DRAFT, JUNE 2016

TOSSD COMPENDIUM

For public consultation

OECD

BETTER POLICIES FOR BETTER LIVES

HOW TO USE THIS COMPENDIUM?

Readers are invited to provide comments on particular sections, in response to the questions or on the entire document – as they see fit. Please send comments to TOSSD@oecd.org. Contributions will be posted on the TOSSD consultation website and taken into account when the Compendium is updated early September 2016. The revised Compendium will be posted on the same website and readers will be invited to provide further comments on the new text, which will feed into future political processes designed to ensure broad-based international consensus on the components, features, oversight arrangements and statistical parameters of the TOSSD framework.

DRAFT TOSSD COMPENDIUM

-- FOR PUBLIC CONSULTATION --

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INTRODUCTION

Why a Compendium?

1. This overview of current thinking about the aims, structure and features of the new international statistical measure, total official support for sustainable development (TOSSD), is designed to provide information to a wide spectrum of readers. It's also designed to facilitate interactive feedback regarding challenging questions about TOSSD that need to be addressed now, while it is being fleshed out. The Compendium is fundamentally a "tool" for associating the broader international community with work to develop TOSSD, thus ensuring – as agreed in the Addis Ababa Action Agenda[1] – it is developed in an open, inclusive and transparent manner. It is the product of numerous international workshops and expert meetings that have been carried out over the past year, and has benefited from input through international consultation processes, including through United Nations' bodies and fora.[2] The current version of the Compendium is work-in-progress and it will further evolve based on comments and inputs from all stakeholders, including members of the OECD Development Assistance Committee (DAC).

The structure of the Compendium

2. Part I provides a general, easy-to-understand overview of the proposed TOSSD measurement framework – its origins, its purpose, its components, and how it might be structured and implemented across the international system. Part II is composed of a number of "technical specification summaries" outlining in more detail key conceptual and functional aspects of the measurement framework: these constitute a precursor of what will ultimately evolve into a set of reporting instructions that will guide institutions and agencies who will provide TOSSD data in future. Questions to the reader are inserted in various places in these first two parts to highlight unresolved issues and challenges where greater clarity is needed – as a prompt for readers to engage and share their views. As the text progresses, it shifts in style and substance from setting out the "big picture" political narrative, to a more focused description of underlying conceptual elements, and then finally to more in-depth technical content. This reflects the varying stages of development of the ideas underpinning TOSSD and the nature of a statistical system.

3. Annex 1 highlights guidance and insights culled from a wide variety of international consultations, briefings and workshops that have been held on the possible features and components of TOSSD. Additional annexes provide more technical information on specific issues developed in the Compendium.

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1 . See paragraph 55 of the Addis Ababa Action Agenda (http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf).

2 . See a comprehensive overview of documentation and events on: https://www.oecd.org/dac/financing-sustainable-development/tossd.htm .

How to use this Compendium?

4. Readers are invited to provide comments on particular sections, in response to the questions or on the entire document – as they see fit. Please send comments to TOSSD@oecd.org. Contributions will be posted on the TOSSD consultation website and taken into account when the Compendium is updated early September 2016. The revised Compendium will be posted on the same website and readers will be invited to provide further comments on the new text, which will feed into future political processes designed to ensure broad-based international consensus on the components, features, oversight arrangements and statistical parameters of the TOSSD framework.

What will be the next steps in developing TOSSD?

5. The TOSSD framework is expected to be endorsed by the international community in the course of 2017. Important milestones in this regard include the UN High Level Political Forum (HLPF) in July 2016, the UN Development Co-operation Forum in July 2016, the DAC Senior Level Meeting in October 2016, the Global Partnership for Effective Development Co-operation in November 2016, the UN Forum on Financing for Development (date tbd) and the subsequent HLPF in July 2017.

PART I: OVERVIEW OF TOSSD

Guidance for readers

6. *This section provides a big-picture view of TOSSD: its objectives, structure, proposed features. Readers are invited to express their views on some of the core principles and features of the TOSSD measurement framework, including its relation to official development assistance (ODA), future governance arrangement and links to the results agenda.*

What is TOSSD?

7. TOSSD is a new international statistical measure that is currently being developed in consultation with the international community. It will measure "external" finance – resources provided from beyond the borders of the countries receiving it. A simple working definition of TOSSD follows:

Box 1. Working definition of TOSSD

Total official support for sustainable development (TOSSD) includes all officially supported resource flows to promote sustainable development at developing country, regional and global levels where the majority of benefits are destined for developing countries, including those resources that support development enablers or address global challenges.

8. In a nutshell, TOSSD will cover all officially-supported resource flows regardless of financial instrument used or level of concessionality, or whether they are delivered through bilateral or multilateral channels. To be eligible, the resources would need to be i) targeted at efforts to achieve the Sustainable Development Goals (SDGs) and to support the Means of Implementation agreed in the Addis Ababa Action Agenda and subsequent follow-on universally-agreed sustainable development strategies, ii) aligned with developing country development priorities and iii) in conformity with universally-agreed multilateral standards, principles and rules (e.g. WTO, Equator Principles, UN Responsible Investment Principles, etc.).

Objectives of the TOSSD measurement framework

9. The primary objective of the TOSSD measurement framework is to promote greater transparency about the full array of officially-supported development finance provided through bilateral and multilateral development co-operation (including by South-South and triangular co-operation actors, multilateral institutions and traditional donors) in support of the 2030 Agenda for Sustainable Development[3] and subsequent follow-on universally-agreed sustainable development strategies. Information about resource flows will facilitate learning and exchange of good practice among developing countries about accessing and combining resources most effectively, offer insights about how and to what extent the international community is addressing global challenges, foster greater collaboration across development partners

3 . https://sustainabledevelopment.un.org/post2015/transformingourworld

financing the SDGs, and promote informed policy discussions about the quality and impact of development finance.

Box 2. Aim and value added of TOSSD

TOSSD will promote greater transparency of the full array of external officially-supported resources available to developing countries to finance the SDGs and to address development enablers and global challenges; consequently, investments of a purely commercial, military, and/or cultural nature extend beyond the scope of the measure's intentionality. The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda recognise the important role that private sector finance will also play to meet these objectives. In this regard, by providing a more complete understanding of the public-private interface, data on TOSSD will help facilitate co-ordination of investment and actions of public and private actors working together in shared pursuit of the SDGs.

The comparative advantage of the TOSSD statistical framework is its comprehensive nature which will provide a common framework at the international level, ensuring global accountability. All official providers - traditional and emerging - will be able to collaborate and harmonise their approach in reporting so that developing countries can apprehend their access to external development finance through granular project-level information.

The innovative decision to advance the recipient country perspective will promote learning and exchange of best practice among recipient countries in tapping and deploying a wide range of development finance from public and private sources, without creating additional burden of data collection at country-level.

10. TOSSD is designed to establish a common framework at the international level around which all official providers can collaborate and through which developing countries can apprehend their access to development finance. TOSSD can also help to address shortcomings of current international statistical arrangements that structure and benchmark development finance. This innovative measurement framework could also incorporate alternative units of measure, using conversion tools such as Purchasing Power Parity (PPP) equivalents, which would allow for more equitable international comparison of contributions to development.

Why measure and monitor external finance underpinning the SDGs?

11. The SDGs can only be achieved by mobilising adequate resources from multiple sources, modalities and instruments. But as it stands, it's difficult to understand how and from where development finance is being mobilised, combined and delivered: available statistics beyond ODA are not sufficiently detailed and consolidated to allow for comprehensive and comparable analyses. There's now a need to develop common international frameworks and standards that will permit a shared understanding of how SDG financing is coming together at the global and country levels. The international community needs to know how much money is invested and where it is invested (sector, activity, country) – but perhaps more importantly, it needs to assess how resources are coming together most effectively, including the enabling conditions and features of successful financing packages. In line with current international thinking regarding future work to monitor the SDG financing for development agenda agreed in the Addis Ababa Action Agenda, TOSSD data will directly feed into future UN monitoring activities and reports[4].

12. Properly tracking all components of different project financing arrangements will be important in realising the ambition – and the promise – of TOSSD as a unique tool for shedding light on complex financing packages. For example, financing a water project in a specific developing country could call for

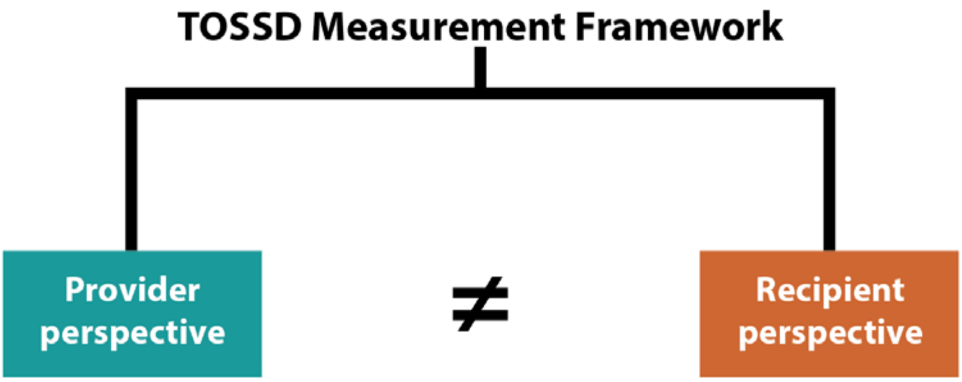
4 . The Addis Ababa Action Agenda is an integral component supporting the implementation of the 2030 Agenda for Sustainable Development (http://www.un.org/esa/ffd/wp-content/uploads/sites/2/2015/07/DESA-Briefing-Note-Addis-Action-Agenda.pdf).

a variety of financing sources and instruments e.g. a grant, a concessional loan, an export credit guarantee, private commercial finance and/or national budget resources. These different financing components are today not all connected in international statistical systems as a single project – they are reported separately. Statistical information collected through the TOSSD measurement framework will make it possible to capture the full scope of external officially-supported financing packages contributing to the SDGs. It will also enhance information about the full financial implications of finance to borrowers/recipients in terms of loan repayments, operational costs and contingent liabilities. And it could play an important role in shedding light on the "sustainable development purpose" of private investment – and in the longer-term, the extent to which SDG outcomes were achieved.

What will the measuring framework look like?

13. TOSSD will be composed of two measures: one that relates to the "recipient" perspective and one that relates to the "provider" perspective. The statistical components of the two perspectives are not equal and cannot be reconciled. Their respective sums will not be equivalent, and they cannot be aggregated into a total TOSSD figure.

Figure 1. The two perspectives of TOSSD



14. The **recipient perspective measure** will track all officially supported cross-border resource flows, including mobilised resources, irrespective of their terms and conditions. It will be based on data collected from all relevant provider institutions so as to not encumber recipient countries with country-level data collection. It will deepen existing information on development financing made available to countries – useful for partner countries for strategic planning purposes, and for all providers in terms of improved co-ordination and gap-filling. The recipient perspective measure will complete the picture of total resources available at country level to finance the SDGs, including domestic resources. This measure could also inform partner country reporting on balance of payments statistics. The recipient perspective will in practice not include in-donor costs (e.g. administration costs, refugee costs, student costs) and contributions to address global and regional challenges. This would mirror the approach adopted in the OECD DAC's well-established Country Programmable Aid (CPA) measure[5].

5. Donors' contributions to country-level development programmes are best captured by the concept of Country Programmable Aid (CPA), a subset of gross bilateral ODA. CPA tracks the proportion of ODA over which recipient countries have, or could have, a significant say. It reflects the amount of aid that involves a cross-border flow and is subject to multi-year planning at country/regional level. Several studies have also shown that CPA is a good proxy of aid recorded at the country level (excluding humanitarian aid). CPA from multilateral agencies is measured using a similar methodology.

15. The **provider perspective measure** will capture support provided by official providers, including cross border flows and contributions to address global and regional challenges. It will include official support used to mobilise additional resources through leveraging instruments such as guarantees, equity stakes and credit enhancements. Mobilised resources will also be measured – but further discussions by the international community are needed to clarify whether these resources would be included in the TOSSD provider perspective measure or whether they would be presented separately. It will be based on data collected from all relevant development partners and institutions, including and beyond the OECD DAC.

What's the difference between TOSSD and ODA?

16. The TOSSD measure is different from the ODA measure in terms of scope and measurement.

- The ODA measure is only applicable to members of the OECD Development Assistance Committee and other providers who report on their development co-operation following its very specific definitions and rules. TOSSD aims to bring together all providers of public international finance, and the private operators they are collaborating with, in a global statistical reporting framework.

- ODA is measured by the grant equivalent of the resource flow[6] and thus registers donor "effort" in making resources available. TOSSD will be measured by the full face value of the flow – or the gross amount – to provide a fuller picture of resources available to developing countries.

- ODA is characterised by eligibility criteria based on the level of concessionality (additionality in the case of Private Sector Instruments). TOSSD is a metric to simply capture broader resource flows, including and extending beyond ODA flows.

17. The TOSSD measure will not supplant the ODA measure and should uphold internationally-agreed standards in support of sustainable development. It will therefore be a separate, conceptually distinct statistical metric tailored to the SDG era – encompassing support for tackling global challenges and promoting development enablers, for mobilising private sector resources through official interventions and for monitoring the ambitious "billions to trillions" financing agenda set out in Addis Ababa. No TOSSD targets or associated commitments will be established. ODA will remain the cornerstone of OECD DAC members' accountability to the international development community – including the different commitments that have been undertaken in that regard.

Monitoring TOSSD and upholding and promoting internationally agreed standards and principles

18. TOSSD could incorporate a sound, self-regulatory framework for reducing economic distortions (e.g. recipient countries' tax concessions, trade subsidies, favourable government loans, etc.) that could be created by some TOSSD flows and promoting responsible investment that could be verified through periodic *ad hoc* monitoring arrangements. Disciplines and standards will need to be integrated into the TOSSD framework, in accordance with international rules and agreements and institutional norms and standards (e.g. WTO rules, ILO standards, Equator principles for social and environmental standards, UN agreements on human rights, etc.) in order to safeguard quality considerations.

6 . I.e. grants and grant portions of other resource flows.

19. Monitoring through timely and relevant analyses will provide insights about how ODA and TOSSD flows are being allocated in order to ensure the TOSSD operations are not crowding out ODA to countries most in need, diverting official support from the social sectors to infrastructure or creating incentives to finance development activities in richer countries to the detriment of poorer countries. Further work will be needed in this area in terms of identifying relevant principles and standards, and giving consideration to monitoring challenges both from the provider and recipient perspective.

How might the TOSSD measurement framework be implemented?

20. It will be necessary to develop functional and feasible governance arrangements for TOSSD: the value of the measurement framework as an international statistical standard will rest on the quality, relevance and integrity of data that are reported. While governance arrangements are likely to evolve over time as the measure matures and as implementation experience deepens, it will be important at the outset to identify an international process for developing and agreeing on a TOSSD oversight mechanism. The objective would be to establish an inclusive, representative and technically competent international body for promoting high statistical standards and effective reporting arrangements for TOSSD.

21. Many scenarios could be envisaged, building on some of the following elements:

- Securing broad-based international support for TOSSD as an international data standard for measuring development finance, including relevant instruments, principles and standards, and investment aims (e.g. SDG achievement).

- Developing a network of TOSSD data co-ordination and aggregation entities.

- Developing tools and processes to enhance the quality and consistency of data (peer review learning events, linkages and support to statistical capacity building, measuring results/impact at country level, etc.).

- Developing and agreeing an inclusive TOSSD measurement framework governance/management arrangement.

- Over time, explore the scope for adapting TOSSD to include finance from, and leveraged by, other actors – such as private banks, private enterprises, philanthropies, and civil society – to achieve the SDGs.

Questions to the international community

In your view…

- Are the objectives of the TOSSD measurement framework clear? What elements of the stated TOSSD objectives could be sharpened?
- Is the distinction between ODA and TOSSD sufficiently clear? If not, how could this be clarified further?
- How could TOSSD capture results and/or investment quality considerations (e.g. jobs created, technology improvements, energy cost reductions, etc.)?
- What international standards and principles should be integrated and monitored in the TOSSD framework?
- How might an inclusive, representative, technically competent governance arrangement for TOSSD be structured? What institutions might be associated? How might the thinking and planning for this take shape?

PART II: THE TOSSD MEASUREMENT FRAMEWORK: CONCEPTUAL UNDERPINNINGS, CORE COMPONENTS AND STATISTICAL FEATURES

SECTION A. SETTING THE FRAME FOR TOSSD: THE 2030 AGENDA AND TRACKING THE FINANCING FOR DEVELOPMENT AGENDA

Guidance for readers

22. This section illustrates how TOSSD fits within, and responds to, the need for tracking and monitoring development finance in the new SDG era. It provides details and context regarding the ambit of TOSSD coverage, including how different financial resources relate to the measure, the actors and forms of international co-operation falling within the framework, the motivations and purposes underlying TOSSD eligibility and a comparison of ODA and TOSSD. Specific questions are posed regarding the boundaries that would need to be established for operations that have multiple motivations and for trade finance.

TOSSD and the 2030 Agenda

23. The TOSSD measurement framework is being established in order to contribute to global efforts to monitor development finance provided in support of the 2030 Agenda for Sustainable Development.[7] In its preamble, this Agenda is described as a plan of action for people, planet and prosperity (see Box.2), seeking to establish an integrated approach that recognises the deep interconnections and many cross-cutting elements that characterise the 17 Sustainable Development Goals (SDGs) and 169 associated targets. This approach will call for balancing a wide range of economic, social and environmental sustainable development objectives. It further recognises that eradicating poverty is the greatest global challenge – to ensure that no one is left behind.

7 . See https://sustainabledevelopment.un.org/post2015/transformingourworld.

Box 3. "Transforming our world: the 2030 Agenda for Sustainable Development"
(Extract from the preamble)

People: We are determined to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.

Planet: We are determined to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations.

Prosperity: We are determined to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature.

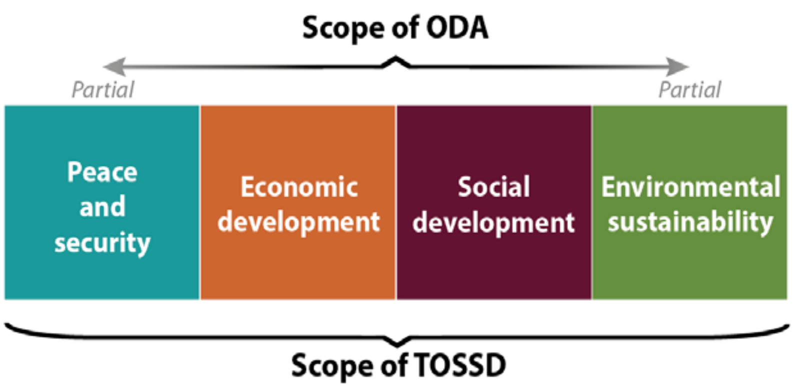
Peace: We are determined to foster peaceful, just and inclusive societies which are free from fear and violence. There can be no sustainable development without peace and no peace without sustainable development.

Partnership: We are determined to mobilise the means required to implement this Agenda through a revitalised Global Partnership for Sustainable Development, based on a spirit of a strengthened global solidarity, focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people.

24. The 2030 Agenda is thus fundamentally different from the MDG framework that guided development co-operation until 2015. In particular, it places greater emphasis on the environmental dimension of sustainable development and recognises peace and security as a pre-condition for sustainable development. The 2030 Agenda goes further in other areas, highlighting the importance of reducing inequality within and among countries, implementing effective rule of law and good governance, recognising the positive contribution of international migration to inclusive growth and sustainable development, and ensuring access to affordable, reliable and sustainable energy. It also, crucially, envisions implementing the new set of goals through a global partnership in solidarity with the poorest and most vulnerable populations.

25. The distinctions between the scope and focus of the MDGs and the new SDGs play out as well in measurement approaches. In contrast to ODA – which covers activities administered with the economic development and welfare of developing countries as their main objective – TOSSD would in addition to that also include other activities, such as sustainable management of natural resources from a global perspective (conservation and sustainable use oceans and seas, freshwater resources, forests, mountains, drylands), which may not comply with the ODA criteria. Activities in the field of peace and security would be also covered more broadly, in particular in the field of building capacity in developing countries to prevent violence and combat terrorism and crime.

Figure 2. Scope of TOSSD in the SDG framework: purpose of support



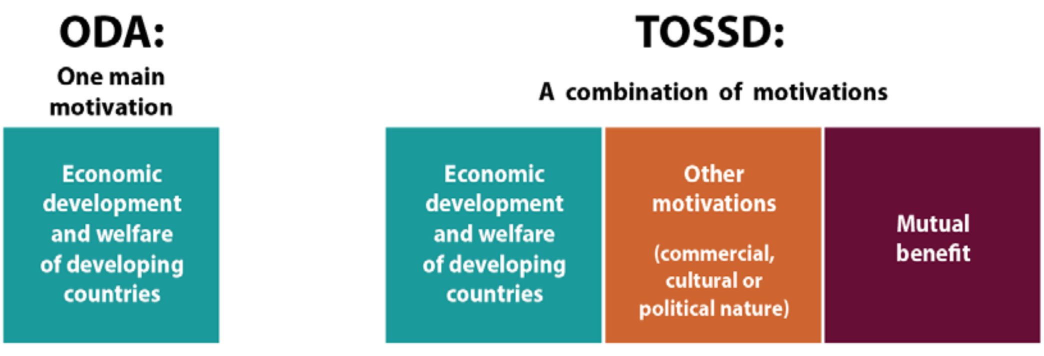
26. The 2030 Agenda also aims to facilitate intensive engagement in support of the implementation of sustainable global goals and targets, bringing together governments, the private sector, civil society, the United Nations system and other actors, and mobilising all available resources. For the first time, it is acknowledged that collective action to pursue global development and "win-win co-operation" can bring significant gains to all countries and all parts of the world.

27. This global collective action translates as well to the myriad ways and motivations for providing win-win financing arrangements – resources that simultaneously benefit both providers and recipients, or mutual benefit. Mutual benefit is one of the main principles of South-South co-operation. It was formally adopted as such at the High-level United Nations Conference on South-South Cooperation in Nairobi in 2009 and reaffirmed at similar conferences in 2010 (Bogotá) and 2013 (New Delhi).[8] The concept is linked to solidarity and equality among countries and implies that international co-operation arrangements have win-win outcomes benefitting all partners involved.

28. Most OECD DAC members also recognise that their motivation for providing development co-operation goes beyond the desire to reduce poverty in developing countries. For several countries, development co-operation is an intrinsic part of foreign policy and explicitly linked to trade. However, the main objective of any activity to be counted as ODA must be "the economic development and welfare of developing countries". This implies that activities which are primarily motivated by the provider's own interest (e.g. trade, investment, general foreign policy) or activities benefiting developed and developing countries alike do not count, despite the fact that they may have a developmental impact. In this regard, TOSSD will build upon existing international statistical measures, such as Other Official Flows (OOF) used in the context of the OECD statistics on development finance.[9]

29. The TOSSD concept aims to cover a broader range of activities that support sustainable development in developing countries, not necessarily with development as their primary objective. This means it will be better aligned with the principle of mutual benefit. Accordingly, a TOSSD project could serve equally the interests of other countries involved – instead of principally focussing on the development of one of the countries involved. These interests may be developmental, but could also be of a commercial, cultural or political nature.

Figure 3. Clarifying the intentions and motivations underpinning TOSSD support



8 . Network of Southern Think Tanks, "Developing a Conceptual Framework for South-South Co-operation" (December 2015) p 10.

9 . Other official flows (excluding officially supported export credits) are defined as transactions by the official sector which do not meet the conditions for eligibility as ODA, either because they are not primarily aimed at development, or because they are not sufficiently concessional.

30. A case in point would be the activities of Development Finance Institutions (DFIs), which often have a dual mission of supporting private sector-led growth in developing countries as well as supporting the access of their own domestic private sector in these markets. For example, the Overseas Private Investment Corporation (OPIC) of the United States "mobilises private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets, catalysing revenues, jobs and growth opportunities both at home and abroad."[10]

31. TOSSD could accommodate many of the types of operations and support provided by OPIC and other DFIs – institutions that have the dual mandates described above. For example, the procurement associated with an OPIC project providing a non-concessional loan to a private company in South Africa to finance a solar thermal power plant would qualify as TOSSD-eligible. The project would have a positive impact on U.S. employment, as it is assumed that a US company will be providing material. At the same time, the project will also have a positive development impact on the host country by increasing the supply of renewable energy and creating up to 1 400 new construction jobs, as well as dozens of permanent jobs in South Africa, which suffers from high, chronic unemployment.[11]

32. In the area of development-oriented social and cultural programmes, ODA boundaries are set based on a requirement for projects to “enhance” the social and cultural development of nationals of developing countries excluding, however, friendly or cultural exchange schemes or expenditures to promote the provider’s image. Many countries carry out projects in partner countries to promote the provider’s culture or to support a minority in the partner country that is culturally linked to the provider country: while these projects do not qualify as ODA, they could qualify as TOSSD. Examples would include projects to deepen mutual knowledge about cultures and traditions of both provider and recipient countries; activities by cultural centres such as Spain's *Instituto Cervantes* and Germany's *Goethe Institut*; and international broadcast services, such *BBC World Service* and *Radio France Internationale*, which undoubtedly contribute to democratic development in developing countries although they are not designed with that primary intention.

33. Countries may also provide support based on religious motivations. The United Arab Emirates undertakes religious projects that have strong social components. For example, support to provide a community with a mosque will also facilitate the provision of education and health services.[12] Such projects could be considered for inclusion in TOSSD. On the other hand, projects focused solely on religious objectives would be excluded.

34. Finally, assistance provided in support of regional or multilateral initiatives could also be covered under TOSSD. Brazil is one of the main contributors to the *Mercosur Fund for Structural Convergence* (FOCEM), which finances projects in Mercosur countries. As Brazil itself could benefit from the Fund e.g. a joint Uruguay-Brazilian electricity interconnection project, its contribution to the Fund would only in part be considered as development-co-operation, but the full amount could be captured in TOSSD.

35. Mutual benefit is one of the core principles underpinning the TOSSD framework. While this principle lends itself to the broader thrust and rationale implicit in the 2030 Agenda, at the same time it

10 . Source: https://www.opic.gov/

11 . Source: https://www.opic.gov/sites/default/files/files/PublicSummary_RedstoneCSP.pdf

12 . See the following link for an example (consulted on 04-05-2016): http://gulfnews.com/news/uae/government/shaikh-khalifa-mosque-in-jerusalem-nears-completion-1.1372850.

will call for developing clear, objective criteria for distinguishing between activities that can be counted and those that cannot, in order to ensure the statistical integrity of TOSSD.

Questions to the international community

> **In your view…**
>
> - Can it be assumed that all activities with a developmental purpose currently eligible as ODA also qualify as TOSSD?
> - Can activities motivated by the provider's self-interest be included if they have an equally important developmental purpose or are expected to have a developmental impact?

TOSSD and the means of implementation of the 2030 Agenda and Addis Ababa Action Agenda

36. Implementation of the 2030 Agenda calls for a revitalised Global Partnership for Sustainable Development, supported by concrete policies and actions as outlined in the outcome document of the third International Conference on Financing for Development (Addis Ababa Action Agenda, AAAA). The areas for action set out in the AAAA include: a) domestic public resources; b) domestic and international private business and finance; c) international development co-operation; d) international trade as an engine for development; e) debt and debt sustainability; f) addressing systemic issues; g) science, technology, innovation and capacity-building; h) data, monitoring and follow-up.[13] Under the action area on international development cooperation, the AAAA specifically calls for "open, inclusive and transparent discussions on the modernization of the ODA measurement and on the proposed measure of TOSSD and affirms that any such measure will not dilute commitments already made".[14]

37. TOSSD would contribute to the framework for monitoring the means of implementation of the 2030 Agenda. TOSSD would therefore cover not only financial resources but all forms of international co-operation that support developing countries in implementing the SDGs. The 2030 Agenda states that these will include "the mobilisation of financial resources as well as capacity-building and the transfer of environmentally sound technologies to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed."[15] International public finance is presented as "complementing the efforts of countries to mobilise resources domestically", noting that "an important use of international public finance, including ODA, is to catalyse additional resource mobilisation from other sources, public and private".[16] The AAAA calls for "an ambitious, comprehensive, holistic and transformative approach with respect to means of implementation, combining different means of implementation and integrating the economic, social and environmental dimensions of sustainable development".[17]

38. As regards mobilisation of financial resources, the AAAA "reaffirms the importance of fulfilling all ODA commitments and encourages all others to step up efforts to increase their ODA and to make additional concrete efforts towards the ODA target."[18] It stresses the importance of focusing the most

13 . See 2030 Agenda for Sustainable Development, paragraph 62.

14 . See AAAA, paragraph 55.

15 . See 2030 Agenda for Sustainable Development, paragraph 41.

16 . See 2030 Agenda for Sustainable Development, paragraph 43.

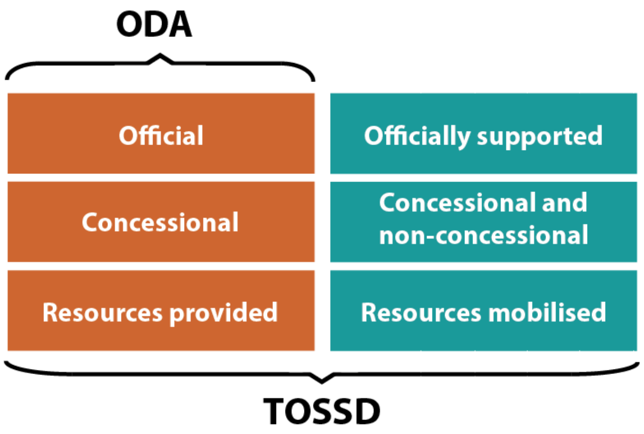
17 . See AAAA, paragraph 11.

18 . See AAAA, paragraph 51.

concessional resources on those with the greatest needs and using international public finance to catalyse additional resources from other sources, public and private. TOSSD would capture these mobilised resources – concessional and non-concessional – and thus include resources that are made available by the private sector[19], for example through blended finance or various pooling and risk mitigation mechanisms.

39. The question of how private resources can best be mobilised by official interventions is at the heart of discussions around how to finance the SDGs and to realise developed countries' commitment to mobilise, by 2020, USD 100 billion per year for climate action in developing countries. The potential exists: global savings have never been higher, there are new sources of capital that can be tapped, innovative financial instruments are widely available and investment opportunities abound. Yet in order to realise this potential, incentives need to be created for mobilising and channelling "patient capital" – i.e. funds invested for the medium- or long-term, particularly from the private sector. Public funds can be used to create these incentives through guarantees, mitigating risks, improving the enabling environment and helping to improve technical capacity. TOSSD presents the potential to shed light on how successful the international community has been in mobilising additional resources.

Figure 4. Clarifying the financial resources captured in TOSSD



40. The AAAA action area "science, technology, innovation and capacity-building" comprises a variety of activities, from research and technology development to scholarships. It sets an objective of "stepping up international co-operation and collaboration in science, research, technology and innovation, on the basis of common interest and mutual benefit, focusing on the needs of developing countries and the achievement of the SDGs". [20]

41. Many activities referred to in this action area are included in data on development co-operation (and qualify as ODA if it can be demonstrated that the activity was carried out with the "economic development and welfare of developing countries as its main objective"). Human resource development and strengthening of institutional capacity in developing countries are specific objectives of international co-operation and incorporated in projects across all sectors. Research and development of technologies qualify as ODA if they specifically address the problems of developing countries (e.g. to enhance agricultural productive capacity in developing countries). But there are other examples in the AAAA where the link with developing countries' concerns is not straightforward, such as "development of

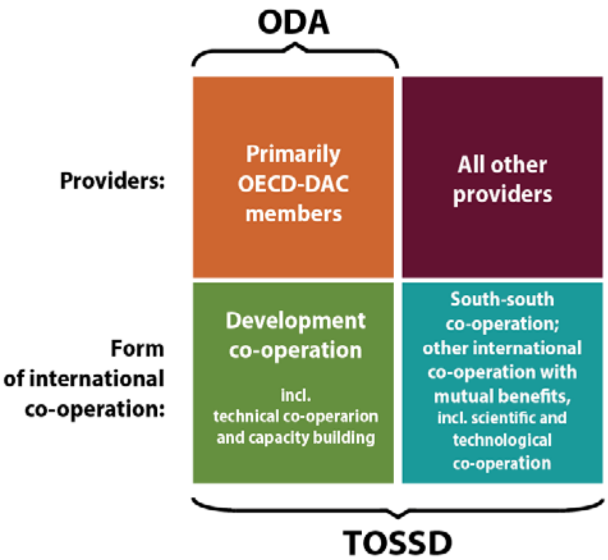
19 . The term "private sector" is used in the AAAA in a broad sense, ranging from micro-enterprises to co-operatives to multinationals, also covering CSOs and philanthropic organisations.

20 . See AAAA, paragraph 120.

environmentally sound technologies", "investment through enhanced international co-operation in earth observation", "increase scientific knowledge, develop research capacity and transfer marine technology". There are also other cases e.g. where research and development of vaccines and medicines for diseases that "disproportionately impact developing countries" is carried out in developed countries.

42. TOSSD would include scientific and technological co-operation activities as long as they focus on the needs of, and the achievement of the SDGs, in developing countries. They may be based on common interest and mutual benefit, and be undertaken using various forms of international co-operation – traditional development co-operation (ODA), south-south co-operation or indeed public-private and multi-stakeholder partnerships.

Figure 5. Comparing ODA and TOSSD: scope of actors and activities



43. The need for enhanced international co-operation and capacity-building are mentioned in all action areas of the AAAA, including "international trade as an engine for development". The AAAA acknowledges that "lack of access to trade finance can limit a country's trading potential, and result in missed opportunities to use trade as an engine for development". It calls on development banks to provide increased market-oriented trade finance and to examine ways to address market failures associated with trade finance.

44. Trade finance (short and long-term) is a significant part of development finance although it may not have a primary developmental motivation, it may have positive developmental impact. For this reason, it may perhaps be appropriate for the TOSSD measurement framework to include trade finance in a meaningful way, subject to acceptable measurement boundaries that would need to be discussed and agreed by the international community.

Questions to the international community

In your view…

- How could boundaries for mutual benefit activities in TOSSD be defined?
- 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?

SECTION B. CORE ARCHITECTURE OF THE TOSSD MEASUREMENT FRAMEWORK: THE PROVIDER AND THE RECIPIENT PERSPECTIVES

Guidance for readers

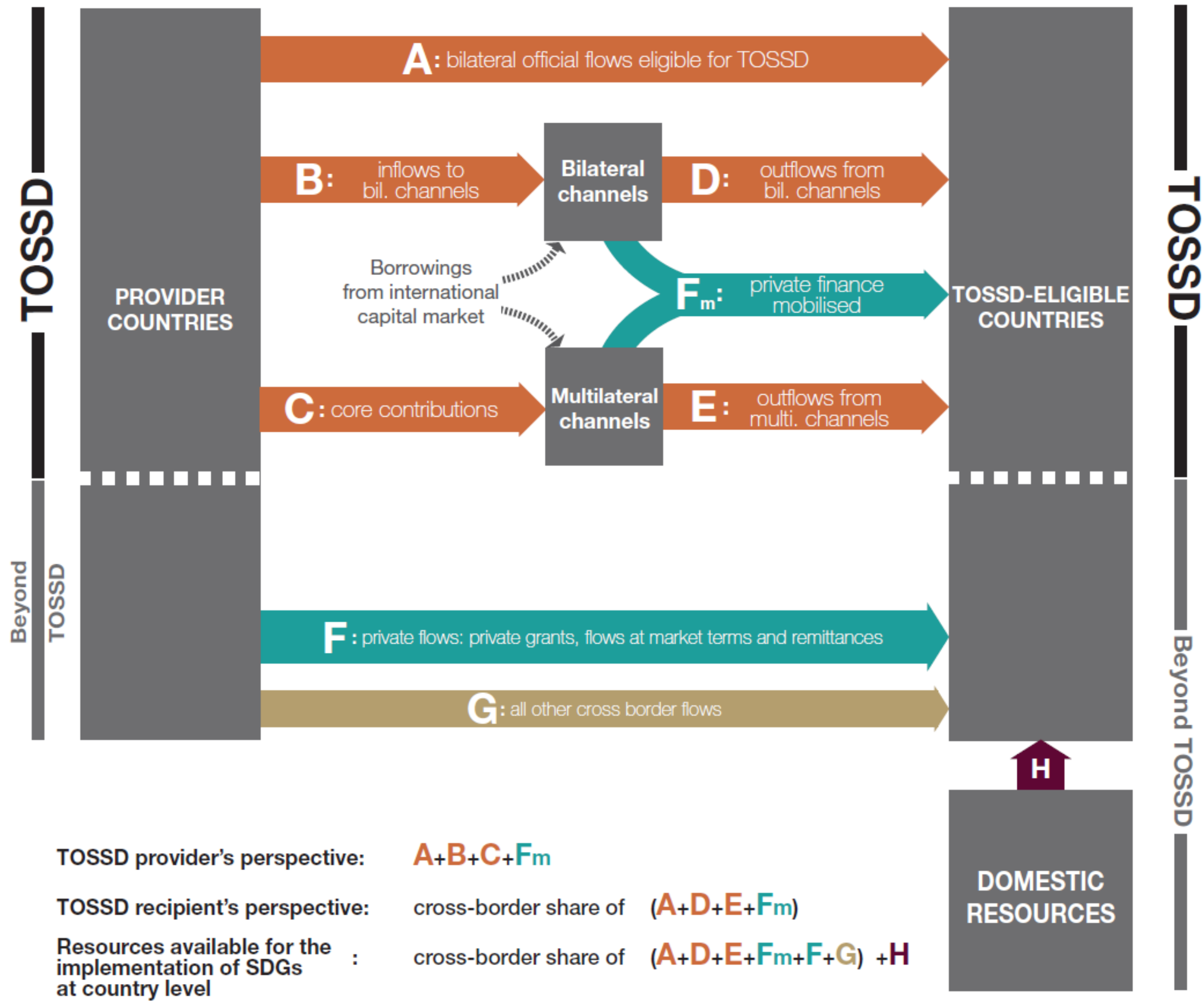
45. This section provides detailed information on the two constituent parts of the TOSSD measurement framework: the provider and the recipient perspective measures. Readers are invited to react to the conceptual elements and the proposed statistical features of these different, yet complementary, approaches to measuring resource flows.

46. Collecting granular data on TOSSD from providers will permit data to be presented from either a provider perspective or a recipient perspective. These are illustrated in Figure 6 below and can be summarised as follows:

- The "provider perspective" measure would quantify resource flows emanating from provider countries. Provider countries would report TOSSD resources provided to developing countries and multilateral development institutions to their relevant data co-ordination and aggregation entity. The resulting statistics from the provider perspective would distinguish between bilateral and multilateral support.

- The "recipient perspective" would quantify cross-border resource flows to recipient countries. These would consist of bilateral flows from provider countries and outflows from multilateral development organisations. Data on the latter would be collected directly from the multilateral organisations and include the same details as for bilateral flows (e.g. recipient country or region, purpose and the financial instruments used). The data collection from multilateral organisations would be limited to core (un-earmarked) resources to avoid double-counting with earmarked contributions reported as "bilateral" by provider countries. The recipient perspective would also capture private resources mobilised through public interventions using different leveraging instruments.

Figure 6. Basic architecture for the two TOSSD perspectives: provider and recipient



Note: *Sizes of the individual boxes in this figure are not related to the volume of the financial flows which they represent. Bilateral channels include development finance institutions and development banks. Multilateral channels include international financial and multilateral institutions.*

Emerging features of the provider perspective measure

47. TOSSD would provide a measure of resources made available by provider countries to support sustainable development in developing countries. It would complement, not replace ODA. TOSSD would include – and therefore valorise – contributions to sustainable development beyond ODA flows.

48. It would provide important information about broader development finance and help providers adapt their development co-operation policies and allocation systems in light of the 2030 Agenda. For example, TOSSD would clarify how blending mechanisms are being deployed in different country contexts and how the international community is collaborating to adequately finance development enablers and address global challenges. From discussions held so far, the following features would characterise the TOSSD provider perspective measure:

- TOSSD would cover official resources provided by national, state or local government agencies and public corporations, irrespective of the financial instrument used. The extent to which private capital mobilised through official efforts (e.g. private investment in public/private ventures established with the help of official guarantees, co-financing arrangements or equity stakes) could be incorporated in the TOSSD provider perspective measure remains to be determined.

- TOSSD would capture both bilateral and multilateral support to developing countries.

- Eligibility of TOSSD flows will be determined on the basis of their direct linkage to the SDGs and the purpose and motivations for which they are provided. Investments undertaken to promote enablers of sustainable development (e.g. peace and security), to address global challenges (e.g. climate change, infectious diseases and associated research[21]) and to strengthen global economic governance and norm-setting would be covered by the measure, recognising that providers themselves may benefit from such activities.

- Resources would be measured on a gross basis, but complemented by information on reflows (repayments, income from equity investments, etc.) for transparency purposes.

49. The provider perspective measure can be relatively quickly compiled from existing data sources[22], and would be the first part of the TOSSD framework to be implemented.

Emerging features of the recipient perspective measure

50. From a recipient perspective, the measure would capture all cross-border resources made available for sustainable development from all providers including emerging economies. It would deepen information on development financing at the country level – useful for partner countries for strategic planning purposes. As for the provider perspective, TOSSD would complement and not replace ODA. ODA remains a critical source of external finance, especially for countries most in need.

51. To be useful to recipient countries, the recipient perspective should contribute to providing a more comprehensive picture of external finance reaching the country, regardless of the instrument used or public/private origin of the funds and associated terms and conditions. Country-level analysis has shown the need for recipient countries to assess the entirety of cross-border flows (e.g. private flows such as FDI, securities issued on international capital markets, private charitable resources (NGOs, foundations), and remittances, etc.). Although not included in the TOSSD recipient measure, information about these flows is critical to ascertain the totality of external finance available in addition to domestic public and private resources.

52. TOSSD flows would need to encompass resources from all provider countries – including South-South providers not necessarily currently reporting to the OECD DAC such as Brazil and China – and from multilateral organisations. The absence of data on external financing from emerging economies would imply large data gaps for some recipient countries that have large development co-operation programmes with emerging providers. These flows could be reported to relevant data co-ordination and aggregation

21 . For example, appropriate technologies, geo-spatial information applications and extremely neglected diseases.

22 . The OECD DAC already collects, from DAC members, 21 countries beyond the DAC and 36 multilateral organisations and one foundation, data on development co-operation. Some of these also provide information on other official flows and data on amounts mobilised from the private sector. Data collection from provider countries also covers private flows such as FDI although in semi-aggregates only.

entities. Similarly, project-specific resources mobilised from the private sector through official leveraging operations would need to be included.

53. The TOSSD recipient perspective would not reflect investments in global programmes addressing development enablers and global challenges. Findings from country pilots have indicated that it would be difficult to realistically apportion a share of these global contributions to individual recipient countries. In the same vein, because the TOSSD recipient perspective would only capture cross-border flows, expenditures in provider countries would not fall within the measure (e.g. in-donor costs such as imputed student costs).

54. Resources would be measured on a gross disbursement basis to capture the full amount of resources crossing the border to finance new investments. Information on reflows would be collected for transparency purposes. Further, the recipient perspective measure would correspond to a sub-set of partner country balance of payments statistics, and could thus be a useful cross-check tool to help developing countries verify such statistics.

55. The recipient perspective measure may take more time to develop since it calls for connecting up diverse data systems across international financial institutions and strengthening capacity at country level to tabulate resource flows. Filling the data gaps will require forging strong partnerships across the international system with entities that have reach into relevant data repositories. As data tracking improves and statistical capacity deepens, there will be greater scope through the TOSSD framework for capturing multiple components of complex financing arrangements.

Questions to the international community

In your view…

- Do the features of the TOSSD provider perspective seem balanced, relevant and useful? What is missing?
- Do the features of the TOSSD recipient perspective seem balanced, relevant and useful? What is missing?

SECTION C. TOSSD-ELIGIBLE ACTIVITIES, COUNTRIES AND INSTRUMENTS

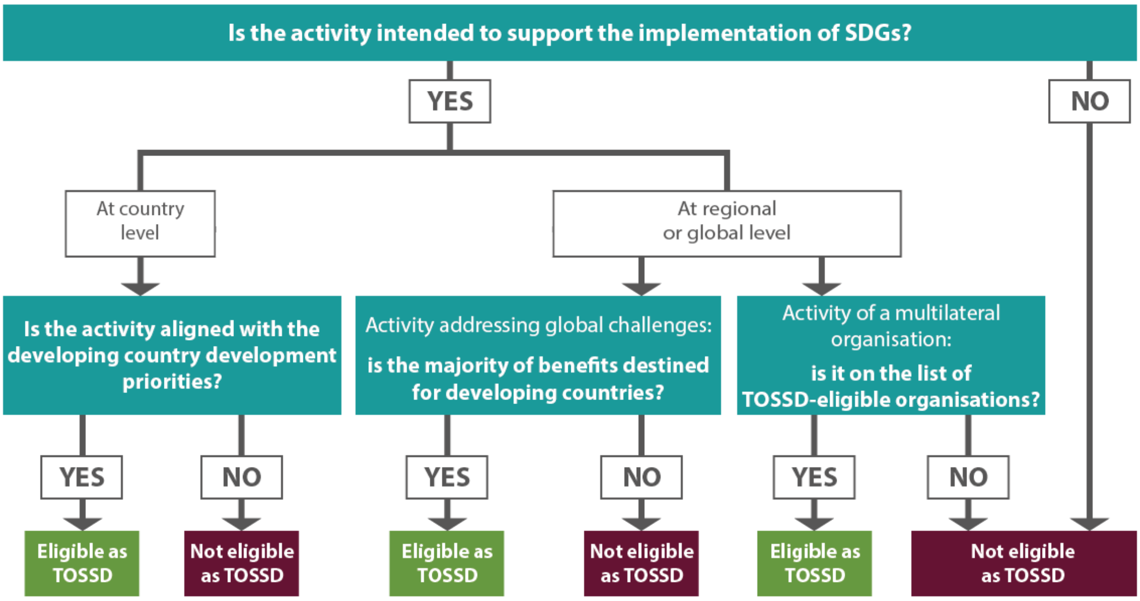
Guidance for readers

56. This section provides an overview of current thinking regarding operational approaches to determine the TOSSD-eligibility of different development activities, different financial instruments and different countries and multilateral institutions. The reader is asked to consider in what circumstances support to High Income Countries could be TOSSD-eligible, how Islamic finance could be captured in the framework, how to identify TOSSD-eligible multilateral institutions and whether resources mobilised from the private sector should be included in the measure or presented separately.

Eligibility of TOSSD activities

57. TOSSD-eligible activities would include "all officially-supported resource flows to promote sustainable development at developing country, regional and global levels where the majority of benefits are destined for developing countries, including those resources that support development enablers or address global challenges". For operational purposes, it will be necessary to define criteria that enable the reporting agency in charge of compiling the data to easily assess the eligibility of an activity and decide whether to count it or not. A possible decision tree for this purpose is set out below (see Figure 7).

Figure 7. Decision tree for determining eligibility of TOSSD activities



* Development may not necessarily be the primary objective for supporting the activity, but could be combined with other objectives such as cultural, political, commercial and religious. Activities mutually benefiting the provider and recipient country would also be eligible.

58. A first step in determining the eligibility of an activity is to verify its link with the SDGs. Some SDGs are sector-specific (e.g. quality education, clean water and sanitation, affordable and clean energy), while others are cross-cutting (e.g. gender equality). Many cover areas of traditional development co-operation support, but others deal with new topics (e.g. responsible consumption and production, reducing inequality, inclusive societies, etc.). As long as an activity is carried out in a developing country, and is aligned with the development priorities of that country, it is eligible to be considered TOSSD. On the other hand, activities carried out at regional and global levels relating to global challenges and enablers of development need to be assessed in greater depth in order to clarify whether they can counted as TOSSD and the relevant measurement boundaries. For example, support for efforts to combat poaching and trafficking of protected species (under SDG 15) can involve activities at developing country, regional and global levels. Only activities with the majority of benefits to developing countries should be included, such as those for increasing the capacity of local communities to pursue sustainable livelihood opportunities.

59. Climate change is another area where boundaries would need to be clarified. There are many projects, activities and initiatives at the global and regional levels that support a transition towards low-carbon, climate-resilient and environmentally sustainable societies. The criteria to assess their eligibility in

TOSSD could build on the existing Rio markers definitions and eligibility criteria[23] with adjustments to acknowledge the regional and global dimensions of some of these activities.

60. Regarding the TOSSD-eligibility of activities by multilateral organisations, a list of relevant entities would need to be established.

Questions to the international community

In your view…

- What additional criteria for the decision tree could help further define the boundaries of TOSSD-eligible activities at country level?
- What further insights and proposals could be considered for defining the TOSSD-eligibility of activities addressing development enablers and global challenges at regional and global level in the areas of:
  - Climate change?
  - Migration?
  - Peace and security?
  - Human rights?

Eligibility of countries and institutions

61. The SDGs are universal. All countries have adopted them and all countries may need support to achieve them, although different countries need different types of support. Recognising that all countries may provide as well as receive support is in line with the principles of solidarity and mutual benefit of south-south co-operation, which emphasise the reciprocal and egalitarian character of relations between countries.

62. TOSSD is aimed at capturing resource flows provided to developing countries. There are many different approaches for defining developing countries. For example among members of the OECD DAC, the term "developing country" has generally been taken to mean a country eligible for ODA. Other organisations have their own definitions: the World Bank has historically used the term to refer to low and middle-income countries, measured with reference to per capita GNI. The 2030 Agenda recognises the importance of assessing progress based on alternative measures to complement country income level.[24] TOSSD could use multi-dimensional criteria, such as Human Development Index (HDI), Economic Vulnerability Index (EVI), Human Asset Index (HAI), Country Policy and Institutional Assessment (CPIA), Multidimensional Poverty Index (MPI) etc. to assess country eligibility.

63. Therefore, in the context of TOSSD, the term "developing countries" would differ from the ODA definition of developing countries. For example, while most high income countries can generally finance their own development programmes, some that have recently graduated or are close to graduating seek support in the form of technical co-operation, capacity building, science and technology transfer to implement the SDGs. A number of examples could illustrate this situation:

23 . See http://www.oecd.org/development/stats/rioconventions.htm

24 . See 2030 Agenda for Sustainable Development, paragraph 48.

- SDG 16 is about peace, justice and strong institutions. Many (soon-to-be) high-income countries face challenges in this area. They do not need financial resources to address these challenges, but rather knowledge about how to build strong institutions, take measures against corruption, control illicit financial flows, and/or fight violence and organised crime. Such knowledge and capacities can be transferred through technical co-operation and partnerships.

- Technical co-operation can also be focussed on addressing domestic inequality. For example, the European Union is transferring expertise in territorial development and local governance to support regions that are less developed than others in Kazakhstan.[25]

- Another example would be a technical co-operation project between China and Korea, where both countries collaborate to exchange knowledge on statistical capacity building.[26] Here both countries contribute and benefit from the project. However, if technical co-operation for high-income countries were to be excluded from TOSSD, this would mean that Korea could count their contribution to this project, while China could not.

64. It will be important to ensure that the TOSSD measure is not excessively broad or accommodating, even in the context of the universal SDG agenda. TOSSD is defined as resource flows with the majority of benefits destined for developing countries. Accordingly, it would exclude, for example, support between European Union member states, none of which is a developing country. Thus, for operational purposes, a list of TOSSD-eligible countries will need to be established. Such a list could be established on voluntary basis allowing countries that are graduating from concessional finance to opt-in or opt-out of the list.

65. In addition, a list of relevant multilateral development organisations would need to be established. The list maintained by the OECD for ODA reporting purposes could provide a starting point, but it would be expanded to include organisations deemed non-ODA eligible but that promote sustainable development as defined in TOSSD. In general, TOSSD is meant to better reflect the normative (e.g. rule-making, standard-setting) and knowledge-sharing/collaborative functions of the multilateral organisations, which are currently not reflected in ODA, as they have a direct link to development enablers and global challenges.

66. The intention with TOSSD is to also capture the outflows of multilateral organisations in support of sustainable development, which would be attributed pro-rata back to the provider. In cases where a multilateral organisation's mandate is broader than the SDGs, a coefficient would need to be established to measure the TOSSD contribution. For example, for UN peacekeeping missions, the ODA coefficient currently stands at 7%, but a TOSSD coefficient could be much higher given that peace and security is a fundamental pillar of the 2030 Agenda.

Questions to the international community

In your view…

- Which alternative multi-dimensional approaches beyond income criteria could be used to assess country eligibility?

25 . The website of the European Union consulted on 20 June2016: https://ec.europa.eu/europeaid/countries/kazakhstan_en.

26 . See http://www.stats.gov.cn/english/SpecialTopics/NBSIMF/200203/t20020331_29869.html.

- Which multilateral organisations should be TOSSD-eligible and how can they be identified? Should these organisations include regional, sub-regional and sector-specific bodies?

Eligibility of TOSSD financial instruments

67. TOSSD would include – beyond ODA grants and loans – all financial instruments (see Box 4), from conventional non-concessional finance (e.g. sovereign loans not qualifying as ODA), to more sophisticated financial instruments used by DFIs and IFIs to mitigate risks related to private sector investment (e.g. mezzanine finance), to Islamic finance (e.g. Sukuk). The framework would also reflect instruments that do not necessarily generate a flow but may have a mobilisation effect on private investment such as guarantee schemes. In this regard, TOSSD would encourage diversification and innovation in approaches to financing the SDGs.

Box 4. What do we mean by financial instrument?

Different statistical systems structure financial flows in different ways. In the OECD DAC system, financial flows to developing countries are classified according to a number of criteria. The main ones are:

- The categories of flows, which identify the source of the funds (public or private) and distinguish concessional and developmentally-motivated flows from non-concessional or primarily commercially-motivated flows (e.g. ODA vs. officially supported export credits).
- The modalities of development co-operation (e.g. budget support, aid to NGOs, projects, technical co-operation, scholarships, debt relief), which reflect the degree of control the provider has over the use of funds and facilitate the separation of cross-border flows from in-country expenditures reportable as development co-operation.
- The financial instruments used (e.g. grant vs. debt instrument), which reflect contractual arrangements between provider and recipient institutions (e.g. where they give rise to financial claims).

68. The taxonomy used for TOSSD would need to properly reflect the breadth of financial instruments used in today's development finance landscape (see Annex 2). For example, it should distinguish between different types of loans (e.g. seniority) and equity investments (e.g. direct or indirect). It would also need to capture contingent liabilities which do not necessarily generate a flow (e.g. guarantees).

69. These instruments can play a role in minimising risks, thus facilitating SDG-relevant investments in developing countries. Tracking and monitoring these instruments in the TOSSD measurement framework – and the resources they mobilise – would encourage their wider use.

70. TOSSD also aims to shed more light on Islamic finance, which has become more prominent in the development finance landscape. In order to be Shariah-compliant, Islamic finance offers financial arrangements that are backed with appropriate assets and for which the risks are shared between financiers and customers (see Annex 3 on Basic Principles and Financial Services of Islamic finance).

Questions to the international community

In your view…

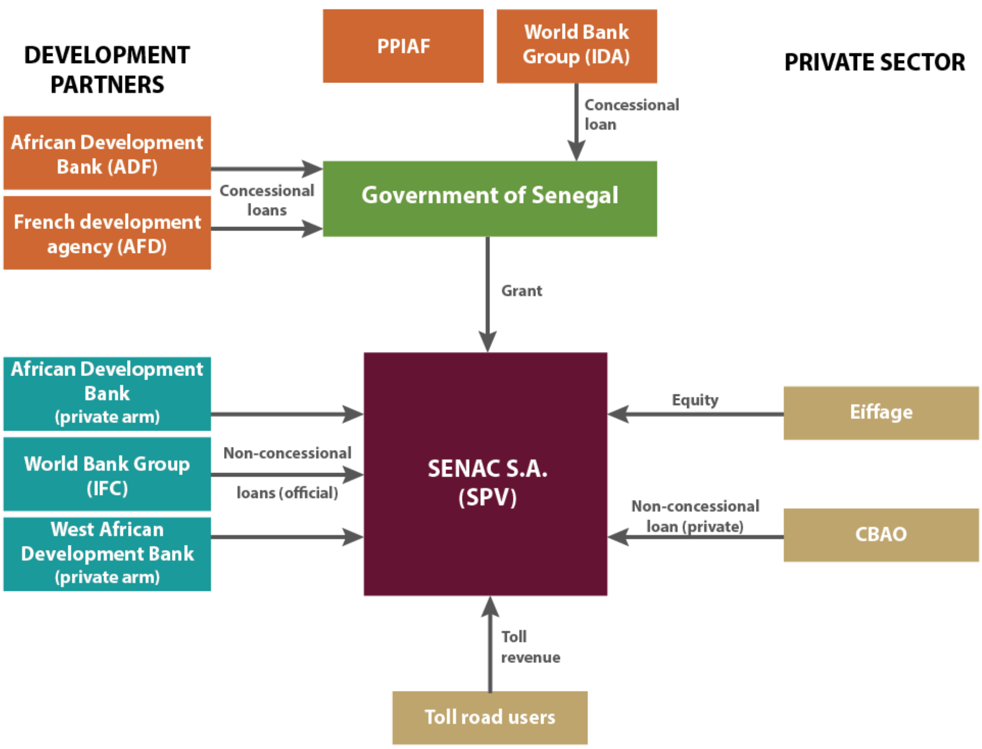
- Would the taxonomy of financial instruments presented in Annex 2 sufficiently cover all TOSSD-eligible interventions?

Potential TOSSD-eligibility of private finance mobilised

Why reflect in TOSSD the mobilisation effect of official interventions?

71. The TOSSD framework would measure the mobilisation effect of official interventions, monitor how governments are addressing international development finance challenges and help ensure that these funds – both those mobilised and those used to incentivise them – achieve maximum impact. This would respond to the explicit SDG target (17.3) to "mobilise additional financial resources for developing countries from multiple sources." Measuring mobilisation calls for counting resources from multiple sources that have been stimulated by official interventions, which then could be attributed back to the provider countries involved. It remains an open question whether mobilised resources would be presented separately or included within the TOSSD provider aggregate. For the recipient perspective, mobilised resources from the private sector would be included in the measure, since private finance mobilised constitutes an integral part of project finance as illustrated by the case of the Dakar-Diamniadio toll highway project (See Figure 8). Attribution of private finance mobilised back to the provider concerned would not be relevant from the recipient perspective.

Figure 8. An example of a complex project finance scheme – the Dakar-Diamniadio toll highway project



What are the main challenges when measuring mobilisation at the international level?

72. Measuring the mobilisation effect of official interventions presents a number of challenges, in particular where multiple actors are involved in different financial components and implementation phases of an activity or project. There are a number of elements that need to be clarified:

- Definition: the term "mobilised" must be defined, including how it differs from other terms such as "catalysed", "leveraged" and "co-financed".

- Scope: a common understanding of the boundaries of a "project" in terms of sequencing over time (when it starts and ends) and breadth of activity is fundamental.[27]

- Methodology: a harmonised, internationally agreed method for assessing causality and attribution of mobilised private finance must be put in place to avoid double-counting across the international system.

What to measure?

73. Internationally, different approaches prevail. For example, the World Bank Group defines mobilisation in three conceptual categories: mobilisation, co-financing and catalytic effect (see Figure 9):

- Mobilisation - also referred to as "direct mobilisation" – refers to the ways in which specific mechanisms stimulate the allocation of additional financial resources to particular objectives. It implies a causal link between private finance made available for a specific project and the official flows that were used to incentivise them. The term "leverage" is also often used in this context but is usually associated with a ratio. Mobilisation is easily auditable, attributable, and measurable vis-à-vis time of commitment/financial close.

- Co-financing is defined as the amount of financial resources contributed by external entities alongside finance invested by a group of identified official institutions (e.g. Multilateral Development Banks). It is quantifiable and traceable to investment documentation. As opposed to mobilisation, it does not focus on measuring or on attributing private finance mobilised. It focuses solely on reporting resources contributed by external entities (both public and private) in parallel with official interventions. Co-financing is less precise, as it depends on tracking the overall project financing plan, which may not be fully visible to the providing institution and may be affected by varying financial closure points. In some case, the boundaries of projects can be imprecise.

- Catalytic effect – or "indirect mobilisation" – usually refers to the result of actions aimed at stimulating positive change, and can materialise either through financial means (funds mobilised) or non-monetary contributions (transfer of knowledge, sharing of new practices, introduction of a policy, etc.) It is generally recognised that the catalytic effect is least precise and difficult to measure statistically; it may occur after project implementation.

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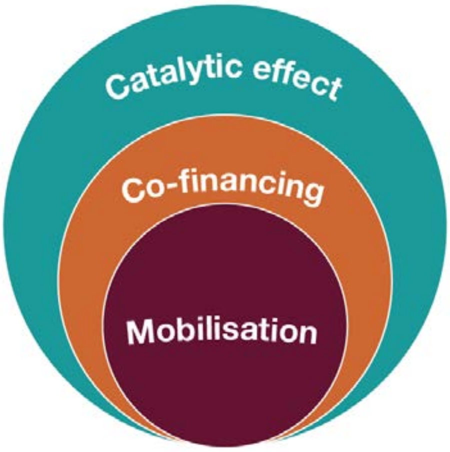
27 . For example, the boundaries of a road project could be considered as limited to the actual construction of the highway, or could be broadened to include other related investments, such as the construction of gas stations and other services along the road. Depending on the definition of boundaries, the number of official actors as well the amount of private investment involved in the project could vary significantly, making the causal links between public and private investment difficult to establish.

Figure 9. Mobilisation vs. co-financing vs. catalytic effect



Source: World Bank Group[28]

74. The term "mobilisation" in a TOSSD context would be defined as the direct mobilisation effect of official development finance interventions.[29] For credibility purposes, it will be important for mobilisation in the TOSSD framework to be measured conservatively as regards causality and attribution, and that this measurement reflects the risk levels associated with different instruments**.**

75. Measuring causality is extremely complex since it cannot be empirically proven that the private financiers would not have invested without the official intervention. Therefore, it is important to agree on a methodology based on a set of assumptions regarding causality that in turn will ensure consistency regarding what and how much can be recorded as being mobilised. In addition, the calculation methods used in TOSSD for attributing the amounts mobilised would reflect the origin of the funds mobilised (including from partner countries,[30] if applicable) and take into account the pro-rata share of each actor involved. The OECD is currently working on developing approaches and methodologies for measuring mobilisation specifically designed to avoid double-counting.[31]

76. TOSSD could also be complemented by additional methods/approaches (e.g. impact indicators, models) for estimating the indirect or catalytic effect of development co-operation. These estimates could

28 . World Bank Group, April 2016, Powerpoint presentation by Jeff Chelsky, World Bank and Neil Gregory, IFC on Concepts of Mobilization, Cofinancing and Catalyzation used by World Bank Group.

29 . For example, as from 2017, the DAC will start collecting data on amounts mobilised for three first instruments/mechanisms: guarantees, syndicated loans and shares in collective investment vehicles. Work is ongoing to develop methodologies for a broader range of instruments, e.g. credit lines, direct investment in companies.

30 . For example, many financing packages involve debt operations with development partners. A recent pilot study carried out by the DAC with Senegal highlighted that it would not be acceptable from the recipient perspective that a credit implying a claim for Senegal used to mobilise private funds would be presented as finance mobilised by the debt provider country. In case of default of the private sector to deliver the expected services, it is the partner country government that will ultimately cover any negative consequence arising from this default.

31 . See https://www.oecd.org/dac/stats/mobilisation.htm.

capture additional investments stemming from up-stream technical assistance and policy advice that have improved the local enabling environment.

Questions to the international community

In your view…

- When measuring mobilisation in TOSSD from the provider perspective, should the resources mobilised be included in the measure or presented separately?
- How could the recipient perspective measure adequately record private finance mobilised through TOSSD operations? What would be needed to ensure availability of detailed project information so that TOSSD could capture the totality of cross-border flows, including complex project schemes, at country level?

SECTION D. CORE MEASUREMENT ISSUES AND FEATURES

Guidance for readers

77. This section provides an overview of measurement issues related to inward and outward flows, treatment of multilateral support, how TOSSD differs from the ODA grant-equivalent measurement methodology, treatment of in-donor costs and application of purchasing power parities in the TOSSD framework. Questions relate to whether the PPP would provide an objective, more equitable basis for comparison and how multilateral support can be attributed to provider countries.

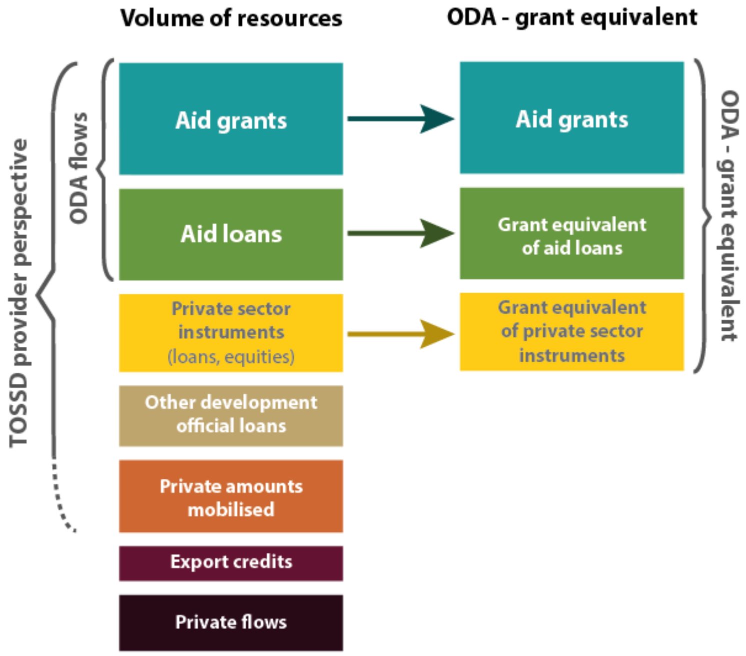
Flow measurement

78. TOSSD would be compiled on a calendar year basis with a view to providing comparable data (fiscal years vary across providers) and it would be measured on a flow basis to reflect the full measure of resources provided and mobilised in support the SDGs.

79. TOSSD would not measure the provider "effort" nor the overall level of concessionality of resources provided. ODA will continue to be the key reference point for measuring provider "effort", calculated on a grant equivalent basis[32]. Figure 10 provides an illustration of the relationship between a flow (volume of resources) and a grant equivalent measure.

32 . ODA includes the grant equivalent (grants and concessional portions of loans and equities) of ODA flows and the grant equivalent of private-sector instruments classified as TOSSD. Private-sector instruments (loans, equities and guarantees to the private sector) would be classified as TOSSD flows.

Figure 10. Grant equivalent and volume of resources



Gross disbursements, reflows and commitments[33]

80. Providers would ideally report TOSSD to their relevant data co-ordination and aggregation entities at the activity level. They would also report financial information linked to the activity over its lifetime, including commitments, associated disbursements and repayments as well as reflows (i.e. interest paid on loans and dividends received on equities).

81. From a recipient perspective, information regarding the volume of resources actually available to finance new projects is also crucial, and meaningful only on a gross basis.[34] However, it is also necessary to complement gross data by data on reflows, including repayments of principal, repatriation of capital, and occasionally recoveries on grants. Interest payments by developing countries on official loans from providers and return flows of investment income (i.e. dividends) would not be considered as "reflows", but would be collected and could be used for analytical purposes.

82. Commitments are a useful measure as well: all descriptive information on the project (purpose, objective, policy focus, etc.) is included in the agreement/commitment signed between the provider and the recipient. Commitments measure providers' intentions and permit monitoring of resources targeting specific purposes and recipient countries. They fluctuate as development co-operation policies change, and reflect how providers' political commitments translate into action. They thus give an indication about future flows. Analysing the relation between commitments and disbursements can provide useful insights

33 . A commitment is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country or a multilateral agency. A disbursement is the placement of resources at the disposal of a recipient country or agency, or in the case of internal development-related expenditures, the outlay of funds by the official sector.

34 . This was confirmed by numerous interlocutors during the TOSSD pilot study in Senegal.

regarding the delivery of financial support. Commitments are often multi-year, with actual disbursements spread over several years. An increase in support over time is thus visible in disbursements data only with a few years' time lag.

Treatment of resources mobilised

83. Resources mobilised from the private sector through leveraging instruments are essential components of the TOSSD framework. The OECD, in collaboration with other institutions, has developed methodologies for measuring resources mobilised and, for the provider perspective, how they could be attributed to different provider countries. Each leveraging instrument has its own specific methodology for measuring mobilisation. From the recipient country perspective, attribution would not be relevant.

84. Mobilisation by multilateral agencies at the institutional level would be attributed back to provider countries on the basis of their relative share-holding positions (MDBs) or assessed contributions (UN system).

85. At project level, the measurement would in the first instance be carried out on a commitment basis, as currently this is the only information available to participating provider institutions. Over time, the TOSSD framework could be complemented with information regarding disbursements, but this would require active engagement by private actors involved in providing resources. At the institutional level for multilateral institutions, the resources mobilised would be captured on a disbursement basis.

Treatment of multilateral support (inflows versus outflows)

86. In addition to their bilateral development co-operation programmes, countries channel a part of their support to developing countries through multilateral organisations, e.g. UN agencies, funds and programmes and multilateral development banks (MDBs). Depending on the question at hand (ODA or TOSSD), either funds provided to multilateral organisations (inflows) or funds these organisations provide, in turn, to developing countries (outflows) should be looked at.

87. Multilateral support in ODA is measured by provider countries' core (paid-in) contributions to relevant multilateral organisations each year. This approach best reflects provider countries' financial support to the multilateral system, which can then be attributed to specific recipients/sectors. This "imputed" multilateral support provides a useful estimate[35] which, in combination with bilateral support, enables one to more fully capture the total support by a provider to a specific sector/recipient.

88. For TOSSD, it could be conceivable to impute (attribute) the multilateral outflows back to provider countries, for example to better reflect the full scope of their support to specific developing countries (e.g. Least Developed Countries for which there is a UN target) or sectors (e.g. climate finance in relation to the USD 100 billion per year goal).[36] In particular, in the case of the MDBs, it would be useful to capture the support linked to non-concessional windows, which are mostly financed through borrowing on international capital markets and not through core contributions. It is the shareholders' initial contributions to the MDBs' capital bases, and subsequent capital increases, which enabled these MDBs to finance their operations (concessional and non-concessional). In this regard, the outflows could be considered as having been "mobilised" by the shareholders in proportion to their shares. Once the shares of

35 . Any methodology for imputing multilateral flows can only be an approximation, as multilateral flows in a given year are not exactly imputable to donors' contributions in that year – one reason being the substantial delays between receipt of funds and spending them.

36 . A concrete example of implementation of this approach is available in the OECD-CPI Report on Climate Finance.

ownership of each country are determined, the attribution could be a simple product of these shares and the multilateral outflows (both concessional and non-concessional) – see Annex 3.

89. Additional finance mobilised from the private sector for specific projects by the MDBs could also be attributed using the same method.

90. For international organisations other than MDBs, such as United Nations agencies, the same rationale and formula for attributing outflows back to provider countries could apply (although UN agencies do not raise funds on international capital markets, they do benefit from resources other that assessed contributions, including from private charitable sources – and therefore also have a mobilisation effect). Applying the same method to institutions other than MDBs would also ensure consistent treatment of multilateral support in the TOSSD measure. (See Annex 5 for discussion on contributions to pooled funds or regional/multilateral funds and organisations from which the provider country itself benefits.)

91. It should be stressed that attribution/imputation does not represent financial flows directly originating from providers. The figures should be considered as estimates of amounts mobilised by providers through leveraging operations (international capital markets) by the MDBs.

Questions to the international community

In your view…

- Does the rationale of attributing multilateral outflows back to provider countries make sense when measuring TOSSD from the provider perspective (instead of counting inflows)?
- Which indicator best represents countries' ownership? Is there a need to reflect both paid-in and callable capital in the indicator?

Treatment of in-donor costs

92. TOSSD expenditures in the provider country are not necessarily cross-border flows. In-donor costs would be included in the provider perspective in certain circumstances. TOSSD-reportable expenditures by the official sector of the provider country could include imputed student costs (linked to SDG 4), development awareness programmes (SDG 17), in-donor refugee costs (SDG 10), administrative costs (SDG 17) and possibly other expenditures. These will be defined at a later stage.

93. From the recipient perspective, in-donor costs would not be included: they are not cross-border.

Conformity with balance of payments concepts

94. The balance of payments (BoP) records all economic transactions between resident entities of a given country and the rest of the world in a calendar year. The standard components of the balance of payments are comprised of two main groups of accounts:

- the current account pertains to goods and services, income, and current transfers; and
- the capital and financial account pertains to (i) capital transfers and the acquisition or disposal of non-produced, non-financial assets and (ii) financial assets and liabilities.

95. TOSSD can be seen as a subset of a country's BoP, including external financial transactions that focus on sustainable development. There are several advantages for ensuring that data reported under the TOSSD measure can be reconciled with BoP concepts, including i) full coherence and harmonisation of data in the international system (e.g. use of the IMF's international standard) and ii) the possibility for recipient countries to draw on TOSSD data when compiling their own BoP statistics and/or to conduct cross-checks/verification.

Use of purchasing power parities

96. Different price levels amongst countries have an impact on measuring development co-operation, both from a provider and a recipient perspective, and could be accommodated in the TOSSD framework by using the Purchasing Power Parity (PPP) methodology.

97. The PPP conversion factor is defined as "the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as a U.S. dollar could buy in the United States" (World Bank). Applying PPP in the context of international co-operation would enable the contributions provided and received to be valued on a comparable basis. Box 7 illustrates how this amount would be calculated.

Box 5. Converting a contribution by Chile to sustainable development using PPP

Contribution by Chile in pesos in 2014	10 000
Exchange rate Chilean Pesos – USD (OECD)	*571*
Contributions of Chile in 2014 converted to USD	**17.5**
PPP conversion factor (World Bank)	*0.66*
The amount of USD required to buy the same amount of goods and services in the US, as the 10 000 can buy in Chile	**26.5**

98. The concept of PPP would be useful to apply to data reported for both the provider and recipient perspective measures. From a provider perspective, using figures in absolute terms in analytical work does not reflect the opportunity cost of the resources provided – which is particularly important when comparing data across different providers.[37] For example, if analyses show that France and Turkey both provided USD 100 of resources for sustainable development in partner country x, this is actually more of an effort for Turkey than for France, because USD 100 can buy more goods and services in Turkey than in France. Put differently, the opportunity costs of spending USD 100 are higher for Turkey than for France. The concept of PPP can provide a solution by enabling a comparison of provider countries' contributions to development in terms of what they could have alternatively used the resources for in a domestic context.

99. From a recipient perspective, the comparable value of technical co-operation from different providers is important, in particular regarding South-South providers. A technical co-operation project of a South-South provider is usually priced lower in monetary terms than a similar project by a high-income country because of the differences in price levels between the two provider countries. For example, the

37 . For this reason, comparisons of countries' efforts are often made by expressing development co-operation as a percentage of provider countries' Gross National Income (GNI): in fact, the main target for providing development co-operation is expressed in terms of GNI.

salary of a Norwegian expert is not the same as the salary of a Colombian expert even if their levels of expertise are similar: thus the figures for Colombia understate its contribution (assuming the same level of expertise).[38]

100. For the sake of methodological consistency, the PPP conversion factor should not be applied by countries when reporting on TOSSD, but rather by the institutions collecting and publishing the data using an automated procedure. PPP-converted TOSSD only provides an indication of the efforts in terms of opportunity costs that countries are making. Therefore it would complement the USD value of the TOSSD flow.

Questions to the international community

In your view…

- Would the "gross" basis be the most appropriate for publishing TOSSD data, supplemented by information on reflows for transparency purposes?
- Could the OECD methodology serve as an international standard for measuring mobilisation in TOSSD?
- Should differences in price levels between countries be factored into TOSSD data in order to provide a fairer and more comparable measure of resources? Should the PPP conversion factor be applied to all TOSSD modalities, or possibly just to parts of it (e.g. technical co-operation, aid in kind)?

38 . The issue of differing price levels is also relevant for in-kind contributions. If Chile and the US both give 100 tons of grain to a third country, the USD value of the US contribution would be higher than the USD value of the Chilean contribution because the price of grain is higher in the US.

ANNEXES

ANNEX 1. SHAPING TOSSD: FOUNDING PRINCIPLES AND EMERGING IDEAS AND INSIGHTS FROM TECHNICAL DISCUSSIONS AND PILOT STUDIES

A. Core TOSSD features and building blocks agreed at the 2014 OECD DAC High Level Meeting

101. The TOSSD framework emerged from the work of the OECD DAC to modernise its statistical system to ensure it is fit for purpose for the post-2015 era. The intent is to develop a measurement framework for tracking the full scope of public and mobilised resources from private sources through official interventions that today characterise the international development finance landscape and that will be invested to achieve the Sustainable Development Goals (SDGs). At their 2014 HLM, OECD DAC Ministers agreed that the proposed TOSSD measure would:

- complement and not replace ODA;
- potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions, regardless of the types of instruments used and associated terms, i.e. including both concessional and non-concessional financing provided through various instruments, such as grants, loans, equity and mezzanine finance;
- cover activities that promote and enable sustainable development, including contributions to global public goods when these are deemed relevant for development and aligned with developing countries' priorities;
- make a clear distinction between official support and flows mobilised through official interventions, but also between flows and contingent liabilities; and
- capture and report resources on a gross cash-flow basis, while also collecting and publishing net flows so as to ensure full transparency of support and flows.

B. Insights from expert workshops and other technical discussions that are shaping the TOSSD measurement framework

102. Discussions held with a broad cross-section of development thinkers, actors and stakeholders and with members of the OECD DAC Working Party on Development Finance have generated many useful ideas and an emerging consensus on the salient features and components of the TOSSD measurement framework as outlined below:

- A good level of consensus has been reached as regards core features of TOSSD e.g. coverage ("the means" - aid and beyond with all financial instruments being eligible), scope ("the aims" – eligibility being linked to the contribution of finance to SDG achievement), principles and disciplines (alignment with country priorities and international commitments/disciplines), transparency and ODA/TOSSD complementarity.
- A broad range of development co-operation stakeholders, including bilateral providers, multilateral institutions and developing countries, recognise TOSSD's potential future role in

measuring and monitoring global development finance supporting the 2030 Agenda. It will be essential to promote international co-ordination supporting TOSSD implementation in order to provide a comprehensive picture of additional resources mobilised in support of the SDGs.

- Ensuring a close conceptual link between TOSSD and the SDGs will be important. While TOSSD will not be an instrument to measure progress towards achieving the SDGs, the SDGs set the boundaries for the scope and nature of finance and contributions that will be eligible for inclusion in the TOSSD framework. Discussions regarding how to define and measure TOSSD expenditures for addressing global challenges such as migration, peace and security, and climate change will need to be explored in focused expert discussions going forward.

- It is understood that both “provider” and “recipient” perspectives need to be integrated in the TOSSD measurement framework to ensure transparency. It will be important to provide clarity on how these two perspectives interact and can be reconciled. From a recipient country perspective, properly tracking all components of different project financing arrangements is crucial. Therefore, it will be essential to track activity-level information in the context of TOSSD.

- Further discussion is required to determine whether TOSSD should only capture official resources or should also include private flows mobilised by official interventions. TOSSD will provide a framework for tracking blended finance operations. Given the growing complexity of project finance, omitting significant private flows would substantially reduce transparency. Nevertheless, a clear distinction would need to be maintained between the nature and source of private financing flows.

- Ensuring appropriate definitions of the key concepts used to describe the mobilisation effect is crucial. Terms such as “mobilise”, “catalyse”, “leverage” and “additionality” need to be further discussed in order to clarify and harmonise usage across the international system. TOSSD could provide a framework for harmonising bilateral and multilateral approaches in measuring resources mobilised from official interventions to ensure there will be no double counting of resource flows to developing countries in international resource tracking systems.

- No TOSSD targets should be developed. TOSSD should not have targets in volume terms, which would imply a notion of accountability that could discourage comprehensive reporting under the TOSSD framework, including from South-South providers. On the other hand, TOSSD should provide a framework for enhancing transparency of development finance and for policy discussion on the quality and impact of these expenditures. The debate around quality versus quantity in the context of TOSSD led to an understanding that TOSSD standards would be needed (labour and human rights, environmental, procurement requirements, alignment with partner countries’ priorities etc.) in order to safeguard quality considerations.

- TOSSD guidance and disciplines will need to be developed in due course. As an adjunct to work to define and operationalise the TOSSD measurement framework, work will be needed over time to develop principles and disciplines for TOSSD (similar to guidance developed for ODA *vis-à-vis* tied aid and the Paris Declaration principles, etc.) to prevent TOSSD resources from creating unfair, uncompetitive incentives (e.g. TOSSD operations benefitting from investment/tax subsidies, etc.) and to improve effectiveness. TOSSD should be bound by a sound, self-regulatory framework for reducing distortions and promoting responsible investment that can be verified through periodic *ad hoc* monitoring arrangements.

- The importance of monitoring trends in aid and TOSSD flows. It will be necessary to ensure transparency between aid and TOSSD to guard against (i) TOSSD crowding out aid to countries most in need (ii) TOSSD effectively diverting official support from the social sectors to infrastructure, and (iii) TOSSD creating more incentives to finance development activities in richer countries than poorer countries. Furthermore members have emphasised the need for TOSSD to have a compelling narrative and logic, and a clear identity: TOSSD should not merely be a catch-all for expenditures that are not ODA-eligible.2

- Building a comprehensive measurement system of the means of implementation of the SDGs. TOSSD would need to be complemented by measures of other sources of development finance, most notably public 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 sustainable development finance flows available for SDG implementation.

C. Insights from TOSSD pilot studies

Provider perspective pilots

103. Three provider country pilots have been implemented over the past year: two DAC members (Denmark and the European Union) and one other provider country (the United Arab Emirates). Salient findings and conclusions from these pilots that have directly shaped TOSSD include:

The feasibility of TOSSD reporting

- The pilots have revealed that, on the basis of existing provider country statistical system structures and data, it is feasible to extract and constitute data capturing TOSSD components, although it is necessary to adapt existing categories, definitions and parameters to TOSSD requirements.

- In particular, it is feasible to capture the flows related to all private sector instruments provided by the official sector. In this regard, the scope of future TOSSD reporting could cover a wider range of public entities, including DFIs, development banks, and export credit agencies.

- Implementation of a pilot in the UAE identified an additional aspect of official support relevant to TOSSD i.e. private charitable funding mobilised through official fiat (Zakat).

Specific aspects for future TOSSD reporting

- Discussions during one pilot revealed the extent to which the leverage effect can be taken into account *vis-à-vis* valorising investment in equity shares, bonds, asset-backed securities, collective investment vehicles, etc. However, given double-counting risks implicit in leveraged operations, the TOSSD system will need to be granular enough to be able to track project-level information from a variety of sources.

- The pilots revealed that measurement in gross terms should be complemented by additional information tracking reflows for transparency purposes.

- The pilots also revealed the importance of improving reporting on non-concessional finance and non-ODA-eligible finance (currently captured under the “Other Official Flows” statistical category) – this will be critical to ensuring the successful development of the TOSSD measurement framework.

- The pilots confirmed the importance and relevance of work undertaken on climate finance where, to address double-counting risks, efforts are ongoing to co-ordinate a wide range of reporting efforts across public and private actors.

Coverage of global public goods/development enablers in TOSSD

- Greater clarity is required to establish the boundaries for acceptable levels of provider country investments in global public goods/development enablers, in particular within their own borders or in countries that are not ODA-eligible.

- The pilots suggested that it could be pertinent for the achievement of the SDGs to include domestic investments/in-donor costs that contribute to global public goods in the TOSSD framework. For example, TOSSD could include i) in-donor costs for implementing global challenges linked to the 2030 Agenda such as refugees and migration (e.g. refugee costs beyond the first year) and peacekeeping, security and justice and ii) staff costs related to international co-operation, such as embassies, participating in global/regional policy co-ordination discussions and international negotiations, as an adjunct to "global governance".

Recipient perspective pilot

104. One recipient country pilot has been implemented in Senegal. Salient findings and conclusions from this pilot that have directly shaped TOSSD include:

Usefulness and relevance of TOSSD from Senegal's perspective

- TOSSD is very much needed as a global measurement framework in light of profound changes in the development finance landscape, particularly given the new role played by emerging economies and related flows (including export credits). Thus, TOSSD should capture flows from <u>all</u> providers. For Senegal, excluding external financing from China would mean losing sight of flows bigger than current levels of ODA: for example, China recently extended two loans totalling USD 1.282 billion to finance road infrastructure.

- The Senegal pilot reaffirmed the critical role TOSSD could play in capturing information about different components of complex project financing arrangements, which would enable countries to i) learn from other countries' experience in leveraging private finance or in setting up public-private partnership arrangements, and ii) improve decision-making. This would call for being able to connect all project-specific financing components through a unique statistical project identifier.

- For Senegal, it will be important to put in place a number of principles and safeguards as part of the TOSSD framework, including as regards the private sector and development effectiveness (e.g. use of country systems).

Main components and scope of TOSSD from a recipient perspective

- The Senegal pilot highlighted keen government interest in financing options beyond ODA – and thus the importance of ensuring the TOSSD recipient perspective provides a comprehensive picture of external finance reaching the country, regardless of the instrument involved, the level of concessionality or the public/private origin of the funds. A partial picture could lead to flawed interpretation or faulty decision-making.

- The TOSSD concept of attributing to development partners the amounts of private sector funds they have mobilised through leveraging operations was challenged by Senegal in the light of the fact that ultimate debt liabilities were borne by the recipient government. Further, they highlighted the fact that comprehensive information is typically available only once the project has reached financial closure. Financing packages – and amounts mobilised – may change over the project lifetime (e.g. project extensions, new project components, new partners).

- Senegal suggested that the TOSSD framework should ideally signal which private external financial flows contributed to an outcome or output of public interest, e.g. whether it was benefitting the population or was undertaken in the public interest. For example, they spoke of "remittances for public interest and public-related investments" (e.g. schools, health centres, etc.)".

- Senegal considered that the TOSSD recipient perspective should not reflect investments in global programmes addressing development enablers and global challenges, given difficulties to realistically apportion a share of these "global" programmes to individual recipient countries.

Eligibility of activities, modalities and financial terms and instruments

- In the view of Senegal, TOSSD-eligible investments will need to be fully aligned with Senegal's policies and development priorities, reflecting national realities, capacities and levels of development. This approach will respect Senegal's policy space for promoting sustained, inclusive and sustainable economic growth as agreed in the founding declaration "Transforming our world: the 2030 Agenda for Sustainable Development".

- TOSSD should capture only developmental resources that cross a border into a developing country. 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 perspective, since some provider expenditures (e.g. technical assistance, imputed student costs) don't give rise to cross-border flows. Further work and discussion with developing countries will be needed to determine which transactions reported under the TOSSD provider measure would be excluded from the TOSSD recipient measure.

- Further work is needed to understand how to capture triangular cooperation activities, which are difficult to identify, connect up and measure.

- Senegal measures concessionality in line with the IMF definition (5% discount rate and 35% grant element threshold), not the DAC definition. This should somehow be reflected in the recipient perspective. The definition of semi-concessional finance may also need to be reflected in the TOSSD framework (e.g. a 15% – 35% grant element).

- Some financial instruments – export credits and *sukuk* in Islamic finance – are increasingly important and should be clearly identified in recipient perspective data. Other instruments would be worth identifying as well (e.g. "concessional" export credits, diaspora bonds, projects co-funded by remittances).

- The recipient perspective measure would correspond to a sub-set of partner country balance of payments statistics, and could thus be a useful cross-check tool to help developing countries verify such statistics.

D. Mobilising international support for TOSSD through UN discussions

105. In the run-up to the Third International Conference on Financing for Development on 13-16 July 2015 and at the United Nations summit for adoption of the 2030 Agenda on 25-27 September 2015, considerable engagement activities were undertaken with a view to mobilise international support for the proposed TOSSD concept. A total of ten briefings and roundtable discussions were held in a UN context during 2015. The following conclusions from these events have directly shaped TOSSD:

- Developing countries highlighted the importance of TOSSD in providing information and data about resource flows to developing countries;

- Providers beyond the DAC stressed the scope for TOSSD to facilitate learning and exchange of best practice in tapping and deploying a wide range of development finance from public and private sources;

- UN representatives and other participants underscored that the TOSSD measurement framework must be developed in an open, inclusive and transparent manner, and that a multi-stakeholder approach will be useful to continually refine and validate the TOSSD framework;

- Participants highlighted the catalytic potential of TOSSD to expand financing operations using aid to leverage additional flows;

- Delegates stressed that national ownership and delivery will be key for TOSSD eligibility and in this respect they highlighted that strong efforts will be needed to further develop the recipient perspective;

- Developing countries and civil society noted the importance of understanding the impact of private sector activities on achieving the SDGs; and

- TOSSD must be further discussed in a wide range of international fora. The TOSSD methodology must be carefully constructed through broad-based, multi-stakeholder groupings.

ANNEX 2. OECD DAC TAXONOMY OF FINANCIAL INSTRUMENTS

Broad category	Sub-category label	Definition
GRANTS	Standard grant	Grants are transfers in cash or in kind for which no legal debt is incurred by the recipient.
	Interest subsidy	A payment to soften the terms of private export credits, or loans or credits by the banking sector.
	Capital subscription on deposit basis	Payments to multilateral agencies in the form of notes and similar instruments, unconditionally encashable at sight by the recipient institutions.
	Capital subscription on encashment basis	
DEBT INSTRUMENTS	Standard loan	Transfers in cash or in kind for which the recipient incurs legal debt (and the resulting claim is not intended to be traded). Since payment obligations on standard loan are senior obligations, i.e. creditors are entitled to receive payments against their claims before anyone else, they are also referred to as senior loans.
	Reimbursable grant	A contribution provided to a recipient institution for investment purposes, with the expectation of long-term reflows at conditions specified in the financing agreement. The provider assumes the risk of total or partial failure of the investment; it can also decide if and when to reclaim its investment.
	Bonds	Fixed-interest debt instruments, issued by governments, public utilities, banks or companies, tradable in financial markets.
	Asset-backed securities	Securities whose value and income payments are derived from and backed by a specific pool of underlying assets.
	Other debt securities	
MEZZANINE FINANCE INSTRUMENTS	Subordinated loan	A loan that, in the event of default, will only be repaid after all senior obligations have been satisfied. In compensation for the increased risk, mezzanine debt holders require a higher return for their investment than secured or more senior lenders.
	Preferred equity	Equity that, in the event of default, will be repaid after all senior obligations and subordinated loans have been satisfied; and will be paid before common equity holders. It is a more expensive source of finance than senior debt, a less expensive source than equity.
	Other hybrid instruments	Including convertible debt or equity.
EQUITY AND SHARES IN COLLECTIVE INVESTMENT VEHICLES	Common equity	A share in the ownership of a corporation that gives the owner claims on the residual value of the corporation after creditors' claims have been met.
	Shares in collective investment vehicles	Collective undertakings through which investors pool funds for investment in financial or nonfinancial assets or both. These vehicles issue shares (if a corporate structure is used) or units (if a trust structure is used).
	Reinvested earnings	This item is only applicable to Foreign Direct Investment (FDI). Reinvested earnings on FDI consist of the retained earnings of a direct foreign investment enterprise which are treated as if they were distributed and remitted to foreign direct investors in proportion to their ownership of the equity of the enterprise and then reinvested by them in the enterprise.
GUARANTEES AND OTHER UNFUNDED CONTINGENT LIABILITIES	Guarantees/insurance	A guarantee refers to a risk-sharing agreement under which the guarantor agrees to pay part or the entire amount due on a loan, equity or other instrument to the lender/investor in the event of non-payment by the borrower or loss of value in case of investment. Other unfunded contingent liabilities refer to other instruments that do not constitute a flow as such but may be also collected in future.

Note: further information on specific financial instruments is available in OECD DAC statistical directives.

ANNEX 3. TECHNICAL SPECIFICATIONS ABOUT THE PROPOSED TREATMENT OF MULTILATERAL SUPPORT

Multilateral support in ODA: quantified on the basis on inflows

> **Formula for imputing inflows to multilateral institutions back to provider countries**
> ***Support to recipient A or sector B or goal C***
>
> [Provider country X's **multilateral contribution** to international organisation Y] *multiplied by* [the organisation Y's **share of portfolio** targeting recipient A or sector B or goal C]

Multilateral support in TOSSD: quantified on the basis of outflows

MDBs' outflows could be considered as having been "mobilised" by the shareholders in proportion to their shares and attribution could be a simple product of the ownership shares and the multilateral outflows (both concessional and non-concessional) – see the formula in Box below.[39]

> **Formula for attributing outflows from multilateral organisations back to provider countries**
> ***Support to recipient A or sector B or goal C***
>
> [Provider country X's **share of ownership** in international organisation Y] *multiplied by* [the organisation Y's **outflows** targeting recipient A or sector B or goal C]

Establishing ownership shares in MDBs

MDBs traditionally operate two types of financing "windows" – concessional financing for the poorest countries and non-concessional financing on market terms for others. While considerable institutional innovation is taking place, the underlying funding mechanisms can be described as follows:

- Concessional financing is typically funded by provider country contributions, retained earnings from previous lending activity and, in some cases, transfers from sister institutions.

- Non-concessional financing leverages money from global capital markets on the basis of the MDBs' capital, which is typically composed of "paid-in" capital, "callable" capital and "reserves" built up over the years through income from operations. Paid-in capital is actual cash contributed by member country shareholders (core contributions). Together with reserves, it constitutes the bank's equity. Callable capital is a contingent liability, payable in the event that the bank is not able to meet its financial obligations. Member countries have an obligation to pay

39 . A concrete example of implementation of this approach is available in the OECD-CPI Report on Climate Finance.

their share of the callable capital on demand at the request of the bank's Board of Directors. The money raised by MDBs on capital markets to fund their operations is backed by this obligation.

If considered appropriate for the TOSSD framework, there are a number of potential methods to attribute multilateral outflows back to provider countries. In particular, there are several indicators that could be used to determine the share of ownership of each member country of the institution. Potential proxies for this are the voting power, paid-in contributions (either latest replenishment or historical), callable capital, or a composite indicator combining and weighting these proxies (see Box 6). Sensitivity analyses could be carried out to assess the impact on volumes attributed when using one or the other indicator. In any case, the methodology should be transparent, simple to communicate and easy to replicate[40].

Example of imputing shareholder value in World Bank

The figures below compare inflows to the World Bank by all DAC countries combined, and outflows that would be attributed to them, based on their share of ownership in IDA and IBRD. The differences are significant, especially for IBRD.

Total inflows to IDA from DAC countries = USD 12 billion
Total outflows attributed to DAC countries = USD 13 billion
Total outflows from IDA = USD 14 billion
Share of ownership of DAC countries in IDA= 96%

Total inflows to IBRD from DAC countries = USD 1 billion
Total outflows attributed to DAC countries = USD 11 billion
Total outflows from IBRD = USD 16 billion
Share of ownership of DAC countries in IBRD = 72%

Notes: The example uses figures for DAC countries as these were readily available, but the same can be done in principle for other countries. The share of ownership was calculated using the methodology reflected in the OECD-CPI report on climate finance, also for the sake of using readily available information.

40 . While most of the data needed for the calculations are publicly available in the MDBs' annual reports, gathering this data is time-consuming and data are often presented in different formats. If this methodology was adopted, a data collection on the MDBs capital shares would need to be carried out for TOSSD reporting purposes.

Table: Pros and cons of various indicators to determine proxy shareholdings

Note: GCI = general capital increase; SCI = selective capital increase

Indicator	Pros	Cons
Voting power	Could be considered as the most logical indicator, as it is calculated from shareholders' contributions in GCIs and SCIs throughout the years. It applies to both concessional and non-concessional windows. Not necessarily available in annual reports.	
Paid-in contributions in latest replenishment	Readily available in annual reports.	Date of replenishments vary per institution. Replenishment may be on-going in the moment of calculation. Ignores historical shares and SCIs, and therefore does not reflect current shareholding. (Disbursements made in the year of replenishment, to be attributed, use capital from previous replenishments and not from the current one.) Less relevant for non-concessional windows, as paid-in contributions represent less than 10% of the balance sheet.
Paid-in contributions – historical	Represents historical shareholdings. The outflows being attributed are more closely related to historical contributions than the latest replenishment.	No date issue, though often unclear if the historical data provided includes the latest replenishment.
Callable capital	Represents over 90 % of the institution's balance sheet for non-concessional windows.	Applies only to non-concessional windows. Another indicator would be necessary for concessional windows, as these have no callable capital There is no callable capital in IFC either. Unnecessary complication if paid-in and callable capital in GCIs and SCIs are proportional. (Using one or the other to calculate the share of ownership produces the same result.)
Rating of countries to weight the callable capital (e.g. only include for countries above AAA)	Would acknowledge that the rating of shareholders influences the rating of the institution.	Controversy with countries left out. Difficulty to access data on credit ratings, and also to assess the quality of data sources.
Composite indicator of some of the above indicators, weighted	If sensitivity analyses reveal significant differences when using one or the above indicator, a composite indicator could be more appropriate.	More complex methodology.

Questions to the international community

In your view…

- Which indicator in the table below is for you a good proxy of shareholding?
- Which indicator do you use to calculate the shares in General Capital Increases?
- Could data on the indicator be provided as part of reporting on TOSSD? While most of this data is available through annual reports, its gathering is time consuming and data are often presented in different formats.

ANNEX 4. BASIC PRINCIPLES AND FINANCIAL SERVICES OF ISLAMIC FINANCE

1. Basic principles

Islamic finance should comply with the rules of Shariah. The basic principles of Islamic banking are the prohibition of riba (usury) and gharar (ambiguous contracts or deals). It also follows other key precepts, including: i) risk-sharing between providers of funds and entrepreneurs (because interest is prohibited, suppliers of funds become investors instead of creditors and receive returns on profits instead), and ii) asset-backed (or transaction-backed) investment to ensure a link between the real economy and the financial sector.

2. Main financial instruments

Mudaraba (profit-sharing agreement): Mudaraba is an investment partnership in which the investor provides funds to the investment manager so that the business manager can invest those funds on the investor's behalf. The investor and the investment manager split the profits based on an agreed-upon ratio, but the investor is the one who has to bear all the losses.

Musharaka (equity participation): Musharaka is a joint enterprise or partnership structure with profit/loss sharing implications that is used in Islamic finance instead of interest-bearing loans. Musharaka allows each party involved in a business to share the profits and risks. Instead of charging interest as a creditor, the financier will achieve a return in the form of a portion of the actual profits earned, according to a predetermined ratio. However, unlike a traditional creditor, the financier will also share any losses.

Istisna'a (sale agreement): Istisna'a is applicable to assets that are not available or existing at the time of concluding the agreement. The asset can be for example a road, hospital or electricity transmission network, to be delivered on a specific future date. In practice, istisna'a involves two parallel agreements – one between the bank and the buyer and another between the bank and the manufacturer, constructor or supplier – on the asset to be created, based on the specifications outlined by the buyer, at an agreed predetermined price. [The direct link between the financial transaction and productive flows is established through agreement on project specifications and fixed date and place of delivery.]

Ijara (leasing): with Ijara, the bank purchases the assets (e.g. machinery or equipment) and leases them to the beneficiary for a specific period of time, up to 20 years. The bank remains the owner of the asset and lease instalments are not considered as debt. After the end of the rental period the bank transfers the ownership of the assets to the lessee as a gift. [This latter feature, specific to the IsDB, warrants the inclusion of leasing operations in the Bank's reporting to DAC statistics, even if leasing is generally excluded.] Leasing contracts are often of very high value (e.g. infrastructure projects).

Murabaha (trade with markup or cost-plus sale): under this mechanism, a commodity is exchanged for money, but the seller sells the commodity after declaring both the cost price and the profit margin in order for both to be included in the price of the commodity sold. (It is a condition that the bank buys the requested commodity before selling it on Murabaha to the buyer.)

Other sales contracts: deferred-payment sale (bay' mu'ajjal) and deferred-delivery sale (bay'salam) contracts, in addition to spot sales, are used for conducting credit sales. In a deferred-payment sale, delivery of the product is taken on the spot but delivery of the payment is delayed for an agreed period. Payment can be made in a lump sum or in installments, provided there is no extra charge for the delay. A deferred-delivery sale is similar to a forward contract where delivery of the product is in the future in exchange for payment on the spot market.

Sukuk (bonds): while a conventional bond is a promise to repay a loan, Sukuk constitute partial ownership in a debt (Sukuk Murabaha), asset (Sukuk Al Ijara), project (Sukuk Al Istisna), business (Sukuk Al Musharaka), or investment (Sukuk Al Istithmar).

Takaful (insurance): Under a takaful, subscribers pay a certain amount, which is deposited into a pool of liquidity with other subscribers' contributions. Insured losses are paid out of that pool. In effect, a takaful is a mutual aid society in which the aim is not profit. However, a company may invest the pool of liquidity in sharia-compliant instruments and may keep a management fee.

Sources: mainly based on documentation obtained from the Islamic Development Bank and research on the internet.

ANNEX 5. CONTRIBUTIONS TO POOLED FUNDS OR REGIONAL/MULTILATERAL FUNDS AND ORGANISATIONS FROM WHICH THE PROVIDER COUNTRY ITSELF BENEFITS

When a developing country provider contributes to a regional or multilateral fund or organisation, it is likely to benefit from a share of the outflows of the fund/organisation. This contribution could be considered as indirectly financing the country's own development, which would not be TOSSD-eligible. If it concerns a contribution to a large regional organisation, such as the African Development Bank, the self-financing component is not very significant, and at any rate the provider country would be supporting projects in over 50 other countries. However, it can also concern regional organisations with few members (e.g. MERCOSUR or the ECO Trade and Development Bank) or even bilateral or trilateral pooled funding. In these cases, the extent to which a provider country benefits from the fund or organisation it is supporting will be higher. There are three ways to take this indirect self-financing into account in the TOSSD measurement framework:

- Option 1, the net contributions approach, would be for country X to count the contributions to the Fund and deduct the amounts it receives (allocated to projects in country X). If country A provides 120 and receives 100, they should count 20 (see table 1). The disadvantage of this option is that countries that are net receivers of the fund never get any recognition for the contributions they provide.
- Option 2, the maximum contribution approach, would be to count all the contributions a country provides as long as the outflows of the pooled fund allocated to other countries is equal or larger than the contribution. If country B provides 40 and 150 of the total outflows of the pooled fund are allocated to countries A and C then country B can count 100% of its contribution. However, if country A contributes 120, but only 100 of the total outflows of the fund go to countries B and C, country A can only count 100. If it would count the full 120, it would be including funds that end up in country A itself. In this approach a country does not get penalised for receiving funds, unless its contributions are higher than the outflows to other countries in which case the country is effectively financing itself. A characteristic of this approach is that the higher the number of countries that participate in the fund, the more probable it is that every country gets to count 100% of its contributions.
- Option 3, the relative contribution approach, is to calculate the percentage of the outflows to third countries and apply that percentage to a country's contribution. For example, if country A contributes 120 and 50% of the outflows of the fund go to countries B and C, country A can count 60 of its contribution. This approach always penalises a country for receiving funds, even if the outflows to other countries are higher than its contribution, which means it is not necessarily financing itself. If countries are both providers and receivers, the contributions would never be 100% accounted for.

Table 1. Illustration of the options

				Can count:		
	Contributes	**Receives**	**% of outflows of the fund to 3rd countries**	**Option 1**	**Option 2**	**Option 3**
Country A	120	100	50%	-20	100	60
Country B	40	50	25%	-10	40	10
Country C	40	50	25%	-10	40	10
Total outflows of the fund		200				