



Definition of the second pillar of TOSSD

TOSSD Task Force Issues Paper¹

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I. INTRODUCTION

1. At the fourth Task Force meeting, members discussed the definition and eligibility criteria of Pillar II, and the delineation between the two pillars. As regards the definition, the Task Force generally preferred the concept of International Public Goods (IPGs) to the concept of Global Public Goods (GPGs), although some reservations were expressed. However, more specific guidance is needed to operationalise the IPG concept to avoid divergent reporting. The discussion also covered the general rationale and meaning of Pillar II, and the relevance of maintaining in the definition, in addition to the IPGs, the concepts of global challenges and development enablers. The Secretariat was requested to further analyse the interrelations between these concepts.

2. Regarding the criteria for determining the benefit to TOSSD-eligible countries of activities carried out in provider countries or globally, the Task Force concluded that the proposal needed to be further elaborated, notably to reflect the balance of benefits between providers and TOSSD-eligible countries.

3. In terms of the delineation between the two pillars, it was decided that priority would be given to Pillar I: cross-border resource flows to TOSSD-eligible countries would be included in Pillar I even if they support the provision of IPGs. The Task Force tested a decision tree and concluded that it needs to be adjusted to clarify a number of issues, in particular the exact meaning of cross-border flows.

4. This paper addresses all of these issues, and more specifically aims to clarify:

- the interrelations between the three concepts of IPGs/GPGs, global challenges and development enablers
- the coverage of IPGs and related development enablers in TOSSD
- the criteria for assessing the benefit of pillar II activities to TOSSD-eligible countries
- the meaning of cross-border flows in the context of TOSSD
- the delineation between Pillar I and Pillar II

II. Definition and eligibility criteria of Pillar II

5. This section analyses the interrelations of the concepts of IPGs, GPGs, development enablers and global challenges, and addresses the coverage of IPGs, development enablers and global challenges in TOSSD.

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Inter-relations between International Public Goods/Global Public Goods and global challenges

6. As emphasised in the Pillar II definition paper discussed at the 5th Task Force meeting², IPGs/GPGs and global challenges are strongly related. They both refer to issues that are shared globally and that need to be addressed globally. The concept of IPGs/GPGs emphasises the production side, reflecting the issue of undersupply due to free riding and the need for collective action to circumvent the inability of individual countries to provide the good alone. IPGs/GPGs are tools to address global challenges. This latter concept is broader than IPGs/GPGs in the sense that it incorporates the possibility of negative spill-overs.

How is the concept of development enablers related to IPGs/GPGs?

7. IPGs can be divided in two categories: i) final IPGs, and ii) intermediate IPGs which contribute to the provision of final IPGs. Final IPGs are broad outcomes or goals which bring direct utility (well-being). Examples are stable climate, clean air, peace and security, financial stability or the eradication of communicable diseases. Final IPGs are the product of intermediate steps that have themselves the characteristics of IPGs. Intermediate IPGs can be defined as the means to produce the final IPGs and in this way they can be compared to development enablers. Examples of intermediate IPGs are policy frameworks, regimes, norms, institutions, research, etc.

8. Intermediate IPGs (or development enablers) can be grouped into two categories according to the type of benefits they provide. First, there are activities which provide benefit in the form of reduced or eliminated risk, where the risk is generally a global challenge (reducing the risk of global warming, of a conflict, of financial shocks, etc.)³. The eliminated risk is non-exclusive and available for all to consume. Another group of IPGs/development enablers brings benefits in the form of enhanced capacity to produce IPGs. Examples are global governance, policies, harmonisation of standards or research.

9. Based on the above analysis, the following three definitions are proposed:

- **International Public Goods** are goods which provide benefits that are non-exclusive and available for all to consume at least in two countries. IPGs include GPGs and RPGs.
- **Development enablers** are the means which help produce final IPGs and which have themselves the characteristics of IPGs. They can be seen as intermediate IPGs.
- **Global challenges** are issues or concerns that bring disutility on a global scale and that need to be addressed globally.

² http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/TF%20September%20-%20Pillar%202%20-%20definition_11%20September.pdf

³ Reducing the risk of greenhouse gas emissions lowers the risk of global warming for everyone (GPG). Reducing the risk of a conflict, for example through peacekeeping or humanitarian action, decreases the risk of insecurity at a regional level (RPG). Reducing the risk associated with a disease brings benefits that can extend regionally or globally.

The coverage of IPGs and related development enablers in TOSSD

10. As emphasised at the fifth Task Force meeting, there is no international agreement on what constitutes IPGs and different actors have different interpretations (operationalisations) of the concept. First, given that most public goods are impure public goods, their identification as IPGs is often subject to debate. Moreover, there is no consensus on the categorisation of some areas as IPGs. For example, global norms on human rights are often controversial.

11. It is therefore important to recognise that the identification of some areas as IPGs is a political question. In order to avoid discrepancies in reporting, the general definition needs to be operationalised and agreed collectively. In this regard, it is proposed that the Task Force identifies a preliminary list of IPGs that can be complemented as discussions on specific themes progress. The task of monitoring this list can be assigned to the future TOSSD governing body or its technical steering committee. The Table 1 below provides a preliminary list of IPGs/GPGs and related development enablers classified by theme (based on a review of existing literature).

Proposed definition of Pillar II

12. Based on the above analysis, two options are proposed for defining TOSSD pillar II:

- **Option 1: Retain only the terms of IPGs and development enablers** and define pillar II as follows: *“activities that support the provision of IPGs and development enablers”*.
- **Option 2: Retain the three terms of IPGs, development enablers and global challenges**, with the proposed definitions in paragraph 10, and define Pillar II as follows: *“activities that support the provision of IPGs and development enablers and that address global challenges”*.

Table 1. Preliminary list of final IPGs and related development enablers to be included in TOSSD

Final IPGs	Examples of related development enablers (intermediate IPGs)
Peace and Security	Conflict resolution, peacekeeping, fighting international crime, fighting human trafficking and exploitation of persons, conflict prevention and mediation, humanitarian action, research and dissemination of knowledge ⁴ .
Global Health/ Eradication of diseases	Communicable disease control, generation and dissemination of medical knowledge, global governance and global norms on health issues, research and development of vaccines and preventive measures and treatments for the communicable diseases, universal access to quality health care.
Financial stability	International surveillance, global governance, harmonisation of norms and standards, research and dissemination of knowledge.
International trading system	International dispute settlement systems, regional trade integration, trade agreements.
Stable climate, clean air and protected biodiversity	Reduced greenhouse gas emissions, global governance and international agreements, providing sustainable energy for all, sustainable use of natural resources (climate, oceans, biodiversity).
Protected physical capital	Managing disaster risk and improving disaster response.
Global governance, including human rights	Multilateral organisations, initiatives to promote and protect human rights, initiatives to increase the voice of developing countries in norm-setting processes, democratic and coherent global governance mechanisms, good governance practices based on the rule of law.
Knowledge	International research, creation of new technologies, affordable access to technology and knowledge.

The issue of benefits to TOSSD-eligible countries

14. Regarding IPGs/development enablers provided at regional or global levels or in provider countries, the Task Force noted the need to have clear criteria to limit the scope to those activities that provide benefits to TOSSD-eligible countries. The Task Force also underlined the necessity to not

⁴ The proposed list of development enablers will be reviewed as part of the TOSSD pilot on peace and security.

inflate Pillar II. For example, the annual budget of the U.S. Environmental Protection Agency is about USD 8 billion, much of which potentially supports the provision of IPGs.

15. The initial proposal tried to bypass the complicated task of measuring the extent to which an activity benefits “mostly” TOSSD-eligible countries by introducing the notions of direct benefits and win-win international co-operation. Activities would be eligible to Pillar II only if they provide direct benefits to TOSSD-eligible countries or their populations (research against malaria, support to refugees, etc.), or indirect benefits through co-operation with institutions from their countries.

16. However, the Task Force was not completely satisfied with the proposed criteria and requested to explore ways to integrate the idea of balance of benefits. It also was proposed to introduce the notion of primary purpose into TOSSD Pillar II. Only activities whose primary purpose is to support TOSSD-eligible countries or their populations would be eligible.

17. The revised criteria could therefore read as follows: Activities implemented outside of the jurisdiction of TOSSD-eligible countries would be eligible if they:

- Provide direct benefits to TOSSD-eligible countries or their populations, and/or
- Are implemented in co-operation with TOSSD-eligible countries or their institutions, thereby ensuring the benefit to TOSSD-eligible countries or their populations. In the case of multilateral organisations, “in co-operation with TOSSD-eligible countries” means these countries’ membership in the organisation and their active participation in the decision-making processes.

18. It should be noted that TOSSD will collect information on flows both from traditional donors and emerging providers. As the latter countries will also be eligible as recipients of TOSSD, all of their domestic activities in support of IPGs (e.g. investments in renewable energies) could be regarded as providing direct benefits to a TOSSD-eligible country. However, the philosophy of the second pillar of TOSSD is to measure contributions to IPGs made by a country vis-à-vis the rest of the world. Therefore, purely domestic activities which support IPGs will have to be excluded even if they take place in a TOSSD-eligible country.

Issues for discussion

- **Do Task Force members agree with the proposed definitions for IPGs, development enablers and global challenges?**
- **Which of the two options proposed in paragraph 12 should be retained?**
- **Do Task Force members have comments on the proposed list of IPGs and development enablers? Should any of them be excluded? Should any other IPG or development enabler be added?**
- **Do Task Force members agree with the proposed criteria for assessing the benefit to TOSSD-eligible countries?**

III. Delineation of Pillar I and Pillar II

Meaning of “cross-border flows” in the context of TOSSD

19. At the fifth Task Force meeting, members requested further clarifications on the meaning of “cross-border flows” in the context of TOSSD, recognising that financing often involves multiple cross-border flows. The main objective of the TOSSD Pillar I is to provide transparency on the resources flowing into recipient countries in support of sustainable development. This implies that the definition of cross-border flows must be operationalised to reflect the recipient perspective (point of measurement).

20. The following definition is proposed:

“In the context of TOSSD, cross-border flows refer to the transfer of resources from abroad to the jurisdiction of the recipient country. The jurisdiction of a country is defined as the geographic area over which it has authority. Multilateral organisations located in TOSSD-eligible countries are not considered as part of their jurisdiction.”

21. This means that in Pillar I, the point of measurement is not the geographical area from where the flow originates (jurisdiction of the provider) but where it lands (jurisdiction of the recipient). In order to have a better picture on the cross-border components of resources channelled through multilateral organisations, it is the outflows from these organisations that will be collected and not the inflows.

Delineation between Pillar I and Pillar II based on the notion of jurisdiction

22. Two main factors determine the eligibility of activities under Pillar II. First, as stated in section II, the activities should support the provision of IPGs, meaning that they provide benefits that extend beyond national boundaries. The provision of these IPGs relies on policies, actions and financing which take place at various jurisdictional levels ranging from the national to the global (see Annex II for the difference between the definition of IPGs and the jurisdictional level where they are supplied). Task Force members decided to give priority to pillar I, which means that activities that support the provision of IPGs within the jurisdiction of TOSSD-eligible countries will be included in Pillar I.

23. The second factor of Pillar II is then related to the jurisdictional level where the activity takes place. Pillar II tracks activities that support IPGs from outside the jurisdiction of TOSSD-eligible countries, more specifically the two following areas:

- International jurisdiction: activities implemented at the level of multilateral organisations (norm-setting, regulatory oversight, research, etc.).
- Provider country jurisdiction: activities implemented in provider countries that support the provision of IPGs and comply with the eligibility criteria as to the benefit to TOSSD-eligible countries.

Issues for discussion

- Do Task Force members agree on the definition of cross-border flows and the introduction of the concept of jurisdiction?
- Do Task Force members agree with the delineation between Pillar I and Pillar II?

Annex I. GPGs, global challenges and development enablers

IPGs/GPGs	Global challenges	Development enablers
Peace and security		
Peace	International terrorism	Prevent all forms of violence, combat terrorism and crime and end human trafficking and exploitation of persons
Prevention of international crime and violence	Nuclear non-proliferation	Nutrition security
Human security	Fight against terrorism	Conflict prevention and mediation
	Spread of weapons	
	Transnational crime	
	Containing drug trafficking	
	Re-building war-torn and crisis-ridden countries in the aftermath of the cold war	
	Refugees	
Environment		
Stable Climate	Global climate change	Providing sustainable energy for all
Climate-change mitigation	Natural disasters	Coherent macroeconomic and development policies supportive of inclusive and green growth
Clean air	Depletion of the ozone layer	Sustainable food
Biodiversity conservation	Controlling pollution and combating global warming	Sustainable use of natural resources (climate, oceans, forests, biodiversity and management of waste)
Protected physical environment	Mitigation of climate change	Managing disaster risk and improving disaster response
	Stabilize climate	
	Water scarcity	
	Climate change	
	Land scarcity	
Health		
Control of communicable disease	Spread of infectious disease	Research and development of vaccines as well as preventive measures and treatments for the communicable and non-communicable diseases
Eradication of disease	Communicable disease control	Universal access to quality health care
Scientific knowledge involved in a discovery of a vaccine	Avian flu	
	New disease strains	
Economic and financial stability		
International markets	Excessive commodity-price volatility	Regional economic integration and interconnectivity

Financial stability	Bailing out countries in financial crises	Global Financial and Macroeconomic stability
International trading system	Financial shocks	Universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system
Market efficiency	International financial stability	Regional co-operation and regional trade agreements
Institutional architecture of international trade and finance	Excessive financial volatility	Global economic governance
	Commodity price fluctuations	International financial and monetary and trading systems
	Ever-fiercer competition for market shares, Investment and job opportunities	IMF, Improve early warning of macroeconomic and financial risks
		Proper Functioning of food commodity markets
		Fair and stable global trading system
		Adequate financing for development and stable financial system
		Coherent macroeconomic and development policies supportive of inclusive and green growth
Governance, including human rights		
Human rights		Increase the voice of developing countries in norm-setting processes
Global communication and transportation systems		Democratic and coherent global governance mechanisms
International regulations for civil aviation		Good governance practices based on the rule of law
Global norms such as basic human rights		Human rights protection
Governance of global migration		Women's empowerment
Knowledge		
Science		Creation of new technologies
Research		Earth observation, rural infrastructure agricultural research
Technology		Increase scientific knowledge
		Affordable access to technology and knowledge
International migration		
Safe, orderly and regular migration		Fair rules to manage migration

Annex II. International Public Goods and the jurisdictional level of their supply

