A recipient perspective on TOSSD: the case of the Philippines

This document is the final report of a pilot study carried out to inform the development of the new measurement framework of Total Official Support for Sustainable Development (TOSSD), building on a first pilot study carried out in Senegal in 2016 (See DCD(2017)1).

Guillaume DELALANDE - guillaume.delalande@oecd.org
Cécile SANGARE - cecile.sangare@oecd.org
Julia BENN - julia.benn@oecd.org

JT03419519

Complete document available on OLIS in its original format

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.
# TABLE OF CONTENTS

I. INTRODUCTION ......................................................................................................................... 4  
   a. The concept of Total Official Support for Sustainable Development (TOSSD) ...................... 4  
   b. Why was the Philippines selected as a pilot country for TOSSD? ........................................... 4  
   c. Objectives of the study ............................................................................................................ 5  
II. PHILIPPINES ECONOMIC AND FINANCING SITUATION .................................................... 5  
   a. Overall economic situation and prospects ............................................................................. 5  
   b. The development finance landscape ....................................................................................... 6  
   c. The GOP strategy for mobilising private finance: the role of PPPs ......................................... 8  
III. KEY FINDINGS ......................................................................................................................... 10  
   a. Estimated amounts of TOSSD for the Philippines .................................................................. 10  
   b. Respondents reaffirmed core TOSSD features and principles ................................................. 11  
   c. There was a general consensus on the usefulness of TOSSD .................................................. 11  
   d. Progress made on specific issues explored through the Philippines pilot ............................... 13  
      i. The “TOSSD-eligibility” of officially supported SDG investments ........................................ 13  
      ii. The importance to capture “the totality of development finance” ........................................ 14  
      iii. The necessity to capture within the measurement framework the role of partner countries in  
          mobilising private finance .................................................................................................... 15  
      iv. Wider consultations are needed to assess the extent to which export credits might be  
          considered as “TOSSD-eligible” ......................................................................................... 15  
      v. Further analytical work is needed to capture South-South and triangular cooperation in TOSSD. 16  
IV. CONCLUSION .......................................................................................................................... 17  
ANNEX I: TABLE OF ORDERS OF MAGNITUDE OF TOSSD FOR THE PHILIPPINES .......... 18  
ANNEX II: LIST OF INSTITUTIONS CONSULTED DURING THE IN-COUNTRY PILOT MISSION 20
Acknowledgements

This report was prepared by Guillaume Delalande, Policy Analyst, Raundi Halvorson-Quevedo, Senior Advisor and Cécile Sangaré, Statistical Analyst, under the guidance of Suzanne Steensen and Julia Benn of the OECD Development Cooperation Directorate’s Statistics and Development Finance Division. The authors are also thankful to all counterparts from the Philippines, particularly staff from the National Economic and Development Authority (NEDA), as well as OECD colleagues who made this report possible.
A recipient perspective on TOSSD: the case of the Philippines

I. INTRODUCTION

a. The concept of Total Official Support for Sustainable Development (TOSSD)

1. In December 2014, at its High Level Meeting, the Development Assistance Committee of the OECD (OECD DAC) agreed to modernise its international statistical framework for measuring development finance. One of the key features of this modernisation effort was to develop a statistical concept and methodology for measuring official resources beyond Official Development Assistance (ODA)\(^1\). Such a measure would enable the international community to better track the totality of officially supported development finance flows, capturing the diversity of financial instruments and range of actors that characterise today’s development finance landscape. The measure would be focused on capturing international public support for development – including official interventions that mobilise additional private resources (for example, through the use of risk mitigation instruments such as guarantees, mezzanine finance, collective investment instruments and equity investments). The Committee thus decided to begin work to develop this new measure, provisionally entitled **Total Official Support for Sustainable Development**.\(^2\)

2. In July 2015 the TOSSD concept was recognised in the Addis Ababa Action Agenda\(^3\). In the months that followed, international discussions increasingly acknowledged the potential of TOSSD to support the Sustainable Development Goals monitoring process, particularly SDG 17 e.g. “Strengthen the means of implementation and revitalize the global partnership for sustainable development”. In an effort to maximise the relevance and utility of TOSSD for different purposes and needs of different development actors and stakeholders, the OECD has undertaken a multi-faceted approach to associate the international community with work to develop TOSSD, including organising a large number of international briefing and discussion events, carrying out an internet-based international consultation on a compendium spelling out the objectives, structure and statistical features of the TOSSD framework, and conducting a number of country pilots in order to further shape the measure\(^4\).

b. Why was the Philippines selected as a pilot country for TOSSD?

3. Carrying out country pilots is crucial as a means to gather partner countries’ views on TOSSD, test directly the utility and technical design of the measure and ultimately ensure that TOSSD usefully informs partner countries’ planning and budgeting processes.

4. After a first pilot study in Senegal\(^5\), the Philippines was identified as an excellent case study country for several reasons. The **strong commitment of the Government of the Philippines** to support and align with the SDGs\(^6\), including with SDG-relevant tools and processes, was a first crucial factor. This commitment was illustrated by the country’s thoughtful response to the TOSSD online consultation and its

---


\(^2\) For general information on TOSSD, see: [http://www.oecd.org/dac/financing-sustainable-development/tossd.htm](http://www.oecd.org/dac/financing-sustainable-development/tossd.htm)

\(^3\) See paragraph 55 of the Addis Ababa Action Agenda

\(^4\) See the public consultation on the TOSSD compendium, including comments from the Philippines.

\(^5\) See the summary flyer and the full report of the TOSSD Senegal Pilot study carried out in 2016.

\(^6\) The Philippines will organise in October the 2017 International Conference on the SDG Statistics and has engaged in “localising” the SDGs as part of the development of its new National Development Plan.
sustained interest over time to proactively engage in the development of TOSSD\textsuperscript{7}, in line with its long-standing support to many other international multi-stakeholder initiatives\textsuperscript{8}.

5. The Philippines was also an interesting case study in that it allowed to test the potential utility of TOSSD in a very different context than in the first pilot: while Senegal is categorised as a Least Developed Country (LDC), the Philippines is a Lower Middle-Income Country (LMIC) with a completely different development finance context. The Philippines is among the fastest growing economies in South-East Asia with a stable and promising financial position characterised by buoyant resource inflows from off-shore remittances and a competitive “back office” service sector, a well-established and growing private sector and well-regulated financial markets. Nevertheless, the profile of the Philippines as a developing country with major financing needs – particularly in the infrastructure sector\textsuperscript{9} – made the country a particularly interesting case study to gauge the utility of TOSSD for shedding light on the different components of complex public/private project financing arrangements.

6. Finally, the Philippines was also considered to be a country particularly interested in better understanding the composition of the large external financial resources it receives, including those beyond ODA, in order to make best use of them for development purposes.

c. Objectives of the study

7. The main objective of the pilot study was to i) identify the potential of TOSSD to meet the needs of the Philippines, particularly in terms of transparency of external financing and strategic planning and ii) scope out relevant adjustments to the statistical features of TOSSD, both in terms of the nature of activities and the instruments to be included in the measurement framework.

II. PHILIPPINES ECONOMIC AND FINANCING SITUATION

a. Overall economic situation and prospects

8. With a robust GDP growth rate reaching 6.9\% in 2016 and a first quarter 2017 GDP growth at 6.4\%, the Philippines continues to be one of the most dynamic countries in the Southeast Asia region and has been growing at an average rate of 6.3\% percent since 2010\textsuperscript{10}, which represents the highest 7-year moving average since 1978 for the country. According to preliminary growth figures, the Philippines may even become the fastest growing economy among ASEAN countries in 2016. The country is well-positioned to continue developing at a fast pace in the coming years, and could potentially become an upper middle-income country by 2022. The country also hopes to reduce the poverty incidence to 14\% by the same date, thereby lifting about 6 million Filipinos out of poverty\textsuperscript{11} from a population of a bit more than 100 million people.

9. Despite these encouraging growth prospects, the Philippines still faces strong SDG-related challenges including persistent inequality and high poverty, calling for increased and better targeted social

\textsuperscript{7} Including a GPEDC regional consultation organised in Bangkok and a TOSSD technical expert workshop in London.

\textsuperscript{8} For example, the Philippines is a member of the Steering Committee of the Global partnership for Effective Development Co-operation (GPEDC).


\textsuperscript{10} See the statement of socioeconomic Planning Secretary Ernesto M. Pernia on the performance of the Philippine economy for the fourth quarter of 2016 and full year 2016

spending. The quality of infrastructure is overall lower than in other ASEAN-5 countries and remains a major priority for the country in terms of unlocking its full potential.

To try to tackle these challenges and in light of its strong macroeconomic fundamentals, the country has recently embarked on a new 0 to 10-point socio-economic agenda developed by the new government that assumed office in June 2016, with a flagship announcement to “accelerate infrastructure spending, with at least 5% of GDP spending target, and address bottlenecks on the public-private partnership (PPP) program”.

b. The development finance landscape

The investment climate is improving in the Philippines. The country was recognised as the 11th most promising host country in the world for investment over the period 2016-18, and the latest Global Competitiveness Report confirmed a continuously improving investment climate. However, the Philippines continues to face major investment barriers, including the lack of adequate infrastructure, chronic administrative challenges in establishing business operations, and weak protection of minority investors as pointed out in the Ease of Doing Business index (where the Philippines ranks 99th out of the 190 countries surveyed). The ban on foreign ownership of land or the 60% / 40% rule on domestic/international company ownership in certain sectors also create major hurdles to attracting additional foreign direct investment (FDI).

The Philippines financing landscape appears favourable to meet the ambitious development aspirations of the country. Overall, the desk review and interviews carried out in-country confirmed the widespread availability and reasonable cost of resources to finance development.

The Philippines currently relies mostly on domestic resources to finance its development: the tax/GDP ratio, though still below the average of OECD countries, rose from 12.1% in 2010 to 13.6% in 2015.


13. See the analysis of the second pillar on infrastructure of the World Economic Forum’s Global Competitiveness Index.

14. According to the GoP, the total government infrastructure outlays target for 2017-2022 is equal to PHP8.4 trillion (about USD170 billion from 2017 to 2022). For 2017, the National Government infrastructure outlay is equal to PHP847.2 billion based on the General Appropriations Act (GAA), equivalent to 5.3 percent of GDP. This is projected to climb to 7.4 percent of GDP in 2022 (Source: National Policy and Planning Staff).

15. NEDA Guidelines for the Formulation of the Philippine Development Plan (PDP) and the Public Investment Program (PIP) 2017-2022


17. See the 2015-2016 Global Competitiveness Report.


19. Article XII of the 1987 Philippine Constitution

20. The government of the Philippines clarified that the foreign ownership limitations are contained in existing laws and that any amendments will require legislative action. It was also clarified that Republic Act No. 7652 (the Investor’s Lease Act) allows a long-term lease (up to a maximum period of 75 years) of private lands by foreign investors.


22. http://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=PH. The government of the Philippines indicated that the tax effort to GDP was equal to 13.4 percent as of the 1st quarter of 2017 and that the latest updated tax-to-GDP ratio for 2016 was 14.2 percent.
14. Official Development Assistance (ODA) to the Philippines totalled USD 1.4 billion over 2014-2015 (in constant gross disbursements terms): ODA inflows over most of the past decade have fluctuated broadly within a range of USD 750 million to USD 1.4 billion. In-country interviews indicated that ODA loans (which represent the vast majority of concessional public international support to the Philippines) are generally considered fairly costly as compared to other available financing sources, due to the combined effects of the low prevailing international interest rate structure and the cost of additional fees charged by the Government for external debt finance (e.g. foreign exchange risk cover along with a sovereign guarantee fee). The Philippines’ national development finance institution (the Development Bank of the Philippines), for example, recently reimbursed ahead of schedule two ODA loans in an effort to free up borrowing capacity to secure less costly external financing. Nevertheless, while ODA loans may not be attractive vis-a-vis other external financing sources due to higher associated costs, they can still be competitive given longer repayment periods or the access they facilitate to useful technology and/or expertise.

15. On international financial markets, the Philippines can also take pride in having achieved a Standard & Poor credit rating of “BBB”, which allows the country to raise money on international capital markets at favourable terms. Domestically, financial markets have also grown in scale and scope over the past ten years, particularly bond markets: overall, the size, depth and diversity of financial markets in the Philippines are broadly consistent with those seen elsewhere in Emerging Asia.

16. Remittances represent about 10% of GDP, much higher than in most ASEAN countries,24 and contribute an important source of foreign exchange. The country has a very proactive Philippine overseas foreign workers/remittances policy with a very large number of government agencies that pay special attention to the needs of Overseas Filipinos.

17. Finally, foreign direct investment – which has risen from 0.5% of GDP in 2010 to 2% in 2015 – is now at a level very much in line with the rest of ASEAN-5 countries.26 The ambition of the government to boost infrastructure development in the coming years through more proactive policy measures is likely to trigger additional inward private investment.

---

25 These government agencies include: the Department of Foreign Affairs (DFA), the Department of Labor and Employment (DOLE) and its attached agencies particularly the Overseas Workers Welfare Administration (OWWA), the National Reintegration Center for OFWs (NRCO), and the Philippine Overseas Employment Administration (POEA). A Sub-Committee on International Migration and Development (SCIMD) was created to address the need for a coordinating mechanism that ensures regular discussion of policy issues concerning international migration. The NEDA chairs the sub-committee which includes the above agencies as well as the Commission on Filipinos Overseas (CFO), the Department of Interior and Local Government (DILG), the Union of Local Authorities of the Philippines (ULAP), and the National Anti-Poverty Commission (NAPC) as members. Moreover, other government agencies such as the Bangko Sentral ng Pilipinas (BSP) and the Department of Health (DOH) have specific units for financial inclusion and literacy and migrant health units, respectively, which also address the needs of OFs.
26 This is with the exception of Singapore at 22% in 2015. FDI as a percentage of GDP for other ASEAN-5 countries is 2.3% for Indonesia, 2.3% for Thailand and 3.7% for Malaysia (Source: http://data.worldbank.org/indicator/BX.KLT.DINV.WD.GD.ZS?end=2015&locations=PH-ID-MY-SG-TH&start=2010).
c. The GOP strategy for mobilising private finance: the role of PPPs

18. The Philippines has a long history of engagement in Public-Private Partnership operations (PPPs)\(^{27}\). The origins of this engagement dates back to the 1980s and particularly the 1987 constitution that recognised the strategic role of the private sector as the main engine of growth for the country. A renewed impetus was given to PPPs in the 1990s with several foundational republic acts, including the “Build-Operate-Transfer” Law\(^{28}\), which made it possible for the private sector to assume a stronger role in the country’s development efforts. Since 2010, a newer dynamic was created for PPPs with the creation of the PPP Center in line with the Government’s intent to “fast-track the implementation of PPPs”\(^{29}\) (see Box 1 below). In 2016 the newly elected administration of President Duterte placed renewed emphasis on the role of the private sector and PPPs by addressing bottlenecks in the PPP program through its \(0+10\)-point socio-economic agenda.

19. The Philippines context for developing PPPs is characterised by the predominance of a small number of very large, vertically integrated industrial conglomerates, with commercial and public lending being concentrated to these conglomerates, including through syndications with local banks/firms.

20. Two types of PPP business models predominate in the Philippines’ landscape\(^{30}\):

- **“Availability” PPPs**, where “the public authority contracts with a private sector entity to provide a public good, service or product at a constant capacity to the implementing agency for a given fee (capacity fee) and a separate charge for usage of the public good, product or service (usage fee)”.

---

\(^{27}\) See the historical background of the PPP center at: [http://ppp.gov.ph/?page_id=44](http://ppp.gov.ph/?page_id=44)

\(^{28}\) The Republic Act 6957 was issued in 1990 and amended in 1993 under the now commonly called BOT Law or “The Bureau of Transportation Law - Republic Act 7718”.

\(^{29}\) See Executive Order No. 8

\(^{30}\) For more information, see the section on the “General forms of PPPs” on the PPP Center website at: [http://ppp.gov.ph/?page_id=25774](http://ppp.gov.ph/?page_id=25774). An interesting categorisation provided by the World Bank PPIAF is also available at: [https://pppknowledgelab.org/guide/sections/6-ppp-contract-types-and-terminology](https://pppknowledgelab.org/guide/sections/6-ppp-contract-types-and-terminology)
- “Concession” PPPs, where “the government grants the private sector the right to build, operate and charge public users of the public good, infrastructure or service, a fee or tariff which is regulated by public regulators and the concession contract”.

**Box 1: The PPP Center of the Philippines**

The PPP Center (PPPC) is the cornerstone of the Government’s PPP strategy and the central coordinating and monitoring agency for all PPP projects in the Philippines. It provides support and technical assistance in all aspects of the PPP process – starting from project preparation to final implantation – in order to enable implementing agencies (including government agencies, government-owned corporations but also the private sector) to establish PPPs. It also informs and advises regulators in order to improve the regulatory framework governing PPPs. The PPP Center, with the support of various DAC members including Australia and Canada, involves a USD 60 million revolving fund, a Project Development and Monitoring Facility (PDMF) which finances pre-investment activities such as feasibility studies, preparation of tender documents, etc., and a network of 22 firms (comprised of financial experts, lawyers, communicators or engineers) that support specific technical PPP needs and processes.

The PPP Center of the Philippines is widely considered to be a leading PPP center in the Asian region. According to a recent report that benchmarked PPP procurement in 82 economies, the country scores highest of all assessed ASEAN countries (and higher than the United States in three of the four dimensions covered in the report (preparation, procurement and contract management of PPPs). The Philippines is particularly praised in the report for a number of good practices including the “lender’s step-in rights” and the Center’s market-sounding and assessment procedures in PPP preparation. Despite these successes, the in-country mission found that scope exists to further strengthen the PPP Center to accelerate the delivery of infrastructure projects.

The process for setting up PPPs in the Philippines involves four stages (development, approval, competition and co-operation) and is underpinned by a preferred risk allocation matrix. At the development stage, PPP projects are usually initiated by line ministries or based on proposals emerging directly from the private sector. Line ministries are the project owners and decide on the funding package supported by the PPP Center. Line ministries are also in charge of mobilising funds to make the project happen. At this development stage, the role of the PPP Center is to support government agencies through pre-investment activities (e.g. feasibility studies, market sounding, etc.) and advisory services on the structure of the project (including the financial architecture – the PPP Center works with a wide range of instruments and financing actors including official providers such as ADB, IFC, JICA, KOICA, Australia or USAID). The PPP Center also ensures that projects are commercially viable, or support processes to ensure that other sources of financing such as ODA can be used to make projects attractive to the private sector. The approval stage then covers several approvals, including that of the National Economic and Development Authority’s Board and of the Investment Coordination Committee - an interagency committee that evaluates the fiscal, monetary and balance of payments implications of major national projects. At the competition stage, the PPP Center provides assistance in the conduct of bidding (i.e. pre-qualification processes, evaluation of bids, contract review, etc.). At the implementation stage, the PPP Center can intervene to provide solutions for various implementation issues (technical, legal, contractual, etc.).

Since 2010 and as of 15 February 2017, the PPP Center has completed and operationalised four projects totalling 31.77 billion pesos (approximately USD 631 million) and has i) a portfolio of 11 projects under construction or pre-construction (totalling approximately USD 3 billion or 150.01 billion pesos) and ii) a promising pipeline of 42 projects estimated at 32 billion pesos (USD 6.4 billion).

32 ASEAN member States include Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam. Only Brunei and Lao PDR were not assessed in the report.
33 Lenders’ step-in rights allow the lenders to select a new concessionaire to perform an ongoing PPP project in cases when the initial private partner is at risk of default. According to the report only 13 (Brazil, Chile, Colombia, India, Italy, Mongolia, Morocco, the Philippines, Tajikistan, Tunisia, Uruguay, Vietnam and Zambia), of the 82 economies surveyed currently included lender’s step-in right in their legislations.
The pilot study has not found highly sophisticated financing arrangements in the Philippines market, as was the case for the previous TOSSD pilot in Senegal\textsuperscript{35}. Given the availability of resources to fund development projects in the Philippines, there is currently little need for the GoP to put together complicated financing packages from a wide range of sources (which would potentially be the case in contexts where finance is scarce or when perceived risk levels are higher). A greater number of actors involved in a given investment project also entails higher transaction and operating costs. The GoP therefore tends to go for more traditional development financing operations, with debt and equity from local actors as illustrated in the figure below for the “Mactan Cebu International Airport (MCIA) New Passenger Terminal Building”, where only the Asian Development Bank is involved as an external lender.

**Figure 2: Financing arrangement for the new passenger terminal building of the Mactan Cebu International Airport (MCIA)**

Source: PPP Centre, Philippines

### III. KEY FINDINGS

#### a. Estimated amounts of TOSSD for the Philippines

A first estimate of TOSSD flows for the Philippines amounts to USD 3.5 billion (based on a yearly average of 2014-2015 proxy data - See Table 1 in Annex I), which is equivalent to about three times the amount of ODA provided to the country. The difference between the ODA and TOSSD amounts are mainly due to the large amount of non-concessional loans to the country, particularly coming from multilateral institutions.

\textsuperscript{35} See a “Recipient perspective on TOSSD: the case of Senegal” (DCD(2017)1)
b. Respondents reaffirmed core TOSSD features and principles

23. The study confirmed a number of core principles of the TOSSD framework that had been identified through previous TOSSD events and technical workshops\(^{36}\), as well as through the Senegal TOSSD pilot:

- **TOSSD should complement, and not replace, ODA.** For the Philippines, ODA remains very important as part of the overall suite of financing solutions available for investing in the SDGs, particularly for accessing critical technology, know-how and technical expertise that is in short supply or unavailable.

- **TOSSD should cover all official resources in support of sustainable development, regardless of the financial instrument used to channel or catalyse resources.** Many respondents urged further work to define exactly the scope and boundaries of TOSSD.

- **The two-pillar architecture of the TOSSD measurement framework resonated well with government actors in the Philippines:** many acknowledged that defining the parameters of eligible operations in support of global and regional activities addressing global public goods – the second pillar – will be difficult to define and agree across the international community.

- **The proposal that data underpinning TOSSD should be sourced from providers rather than recipients was supported by the Government,** at least in a first phase, to reduce the reporting burden on partner countries in view of limited administrative and statistical capacity. A clear distinction between public funds and privately mobilised funds will be important when presenting TOSSD data. Several respondents emphasised the importance of ensuring all development actors – including developing country governments – are involved in the work to shape the measure.

c. There was a general consensus on the usefulness of TOSSD

24. One of the main objectives of the study was to identify the potential utility of TOSSD for different Filipino actors.

25. All respondents thought, unreservedly, that TOSSD would contribute to international transparency. A comprehensive picture of the nature, magnitude and financial implications (e.g. comparative costs, risks, liabilities) of development finance was all the more important given that the Philippines has taken a number of steps towards greater government transparency with a presidential “transparency seal”\(^{37}\), an open data portal\(^{38}\) and a freedom of information executive order\(^{39}\), all of which are aimed at promoting clarity and accountability in government official acts, transactions and decisions. The government emphasised the need to be able to respond to citizens’ requests for information about resources flowing into the country. In that regard all efforts should be made to ensure that TOSSD data be easily understandable by the general public. While TOSSD does not aim to measure development effectiveness, the government also indicated that TOSSD data could be useful to increase transparency and inform the development effectiveness community with a list of projects supporting sustainable development to help assess the effectiveness of these interventions, as well as ascertain to what extent international public support really contributes towards the achievement of the country’s development goals and the SDGs.

\(^{36}\) See also the first TOSSD principles highlighted in paragraph 14 of the DAC HLM 2014 Communiqué


26. Most respondents supported the idea that TOSSD will be able to help verify or augment (triangulate) financial information, particularly in terms of identifying and connecting up different components of complex financing schemes, including resources provided by the private sector. TOSSD would be particularly interesting for the Philippines, where PPP-related financing data are not systematically consolidated for analytical purposes at country level. As it is already anticipated that TOSSD data will record information by sector, TOSSD information could help better understand who is doing what in which sector and help identify best practices for attracting, combining and deploying resources. Filipino development actors also highlighted ways in which TOSSD could help fill data gaps regarding i) regional programmes, ii) detailed information regarding private sector resources that are not captured in balance of payments (BOP) statistics (see Box 2), iii) information about financial instruments used by the Philippines’ government in implementing economic development programs, including loans and contingent liabilities to better analyse debt exposure and liquidity risks, and iv) information about projects that do not require a lot of government funds, so as to direct public money to projects that are less appealing to the private sector.

27. Several actors also emphasised the potential of TOSSD as an international standard which would ensure comparability of data across different sources, recognising that different definitions of financial flows exist and that scattered sources of data on development finance make it hard for the development community to obtain a comprehensive picture. Having a statistical standard that could be used internationally will provide concrete incentives for improving reporting by official providers, but also additional information regarding private resources in favour of development. The Philippines’ pilot confirmed that the relevance and credibility of TOSSD will heavily rely on the level of details available and the comparability of the data presented to meet a wide spectrum of analytical needs and communities (recipient governments, providers, researchers, etc.). This implies that an optimal level of detail in data inputs needs to be defined, taking into account the potential limitations or confidentiality constraints of certain types of activities (e.g. co-financing with the private sector, export credits).

Box 2: TOSSD could play a helpful role in validating/triangulating BOP data.

In-country interviews revealed that the supervisory role of the Central Bank regarding the banking sector enables access to information about financial operations involving foreign exchange requirements or obligations. However, the Central Bank has less information about operations carried out by the private sector where there were no foreign exchange needs. Reporting on foreign direct investment is not mandatory, which limits access to comprehensive information on private investment in the country. In this context, TOSSD was perceived as a potentially useful tool to further complement balance of payments data in the Philippines (see Figure 3 below). If TOSSD included information on private finance mobilised by official development finance interventions, this information could help Central Banks triangulate information already available and obtain more information about cross-border private loan operations. It would therefore be very important for TOSSD data to cover the full range of private sector operators for each financing package, together with detailed financial information, while ensuring confidentiality requirements that private operators may have.

---

40 The data available in the “Private Participation in Infrastructure” database of the World Bank could already be useful to the Philippines to have an aggregate view including from other countries. TOSSD would help provide a fully comprehensive picture on all sectors.

41 A stronger legal basis for the Central Bank of the Philippines (the BSP- Bangko Sentral ng Pilipinas) to obtain data is part of the proposed revisions to the BSP Charter currently under deliberation by Congress at the time of writing of this report.
d. Progress made on specific issues explored through the Philippines pilot

i. The “TOSSD-eligibility” of officially supported SDG investments

28. The Philippines’ in-country mission and desk review indicated that future work on the definition of TOSSD will need to start from what really constitutes cross-border flows in the context of TOSSD, taking into account the following elements:

- The motivation underlying TOSSD cross-border flows

There are inherent tensions between the “sustainability” and “development” dimensions that co-exist in the TOSSD concept, and this will need to be addressed in developing the statistical parameters of the measurement framework. For example, should a project funding a coal-fired power plant be TOSSD-eligible in a country that is experiencing major energy shortages? Such a project could be considered as not in line with sustainable development but, at the same time, may well be considered as crucial for the development of the country from the perspective of the government and national stakeholders. In that regard, the government of the Philippines considered that one of the key criteria that should be considered
for TOSSD eligibility is the alignment of the investments with the priorities exposed in the 2017-2022 Philippine Development Plan and priority SDG targets in the country. This is to ensure that financial flows will contribute to the implementation of the Philippines’ national and subnational strategies, especially in those areas largely lacking development support.

- **The scope of cross-border flows**

  The composition of the cross-border flow pillar of TOSSD regarding the following types of official expenditures will also need to be assessed to evaluate whether they should be included TOSSD in full or in part:

  - Administrative costs of providers
  - Development-oriented social and cultural programmes (e.g. support for artistic or sports events, musical concerts, etc.).
  - Imputed student costs  
  - Aid to refugees in provider countries
  - Research activities
  - Peace- and security-related activities

- **Some specific criteria for TOSSD eligibility may be of particular importance to developing countries**

  The Philippines “ODA Act of 1996”, for example, stipulates that resource inflows categorised as ODA must be fully aligned with national priorities. This may prove challenging from a provider perspective, given that some activities carried out by providers in developing countries (for example through foundations, civil society organisations or other non-governmental institutions) may not be directly in line with national priorities (e.g. activities targeting minority groups, support to governance in non-democratic states, support for strengthening media and civil society, etc.).

  ii. **The importance to capture “the totality of development finance”**

  29. One of the key findings of the study is that there is a need for the Philippines to track the “totality of development finance” to support efficient decision making. TOSSD could support this ambition by tracking all officially supported flows intended for development, along with “satellite indicators” of flows beyond official finance (see the table entitled “Other Flow Indicators” in Annex I). Information on these flows should, to the extent possible, include the source of the flow, the use and purpose of such funding as well as the different financial instruments used with their respective terms and conditions. The Government of the Philippines highlighted for example that combining the information on the size of grants, the purposes of these grants and how they are utilised could be very useful for making decisions on how to best allocate government funding in the Philippines.

---

42 Imputed costs are indirect costs borne by the provider country when hosting students from developing countries. For more information see the [OECD DAC converged statistical report directives for the CRS](https://www.oecd.org/dac/)

43 See the [Republic Act 8182](https://www.oecd.org/dac/), commonly called “ODA Act of 1996” and the comments made by the Philippines in the [NEDA Secretariat comments](https://www.oecd.org/dac/) (paragraph 12) on the compendium during the 2016 international consultation on TOSSD.

44 Section 4 alinea c: “(…) The National Economic Development Authority shall ensure that the ODA obtained shall be for previously identified national priority projects which are urgent or necessary.”
iii. The necessity to capture within the measurement framework the role of partner countries in mobilising private finance

30. Work has been carried out by the OECD on measuring private finance mobilised through official development finance interventions.\(^{45}\)

31. The in-country mission revealed that it would be particularly helpful if the TOSSD measure could also valorise in specific projects the government’s efforts to mobilise private resources, as many developing countries have an interest in demonstrating or analysing the catalytic use of official funds (including the Government of the Philippines itself), notably to share lessons about how public and private money can be efficiently combined to incentivise projects in support of sustainable development (see Figure 2 above).

32. TOSSD data will reveal innovative approaches by providers to catalyse additional resources for development. The EU “Access to Sustainable Energy Programme (ASEP)”, illustrated in Box 3 below, is an example of how development partners have started engaging in activities that use ODA to mobilise additional finance from the private sector.

Box 3: The European Union “Access to Sustainable Energy Programme” (ASEP) in the Philippines

An example of public funds used to mobilise private investment

The main objective of the EU “Access to Sustainable Energy Programme (ASEP)” is to help the Government of the Philippines mobilise additional private investment to support rural electrification from renewable energy. To achieve this goal, the EU and the Global Partnership on Output-Based Aid (GPOBA) have established a Trust Fund administered by the World Bank to which they will contribute up to USD 31.9 and 3 million, respectively. Through a call for proposals launched in January 2017 and articulated around four lots (see below), these funds will be extended in the form of grants to help co-finance projects with local private companies in this sector. It is anticipated that this initiative will mobilise a minimum of USD 14 million from private sources in the Philippines.

- Lot 1 - Electrification of households and communities through solar hybridization of diesel mini-grids.
- Lot 2 - Electrification of households and communities through decentralized Renewable Energy systems and micro- or mini-grids.
- Lot 3 - Electrification of households and communities in the Autonomous Region of Muslim Mindanao (ARMM) through Lot 1 and Lot 2 type projects.
- Lot 4 - Promotion of excellence, learning and awareness on Sustainable Energy for All (SE4All) and the Sustainable Development Goal N°7 on ensuring access to affordable, reliable, sustainable and modern energy for all.

The ASEP initiative is a good example of ODA funding used in a catalytic way. By tracking the amounts mobilised from the private sector through official development finance interventions, TOSSD will help shed light on how scarce public money can be used in middle-income countries to leverage private investment for sustainable development.

iv. Wider consultations are needed to assess the extent to which export credits might be considered as “TOSSD-eligible”

33. In-country interviews clearly showed that, from a recipient perspective, officially supported export credits have a role to play in financing sustainable development, thus bringing up the question as to whether or not these operations should be covered in the TOSSD measurement framework. Despite their marginal contribution to total external resource receipts in the Philippines over 2014-15 (0.7%, see Figure 1 above), export credits may indeed constitute an important source of finance to

---

\(^{45}\) For more information on this work, see [http://www.oecd.org/development/stats/mobilisation.htm](http://www.oecd.org/development/stats/mobilisation.htm).
allow projects – when deemed too risky by private investors – to be funded in key sectors of the economy such as industry and infrastructure (e.g. transport, energy). These types of public interventions are considered trade finance from a provider perspective given their commercially-motivated and demand-driven nature – and therefore subject to strict international disciplines to reduce potential economic distortions. In certain cases, however, they may be considered by partner countries as significantly benefiting the economy by filling financial gaps in specific sectors – and thus potentially eligible in the TOSSD measurement framework.

34. On the one hand, including officially supported export credits in TOSSD would be in line with the aim to cover a broader range of activities in support of sustainable development, not necessarily with development as their primary objective. It was also commonly agreed among respondents engaged in interviews during the pilot that TOSSD should align with the principle of mutual benefit i.e. covering activities potentially also serving the interests of all countries involved (e.g. south-south co-operation). These interests may be developmental, but at the same time they could have commercial, cultural or political motivations. On the other hand, one could argue that most export credits have a purely commercial motive, do not consider their development impact (which may be sustainable or not) or the recipient country’s governmental priorities – and therefore should not be included in TOSSD.

35. At a minimum, TOSSD could help shed light on export credits in associated financing packages46 – and more specifically on how export credits can be combined with development finance to increase the commercial viability of projects expected to have a positive developmental impact. Indeed, export credit agencies and aid agencies may work together and supply funds jointly to facilitate specific financing packages for which development outcomes are expected and are part of the government’s strategy/priority action plan. Such specific financing packages involving aid agencies could therefore be considered for inclusion in TOSSD, counted at face value.

The inclusion in TOSSD of broader officially supported export credits – i.e. those extended on a purely commercial basis – would require engaging and consulting with a broader community of stakeholders such as export credit groupings (e.g. the OECD Export Credit Group, the Berne Union). One option could be to have these operations captured as a separate but complementary flow indicator (together with potentially other flow indicators such as remittances and FDI) in the TOSSD measurement framework.

v. Further analytical work is needed to capture South-South and triangular cooperation in TOSSD

36. The study confirmed findings from the previous TOSSD pilot in Senegal that gathering information on resource flows from all providers in a consolidated manner would be critical to fully reflect the development finance landscape and exploit the full potential of TOSSD. Emerging providers are playing an increasingly important role in financing investments, including in the infrastructure, agricultural and social sectors. The Philippines has also obtained resources from South-South co-operation providers: in late 2016, China and the Philippines agreed on a major financing package47 totalling USD 24 billion comprised of USD 9 billion in soft loans (including a USD 3 billion credit line with the Bank of China) and investment projects totalling USD 15 billion. The magnitude of this package – against the backdrop of the Philippines’ total ODA inflows of approximately USD 1.4 billion in

46 According to the DAC, associated financing associates in law or in fact two or more of the following, at least one of which is in effect tied or partially untied: i) official development assistance flows; ii) other concessional or non-concessional official flows; iii) officially supported export credits.

2014-15 – illustrates the importance to establishing an international statistical standard that can comprehensively capture all cross-border flows to developing countries.

37. **Further work is needed to better understand how to capture South-South and triangular co-operation in TOSSD.** The Philippines has started to actively engage in South-South co-operation (see Box 4 below), although data on such activities remain to be consolidated across government ministries providing this assistance. The OECD’s work on South-South and Triangular co-operation (including its inventory of triangular co-operation projects48) and the work done by the UN Office for South-South Cooperation49 (which identifies several activities involving the Philippines) could be useful sources to define a taxonomy of South-South and triangular co-operation in a TOSSD context. This, in turn, could contribute to ensuring TOSSD data will cover these resource flows and thereby provide a comprehensive picture of development finance patterns and magnitudes.

### Box 4: The institutional architecture for South-South co-operation in the Philippines

The Technical Cooperation Council of the Philippines (TCCP) is the government body that has the broadest view on the South-South cooperation provided by the Philippines. The Council’s mandate focuses on offering non-degree training courses, coordinating projects and activities focused on technical and economic co-operation among developing countries and undertaking research on technical assistance needs of the Philippines and developing countries. Including least developed countries. In 2016, the TCCP implemented the following three activities:

- **A seminar on cultural heritage preservation and eco-tourism** in the province of Cebu to enhance the knowledge and skills of about 30 participants on the environmental, social, cultural and economic aspects of ecological cultural tourism.

- **A training programme on women and entrepreneurship** for ten participants in Thailand in the framework of a Trilateral Cooperation Program of the Governments of the Philippines, Thailand and the countries of Cambodia, Laos and Myanmar to improve participating countries’ capacities in promoting women’s economic empowerment.

- **The second consultation on development co-operation between the Philippines and Thailand** to discuss the outcome of the first Bilateral and Trilateral Cooperation Programs between the Philippines and Thailand and to set up a three-year co-operation program between the Philippines and Thailand.

### IV. CONCLUSION

38. **A first estimate of TOSSD flows** for the Philippines amounts to approximately USD 3.5 billion (based on 2014-2015 proxy data). The total amount of TOSSD resources received by the Philippines is close to two and half times the amount of ODA provided to the country.

39. While the pilot has shown the potential of TOSSD for the Philippines as an international measurement standard and as a useful contribution to overall transparency, it has also demonstrated the necessity **to urgently advance the technical design of the measure**, including by looking at the definition, motivations and scope of cross-border flows in the context of TOSSD. For the measure to be useful, it is critical that it captures the totality of official development finance, including both official and officially supported resources, along with “satellite” indicators on the broader financing landscape. The inclusion of certain flows (such as export credits or South-South and Triangular co-operation) in TOSSD requires additional engagement and consultation.


ANNEX I: TABLE OF ORDERS OF MAGNITUDE OF TOSSD FOR THE PHILIPPINES

**Important note:** Preliminary estimates of the order of magnitude of TOSSD flows for the Philippines are presented below. As the Philippines pilot was a country pilot, only the TOSSD cross-border flow pillar 50 is covered in this table.

Table 1: First estimates of the order of magnitude of cross-border TOSSD flows to the Philippines
(USD million, annual average, 2014-2015 gross disbursements)

<table>
<thead>
<tr>
<th>CATEGORY OF FLOW</th>
<th>ESTIMATES</th>
<th>NOTES AND SOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Official bilateral flows from DAC providers (excluding EU institutions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>687</td>
<td>Proxy: ODA grants disbursements excluding in-donor costs (imputed student costs and refugees in-donor country) and debt relief.</td>
</tr>
<tr>
<td>Concessional loans</td>
<td>518</td>
<td>Proxy: ODA loans</td>
</tr>
<tr>
<td>Non-concessional loans</td>
<td>534</td>
<td>Proxy: Other official flows, including loans other than export credits</td>
</tr>
<tr>
<td>Equity investment</td>
<td>74</td>
<td></td>
</tr>
<tr>
<td><strong>Official flows from emerging market economies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development co-operation flows</td>
<td>5</td>
<td>OECD data from 20 reporting countries 51 and estimates from 10 other countries</td>
</tr>
<tr>
<td>Estimates of broader international co-operation</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Official flows from multilateral institutions (including EU institutions)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td>130</td>
<td>Multilateral outflows for DAC reporting organisations and a proxy for non-reporting organisations (based on inflows).</td>
</tr>
<tr>
<td>Concessional loans</td>
<td>14</td>
<td>Proxy: ODA loans, debt swaps from multilateral organisations.</td>
</tr>
<tr>
<td>Non-concessional loans</td>
<td>1,498</td>
<td></td>
</tr>
<tr>
<td>Equity investment</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td><strong>Mobilised private finance through official means and export credits (flows for consideration under TOSSD)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private finance mobilised according to the latest DAC survey on amounts mobilised</td>
<td>11</td>
<td>USD 776 million mobilised for the Philippines over 2012-15. Source: OECD survey on amounts mobilised</td>
</tr>
<tr>
<td>Officially-supported export credits in Associated Financing packages with ODA</td>
<td>20</td>
<td>Authors’ estimates based on OECD data.</td>
</tr>
</tbody>
</table>

---

50 For more information on the two-pillar structure of TOSSD, see the basic architecture of the TOSSD framework.

51 Of the 20 non-DAC provider countries reporting to DAC on their development activities, 12 included official flows to the Philippines during 2014-2015.
OTHER FLOW INDICATORS (USD million, 2014-2015)
(Although not for inclusion in TOSSD, these flows are important to reflect for partner countries in order to provide a comprehensive picture of total external flows).

| A. Officially-supported export credits (not in associated financing packages with ODA) | 234 | Proxy: as reported in DAC statistics. |
| B. Private flows at market terms |  |
| Foreign direct investment | 1,566 | Source: OECD statistics |
| Other securities, including bonds | 531 | Source: OECD statistics |
| C. Private philanthropy | 6 | Source: OECD Survey on global private philanthropy |
| D. Remittances | 29,101 | Source: WB remittances database |
| Total (A+B+C+D) | 31,438 |  |
## ANNEX II: LIST OF INSTITUTIONS CONSULTED DURING THE IN-COUNTRY PILOT MISSION

<table>
<thead>
<tr>
<th>23 January - 31 January 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>Australia (DFAT)</td>
</tr>
<tr>
<td>Bangko Sentral ng Pilipinas (Central Bank of the Philippines)</td>
</tr>
<tr>
<td>Department of Finance of the Government of the Philippines</td>
</tr>
<tr>
<td>Department of Foreign Affairs of the Government of the Philippines</td>
</tr>
<tr>
<td>Department of Public Works and Highways of the Government of the Philippines</td>
</tr>
<tr>
<td>Department of Trade and Industry of the Government of the Philippines</td>
</tr>
<tr>
<td>Department of Transportation of the Government of the Philippines</td>
</tr>
<tr>
<td>Development Bank of the Philippines</td>
</tr>
<tr>
<td>Embassy of China</td>
</tr>
<tr>
<td>European Union</td>
</tr>
<tr>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>Japan International Cooperation Agency (JICA)</td>
</tr>
<tr>
<td>Land Bank of the Philippines</td>
</tr>
<tr>
<td>National Economic and Development Authority (Government of the Philippines)</td>
</tr>
<tr>
<td>Philippine Export-Import Credit Agency (PhilEXIM)</td>
</tr>
<tr>
<td>Philippine Statistics Authority (PSA)</td>
</tr>
<tr>
<td>Philippine Institute for Development Studies</td>
</tr>
<tr>
<td>Philippine National Volunteer Service Coordinating Agency</td>
</tr>
<tr>
<td>PPP Center of the Philippines</td>
</tr>
<tr>
<td>Social Watch Philippines</td>
</tr>
<tr>
<td>USAID</td>
</tr>
<tr>
<td>World Bank</td>
</tr>
</tbody>
</table>