

Item 3. Reporting issues

Further guidance on assessing sustainability – updated proposal

TOSSD Task Force Issues Paper¹ - Agenda item 3
17th meeting of the International TOSSD Task Force
11-13 July 2022

I. Objective

1. This paper updates the proposal presented at the 16th meeting of the TOSSD Task Force on assessing the sustainability of TOSSD activities² taking into account the discussion held³.
2. The paper makes an initial proposal to amend the Reporting Instructions to further clarify the eligibility criteria on sustainability (section 2.2.1). The Task Force is invited to discuss the proposed text (see Box 2).

II. Background

3. **Support to sustainable development is a defining characteristic of TOSSD activities and of the TOSSD measure itself.** The TOSSD Reporting Instructions approach the compliance with sustainability from three angles. TOSSD activities should (see Box 1 below):
 - i. Be consistent with prevailing global and regional, economic, environmental and social standards and disciplines [preamble].
 - ii. Be linked to the SDGs and in particular contribute to at least one SDG target [sections 1.1 and 2.2.1].
 - iii. Do no harm i.e. have no anticipated substantial detrimental effect on one or more of the other SDGs targets [section 2.2.1], guard against negative environmental, social and climate impacts [preamble and section 1.1] and, where necessary, limit damage through the adoption of mitigation measures [preamble].

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² See: 16th TOSSD Task Force meeting. Agenda item 6. Further guidance on sustainability.
https://tossd.org/docs/Item%206_Further_guidance_on_sustainability.pdf

³ See: 16th TOSSD Task Force meeting. Action points.
https://tossd.org/docs/16th_Task_Force_Meeting_Action_Points.pdf

Box 1. The concept of sustainability in the TOSSD Reporting Instructions

Sustainability is defined in the TOSSD Reporting Instructions both through a **positive contribution to an SDG target** and **avoidance of negative impacts**, as follows.

PREAMBLE

Paragraph 5. In line with inherent thrust of the SDGs – to promote a more sustainable, equitable and prosperous world for all people – this statistical framework assumes that all resources captured therein should be provided consistent with prevailing global and regional economic, environmental and social standards and disciplines, with development co-operation effectiveness principles, as well as with the United Nations Charter and International Law. These safeguards ensure that TOSSD-eligible investments are sustainable, promote equal opportunities and rights, guard against negative environmental, social and climate impacts and risks, and – where necessary – limit damage through mitigation measures (...)

Section 1.1 Definition of TOSSD

Paragraph 10. 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.

Paragraph 11. “Sustainable Development” in the TOSSD context is inherently linked to the Sustainable Development Goals as agreed in the 2030 Agenda. 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.

Section 2.2.1 Eligibility criteria regarding sustainable development

Paragraph 47. In the context of TOSSD, an activity is deemed to support sustainable development if it directly contributes to at least one of the SDG targets as identified in the official list of SDG targets developed and maintained by the United Nations Statistical Commission (UNSC) and if no substantial detrimental effect is anticipated on one or more of the other targets.

4. **The preamble of the TOSSD Reporting Instructions is an integral part of the TOSSD standard.** However, not all the concepts included in the preamble are fully developed in the main text of the Reporting Instructions. In particular, the preamble mentions economic, environmental and social standards, safeguards and mitigation actions as integral parts of the concept of sustainable development adopted by TOSSD, but the main text does not further specify how these should be applied. The definition of sustainable development (paragraph 11 of the Reporting Instructions) emphasises the three dimensions of sustainable development – generation of sustainable economic growth, ensuring social inclusion, without compromising the environment.

5. The TOSSD Task Force has discussed how to further operationalise the concept of sustainability on various occasions.

- At its meeting in Pretoria in February 2020, the Task Force agreed on the principle of public disclosure of the Environmental and Social Safeguards (ESS)⁴ applied by TOSSD reporters⁵, but reporting on this aspect has been limited so far.
- At its virtual meeting in October 2020, the Task Force discussed the creation of a list of potentially unsustainable activities and possible exclusion from TOSSD of categories of activities based on sector codes. However, stressing the complexity of sustainability assessments, members generally supported applying a ‘case-by-case’ approach⁶.
- At its virtual meeting of March 2022, the Task Force discussed a possible integration of ESS and consultations with partner countries as integral part of the TOSSD sustainability filter⁷.

6. The concept of sustainable development and contribution to the SDGs are fundamental for TOSSD and for development finance in support of the 2030 Agenda. We recall that:

- In 2021, in the context of the TOSSD data collection, the Secretariat has received requests for additional guidance on how to identify if the activities support (or harm) one or more SDG targets⁸.
- The OECD Secretariat published in 2022 a guidance note on how report the SDG focus field for development finance reported to the OECD-CRS⁹, incorporating the “do not harm” principle also adopted by TOSSD.

7. This note therefore invites the Task Force to consider a practical approach for operationalising the sustainable development eligibility criteria, and proposes an amendment of the Reporting Instructions as a basis for discussion at the Task Force meeting.

III. Operationalising sustainability in TOSSD

8. The operationalisation of the sustainability criteria in TOSSD could take into account the following elements:

- SDG targets present both positive and negative interlinkages, which may be different in different countries and regions¹⁰.**

⁴ Several bilateral and multilateral institutions have developed ESS to ensure a balanced approach to economic, social and environmental dimensions of their activities.

⁵ See: <https://tossd.org/docs/2020-04-20-10th-TOSSD-TF-Meeting-Action-Points.pdf>

⁶ See: <https://tossd.org/docs/2020-12-18-11th-TOSSD-TF-Meeting-Action-Points-final.pdf>

⁷ See Action points, above.

⁸ See the [background paper on TOSSD reporting issues](#) for the 16th meeting of the TOSSD Task Force.

⁹ See: [Draft handbook for reporting the SDG focus of development co-operation activities](#), second edition issued in March 2022.

¹⁰ A wide body of literature explores the interlinkages of SDG targets and indicators. See for example: Institute for Global Environmental Strategies (IGES), 2022, SDG Interlinkages Analysis and Visualisation Tool, available at: <https://sdginterlinkages.iges.jp/visualisationtool.html>.

- ii. **Activities reported to TOSSD are likely to present some sustainability trade-offs as most human activities do.** The sustainability assessment is often a form of cost-benefit analysis, which takes into account many factors including local context, best international practices and international standards, as well as the extent to which the negative effect on one or more SDGs targets is substantial and unmitigated.
- iii. **ESS frameworks are a practical tool developed with the objective of assuring that the activities respect social and environmental standards. However, although ESS are a very effective tool, they do not necessarily cover all aspects of sustainability and they are only applied by some providers.** ESSs take into account technically and financially feasible alternatives, and put in place a series of strategies to avoid, minimise, mitigate or offset the negative impacts of the activities. In other words, ESS are designed to make sure the activities do not have a “substantial” negative social or environmental impact and that the benefits of the activities clearly exceed the eventual social and environmental trade-offs.
- iv. **The SDG indicators could also be useful to look at when assessing the sustainability of the activities.** The SDG indicators have in many cases a national (or global) dimension, but are also used to monitor impact at the local – or project – level. The activity documentation often includes information on anticipated risks or possible negative impacts and mitigation actions. If a project is expected to worsen one or more SDG indicators, or closely related indicators, it might have to be considered unsustainable, and thus not TOSSD-eligible.
- v. **Recipient countries are best placed to assess sustainability according to local conditions and are, in most cases, directly involved in the design phase of the projects, particularly for large activities which might pose sustainability concerns and which are subject to approval by the national authorities.** The role of recipient countries is therefore fundamental in assessing the sustainability and validating the activities which are then reported in TOSSD. Recipient countries could confirm the sustainability of specific activities, in particular whether an activity is part of the country’s transition to more sustainable solutions.¹¹
- vi. **In the absence of a universal tool to assess sustainability, the TOSSD framework could provide transparency on how different reporting institutions assess sustainability and how recipient countries are involved in such processes.** While the great majority of activities reported in the TOSSD database do not pose any sustainability concern, there might be cases where the public might ask the question of how the sustainability of specific activities has been assessed.

¹¹ Validation by recipient countries was emphasised in the discussions of the IAEG-SDGs working group on SDG indicator 17.3.1 on development support.

9. **To ensure that TOSSD activities support sustainable development, the following steps could be taken.**
- i. By reporting activities to TOSSD, reporters declare that:
 - a. the activities recorded directly contribute to at least one of the SDG targets, and
 - b. no substantial detrimental effect is anticipated on one or more of the other targets, and
 - c. the activities comply with prevailing global and regional, economic, environmental and social standards.
 - ii. The reporter also declares that it has taken steps to assess the economic, social and environmental sustainability of activities through
 - a. ESS screening and/or
 - b. discussions with the recipient.
 - iii. Reporters that use ESS are invited to transmit the details of their ESS to the Secretariat for incorporation in the TOSSD metadata file.
 - iv. The Secretariat may raise questions and request additional information on the sustainability assessment of the reported activities with a view to ensuring that, in particular in the case of projects with a large potential detrimental effect on any SDG target, these negative impacts have been avoided or mitigated.
10. The Secretariat proposes the following amendment to the Reporting Instructions for discussion by the Task Force (new text is underlined).

BOX 2 – Proposed amendment to the Reporting Instructions

2.2.1 ELIGIBILITY CRITERIA REGARDING SUSTAINABLE DEVELOPMENT¹²

Paragraph 47. In the context of TOSSD, an activity is deemed to support sustainable development if it directly contributes to at least one of the SDG targets as identified in the official list of SDG targets developed and maintained by the United Nations Statistical Commission (UNSC) and if no substantial detrimental effect is anticipated on one or more of the other targets.

By reporting an activity as TOSSD, the reporter declares that the activity complies with prevailing global and regional, economic, environmental and social standards and that steps have been taken to ensure the sustainability of the activity through:

- a. screening with a set of Environmental and Social Safeguards (ESS) and/or
- b. specific discussions with the recipient on the sustainability aspects of the supported activity.

Reporters that use ESS should transmit the details of their ESS framework to the Secretariat for incorporation in the TOSSD metadata file.

The Secretariat may raise questions and request additional information on the sustainability assessment of the reported activities so as to be able to respond to public inquiries on the data. The objective is to ensure that, particularly in the case of projects with a large potential detrimental effect on any SDG target, these negative impacts have been avoided or mitigated.

Paragraph 48. There may be cases where reporters cannot find a direct link with one of the SDG targets. This is due to the fact that SDG targets represent a global ambition and may therefore not encapsulate all dimensions of a given developmental issue in their final agreed wording.

Paragraph 49. If a reporter cannot find a direct link between one of its activities providing a critical contribution to sustainable development and an SDG target, the reporter will still be able to report it, linking it to a goal and providing an appropriate justification.

Issues for discussion

- **Do Task Force members have comments on the proposed elements to take into account in the operationalisation of the sustainability principle (see paragraph 8)?**
- **Is the proposed amendment of the Reporting Instructions helpful in clarifying the sustainability assessment in TOSSD (see Box 2)?**

¹² The notes are omitted in this text for clarity, but will remain in the text of the Reporting Instructions.

Annex 1: Reporting on the sustainability of TOSSD activities – possible information flowchart (updated following the discussions at the 16th Task Force meeting).

