



“Financing the post-2015 agenda: shaping a measurement framework for monitoring resources in support of the Sustainable Development Goals (SDGs)”

Summary points from an Expert Workshop

13 May 2015, OECD, Paris

Final draft – 15 July 2015

Background

The international community is devising an ambitious global development framework – the Sustainable Development Goals (SDGs) – that will call for mobilising a significant amount of resources. OECD/DAC Ministers agreed in December 2014 to carry out consultations and analytical work to develop a new measurement framework for valorising and incentivising development finance from a wide variety of sources and actors in support of the SDGs. The ongoing negotiations in the lead up to third Financing for Development Conference in July 2015 have also emphasised the need for open, inclusive and transparent dialogue on broadening the measurement framework of finance in support of the SDGs, while keeping ODA at the core of international commitments.

The new framework, provisionally entitled Total Official Support for Sustainable Development (TOSSD), would expand the current scope of statistical tracking to cover activities promoting and enabling sustainable development. It would include contributions to global public goods (GPGs) where these are deemed relevant for development and aligned with developing countries’ priorities, recognising that providers themselves may benefit from such activities. TOSSD would also encompass international public finance that leverages private resources – through blending operations, risk mitigation schemes and equity stakes – invested in sustainable development activities in developing countries. It is expected that TOSSD will be instrumental for informing both provider and partner countries about the scope, components, and relevant terms and synergies of different financing packages, thus encouraging broader learning and exchange of experience about best practice and effectiveness in tapping and deploying a wide range of development finance including from public and private sources.

The TOSSD concept now needs to be shared with, and shaped by, the broader international community. An array of views, perspectives, insights and competing ideas from all stakeholders is needed in order to flesh out the scope of the TOSSD concept, its constituent parts and associated parameters/boundaries, and the statistical conventions that it would require in order to be fully operational. Broad and inclusive consultations with others will ensure that the framework corresponds to diverse needs and priorities – and will thus be as helpful as possible to the post-2015 agenda.

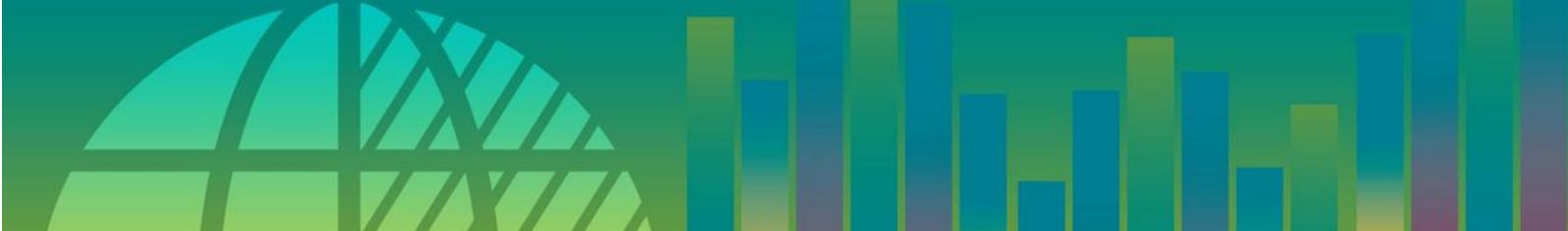
This paper summarises and distils insights from the first expert workshop, which focused broadly on official and leveraged private finance and brought together approximately 35 leading experts from developing countries, bilateral and multilateral institutions, international think tanks, civil society, public/private partnership units and a diverse array of financial institutions e.g. development finance institutions, venture capital and impact investment funds (see Annex for the list of participants). The summary will serve to foster discussion among key stakeholders in the international community, and to inform additional expert workshops planned for the second half of 2015.



I. KEY IDEAS DISTILLED FROM THE DISCUSSIONS

Scope and specificity of the measure

- The TOSSD framework is novel – it's the first time that effort has been undertaken to develop a framework to measure and monitor “whole of development finance” (at global or country level).
- TOSSD is foreseen to be a broad measure that will facilitate assessment of development finance from two different perspectives: that of “providers” and that of “partner countries”. To clarify this, a clearer distinction is needed between the measurement of i) *support provided* (the “provider perspective”) and ii) *cross-border resource flows to developing countries* (the “partner country perspective”).
 - The “provider perspective” captures grants, loans and investments by the official sector, either directly to developing countries or channelled through various intermediaries, in support of the SDGs.
 - The “partner country perspective” would capture the resulting inflow of resources to developing countries. It could also capture resources from other official sources, such as multilateral institutions, as well as from non-state actors.
 - There is no one-to-one relationship between the two perspectives: they are not equivalent. A share of “provider perspective” resources does not give rise to cross-border flows (e.g. in-donor administrative expenses, etc.). “Partner country perspective” inflows, on the other hand, capture both official finance and private finance that it has leveraged. Accordingly, similar to concessional resources (where Official Development Assistance (ODA) measures “provider effort” and Country Programmable Aid (CPA) measures developing countries’ aid receipts), the TOSSD concept measures, on the one hand, official development assistance and investments and, on the other hand, sustainable development finance flows to developing countries.
- From the partner country perspective TOSSD i) should be aligned to the priorities of partner countries and ii) could improve the availability of information about project-level activities by breaking out individual financing packages.
- TOSSD data could also potentially give an indication of where additional liabilities are being created in order to avoid future debt crises.
- Some considered the role of ODA should be to trigger significant investments to support SDGs implementation, in particular capacity-building and preparation of investment planning as well as preparation of bankable projects. ODA should be focused on preparation and TOSSD on implementation.
- TOSSD should measure support for the SDGs and thus include financing for GPGs. Some GPG-related finance will be provided on a regional basis – this should be included.
- Discussions on the name of the concept led to suggestions:
 - Some considered it was not possible to measure everything, and thus questioned the “T” in the acronym;
 - Others considered that since private resources leveraged from official interventions could not be counted as official, the “O” in the acronym would not be appropriate. There was a general view that it would be very important to measure private flows mobilized -- but the question is whether they should be measured through TOSSD or separately (and therefore called something different)?

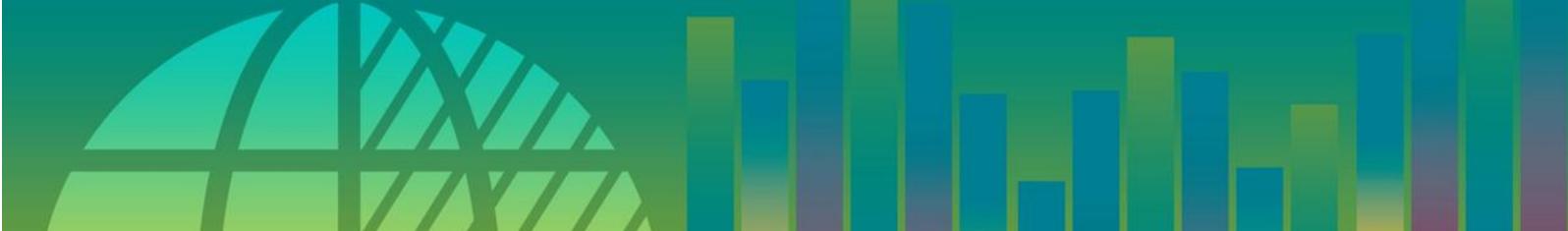
- 
- Still others noted that TOSSD is a good first step that should soon be followed by a structured expansion of the concept by complementary, well-demarcated metrics that would cover other flows – this would avoid opening TOSSD up to additional flows that would inflate away the added value currently contained in the TOSSD concept. Such additional metrics could take the form of sub-categories such as SSD-OI, -PI, -OD and – PD (e.g. representing different permutations of Official, Private, International and Domestic).
 - TOSSD would need to be complemented by measures of other sources of development finance, most notably public domestic resources and broader private finance (from both domestic and international sources). TOSSD together with these other measures would provide a picture of the totality of development finance flows available for SDG implementation.

TOSSD governance proposals

- A measurement framework needs a governing body. While developing country participants at the workshop emphasised the core role of the UN in post-2015 SDG follow-up, they recognised that the OECD is technically well-placed to implement the TOSSD measurement framework. Participants discussed ensuring a link to the UN for legitimacy and ownership.
- Three possible governance features were discussed: i) reporting to the system would automatically enable participation in governance arrangements; ii) both partner countries and providers should participate in governance; and iii) different international institutions/bodies collecting different statistics could collaborate in contributing to the measurement framework (e.g. multi-layered governance).
- If the intent is to create a global measurement framework, one should start elaborating the TOSSD concept and definition with the active participation of representatives from the South. It will be important to i) reach out as soon as possible to developing countries and providers from the South; and ii) ensure a balanced representation in governance arrangements so that the framework fosters a dialogue between North and South.
- The discussions also raised a number of unanswered key questions, such as: i) how can the TOSSD measure become a viable international statistical measure (e.g. a global public good)? ii) Should we build an inclusive coalition of the willing, building on what already exists? iii) should private finance for sustainable development – not mobilised through official actions – be included as well (this would include finance from philanthropic organisations, private social impact funds, etc.)?

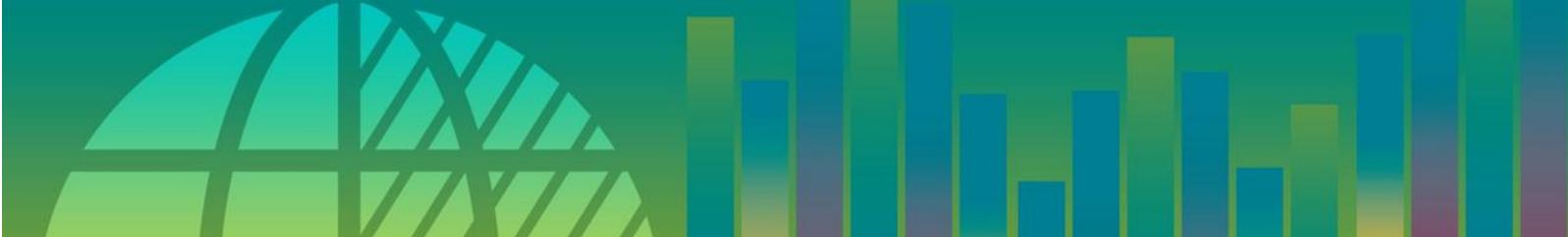
Instruments

- All financing instruments are on the table for inclusion in TOSSD e.g. concessional and non-concessional loans, technical assistance, grants, equity, guarantees, credit enhancements, etc.
- Export credits are not generally developmental and could create market distortions/competition pressures – drawing the line is therefore very important. It's essential to be consistent at the global level across different institutional commitments and disciplines e.g. WTO rules. However, distortions may be created by many different instruments/actions/conditions – so it's not a good idea to establish a “blanket” exclusion of export credits within the TOSSD measurement framework, since some could legitimately be considered as financing in support of the SDGs.

- 
- What part of leveraging instruments can be counted in TOSSD e.g. the public finance component? The guarantee exposure? In this light, would it be more appropriate to refer to TOSSD as a measure of investment – instead of support?
 - In taking stock of the catalytic role of concessional finance, would there be a need to distinguish between ODA provided for altruistic/solidarity motivations and ODA provided in conjunction with investments that are primarily – but not exclusively – motivated by the prospect of profit or gain?
 - How could the measurement framework measure technical assistance and take into account the large differences in the unit costs of experts from the North and the South?
 - It would be best if additional country-level information on economic benefits linked to TOSSD operations (e.g. tax exemptions, financial subsidies, etc.) were transparently made available through the measurement framework.

Modular Approach to implementation

- In building a broader measurement framework/matrix (TOSSD), OECD would best focus on official international and private officially mobilised resources (where it has data access and resources). It would be useful to develop partnerships with others who collect different data relevant for monitoring resources for sustainable development (e.g. domestic resource mobilisation through IMF, FDI through UNCTAD, bank flows through BIS, etc.). There's a need to map international data options vis-à-vis the different components of TOSSD and continue to think in terms of sequencing and modular categories (i.e. being mindful of possible data sources in the course of “building” the measurement framework, and making a distinction between official, private and officially-leveraged).
- Tips for operationalising the framework: i) start with things that can be measured and proceed in a phased manner thereafter, ii) prioritise “learning by doing” – pilot and experiment with data approaches and options (it is impossible to know everything at the outset), iii) remain flexible, and support an accretionary process/build over time, iv) keep the methodology practical and bear in mind the importance of functionality, v) involve a broad range of stakeholders throughout to ensure relevance and impact of the information to be provided.
- The communication strategy may need to differ for different users/clients (as between providers/partner countries/CSOs/private sector, etc.) e.g.:
 - Partner countries – TOSSD fosters a better understanding of available financial flows and a more informed basis for choosing among alternatives;
 - CSOs are natural allies – TOSSD is a tool for accountability and building trust, and a basis for dialogue;
 - UN system/AU/G77+/developing countries – TOSSD is a complementary element of the monitoring framework of the SDGs (“whole of finance”): technical level dialogues are needed;
 - South-South providers, southern think-tanks – TOSSD is not an alternative to ODA, it recognizes the important contributions made by other providers and can be a tool to measure and mobilize additional resources for SDGs;
 - Private sector – TOSSD can provide insights on how to combine financial instruments and arrangements, and can clarify how private/public partners work more effectively together to identify and address market gaps.

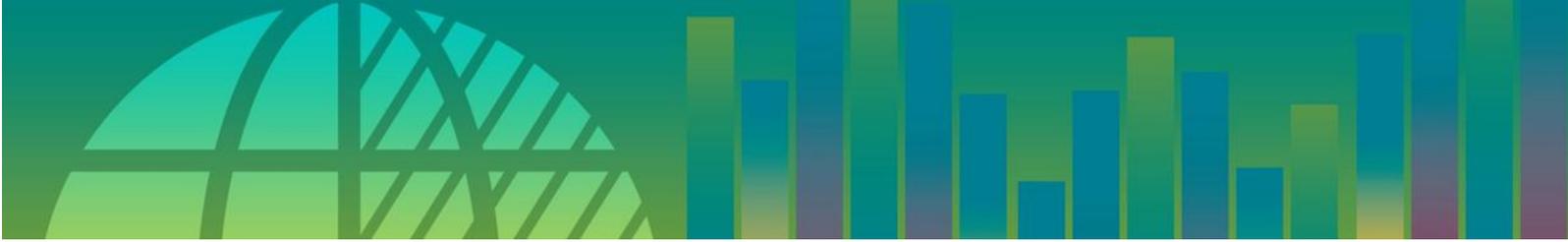


II. CHALLENGES

- **Ensuring the right incentives and safeguards:** There are potential negative incentives that could be created through the TOSSD measure. For example, ODA allocations may shift to combined TOSSD operations, or TOSSD “credit” may effectively divert official support for the social sectors to infrastructure, or TOSSD may create more incentives to finance development activities in richer countries than poorer countries, or guarantees may over time supplant direct financial support. What are the benefits and risks of TOSSD? What might be the impact of TOSSD on ODA volumes? If providers get credit for “amounts leveraged” in the same way as they do for official flows, some incentives may be created that could lead to problems. How would TOSSD help to mobilise additional resources? As an adjunct to work to define and operationalise the TOSSD measurement framework, work will be needed to develop principles for TOSSD (similar to the principles the OECD/DAC has developed for ODA vis-à-vis tied aid, Paris Declaration principles, etc.) to prevent TOSSD resources from creating unfair, uncompetitive incentives e.g. TOSSD operations benefitting from investment/tax subsidies, etc.
 - **Ensuring data quality:** It would be good to triangulate data (e.g. compare similar data from different sources) to enhance veracity – we need tools to make it easy to triangulate data. There is a need for adequate coherence between i) what is transferred to developing countries; ii) what is “visible/measured” at the country level; and iii) what is reported at the OECD (technical assistance costs contribute to variance).
 - **Role of private finance mobilised for sustainable development:** The inclusion of private finance leveraged by official interventions is both politically and methodologically challenging. From a partner countries’ perspective, TOSSD is O plus (“O+”) e.g. beyond official finance, it would need to include mobilised private finance – which is key to understanding how finance for projects at country level is coming together and being combined. Again, some considered it important to add meaningful and clearly defined complementary categories of flows to TOSSD to reflect this.
- Managing both political and technical issues:** As technical as the process of developing and establishing TOSSD as a viable statistical measure is, it is also deeply political. We need to involve other major providers: TOSSD could be a mechanism for a dialogue between North and South, but it will be essential to assure that partner countries are involved. There is a risk that TOSSD will be perceived as “too OECD/DAC-oriented”. How can it be pitched and positioned as a global concept?

III. NEXT STEPS

- It will be important to strategically structure future workshops/dialogues to progressively develop the measurement framework through multi-layered dialogue and as broad-based participation as possible.
- Future work should be characterised by the following features: multi-stakeholder, ownership by all, client perspectives (partner countries/private sector/emerging providers, etc.), prototypes, and diagrams.
- Two additional workshops will take place over the course of 2015 (one in September on “mutual benefit” and Global Public Goods including climate-related development finance, and another in November/early December on the “means of implementation”).



**Questions for consideration in carrying out future work
and international consultations on the TOSSD measurement framework**

- How might export credits and trade finance be taken into account?
- How might the measurement framework deal with non-concessional loans (loans on market terms) of state banks?
- How might private/public partnership financing arrangements be taken into account?
- How should private finance mobilized through public interventions be treated? How might the framework deal with first-loss shares? How should guarantees be taken into account?
- How might contributions from non-state actors (e.g. foundations, philanthropies, NGOs) be taken into account?
- How could South-South co-operation be integrated into the scheme?
- What should be the governance structure of the new measurement framework?
- How might tied aid be dealt with in the new measurement framework?
- Should TOSSD be measured on a commitments or a disbursements basis?