI and VII. Therefore, training for Peace Support Operations should be TOSSD eligible.

OECD/DAC Secretariat:
- For OECD members, OECD will be collecting and publishing TOSSD data; a concept (3 options) has been discussed in an informal TOSSD task force for a governance structure based on different forms of cooperation between OECD and UN agencies (ECOSOC, UNDESA)
- Ongoing work with UNDPKO to identify the cost share of ODA eligible activities carried out by military personnel - currently only DPKO missions are scrutinised, could be extended later to also cover other eligible mission (UN mandated but commissioned to NATO, EU, other regional). ODA coefficient is expected to go up from the current 7%. Could then possibly be applied also to bilateral participation with a contingent.
- Question raised on what would be the optimum level of reporting (i.e. who would be best-placed to report on what)
- Ministry of Defence was asked if it could provide a list of activities they thought should be excluded from TOSSD.

General discussion:
- Next Steps: Lisbon workshop on enablers for development and global challenges.

Item 2 - Export credits

In introducing the subject, the presenter stressed that Austria wanted to discuss this type of instrument in the context of TOSSD (so far only brushed, no clear position where they would be placed in the TOSSD context). Austria had the impression that the subject was avoided for reasons of political sensitivity but that this was not justified, given that export credits can be highly relevant for sustainable development. The two different types of instruments (concessional export credits and officially guaranteed export credit/guarantees for commercial export credits) were explained (see fiches).

Ministry of Finance & OeKB (Austria’s Export Credit Agency):
- Stressed the developmental relevance by explaining the different assessments and safeguards in place for each type of instrument (concessional export credits and guarantees for commercial export credits):
- No officially guaranteed export credit can be extended unless debt sustainability criteria are being met
- An Advisory Council (on which all relevant ministries are represented) conducts a comprehensive risk assessment, together with appraisals addressing sustainable lending, environmental and social sustainability criteria. In the future this assessment will also look at the contribution to implementing the SDGs.
- With regard to concessional export credits, in a second step, the Export Financing Committee furthermore assesses the expected developmental impact. A decision to support a project via concessional export credit is taken only if both Committees have recommended a project for this support.

- Highlighted that guarantees for export credits for military purposes or nuclear equipment are prohibited by Austrian legislation (which may be one of the aspects of political sensitivity)
- Highlighted that – although the initiative for financing comes from Austrian private sector actors (principle of application) – the initiative for the project itself often comes from the borrower country, e.g. when the export is a response to a bid an Austrian company has won.
- Ownership by and alignment with the partner country priorities can be proven by the fact that – with regard to development countries – in most cases no officially guaranteed export credit can be extended without a counter-guarantee by the borrower country government (which would not be given for an unwanted project).
- The fact that each project needs a private Austrian company willing to implement the project was mentioned to point out that the Austrian government cannot plan for or ensure specific volumes for specific periods, and that significant volume fluctuations may be experienced. However, this does not curtail project ownership by the recipient, as addressed before.
- The future reporting on debt relief needs to be further discussed. The Paris Club should be consulted as soon as possible.

OECD/DAC Secretariat:

- There was no intention to avoid the subject of export credits, but Austria would be well-positioned to bring this into the DAC and TOSSD discussions.
- Could see no reason why concessional export credits (“soft loans” in Associated Financing packages) should be excluded from TOSSD.
- For guaranteed commercial export credits this might be slightly different; the question was whether the described characteristics for the Austrian system reflected the general situation in OECD countries
- It was important for potential TOSSD eligibility that the initiative for a project comes from developing countries.
- This was not only a DAC issue but required consultations with the Export Credit Group.
- Transparency for TOSSD-eligible finance was an issue, therefore: at what level could Austria report?

General discussion:

- The working definition of TOSSD probably would need to be extended to accommodate officially guaranteed export credits. However, fact is that if sustainability criteria would not be met, cover could not be granted. Also, alignment with partner (borrower) country priorities is ensured if a government counter-guarantee by the developing country is required.
- Sustainable lending criteria and due social and environmental diligence criteria are applicable for export credits (incl. commercial) in all OECD member countries (parties to the OECD Export Credit Group), therefore these are not Austrian specifics (exclusion of military and nuclear equipment are Austrian specifics).
- Reporting on guarantees for commercial export credits could be on a semi-aggregate basis by country and broad DAC sector (3-digit), no company names or details that would allow inference of client identity could be given due to secrecy legislation.

Item 3 - Mobilised Private Finance

This subject was introduced in the form of an interview (no technical fiches) in view of this being a new area in DAC statistical reporting, some of the methodologies still being tested and developed. An OeEB representative was asked about OeEB’s experience in responding to the DAC surveys (on 2014 and 2015 data) collecting amounts mobilised in relation to private sector instruments. Each of the finance instruments for which DAC methodologies are available was addressed. (For details see text of the interview.)

OeEB (Austria’s Development Bank):

- Key experience in dealing with the DAC surveys was that it was a time- and labour-consuming exercise with small gains. Of around 100 projects currently financed by OeEB, only relatively small amounts of mobilised private finance could be attributed to just 6 projects. Although projects beyond those 6 for sure also had a mobilising effect, they dropped out of eligibility, due to the defined criteria. In addition, the Austrian law on Bank Secrecy and Data Protection limits the possibility of providing (detailed) data.

- For collective investment vehicles (CIVs), an instrument used quite often by OeEB, the eligible time limit was set too short. Data availability in case of larger, tiered CIVs is questionable.
- For syndicated loans, the logic of "additionality" needs to be reviewed, because OeEB mostly participates in syndicates amongst DFIs/IFIs.
- For credit lines, top-up loans by Local Financial Institutions is not common practice. The mobilisation effect for co-investments through end-borrowers' funds cannot be reported due to the practical difficulty of linking specific end-borrowers to a credit line. Beyond that, funds are fungible.
- OeEB does not extend direct guarantees. Eligibility of OeEB's participation in risk sharing arrangements with other DFIs should be included in the methodology. The beneficiary DFI of such partial risk coverage would need to cede the respective share of mobilised finance to the sub-participant.
- For complex project financing, the reportable shares of mobilised private finance are extremely difficult to identify either because of data availability issues or attribution to an individual contributor (OeEB in this case) without a high risk of double-counting, due to overlaps with other financiers.

OECD/DAC Secretariat:

- It was immensely important to see the challenges encountered by OeEB.
- It would be very good to have a practical example to underpin each instrument (or type of difficulty) (like EFSE mentioned for CIVs).
- The question was raised as to what were OeEB's alternative suggestions on how to collect data on mobilised private finance for instruments like funds (CIVs) or complex project financing.
- ODA and TOSSD reporting require a different granularity of data (ODA need details, TOSSD only at a different level).

General discussion:

OeEBs feasibility concerns mentioned in the interview regarding credit lines (see interview text) were challenged by a Ministry of Finance representative. The MoF representative questioned the non-availability of data for OeEB in case of credit lines and urged OeEB to request ex-post information needed for the resources mobilised from its financial partner or, in case of onlending, from the financial intermediary, at least in an aggregated form.

- MoF also questioned OeEB's argument on "crowding out" in case of syndicated loans with a significant private sector share. Following this rationale no leveraging of private sector capital would be justified at all. In reality, the task is to "crowd in" private capital by development finance.
- Suggestion by a participant: data collection on mobilised private finance for CIVs or complex project financing should be centralised to some extent in order to avoid double-counting and similar issues that weaken robustness and credibility of data (which was unavoidable if data were collected in a decentralised manner at the lowest level, like now from each contributor). Managers of CIVs or complex projects should report on mobilised amounts and attribution to contributors should be agreed.
  How could managers be won to do this? A possible solution: Financing contracts could include this reporting as a requirement. This would only be feasible if this requirement was backed by all financiers, not just a single one. (The EDFI group should take this issue up for discussion.)
- A participant from the climate finance department highlighted the importance of these data for the international climate finance agenda, since climate finance targets were based on the concept of "mobilisation". Robustness and consistency with DAC statistical data (great overlap) of climate finance was crucial for credibility of either set.

Item 4 - In-donor-country refugee costs

This subject was introduced by presenting the related fiche and annexes, highlighting that the intention was to focus on eligibility questions and not to have a technical discussion on the annexes (types of refugees and cost elements), but that the latter constituted key analytical work that was to reflect the very complex real-life situation; it would also serve as an input to the ongoing DAC discussion on clarifying and harmonising ODA reporting in this area. ODA and TOSSD were different but inseparable views on the same activities and financing for the same reason, they were communicating vessels.

MoI (Ministry of the Interior)/Ministry of Foreign Affairs (on eligibility issues):

- The MoI representative explained how the data are collected in their central database.
- Pointed out that, due to the cost-sharing agreement between the central government and the Länder (federal states), and also from a systematic and legal point of view, the 12 months limit for ODA reporting represents a reasonable reference point, because all costs for refugees whose application for asylum was pending for more than 12 months had to be borne by the central government alone.
- This cost-sharing agreement – and the related setting of agreed limits to daily rates for sustenance – probably explained why Austrian per capita spending was found in the lower bounds of the very broad range of per capita rates found in the surveys on DAC members.
- With regard to eligibility issues it was stressed that a narrative was badly needed on why such costs are included in ODA – and that official sector costs incurred under the same rationale (but exceeding the ODA limit) should be eligible for TOSSD.

OECD/DAC Secretariat:

- Explained that this was a problematic issue for some DAC members.
- Agreed that a narrative was needed and that this was an issue for the DAC Working Group on Refugees.
- The 12-months rule probably was derived from balance of payments practices (for balance of payments purposes, a refugee is considered a resident of the host country after 12 months), although this maybe is not documented.
- Highlighted the value of the analytical work, which should be submitted to the attention of the DAC Working Group.

General discussion:

- The ODA limit should be examined and, if confirmed, a clear reasoning should be given as to why it was set at 12 months.
- Austria intends to submit the Annexes 1 and 2 (on types of refugees and cost elements) to the DAC Working Group, together with comments on how clarification of the Statistical Directives and harmonisation of ODA reporting on in-donor refugee costs should be tackled, at the first meeting of the Working Group on 9 September 2016.

Wrap up of Expert Meetings (next steps)

- A summary of the meetings would be produced and made available to participants
- 9 September 2016 was the deadline for submitting (further) comments on the TOSSD Compendium
- 19-20 September 2016: Expert workshop in Lisbon - “Developing the TOSSD framework: measuring collective actions supporting sustainable development” (peace and security and other collective action)
- 10.-11. October 2016: DAC Senior Level Meeting
- Monthly: DAC meetings (next: 16. September 2016)
- DAC High Level Meeting: date not yet fixed, likely late 2017