EKF’s comments on TOSSD compendium

9 September 2016

EKF welcomes the initiative, which aims to cover a broader range of activities that support sustainable development in developing countries, and contribute to the framework for monitoring the means of implementation of the 2030 agenda. Moreover, we appreciate the opportunity to comment on the TOSSD compendium.

In general, we acknowledge the work, which has been put into the TOSSD compendium. However, from our perspective, the ambitions of TOSSD as well as the content of the compendium, raise four overall concerns, which we want to increase awareness of in the following paragraphs. Shortly, our concerns relate to the following:

1. Purpose of TOSSD
2. The process of implementation
3. The role of export credits - lines between foreign aid projects and trade finance
4. Data collection

1. Purpose of TOSSD

Reading the compendium leaves us with some uncertainty as regards the actual purpose and motivation of the exercise which can explain some of the inconsistencies throughout motiva\n- tion and objectives behind TOSSD.

It seems the TOSSD compendium wants to provide (i) an overall view of the resource flows in support of attaining the SDGs – thus requiring an overview of all types of flows such as development finance, trade finance, blended finance and private finance (is the purpose of TOSSD, i.e. how much goes to "support economic development of a country?) (ii) to be used to document how much is "development finance“ and can be counted as ODA.

In our view, “development finance“ and "flows for economic development” are two very different things and would change the scope, timing and process of the project considerably.

2. The process of implementation

First of all, we find the objectives, structure and proposed features of TOSSD very ambitious, since it aims to implement all the sustainable development goals and cover all resource flows at once. Indeed, we shall aim at reaching all the SDGs, however, we also see a risk of introducing a new and ambitious international statistical measure too quickly which could undermine the quality and credibility of the exercise. Instead, we suggest considering a gradual process which identifies one or two SDGs at a time in order to reach firm ground on the individual goal. Alternatively, concentrate on each resource flow at a time.

- In conclusion, we would suggest that a clarification of the purpose or goal of TOSSD will help in deciding on the process of implementation. We would encourage a careful and gradual implementation to ensure data quality.
2. The role of export credits - lines between foreign aid projects and trade finance

Dealing with trade finance and export credit data, our immediate concern relates to the undefined as well as unclear role of export credits. This links back to what is the purpose of the TOSSD exercise. This perspective also relates to the increasing confusion regarding the lines between trade finance and foreign aid projects.

As it appears on page 8, it is important to incorporate private sector finance in order to meet the SDGs. “Data on TOSSD will help facilitate co-ordination of investment and actions of public and private actors working together in shared pursuit of the SDGs”. However, it is difficult to see how TOSSD aims to incorporate resource flows from institutions with dual motivation such as DFIs and ECAs.

As it appears on page 32 (figure 10), export credits are not considered part of the TOSSD provider perspective. This is due to not all export credits meeting the conditions for eligibility as ODA - either because they are not primarily aimed at development, or because they are not sufficiently concessional (page 15). In addition, depending on the structure of PSIs, they may provide the same type of cover as an export credit, thus confusing the picture.

However, in other paragraphs the role of export credits might indirectly be considered as part of the TOSSD framework. It is written on page 27: “the framework would also reflect instruments that do not necessarily generate flow but may have a mobilization effect on private investment such as guarantee schemes”. We find this description very similar to the services that export credits provide.

Another example (page 8-9) is the finance of a water project in a specific developing country, which would call for a variety of financing sources and instruments (e.g. grant, a concessional loan, an export credit guarantee, private commercial finance and/or national budget resources). Today these financing components are not all connected in the statistical systems as a single project – they are reported separately. Statistical information collected through the TOSSD measurement framework will make it possible to capture the full scope of external officially-supported financing packages contributing to the SDGs.

We understand that TOSSD will involve a broadening of the traditional concept of ODA, by including market-like instruments and resources leveraged from the private sector. The consequences of this for trade finance have not been clarified in the process. The importance of export credits as a financial instrument has been pointed out in the compendium based on the Senegal case (page 42). However, as we have tried to exemplify, the role of export credits is unclear as well as undefined. Therefore, we suggest a further discussion of the following questions:

- The purpose of TOSSD (overall resource flows for economic development and SDGs OR development finance for SDGs)?

- How should the private sector and dual-motivation institutions be consulted in the TOSSD framework in order to meet the SDGs?

- If the aim is to for TOSSD to complement ODA, how do we best reflect the role of export credits in TOSSD?

3. Data collection

Finally, we hope to increase awareness of data collection. One of the ambitions of TOSSD is to increase transparency through more data collection. We welcome the ambition, however, we wonder whether it is possible. Therefore, we encourage the Secretariat to further discuss the following challenges:

- How will you ensure data collection from the private sector and take into account other reporting standards and demands?

- How to ensure that data collection takes already established data reporting into account?

- One of the ambitions of TOSSD is to collect all officially-supported resource flows, regardless of financial instrument used or levels of concessionality, from bilateral or multilateral channels including sources that
do not currently report to the OECD DAC. We encourage broader corporation in order to minimise the information gap, however, we urge the Secretariat to consider the quality of the data, and to what extent it will create a more transparent system?

- How should disciplines, standards, international rules and arrangements be integrated into the TOSSD framework (as mentioned on page 10)?

EKF looks forward to providing comments in future consultation rounds.

Best regards

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