



## Operationalising sustainability in TOSSD: criteria for including or excluding activities

TOSSD Task Force Issues Paper<sup>1</sup> - Agenda item 6

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### I. BACKGROUND

1. The objective of the TOSSD statistical framework is to track officially-supported resources to promote the sustainable development of developing countries. Clarifying the concept of sustainable development and establishing clear criteria for the eligibility of activities in TOSSD is central to the credibility of the measure. These eligibility criteria will allow data reporters to distinguish, in the context of TOSSD, activities aligned with sustainable development from those that cannot be considered as support for sustainable development.

2. Defining and assessing sustainability are challenging exercises. The TOSSD Reporting Instructions adopt the sustainable development definition first used in the Brundtland Report<sup>2</sup>, and state that TOSSD activities should directly contribute to at least one of the SDG targets and that there should be no substantial detrimental effects anticipated on one or more of the other targets.

3. The Reporting Instructions further state that TOSSD activities should support the implementation of the SDGs “by generating sustainable economic growth, ensuring social inclusion, without compromising the environment”. This is further reinforced by the requirement for TOSSD activities to comply with prevailing global and regional economic, environment and social standards and, when necessary, to adopt mitigation measures and to “not harm” other SDG targets.

4. This paper reflects on how to further operationalise the concept of sustainability included in the TOSSD Reporting Instructions into practical guidance for reporters. The paper focuses on environmental sustainability, which the Task Force requested to take as a starting point for discussion. It is composed of three parts: the first part recalls for ease of reference the general guidance on sustainability already included in the Reporting Instructions. The second and third parts discuss, respectively, the international environmental standards and safeguards, and activities in environmentally-sensitive sectors. Task force members will be invited to express their views on two concrete proposals: increasing transparency on the use of Environmental and Social Standards (ESS) frameworks and a decision tree on TOSSD eligibility in environmentally-sensitive sectors.

### I. CONCEPT OF SUSTAINABILITY IN THE TOSSD REPORTING INSTRUCTIONS

5. The TOSSD Reporting Instructions approach compliance with sustainability from three angles: i) adherence to global and regional standards; ii) contribution to SDG targets and identification of possible detrimental effects; and iii) adoption of mitigation measures. The relevant sections of the preamble, the TOSSD definition and the eligibility criteria are shown below (underlining added).

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<sup>2</sup> See Annex I on key dates in the international debate on environmental sustainability.



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 comply with prevailing global and regional, economic, environmental and social standards and disciplines, as well as development co-operation effectiveness principles. 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.* [...] [Preamble]

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.* [Section 1.1. definition of TOSSD]

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.* [...] [Section 1.1. definition of TOSSD]

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.* [section 2.2.1 – Eligibility criteria regarding sustainable development]

## II. COMPLIANCE WITH GLOBAL ENVIRONMENTAL STANDARDS AND SAFEGUARDS

6. As noted in the preamble, the activities included in TOSSD should comply with global and regional environmental standards and safeguards (ESS) and mitigate eventual harmful environmental impacts.

7. ESS frameworks are nowadays an integral part of the project cycle of most development finance providers (see examples in Annex II). The frameworks vary by institution and by project type and size. Largest projects, and projects that are more likely to generate negative social or environmental impacts, such as infrastructure projects, are subject to in-depth Environmental Impact Assessments (EIAs) while projects that present less environmental risks, such as activities in the social sectors can be subject to less detailed scrutiny, if at all. Policy development or finance in the form of budget support might also be subject to ESS. Typically, the ESS frameworks are composed of the following elements<sup>3</sup>:

- Identification of project impacts and their significance
- Identification of possible alternatives
- Preparation, implementation and monitoring of environmental management plans
- Consultation with the people and communities likely to be affected by the project

<sup>3</sup> Adapted from <https://www.adb.org/site/safeguards/environment>



8. The Task Force has previously discussed the possible approaches for associating international standards and disciplines with the TOSSD statistical system<sup>4</sup>. The Task Force decided at its meeting in December 2017<sup>5</sup> to include a reference to international standards in the preamble, and also agreed that at a later stage, a separate exercise could be carried out to better understand the compliance of countries and organisations with various international standards.

9. In practice, countries and institutions reporting on TOSSD could be requested to share information on the ESS frameworks they apply and whether they are applied to all or a specific subset of activities. To provide transparency on the issue, TOSSD could publish metadata containing references to the ESS standards in force for each data provider, and links to relevant external documentation. In this way, TOSSD would encourage the disclosure of information on the environmental safeguards in place, promote the sharing of best practices and provide relevant information to the public.

10. A metadata file on ESS could include the following information:

- Presence of an ESS framework.
- Link to ESS standards and guidelines documentation.
- Applicability of the framework at the activity level (e.g. identification of which safeguard is utilised and where, or the identification of projects not screened).

11. In case no ESS framework is in place, the reporter should signal it and confirm that the activities still comply with the TOSSD eligibility criteria as contained in section 2.2.1 of the Reporting Instructions.

#### Issues for discussion

- **What are Task Force members' views on the proposal that data providers should disclose information on the ESS frameworks put in place to ensure the environmental sustainability of their activities?**

### III. ACTIVITIES IN ENVIRONMENTALLY-SENSITIVE SECTORS

12. ESS do not typically prevent the financing institution from operating in environmentally-sensitive sectors, such as fossil fuels or mining. They rather set the framework to operate in conformity with many existing international agreements and regimes, state the need to evaluate the project against cost-effective, lower-impact alternatives, to assure an efficient use of resources and to disclose information. For example, the World Bank Environmental ESS states that:

<sup>4</sup> See: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/TOSSD-standards-and-disciplines-2017.pdf>

<sup>5</sup> See: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/TOSSD-Third-Task-Force-Action-Points.pdf>



*In addition to the resource efficiency measures [...], the Borrower will consider alternatives and implement technically and financially feasible and cost-effective options to avoid or minimize project-related air emissions during the design, construction and operation of the project. [...] Options for reducing GHG emissions may include alternative project locations; adoption of renewable or low carbon energy sources; alternatives to refrigerants with high global warming potential; more sustainable agricultural, forestry and livestock management practices; the reduction of fugitive emissions and gas flaring; carbon sequestration and storage; sustainable transport alternatives; and proper waste management practices<sup>6</sup>.*

The African Development Bank ESS includes – among other objectives – a transparency measure, as follows:

*[...] the Bank will report ex-ante on GHG emissions estimated to be produced by the Bank’s investments on a project-by-project basis and will report on GHG emissions (gross and net) in project documentation. The Bank will also report reductions in emissions achieved as a result of the Bank’s investments.*

13. The essence of the SDG agenda is to take the *bold and transformative steps which are urgently needed to shift the world on to a sustainable and resilient path*<sup>7</sup>. While the SDG agenda makes clear that developed countries should take the lead in the adoption of sustainable consumption and production as well as environmentally sound technologies (SDG 8 and SDG 9), it also strongly promotes the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed (SDG 17.7).

14. Activities in environmentally sensitive sectors can lead to substantial increase in GHGs emissions or other environmental risks. One of the most debated cases regards greenfield fossil fuel projects, which could be seen as detrimental to the SDG 13 “take urgent action on climate change and its impacts”, even if there are no specific targets on GHGs reduction. Several other SDGs include targets that are linked to climate mitigation actions, adoption of cleaner technologies and sustainable practices (see Table 1).

**Table 1 - SDGs targets linked to mitigation measures, efficient use of resources and sustainable practices (non-exhaustive).**

SDG	Description
<b>7.0</b>	<b>Ensure access to affordable, reliable, sustainable and modern energy for all</b>
7.2	By 2030, increase substantially the share of renewable energy in the global energy mix
7.3	By 2030, double the global rate of improvement in energy efficiency

<sup>6</sup> See The World Bank Environmental and Social Framework (2017), para. 15: <http://pubdocs.worldbank.org/en/837721522762050108/Environmental-and-Social-Framework.pdf#page=53&zoom=80>

<sup>7</sup> See: Transforming our world: the 2030 Agenda for Sustainable Development. Preamble. [https://www.un.org/ga/search/view\\_doc.asp?symbol=A/RES/70/1&Lang=E](https://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E)



<b>8.0</b>	<b>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</b>
8.4	Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead
<b>9.0</b>	<b>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</b>
9.4	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
<b>11.0</b>	<b>Make cities and human settlements inclusive, safe, resilient and sustainable</b>
11.2	By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
<b>12.0</b>	<b>Ensure sustainable consumption and production patterns</b>
12.2	By 2030, achieve the sustainable management and efficient use of natural resources
12.c	Rationalize inefficient fossil-fuel subsidies that encourage wasteful consumption by removing market distortions, in accordance with national circumstances, including by restructuring taxation and phasing out those harmful subsidies, where they exist, to reflect their environmental impacts, taking fully into account the specific needs and conditions of developing countries and minimizing the possible adverse impacts on their development in a manner that protects the poor and the affected communities
<b>13.0</b>	<b>Take urgent action to combat climate change and its impacts</b>
13.2	Integrate climate change measures into national policies, strategies and planning
<b>17.0</b>	<b>Strengthen the means of implementation and revitalize the global partnership for sustainable development</b>
17.7	Promote the development, transfer, dissemination and diffusion of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed.

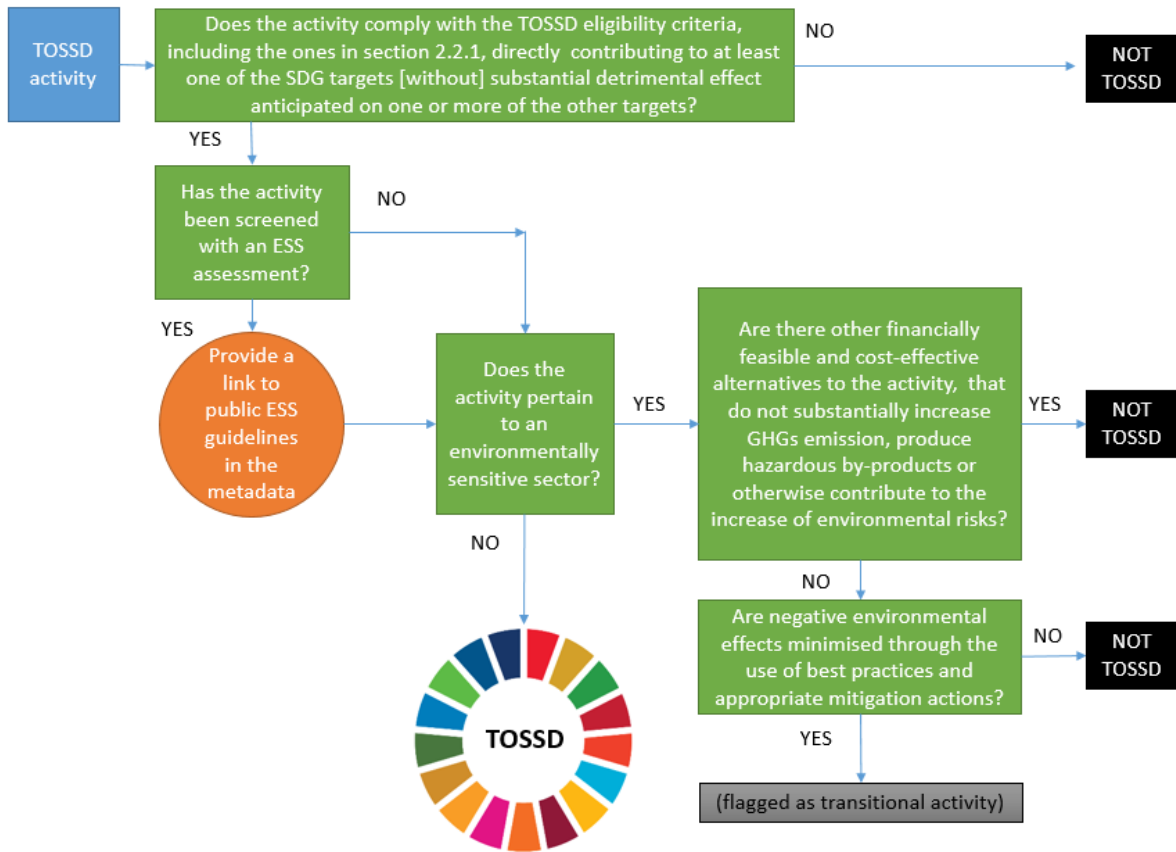
15. Sustainability is not a black or white concept. Rather, development activities could be considered more or less sustainable depending on the availability of alternatives, which are influenced by many factors including the availability of resources and technologies, the nature of the needs the activity is designed to address, the long-term consequences and the risks assessments. In most cases, the activities in environmentally-sensitive sectors undergo an ESS assessment that takes into account the alternatives to the project. However, given that ESS are not a specific TOSSD eligibility criteria, it could be useful to include in TOSSD an explicit sustainability test, such as the following:

<b>Proposed sustainability test</b>	
•	Are there other financially feasible and cost-effective alternatives to the activity that do not substantially increase GHGs emission, produce hazardous by-products or otherwise contribute to the increase of environmental risks?
•	Are negative environmental effects minimised through the use of best practices and appropriate mitigation actions?



16. Figure 1 draws a possible decision tree for the sustainability of TOSSD activities in environmentally sensitive sectors. To ensure consistent and coherent reporting, it will be critical to agree on the treatment of transitional activities i.e. the cases where more sustainable alternatives are not feasible to implement but where best practices and appropriate mitigation actions are in place.

**Figure 1 - TOSSD sustainability decision tree in environmentally-sensitive sectors.**



17. The sustainability test, and instructions on the treatment of transitional activities, could be inserted in the Reporting Instructions alongside the other eligibility criteria.

**Issues for discussion**

- Do Task Force members agree to implement an “environmental sustainability test” for the activities in environmentally-sensitive sectors? How could these environmentally-sensitive sectors be defined?
- Should transitional activities be included in TOSSD? If so, could they be flagged as transitional activities?





## ANNEX I. KEY DATES IN THE INTERNATIONAL DEBATE ON ENVIRONMENTAL SUSTAINABILITY

Sustainable development is a multidimensional and evolving concept. The debate on the relationship between development and environment sparked in the 1970's with the first UN environmental conference in Stockholm (1972)<sup>8</sup> and the much-debated "Limits to growth" publication from the Club of Rome<sup>9</sup>. The International Union for the Conservation of Nature coined the term "sustainable development" in the early 1980s, and in 1987 the World Commission on Environment and Development proposed, in the "Brundtland report", a much quoted definition for sustainable development, also taken as a reference in the TOSSD framework. In 1992, the UN conference on Environment and Development in Rio (the "Earth Summit") further institutionalised the concept of sustainable development and the linkages between development and the environment. The Rio declaration, signed by more than 170 countries and composed of 27 principles<sup>10</sup> (including the one on "common but differentiated responsibilities") had an enormous influence on all the subsequent environmental agreements and international development policies and practices. Twenty years later, the UN organised a Rio+20 conference where member states decided, among other things, to develop the Sustainable Development Goals, by 2015.

The 2030 agenda further develops the sustainable development concept as an integrated objective for all nations. The agenda highlights five pillars of sustainable development: people, planet, prosperity, peace and partnerships, clearly embedding the role of peace, security and human rights in the concept. The agenda does not attempt to formulate an updated definition of sustainable development; rather it traces a path to achieve sustainable development identifying an integrated set of joint objectives.

Climate Change has a special position in the SDGs. The 2030 Agenda recognises climate change as one of the greatest challenges the humanity faces and reaffirms the need to take urgent action against it. The 2030 Agenda does not have quantitative targets for climate change but it directly refers to the agreements negotiated within the UNFCCC. The agenda predates the Paris Agreement, but makes reference to the COP 21 that, later that year, negotiated and approved the agreement.

The Paris Agreement<sup>11</sup> explicitly links sustainable development, efforts to eradicate poverty and climate change mitigation and adaptation. The article 2.1.c of the Agreement states the commitment of "Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development". The Paris Agreement also states that "Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention" (art. 9.1) and highlight the role of developed countries in "mobilizing climate finance from a wide variety of sources, instruments and channels" (art. 9.3).

<sup>8</sup> See: [https://www.un.org/ga/search/view\\_doc.asp?symbol=A/CONF.48/14/REV.1](https://www.un.org/ga/search/view_doc.asp?symbol=A/CONF.48/14/REV.1)

<sup>9</sup> See: <https://www.clubofrome.org/news/publication-of-the-limits-to-growth/>

<sup>10</sup> See: [https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A\\_CONF.15\\_1\\_26\\_Vol.I\\_Declaration.pdf](https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.15_1_26_Vol.I_Declaration.pdf)

<sup>11</sup> See: [https://unfccc.int/files/meetings/paris\\_nov\\_2015/application/pdf/paris\\_agreement\\_english\\_.pdf](https://unfccc.int/files/meetings/paris_nov_2015/application/pdf/paris_agreement_english_.pdf)



## ANNEX II. ENVIRONMENTAL AND SOCIAL SAFEGUARDS

Development finance providers started to introduce coherent policies and procedures to assure the social and environmental sustainability of their operations in the 1980's and 1990's. These frameworks, regrouped under the term "Environmental and Social Safeguards (ESS)", have the scope to assure that the partners involved in development finance activities identify and assess the environmental and social risks of their operations and, consequently, avoid, manage and minimise negative social and environmental impacts<sup>12</sup>. The establishment and revision of ESS are complex exercises that are carried out in consultation with numerous development stakeholders, experts, civil society and the public.

The ESS frameworks are regularly revised, to better suit the continuously evolving concept of sustainability, to integrate the international agreements on various aspects of sustainable development and to take into account the advancement of technologies and environmental knowledge. Examples of institutions that have updated their ESS over the last decade include<sup>13</sup>:

- 2019: Global Environment Facility (GEF)<sup>14</sup>
- 2018: World Bank<sup>15</sup> and DFAT, Australia<sup>16</sup>
- 2016: Sida, Sweden<sup>17</sup>
- 2013: African Development Bank (AfDB)<sup>18</sup>
- 2012: International Finance Corporation (IFC)<sup>19</sup>
- 2010: Inter-American Development Bank (IADB) (under revision)<sup>20</sup>; Green Climate Fund<sup>21</sup>
- 2009: Europe Aid, the European Commission (EC)<sup>22</sup>

The list above shows that for many institutions the latest version of the ESS predates the Sustainable Development Goals. This is not an issue, however. The ESS are generically designed to assure the compliance with widely accepted sustainable development principles, the same principles that inspired the SDGs.

ESS frameworks can be accompanied by manuals and best practices. For example, the World Bank Group provides a set of living documents that collect the international best practices in the different sectors. These documents are used as a benchmark to evaluate new investment decisions<sup>23</sup>.

<sup>12</sup> For an in depth discussion on the different ESS in the context of TOSSD see also <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/TOSSD-standards-and-disciplines-2017.pdf>

<sup>13</sup> For a comparison between several ESS systems see Horberry, J. Environmental and social safeguards. Evidence on Demand, UK (2014) iv + 29 pp. [DOI: 10.12774/eod\_hd.december2014.horberryj]

<sup>14</sup> See: <https://www.thegef.org/documents/environmental-and-social-safeguard-standards>

<sup>15</sup> See: <http://pubdocs.worldbank.org/en/837721522762050108/Environmental-and-Social-Framework.pdf>

<sup>16</sup> See: <https://dfat.gov.au/aid/topics/aid-risk-management/Pages/environmental-and-social-safeguards.aspx>

<sup>17</sup> See: <https://www.sida.se/English/partners/methods-materials/green-tool-box/>

<sup>18</sup> See: [https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/December\\_2013\\_-\\_AfDB%E2%80%99S\\_Integrated\\_Safeguards\\_System\\_-\\_Policy\\_Statement\\_and\\_Operational\\_Safeguards.pdf](https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/December_2013_-_AfDB%E2%80%99S_Integrated_Safeguards_System_-_Policy_Statement_and_Operational_Safeguards.pdf)

<sup>19</sup> See: [https://www.ifc.org/wps/wcm/connect/Topics\\_Ext\\_Content/IFC\\_External\\_Corporate\\_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/](https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards/)

<sup>20</sup> See: <https://www.iadb.org/en/about-us/sustainability-and-safeguards>

<sup>21</sup> See: <https://www.greenclimate.fund/safeguards/environment-social>

<sup>22</sup> See: [https://ec.europa.eu/europeaid/sectors/environment/environment-and-green-economy/climate-change-and-environment\\_en](https://ec.europa.eu/europeaid/sectors/environment/environment-and-green-economy/climate-change-and-environment_en)

<sup>23</sup> See: [https://www.ifc.org/wps/wcm/connect/topics\\_ext\\_content/ifc\\_external\\_corporate\\_site/sustainability-at-ifc/policies-standards/ehs-guidelines](https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines)