



## Informal note<sup>1</sup> describing discussions held during the 1<sup>ST</sup> TOSSD Task Force Meeting

*held on 6 July 2017  
Paris, France*

### I. WELCOME REMARKS AND ADOPTION OF THE AGENDA

1. Ms Lisa Bersales, co-chair of the Task Force, welcomed participants, recalled important ongoing work by the international community to monitor SDG progress, and outlined the meeting agenda. She then invited Martine Durand, OECD Chief Statistician, to share her views and insights about the work of the Task Force.

2. In her opening remarks, Ms Durand sketched out the rationale and historical background that had led to the establishment of the Task Force. In this regard she referred to the 3<sup>rd</sup> Conference on Financing for Development in Addis in July 2015, where the international community had been given a mandate to develop TOSSD. She explained that three tiers of indicators had been developed to facilitate SDG monitoring over the past two years, noting that TOSSD fits in the third tier. She acknowledged Lisa Bersales' leadership role as both co-chair of the TOSSD Task Force and the UN Inter-Agency Expert Group (IAEG), which had approved the emerging SDG indicator list in March 2017.

3. Ms. Durand highlighted the fact that, to her knowledge, the Task Force constituted the first time that the development policy and the international statistical community had been brought together to ensure that an indicator is sound in a statistical sense and also in line with development practice. She highlighted the importance of working jointly with the UN – including the UN Statistical Commission (UNSC) – to develop TOSSD. It will be equally important to ensure the consistency and complementarity of TOSSD vis-à-vis other indicators developed by the DAC, including ODA.

4. Ms Lisa Bersales then took the floor, noting that ECOSOC had accepted on 7 June 2017 the endorsement by the UNSC of a global indicator framework of 232 unique indicators (244 in total) for the SDGs, as well as a schedule for refinement of this framework. The indicator framework was scheduled to be presented to the UN General Assembly for approval in September 2017. She welcomed the Task Force as an example of bringing together statistical and development practitioners to jointly develop a statistical framework, similar to a previous initiative by the World Tourism Organisation to work with the UNSC to measure sustainable tourism. She welcomed this first meeting of the Task Force as an occasion to explore synergies between the statistics and development communities, to establish a strong and purposeful partnership in this regard, and to advance the work through discussions.

5. Ms. Ana Gallo-Alvarez, the other Task Force co-chair, , recalled the significance of the Task Force's work to define a new metric for the resource flows underpinning international development in the light of the Addis Ababa vision. She considered TOSSD as a very useful concept and a needed

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<sup>1</sup> This summary broadly reproduces the substantive comments made by Task Force members in the course of discussing agenda items, and is provided on an informal basis in an effort to enhance transparency and understanding about the scope of the Task Force's work and discussions.

tool for both recipient countries – to have a much better understanding of flows to their countries – and for traditional and new providers – to recognise the efforts they are making towards sustainable development. TOSSD is not a replacement for ODA: it will help strengthen ODA and enhance understanding about development finance, including innovative instruments and the role of the private sector.

6. Mr Haje Schütte, Head of the Statistics and Development Finance Division of the Development Co-operation Directorate, then facilitated an ice breaker session to help Task Force members begin to get to know one another.

## **II. WHAT IS TOSSD?**

7. Mr Schütte introduced TOSSD by situating it in the international work on development finance and presenting the value proposition of TOSSD, the two-pillar framework of TOSSD and a first vision for TOSSD data.

8. Lisa Bersales welcomed the willingness of the OECD to open up the discussion on TOSSD beyond its membership based on work it has carried out since 2014. The co-chair called on the Task Force to hold operational and practical discussions. She then opened the floor for questions and answers.

9. One Task Force member expressed strong support for the multi-stakeholder composition of the Task Force and recalled the unfinished business of the MDG partnership regarding the respective obligations of the North and the South. Having a discussion outside the UNSC will help mitigate the potential issues that divided the UNSC back in 2007. The member also stressed that Task Force work could help tackle the issue of illicit financial flows.

10. Another Task Force member queried about the extent of coordination between the two lead OECD Secretariat Directorates (STD and DCD), and wondered how TOSSD could be incorporated in the SDG framework given that it was not part of the Tier 3 indicator list.

11. SESRIC then presented their organisation. The Statistical Economic and Social Research and Training Centre for Islamic Countries (SESRIC) is a subsidiary organisation of the Organisation of Islamic Co-operation (OIC), established in 1977. Its mandate covers statistics (especially enhancing statistics in NSOs in member countries, monitoring development of statistics in member countries, and collecting statistical data in economic and social issues in member countries); research (carrying out assessments of statistical challenges faced by OIC countries as a group and tackling them through technical cooperation), and technical co-operation (e.g. organising joint events with national and international institutions).

12. Another Task Force member expressed thanks for having been invited to the Task Force as a voice from the developing world and explained that, in their country, the Ministry of National Planning is in charge of technical co-operation in support of the SDGs, with a High Level council on the SDGs incorporating several national institutions. A specific TOSSD group had been created to support this framework with statisticians and economists. Their country had a dual role as both a developing country and a provider of technical assistance, and a statistical system had been established to track these resources.

13. Another member asked whether TOSSD would focus more on resource mobilisation or on tracking finance.

14. Lisa Bersales explained that TOSSD was not yet on the Tier 3 indicator list, but noted that the UNSC had stated they will not stop any group from developing new indicators. The next two years will be about refinement of the existing lists, but the IAEG will still be able to consider new and revised indicators. The UNSC does not want to wait for a major revision of the SDG indicator framework in 10 years' time.

15. Ms Durand clarified that the work to be done by the OECD on implementing the SDGs is detailed in an "Action Plan" approved by the OECD Council. The Action Plan covers many areas of work related to implementing the 2030 Agenda, and the OECD Committee on Statistics and Statistical Policy (CSSP) takes very seriously its role in coordinating OECD work within this framework. As regards the statistical area, the OECD Action Plan covers three major activities: providing data and indicators where relevant in collaboration with the UN system; developing methodological work - in particular, Tier 3 indicators (TOSSD is a practical example in this regard); and capacity building in developing countries, working closely with Paris21.

16. Haje Schütte confirmed that the focus of TOSSD will be on tracking finance that will help to better understand the mobilisation of SDG-relevant financing resources.

### **III. CLARIFYING KEY CONCEPTS EMBEDDED IN THE TOSSD DEFINITION**

#### **"Sustainable Development"**

17. Many Task Force (TF) members agreed on the need for key guiding principles to assess whether an activity could be counted in TOSSD as support for sustainable development. Suggestions from the floor in this regard included building on what already exists, establishing a methodology that is simple and credible, and ensuring the quality and consistency of data collected.

18. Many TF members expressed support for options 1 and 3 in the issues paper. Option 1 (establishing criteria for TOSSD-eligibility based on the UN definition of sustainable development) could be used as a chapeau based on a possible shorthand definition e.g. "sustainable economic growth with social inclusion and without compromising the environment". Option 3 (identifying as sustainable those development activities that directly correspond to a specific SDG target) could then help further refine TOSSD eligibility criteria. Several members spoke in favour of a broad approach to sustainable development and cautioned against linking TOSSD too closely to the SDG indicators, as these still had many gaps and were sometimes oversimplified.

19. One TF member proposed that the correlation between SDGs and TOSSD should be made clear, and attached importance to the conformity of financial flows captured by TOSSD with international standards. It was also pointed out that TOSSD was not included in the SDG indicators agreed at the UNSC meeting in March 2017. The co-chair responded that TOSSD may be included in future discussions of the UNSC. The Secretariat will look into the work on sustainable development carried out by the Conference of European Statisticians to see how it could contribute to the work of the Task Force.

### **“Officially supported”**

20. Most TF members supported the idea that including only official flows in the TOSSD framework will not allow development actors to see the full and exact picture of development finance at country level. Hence the necessity to capture in the framework officially supported resources. Most TF members were of the view that while amounts mobilised should be part of the framework, they should be presented separately.

21. There was broad support to include, even beyond state-owned enterprises, companies “under significant government influence” in the TOSSD framework. Further research is needed to better understand and clarify how data on these companies’ activities could be captured in a practical manner.

22. Some TF members highlighted the importance of data on broader flows to developing countries and proposed that the TOSSD framework also capture “satellite indicators”, such as development co-operation provided by private philanthropies. Illicit financial flows were also mentioned in this regard.

23. One TF member proposed looking into the possibility of including a representative of a multilateral development bank in the Task Force given these institutions’ significant experience vis-à-vis officially supported flows and the mobilisation of private capital.

### **“Developing Countries”**

24. There was no emerging consensus on this particular topic and further discussion is needed. Several TF members proposed that the DAC List of ODA Recipients or the World Bank list be used for the sake of simplicity. Others felt that these lists could be a starting point for discussions, with the possibility of establishing a broader list.

25. Several options were put forward toward establishing an initial list of developing countries, recognising that this was a very sensitive issue, including within the UN:

- One TF member emphasised the high number of poor people residing in middle-income countries and proposed looking at the ECLAC methodology for defining “developing country” that takes into account several dimensions beyond GNI per capita. In line with the SDG’s “leaving no one behind” principle, TOSSD could include countries that have recently graduated from ODA.
- Others proposed adding additional criteria (still to be determined) to existing criteria, and setting upper boundaries to determine eligibility.
- One TF member proposed a mixed approach with a first process where countries would opt-in voluntarily, and a second phase where additional countries would be added to the list of TOSSD-eligible countries based on SDG criteria still to be developed.
- One TF member thought that option 3 (make the list flexible – with an opt-in, opt-out option – given the universality of the 2030 Sustainable Development Agenda) would nevertheless need to rely on a technical threshold to have a clear criterion for eligibility.

- One TF member proposed having two lists, the DAC List of ODA Recipients and the opt-in list, to signal opportunities for investments.

26. Future TF work on the definition of “developing country” should include a reflection on the mechanism for updating the list over time.

#### **Alignment with partner countries’ priorities**

27. There was general agreement that the alignment of resources with the goals and objectives of the SDGs should be the principal eligibility criterion for TOSSD. Many TF members felt that, given the broad scope of the SDGs, TOSSD flows should not send the signal that some SDGs were less important than others and therefore should not be part of the framework. Establishing TOSSD-eligibility on the basis of alignment with country priorities might discount investments in good governance, gender, sexual rights, human rights, access to information and empowerment – all of which, at developing country level, may not be identified by government authorities as priority development objectives and enshrined in national development strategies. Finally, the issue of country priorities shifting from one year to another would challenge the eligibility of TOSSD activities and the comparability of TOSSD data over time. Alignment with national priorities was deemed important but should not necessarily be a strict TOSSD eligibility criterion. The work of the Conference of European Statisticians could be instructive for future TF work on this issue.

#### **IV. MEASUREMENT ISSUES: RELEVANT INTERNATIONAL STATISTICAL NORMS AND VALUING TECHNICAL CO-OPERATION**

##### **Measuring flows on a gross or net basis**

28. The Task Force was asked whether information on reflows was required for establishing a complete and transparent picture of cross-border flows to developing countries supporting sustainable development and to make it possible to compare the flows across countries. The discussions revealed an emerging consensus that information on both gross flows and reflows would be necessary, but that the headline figure for TOSSD should be on a gross basis.

29. Specific comments from participants are summarised as follows:

30. On one side, six Task Force members favoured measuring TOSSD on a gross basis as the headline figure. The main reason for doing so was simplicity (information on reflows is more difficult to track). Other reasons mentioned were:

- Reflows are less relevant in the TOSSD framework – the most important aspect is measuring the totality of what the country receives to reach the SDGs.
- Looking at the gross figure gives an idea of the intensity of development co-operation.
- For some financial instruments (e.g. loans, equity) the TOSSD figure would be zero, which would not be legitimate.
- The gross figure is easier to understand for the taxpayer.

- Measuring the headline figure on a net basis would be misleading since successful financing packages generating returns on capital would understate contributions by relevant providers.
- The main aim of TOSSD is to provide information on the flows for sustainable development: measuring TOSSD on a net basis has a nullifying effect of the total aggregate. It can be accepted for ODA since it measures donor effort, but it would not be optimal for TOSSD.

31. Six other Task Force members argued that information on reflows should also be published to capture TOSSD flows on a net basis, mainly for accuracy and transparency purposes. Moreover, one member observed that that information needs might be different for different types of users.

32. Another Task Force member indicated that, in order to decide whether the headline figure should be on a gross or net basis for TOSSD, the issues to take into account include i) the added difficulty of reporting by countries which are both providers and recipients of development finance and ii) whether short-term investment would be incentivised by making the gross figure the headline (as certain financial instruments generating earnings could be counted more than once).

33. One Task Force member suggested that other existing development statistics such as those from the World Bank and other organisations should be utilised in efforts to develop the TOSSD framework.

34. One Task Force member highlighted the need to have strong and credible statistical systems in place in developing countries so that they can ensure adequate transparency and accountability regarding flows and reflows across national borders. Further, consistency regarding the statistics would only be possible over time, since there is a lag to secure information on reflows.

35. Another Task Force member argued for measuring TOSSD on a net basis, similar to the approach for measuring foreign direct investment flows. This would imply having more information on both disbursements and reflows, which is desirable. Simply ruling out this option on the basis that it would create too many difficulties where capacity was scarce is not acceptable: it will also be necessary to build statistical capacity over time in all countries in order to ensure good statistical systems are established.

36. The Secretariat noted that each metric has its own specific purpose, and expressed the view that both gross and net flow data should be provided whenever feasible. Moreover, it would be important to look at what to do with reinvested earnings in order not to incentivise shorter-term investments. Another issue that should be studied is non-flow instruments such as guarantees. Finally, the issue of having building blocks and/or satellite indicators rather than a single headline figure might be more useful for different types of users.

### **Technical co-operation**

37. Task Force members were asked whether the use of purchasing power parities (PPPs) would ensure a more consistent and comparable picture of technical co-operation flows and whether other measurement methodologies could alternatively be used. In particular, if PPP equivalents were to be used for TOSSD flows, participants were asked whether i) it should be applied to only technical co-operation or to all TOSSD modalities and ii) it should be measured simultaneously and in parallel in

national currencies, USD and PPP or whether PPP-adjusted TOSSD should be the main measurement methodology for the TOSSD framework.

38. One Task Force member mentioned that in Africa there is very little use and appreciation of internationally comparable figures. The International Comparison Program (ICP) <sup>2</sup>, however, could become a useful approach and a step forward. In the 2011 ICP programme, Africa did quite well in collecting and obtaining data. However, there is still a lot of work to be done. One could be enthusiastic – but not optimistic – about obtaining the data.

39. Two Task Force members mentioned that they could not respond to the questions, noting that it would depend on what one wants to achieve and what one wants to measure (donor effort or impact on the recipient country). Provider countries would probably prefer to use their own currency to avoid the volatility effects of exchange rates. The use of PPPs would probably be more useful for recipients of technical co-operation. In this case, by using PPPs one would be assuming that the money is used to value local goods and services, which is not necessarily the case in many countries. For example, to provide technical co-operation, many countries hire international consultants who are paid in USD and not in the local currencies of either the provider or the recipient country. In such a case, using PPPs would not make sense. If the aim were to emphasise the effort that a provider makes, then using PPPs might not be a good measure.

40. Moreover, PPPs might not be produced in a timely enough basis, which would frustrate measurement efforts. One of the uses of PPPs is to provide estimates of extreme poverty, and the World Bank's Commission on Global Poverty had recommended holding constant the yardstick for measuring extreme poverty (at USD 1.90 a day in 2011 PPPs) for the 2015 to 2030 period to make them more stable, which suggested the importance of timing in assessing the use of PPPs. Therefore, some further analysis might be needed on the use of PPP vs. exchange rates and its practical constraints.

41. One Task Force member suggested that the use of PPPs is not in line with the objectives of TOSSD.

42. Another Task Force member highlighted a study conducted by Mexico on the estimation of the cost of technical assistance through PPPs, which had been presented at a statistical seminar back-to-back with the July 2017 OECD Development Assistance Committee's Working Party on Development Finance Statistics meeting, and recommended that the presentation be circulated to Task Force members. The member argued for the use of PPPs only for the "in-kind" portion of technical assistance. If there is a call for tenders in order to provide technical assistance, then it is not an "in-kind" provision but a flow – and therefore the value of the flow should be used.

43. One Task Force member favoured the use of PPP for all TOSSD flows and recommended that "PPP-adjusted" be the main measurement approach for the TOSSD framework. Another member signalled the importance of procurement because when a country receives technical co-operation it is not always visible what the country is obtaining – and it might not achieve what is needed and expected with the technical assistance that is provided.

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<sup>2</sup> ICP is a global statistical initiative established in 1970 to produce internationally comparable price and expenditure data as well as purchasing power parity estimates to facilitate cross-country comparisons of price levels, Gross Domestic Product and related economic aggregates in real terms and free of price and exchange rate distortions.

## V. TOSSD-ELIGIBILITY OF SPECIFIC FINANCIAL INSTRUMENTS

44. The Secretariat introduced to the Task Force the recently updated OECD taxonomy of financial instruments and invited members to consider whether they found it appropriate and sufficiently developed in order to consider using it in the context of TOSSD.

45. In general, Task Force members considered the taxonomy helpful as a starting point for TOSSD data presentations. In particular,

- One Task Force member welcomed the new category for tracking guarantees, although guarantees are not a flow as such.
- One Task Force member commented that the classification could be enhanced to properly reflect the different instruments included in Islamic finance and offered some assistance in this area.
- Another Task Force member suggested also looking at the classification system developed by the European statisticians' community and the extent to which financial intermediation tools as spelled out in their work could be better captured.

### Amounts mobilised from the private sector

46. The Secretariat invited a discussion on the relevance of capturing in the TOSSD framework the mobilisation effect of public interventions on private investment, potentially building on the recently developed OECD methodologies for measuring the amounts mobilised.

47. In general, Task Force members were in favour of having the amounts mobilised from the private sector by official development finance interventions as part of the TOSSD framework. Nevertheless, there were important distinctions drawn in discussing this matter:

- Two Task Force members were supportive of including the amounts mobilised as an integral component of the TOSSD headline figure, while four others expressed the view that this information should be included within the overall TOSSD framework but presented separately from the official flows.
- Two Task Force members highlighted the importance of ensuring that the measure only includes amounts mobilised where a causal link could be demonstrated with the official intervention.
- It was also suggested to look more closely at cases where it might be difficult to properly link mobilisation to specific interventions (e.g. where the national government guarantees local entities which may also benefit from external support).

### Export credits

48. In this session Task Force members were invited to discuss the extent to which the TOSSD measure should also include some commercially-motivated activities, and in particular officially-supported export credits, given that they also finance – or co-finance – important infrastructure projects in developing countries.

- Five Task Force members were in favour of tracking export credits in the TOSSD framework in order to get a better understanding of the big picture of developing countries' total resource receipts, but as a separate indicator given their demand-driven nature.
- One Task Force member highlighted that some export credits may pursue a development objective in certain circumstances (e.g. when associated with ODA financing) and that, only in such circumstances, could they be considered for inclusion in TOSSD.
- Another Task Force member further cautioned about the importance of capturing this information on a net flow basis in order to avoid a statistical bias given the generally large volumes of export credits accorded to developing countries in support of international trade.
- Moreover, one Task Force member mentioned the development impact of the South African Customs Union, which is mainly driven by export credit operations, and suggested also using this example when addressing the question of possible TOSSD-eligibility criteria for export credits.
- Four Task Force members (essentially DAC members) strongly cautioned against presenting export credits as development finance, in particular in the light of ongoing discussions with the OECD Export Credit Group on ODA modernisation of Private Sector Instruments (PSI).
- One Task Force member suggested presenting this type of financing separately (not in the TOSSD measure) in order to get a better understanding of the big picture of developing countries' total resource receipts.

49. The conclusion was that, in general, export credits would not be included in the TOSSD measure.

#### **VI. TOSSD Task Force: draft terms of reference and proposed working methods**

50. TOSSD Task Force members were invited to comment on a draft terms of reference. Comments were as follows:

##### **Draft terms of reference: purpose and role**

51. Two Task Force members recommended making the mandate of the Task Force more clear and explicit and clarifying the relationship between the Task Force and the SDGs. The overall international context is necessary as part of making the case for TOSSD, and some aspects that could be included in this regard are the global financial architecture, the role of multinationals, G20 summits and development of global value chains.

52. Co-chair Lisa Bersales supported these comments, noting it would be important to make the case for establishing the Task Force in order to present TOSSD work to the UNSC. She suggested that the Secretariat might approach some members in order to work together with them on some issues in small groups.

#### **Draft terms of reference: composition and working methods of the TOSSD Task Force**

53. The importance of involving the UN early in the process of developing the TOSSD framework was mentioned by several participants as a way of ensuring continuing support and buy-in. One Task Force member argued for the need to systematically embed the UN system into the working methods of the Task Force, and making more explicit the role of UNDESA or the Inter-Agency Task Force on Financing for Development. Another Task Force member suggested including members of UNDESA as part of the TOSSD Task Force bureau. In the same line, another Task Force member suggested that the Task Force should seek a mandate from the UN before presenting its work and proposed that the director of the Statistics Division of UNDESA could advise on this. A representative from the UN Financing for Development Office (FfDO in UNDESA) participating in the Task Force meeting indicated an intent to hold discussions with UN colleagues, including the head of the UNDESA Statistics Division, about the possibility for the UN to have a greater role in the work of the Task Force.

54. Organising meetings in New York was further suggested as a way to reinforce the participative, open and international character of the Task Force. One Task Force member called for more specificity about the timing aspects of future consultations.

55. With regards to the composition of the Task Force, one member suggested indicating in the preamble more clearly the fact that in the membership there are representatives from national statistical offices, which also strengthens the link with the UNSC. The text should also explicitly state that there are two co-chairs, one being a chief national statistician and the other being a development professional, which is fully in line with the multidisciplinary work of the Task Force and its duality in term of composition e.g. from both the statistical and the development communities.

56. One Task Force member proposed including development banks as members of the Task Force, and another suggested involving key users of TOSSD data in the Task Force beyond representatives from development policy and national statistics offices. This involvement should be more proactive than just making documents available in the public domain. As an example, one or two of those key users could be part of the Task Force. Two other Task Force members argued for the active participation of civil society organisations that work on development co-operation data e.g. Aid Data (as a member of the Task Force or involved in future consultations) in order to facilitate the future implementation of TOSSD.

57. Finally, one Task Force member highlighted that the working methods proposed are very ambitious – and that it would be realistic to be cautious about what can be achieved.

58. The Secretariat expressed appreciation for all the comments received. In response, it noted that Task Force engagement with civil society is an issue that had been discussed for future work on the second pillar (global public goods) of the TOSSD framework. Moreover, the Secretariat is considering involving civil society and other key users of TOSSD statistics through organising internet-based consultations.

59. As regards inviting representatives from multilateral development banks to participate in the Task Force, the Secretariat noted that it is challenging to find the right contact person since their statistical purview and concerns are different and circumscribed. Therefore, any suggestions for inviting multilateral development bank experts to participate in the Task Force would be very welcome. Finally, it stated that the OECD would welcome very much having UNDESA in the bureau of the Task Force.