



## TOSSD reporting instructions: maturity of transactions covered in the TOSSD measure

TOSSD Task Force Issues Paper<sup>1</sup> - agenda item 5.a

24-25 January 2018

1. While development co-operation projects generally require long-term financing mechanisms (e.g. for large infrastructure facilities), access to short-term finance<sup>2</sup> is also critical to enhance economic growth and promote sustainable development. World trade relies heavily on reliable sources of short-term financing, commonly referred to as “trade finance”. In trade finance, banks help mitigate exporters’ and importers’ risks by bridging the time-lag in international transactions between the manufacture of goods, shipment and the receipt of payment. The lack of access to short-term trade finance can result in missed opportunities to use trade as an engine for development, particularly regarding investments in productive capacity. The Addis Ababa Action Agenda (para. 81, see box below) acknowledged the role of development banks in providing and increasing market-oriented trade finance and called on them to examine ways to address associated market failures.

### The Addis Ababa Action Agenda of the Third International Conference for Financing for Development, Paragraph 81

*We acknowledge 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. We welcome the work carried out by the WTO Expert Group on Trade Financing, and commit to explore ways to use market-oriented incentives to expand WTO-compatible trade finance and the availability of trade credit, guarantees, insurance, factoring, letters of credit and innovative financial instruments, including for MSMEs in developing countries. We call on the development banks to provide and increase market-oriented trade finance and to examine ways to address market failures associated with trade finance.*

2. Trade finance provided by development banks is one of the means of implementation of the 2030 Agenda and could as such be captured in TOSSD. The 2016 International Chamber of Commerce (ICC) trade finance survey (see Table below) indicates that the Multilateral Development Banks (MDBs) have been actively supporting trade facilitation programmes for a number of years now.

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<sup>2</sup> Short-term is defined as payable on demand or with a maturity of one year or less. (Payable on demand refers to a decision by the creditor; an instrument where the debtor can repay at any time may be short- or long-term.)

**Table: MDBs trade facilitation - summary of coverage for 2015**

City or Town	IFC	IIC member of IDB group	EBRD	ITFC	ADB
Program title	Global Trade Finance Program (GTFP)	Trade Finance Facilitation Program (TFFP)	EBRD's Trade Facilitation Programme (TFP)	ITFC Trade Finance Program (ITFP)	ADB Trade Finance Program
Number of countries of operation	90	21	27	57	20
Programme commencement	2005	2005	1999	2008 (1977 under IsDB)	2004
Number of Transactions since commencement (year end 31 December 2015)	45,000	1,453 (7,304 underlying)	18,300	507	12,233 (11,026 of which are from 2009-2015)
Value of transactions since commencement	USD 45 billion	USD 6.20 billion	EUR 12.8 billion	USD 31.529 billion	USD 23.1 billion (USD 22.51 billion of which are from 2009-2015)
Number of confirming banks	1,100	300+	800+	Not applicable	200+
Claims paid to date	0	0	2	Not applicable	0
Website	<a href="http://www.ifc.org/gtftp">www.ifc.org/gtftp</a>	<a href="http://www.iadb.org/tffp">www.iadb.org/tffp</a>	<a href="http://ebrd.com/tfp">ebrd.com/tfp</a>	<a href="http://www.itfc-idb.org">www.itfc-idb.org</a>	<a href="http://www.adb.org/tfp">www.adb.org/tfp</a>

(source: [2016 edition of the ICC Global Survey on Trade Finance](#))

3. In view of the above, Task Force members were invited to discuss at their December meeting the relevance of including a specific indicator (also referred to as a *satellite indicator*) on short-term trade finance activities extended by MDBs. Most Task Force members not only agreed on the relevance of this information but also expressed their interest in expanding the scope of the TOSSD framework to such specific short-term transactions, provided they are extended with a sustainable development purpose. The December meeting agreed that some eligibility criteria for short-term activities would be developed in the TOSSD Reporting Instructions for the January meeting.

4. Consequently, the Secretariat would like to suggest that the TOSSD Reporting Instructions specify that data will also be collected on short-term capital transactions that are extended:

- to support SDG implementation in TOSSD recipient countries, in compliance with general TOSSD eligibility criteria;
- by a multilateral development bank (MDBs have a clearly stated development mandate and are not subject to World Trade Organisation or the OECD Export Credit Arrangement's provisions. Limiting the scope to short-term trade finance of MDBs allows keeping a clear delineation between TOSSD and export credit activities).

5. To avoid a proliferation of records, the data should be reported on an aggregate basis (by recipient country). However, in order to facilitate data reconciliation with countries' balance of payments statistics and/or systems of accounts, it is proposed that a clear distinction be made in data presentations between short-term and long-term finance (i.e. with a maturity exceeding one year in compliance with international standards).

*Task force members are invited to agree on the above proposal.*