



Relevance of export credits in the new broader framework for tracking financing of SDG implementation: Total Official Support for Sustainable Development (TOSSD)

Questions for discussion with the OECD Export Credit Group and Participants to the Arrangement on officially-supported export credits

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BACKGROUND

1. In 2015, the international community agreed to implement the most ambitious development agenda ever devised – the Sustainable Development Goals (SDGs). This huge undertaking was accompanied by an equally ambitious financing strategy – the Addis Ababa Action Agenda. The vast scope of the SDGs creates a new imperative to maximise the full potential of all resources that finance development. The key to unlocking this potential is understanding the scope, nature and dynamics of the full range of resources being deployed to achieve the SDGs. This, in turn, requires a global framework for measuring the means of implementation of the 2030 Agenda, including external finance. With this in mind, and following the Third International Conference on Financing for Development¹, the OECD has been working with the international community to devise the Total Official Support for Sustainable Development (TOSSD) statistical framework, which aims to provide **a comprehensive picture of global official and officially-supported resource flows to implement the SDGs in developing countries**. TOSSD will also provide **insights about the extent to which the international community is financing development enablers and global challenges** – essential for the implementation of the SDGs while not necessarily involving direct resource transfers to developing countries.

2. The TOSSD concept was presented to representatives of the UN Statistical Commission on the occasion of a side event held during its 48th Session in New York in March 2017.² This event focused on the nature and potential future role of TOSSD in the global monitoring of support for SDG implementation, in particular the SDG 17 *“Revitalise the global partnership for sustainable development”*. During the event, participants encouraged continuing the technical work on TOSSD outside of UN standard mechanisms and processes – yet in a way that would facilitate its eventual up-take by the UN.

3. As a result of these discussions, an international TOSSD Task Force was formed to develop the statistical features of the TOSSD Framework and the draft TOSSD Reporting Instructions. The Task Force is composed of representatives of traditional and emerging provider and partner countries, from national statistical offices and development co-operation policy bodies as well as international organisations.

¹ See [Addis Ababa Action Agenda](#), paragraph 55.

² See [TOSSD events web page](#), side event held on 6 March 2017.

4. The TOSSD Task Force has held three meetings so far: July 2017 (OECD, Paris), December 2017 (San José, Costa Rica) and January 2018 (Ottawa, Canada). It has made major progress on the TOSSD cross-border resource flows pillar, in particular regarding the definitions, eligibility criteria and scope of the flows covered.³ An update on this work in progress was presented at a side event at the UN Statistical Commission in March 2018, noting that the framework and reporting instructions will continue to be refined as discussions in the TOSSD Task Force and consultations with relevant stakeholder groups are held. Work on the second pillar of TOSSD – development enablers and global challenges – will start in the 2nd quarter of 2018.

BOX: DEFINITION OF TOSSD AND SUSTAINABLE DEVELOPMENT
(Extract from emerging TOSSD Reporting Instructions)

Definition of TOSSD

The Total Official Support for Sustainable Development (TOSSD) statistical measure includes all officially-supported resource flows to promote sustainable development in developing countries and to support development enablers and/or address global challenges at regional or global levels.

Sustainable development

The concept of “Sustainable Development” is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.¹

“Sustainable Development” in the TOSSD context is inherently linked to the Sustainable Development Goals as agreed in the 2030 Agenda^{2,3}. Activities recorded as TOSSD support the implementation of the SDGs by generating sustainable economic growth, ensuring social inclusion, without compromising the environment. As and when the 2030 Agenda is concluded and replaced by another framework, the TOSSD measure will be updated to link to that framework.

¹ Definition first used in the Brundtland Report. (See Report of the World Commission on Environment and Development: Our Common Future”, Chapter 2 “Towards Sustainable Development”, p. 41 (New York: UN, 1987). It contains within it two key concepts: i) the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and ii) the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs.

² See “Transforming our world: the 2030 Agenda for Sustainable Development”: <https://sustainabledevelopment.un.org/post2015/transformingourworld>

³ Taking into account linkages with sustainable development frameworks established at regional level e.g. by the African Union Commission. See <https://au.int/en/agenda2063>.

5. The Task Force has discussed **the possible inclusion of officially-supported export credits in TOSSD** but has not reached consensus on their relevance for the measure. (See Box for the working definition of TOSSD and sustainable development. An extract from the TOSSD Task Force issues paper dealing with export credits is included in the Annex.) Some Task Force members clearly favour a systematic exclusion of export credits from the TOSSD framework given that these operations are not generally designed with sustainable development objectives in mind. Some others argue that export credits may have a development and/or SDG focus, in particular in the case of large projects where they may be extended in co-financing with development finance (e.g. associated financing packages, project finance). In order to help to move the discussion forward, Task Force members agreed to consult with the OECD export credit group to obtain guidance on this issue.

³ See excerpts of emerging TOSSD Reporting Instructions at <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/tossd-task-force.htm>.

QUESTIONS FOR DISCUSSION

- Would it be appropriate to include export credits extended in co-financing with official development finance interventions (e.g. associated financing packages, project finance) in the TOSSD statistical measure? If so, who could provide information on the amount of export credit included in these financial packages?
- Noting the emerging definition of sustainable development in the context of TOSSD (see Box), do some ECAs have the mandate to support sustainable development through their investments? If so, should part of their activities be included in TOSSD?

ANNEX.

Extract from TOSSD Task Force Issues Paper “TOSSD-eligibility of specific financial instruments”⁴

IV. Should export credits be included in the TOSSD framework?

Key relevant points from the TOSSD Compendium

15. In the Compendium the question was raised as to whether TOSSD could include export credit operations which, from a cross-border perspective and despite their commercial nature, could be considered as contributing to economic development. Official export credit operations comprise government financial support, direct financing, guarantees, insurance or interest rate support provided to foreign buyers to assist in the financing of the purchase of goods from national exporters⁵.

16. The TOSSD Compendium posed the following question to the international community:

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?

Reactions and feedback from the international community

17. There were few comments on the export credit issue as briefly set out in the Compendium. One respondent noted that trade finance from official sources can have a positive development impact and should be included in TOSSD (within parameters yet to be negotiated). Another noted that, while export credit support is commercially-motivated and has no explicit objective of promoting economic development and welfare in host economies, it does mitigate risks for investors and thus plays an important role in facilitating access to capital in developing countries. For this reason, officially-supported export credits also receive particular attention in broader analyses of developing countries’ external finance. As such, it seemed reasonable that they should be reportable as part of the cross-border flow measure. This commentator suggested that export credits should simply be reported according to the rules in force for the instruments used (non-concessional loans or guarantees).

Other considerations

18. Over the course of numerous TOSSD outreach events over the past two years, many development policymakers and actors have expressed the view that TOSSD should not only cover activities with a primary developmental purpose but also those that are of mutual benefit, i.e. serve the interests (development, commercial, cultural and/or political) of both the recipient and the provider country. An acknowledgement within the TOSSD framework of the relevance and legitimacy of the mutual benefit principle would strengthen its appeal to South-South providers. In this context, some export credits could also be considered TOSSD-eligible.

19. This issue needs to be explored further by the Task Force. On the one hand, it could be argued that most export credits have a purely commercial motive and do not consider their development impact (which may be sustainable or not) – and that therefore they should not be included in TOSSD. On the other hand, some export credits may play a role in facilitating development investments that contribute to achieving SDG targets and goals. In this regard, it

⁴ <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/TOSSD-eligibility-specific-financial-instruments.PDF>

⁵ Source: OECD Glossary of statistical terms.

would be important to establish eligibility criteria/methodologies and relevant boundaries for determining which export credits could be counted in TOSSD.

20. At a minimum, TOSSD could help shed light on export credits in co-financing arrangements involving official development finance, either in the form of:

- Associated financing packages⁶, where export credits are combined with development finance, and where export credit agencies and aid agencies work together to facilitate financing for projects for which development outcomes are expected and are part of the government's strategy/priority action plan.
- Project finance structures where multiple actors – including development finance actors – and instruments interact to reach financial closure for large projects such as in the infrastructure sector. Such specific financing packages involving aid agencies and/or other development finance actors (development banks, DFIs) could be considered for inclusion in TOSSD, counted at face value and reported according to the rules in force for the instruments used (non-concessional loans or guarantees).

21. The inclusion in TOSSD of broader officially supported export credits – i.e. those extended on a purely commercial basis – is questionable and may be unfeasible at the project level (because of confidentiality constraints). One option could be to have these operations captured as a separate but complementary flow indicator (together with potentially other flow indicators such as remittances and FDI) in the TOSSD measurement framework.

Issues for discussion

TOSSD Task Force members are invited to express their views regarding the following questions:

Would it be appropriate for export credits extended in co-financing with official development finance interventions (e.g. associated financing packages, project finance) to be included in TOSSD?

Should the inclusion of broader export credits – not linked to any official development finance intervention – also be examined?

⁶ According to the DAC, associated financing associates in law or in fact two or more of the following, at least one of which is in effect tied or partially untied: i) official development assistance flows; ii) other concessional or non-concessional official flows; iii) officially supported export credits.