

How to measure financing towards the SDGs: Senegal's perspective on Total Official Support for Sustainable Development (TOSSD)

Senegal, a LDC in the United Nations (UN) classification, has taken major steps to develop a National Development Plan, the “Plan Sénégal Emergent”, designed to boost growth performance, in particular through private sector engagement¹. As part of the country's efforts to mobilise all resources in favour of the SDGs, Senegal hosted in 2016 the first country pilot study in a partner country on the new measure of TOSSD, proposed during the Third International Conference on Financing for Development in July 2015 in Addis Ababa².

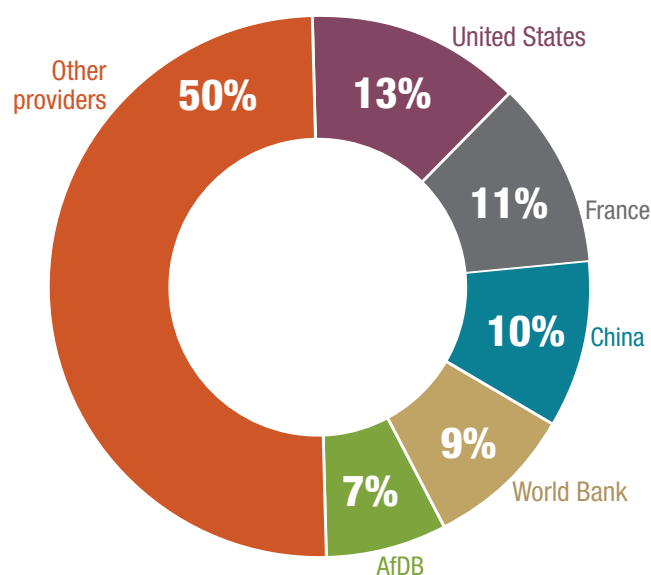
A framework such as TOSSD is very much needed given the new role played by emerging economies.

In light of profound shifts in the development finance landscape, particularly given the new role played by emerging market economies and related flows (including export credits), Senegal supported the need to further elaborate a global measurement framework such as TOSSD to adequately capture these trends. This framework should include all providers and all instruments in support of the SDGs. The latest local “Development Co-operation Report” available at the time of the study indicated that, in 2013, China was already the country's third largest provider of aid.³ (See Figure 1).

A tool to enhance transparency and unpack complex financial packages

The findings from the Senegal pilot reaffirmed **the critical role that TOSSD could play in capturing information about different modalities of complex financing arrangements**. It could also enable countries to **learn** from other recipient country experiences and **improve decision-making** in leveraging private finance and/or in setting up public-private partnerships (PPPs) arrangements. Over time the data collection under the TOSSD framework could strive to connect all project-specific financing components through a unique statistical project identifier. However, in the short-term more aggregated type of information will provide a sound starting point.

Figure 1: Aid to Senegal by provider



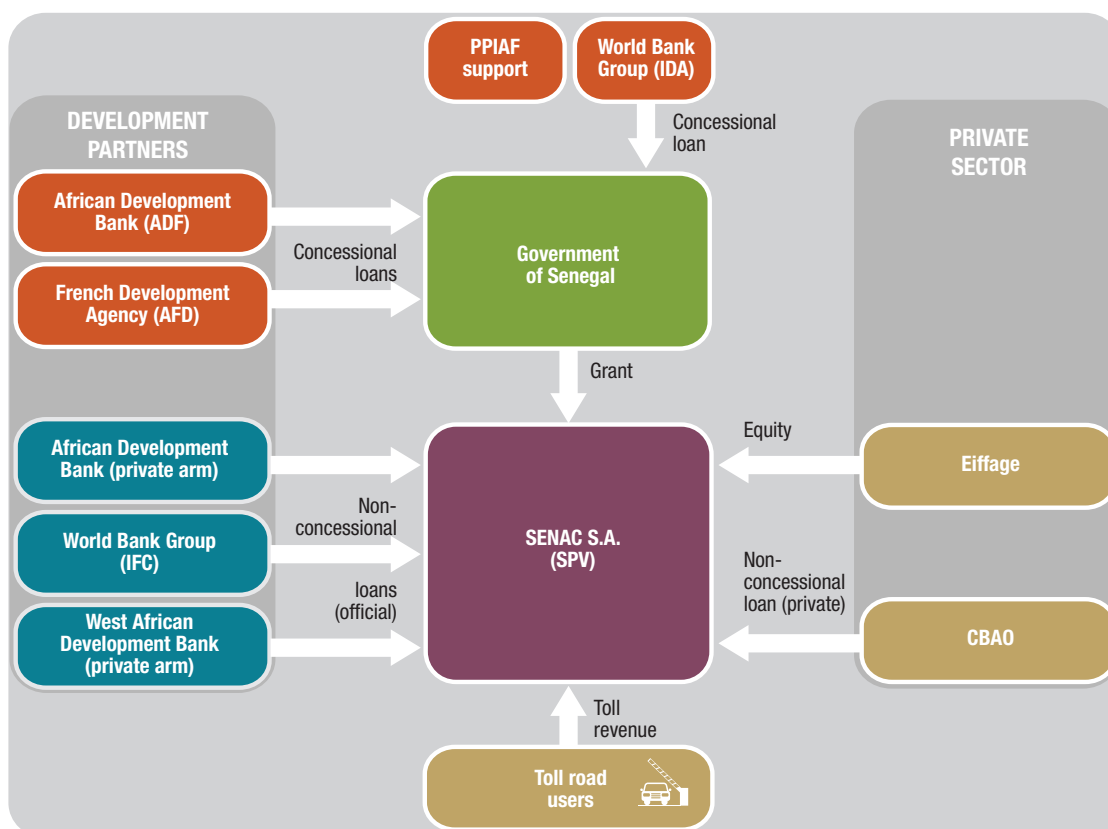
Source: Government of Senegal – « Rapport Sur la Coopération au Développement 2013 »

1. For more information on the “Plan Sénégal Emergent” see: <http://www.gouv.sn/-Plan-Senegal-Emergent-PSE,65-.html> and for information on the Senegal's economic context, see the African Economic Outlook, AfDB, OECD, UNDP (2016) and its country note on Senegal.

2. See para. 55 of the Addis Ababa Action Agenda.

3. It is important to note that the definition of development co-operation according to Senegal differs from the definition used by the OECD to estimate ODA, where certain criteria have been added and others removed from the ODA definition.

Figure 2: Components of the Dakar-Diamniadio toll highway complex finance project



Source: updated through country-level interviews from figure 1 in COM/DAF/INV/DCD/DAC(2014)4

A useful statistical measurement framework will require strong principles and safeguards to underpin its measurement

Senegalese actors stressed **the importance of establishing a number of principles and safeguards within the TOSSD framework**. From the outset, Senegal highlighted a fundamental principle of TOSSD that **it should complement and not replace ODA**. In light of the important role that private sector actors will play under the TOSSD framework, a number of principles for **business conduct** should be upheld for TOSSD eligible projects (labour, trade, environment, investment). Several actors during the country consultations emphasised the importance of carefully examining the **TOSSD incentive framework** to ensure that it does not jeopardise Senegalese **debt sustainability** ratios. According to Senegal, it is also necessary to establish TOSSD principles in the area of **development effectiveness** and particularly identify which Paris Declaration principles as well as Accra⁴ and Busan commitments could be applied in a TOSSD context.

What should be included in TOSSD from Senegal's perspective?

Tracking only cross-border flows to developing countries in the TOSSD framework

According to Senegal, TOSSD should only capture developmental resources that cross a border into a developing country⁵. The amount of external resources provided and reported as such by provider countries in TOSSD will not necessarily be equal to cross-border resources measured from the recipient's side, since some provider expenditures (e.g. research carried out in donor countries, possibly some of the technical assistance) don't give rise to cross-border flows. Further work and discussions will be needed with developing countries to determine which transactions should be reported under TOSSD, and how they could be valorised (e.g. use of purchasing power parities).

The framework could reflect flows that contributed to an outcome of public interest, regardless of the origin of the funds (private or public).

Senegal actors suggested that the TOSSD framework should ideally signal which external private financial flows contributed to an outcome or output of public interest (e.g. schools, health centres, public infrastructure, etc.). If this approach was retained, TOSSD could potentially include the tracking of remittances from private households channelled to projects of public interest.

4. <http://www.oecd.org/fr/developpement/efficacite/declarationdeparissurlefficacitedelaide.htm> (Paris and Accra commitments) and <http://www.oecd.org/development/effectiveness/busanpartnership.htm> (Busan)

5. In that regard, the work on Country programmable Aid provides a good starting point for developing the TOSSD cross-border measure. For more information about CPA, see: <http://www.oecd.org/dac/aid-architecture/cpa.htm>

From Senegal's perspective, TOSSD should not reflect investments in global programmes supporting development enablers and addressing global challenges if they do not generate cross-border flows to developing countries

From a methodological standpoint, reservations were expressed in regard to how the apportioning of a share of these “global” or “regional” activities to individual recipient countries could be accurately carried out. Programmes or projects that give rise to actual projects in Senegal and which generate cross-border flows should be TOSSD eligible. This would also include projects carried out in Senegal in support of development enablers and to address global challenges (such as climate change).

Senegal calls for full alignment with national development priorities as a key criterion for TOSSD eligibility

Senegalese interlocutors stressed that TOSSD-eligible investments would need to be fully aligned with the country's development priorities and should reflect national capacities and levels of development. This approach would strengthen Senegal's policy space to promote sustained, inclusive and sustainable economic growth in line with the 2030 Agenda for Sustainable Development. In this respect, Senegal is likely to focus at first on a few Sustainable Development Goals (SDGs) that are particularly relevant to its development context and priorities, with a view to fully align to the SDG framework starting 2019.

Gross and net values, as well as all instrument types, should be measured in TOSSD

The Senegal study confirmed that TOSSD should be measured both in gross and net terms. Senegalese interlocutors also raised the importance of the TOSSD framework to track all financial instruments. In particular they highlighted that some instruments, such as export credits and Sukuk or Istisna'a in Islamic finance, were becoming increasingly important and should be clearly identified in TOSSD data. Other instruments were also mentioned including “concessional” export credits, diaspora bonds, projects co-funded by remittances.

Better tracking of triangular and South-South co-operation, NGO activities or sub-national co-operation would strengthen TOSSD as a tool in line with recipient countries' needs.

Further work is needed to understand how to capture triangular and South-South cooperation activities in the TOSSD framework, as these were considered difficult to identify, connect up and measure by Senegalese interviewees. Very little information was available about the work of **private foundations** in Senegal despite evidence that several are active in the country (e.g. Gates Foundation). **Sub-national co-operation** was considered as a very flexible and dynamic financing mechanism, particularly effective to meet local needs. **NGO activities** was mentioned several times as an area where additional information would be needed to formulate a complete picture of development financing available at country level.

The need for a new name?

Several Senegalese actors indicated that there may be a need to revise the “TOSSD” acronym itself, depending on the elements that are ultimately retained in the framework. If amounts mobilised are included, then the word “official” should be removed. The framework may also need to reflect the cross-border nature of the flows, thus getting closer to a concept of “Resource Inflows to developing countries”.

Key remaining questions

The work to flesh out the TOSSD measurement framework is far from complete. Going forward, the international community will need to take up some of the following issues:

- **How should the statistical classifications and boundaries of TOSSD be adjusted to reflect the specific perspective of partner countries and South-South Cooperation providers?** TOSSD-eligible countries, sectors and organisations will need to be clarified and agreed in order to ensure TOSSD data is statistically relevant, comparable and sound.
- **Which norms, disciplines and standards should apply to TOSSD-eligible activities?** Universally agreed norms and standards (labour, trade, environment, investment) will need to be associated with TOSSD operations to ensure they do not give rise to economic distortions or are not detrimental to sustainable development outcomes.
- **How should the data collection and reporting arrangements be organised to minimise the burden on partner countries?** TOSSD will need to be implemented in a flexible, incremental and consistent way across the international community.
- **How should a functional, legitimate and representative TOSSD governance/oversight arrangement be established?** The international community will need to devise a workable system for operationalising, consolidating and maintaining acceptable standards for the TOSSD measurement framework.
- **How could TOSSD support efforts to track financing towards the emerging SDG indicator framework, including support to Global Public Goods?**

Estimated First Orders of Magnitude of TOSSD Flows to Senegal

USD million, 2014, gross disbursements	ESTIMATES	NOTES
I. OFFICIAL CROSS-BORDER FLOWS FOR SUSTAINABLE DEVELOPMENT (TOSSD)		
Bilateral		
Grants	567	Proxy: ODA grants excluding in-donor costs (such as imputed student costs) and debt relief. Potential added value of TOSSD: better cover and identify sub-national co-operation.
Concessional loans	224	Proxy: ODA loans.
Non-concessional loans	17	Proxy: OOF loans other than export credits. Potential added value of TOSSD: better cover non-concessional developmental finance, including Islamic finance.
Flows from emerging market economies	> 1 282	Proxy: loan commitments from China, estimates based on interviews. Potential added value of TOSSD: better cover and identify flows from emerging market economies, South-South co-operation and triangular co-operation.
Multilateral		
Grants	164	Proxy: Multilateral concessional and non-concessional outflows, as reported in DAC statistics.
Concessional loans	192	
Non-concessional loans	120	
Total TOSSD	2 566	For reference, ODA amounts to USD 1 190 million in 2014 (gross disbursements).

II. FLOWS FOR CONSIDERATION UNDER TOSSD		
Private finance mobilised domestically according to the latest DAC survey on amounts mobilised.	60	Potential added value of TOSSD: strive to unpack different components of complex financing arrangements, including PPPs.
Officially-supported export credits	11	Proxy: as reported in DAC statistics.
Total	71	

III. OTHER CROSS-BORDER FLOWS		
Private flows at market terms	99	The data could specifically identify flows that contributed to an outcome of public interest (e.g. diaspora bonds).
Foreign Direct Investment	31	
Other securities, including bonds	68	
Charitable grants (NGOs, Foundations)	32	Proxy: DAC statistics. Major data gaps were signalled during the mission that it would be important to address.
Remittances	1 644	Proxy: World Bank remittances data from all providers. Data could specifically identify projects co-funded by remittances.
Total other cross-border flows	1 775	Although not necessarily for consideration under TOSSD, these flows are important to reflect for partner countries in order to provide a comprehensive picture of external flows.

Note that the purpose of the table is to illustrate the components of a future TOSSD framework that the Senegal deemed useful; the figures it contains should be considered as preliminary estimates.