TOSSD reporting in practice: scope and methods

TOSSD Task Force Issues Paper[1]
6-7 December 2017

I. INTRODUCTION

1. At its July 2017 meeting, the TOSSD Task Force discussed a number of technical aspects of the TOSSD statistical framework, including the point of measurement (e.g. gross vs. net flows) and the eligibility of specific instruments (e.g. export credits). Building on the outcomes and conclusions of that discussion, section II of this note presents a proposal for defining the main categories of finance comprising the cross-border flows pillar of the TOSSD framework. It also sets out a number of possible "satellite" indicators for the framework which, in combination with the TOSSD headline figure, would facilitate a more complete understanding of the totality, nature and diversity of resources provided to developing countries. Section III introduces a large number of issues and options that have arisen in thinking through how TOSSD reporting will be implemented in an operational sense. Section IV revisits issues where the Task Force requested more work, providing additional information on Islamic finance for consideration in the emerging TOSSD taxonomy of financial instruments and a comparison of different international methodologies for measuring resources mobilised from the private sector.

II. SCOPE OF THE TOSSD STATISTICAL SYSTEM

a) Scope of cross-border flows covered (TOSSD Pillar 1)

2. Figure 1 below describes the three broad categories of cross-border flows to developing countries proposed for inclusion in the TOSSD framework. These categories cover all resource outflows, including in-kind contributions, in support of sustainable development from provider countries and outflows from multilateral development organisations and funds. Data on the latter would be collected directly from each multilateral organisation with the same level of detail as for provider countries. However, it will be important to clarify whether multilateral data will only include unearmarked resources (i.e. core capital contributions, assessed contributions) from provider countries or whether it will also include earmarked resources they supply (see also discussion under item 5 of the agenda "The statistical treatment of multilateral flows in the TOSSD framework"). The major breakdown would be between grants and in-kind contributions on the one hand, and capital transactions on the other hand. As regards the latter, TOSSD will not distinguish between concessional and non-concessional finance given that different definitions of concessionality are applied by different providers and developing countries depending on the context. Non-concessional finance in TOSSD may also include official export credits if part of developmental project financing arrangements or directly contributing to specific SDG targets (see also section III.2.). As agreed by Task Force members in July, data on resources mobilised from the private sector by official development finance interventions will be part of the TOSSD framework but presented separately (under a separate heading) as the funds do not necessarily originate from the provider country(ies) and may even be domestic i.e. originate from the recipient country.

[1] Jointly drafted by Cécile Sangare (Cecile.SANGARE@oecd.org), Marisa Berbegal (Marisa.BerbegalIbanez@oecd.org), Julia Benn (Julia.Benn@oecd.org) and Raundi Halvorson-Quevedo (Raundi.Halvorson-Quevedo@oecd.org).

Figure 1. Overview of cross-border flows to developing countries covered in TOSSD (pillar 1)

TOSSD Framework

	from provider countries	from multilateral agencies and pooled funds
A. Grants	Grants, technical assistance	
B. Capital flows	Debt instruments and equity investments • Including officially supported export credits incorporated in developmental project financing arrangements.	Debt instruments and equity investments
C. Resources mobilised from the private sector	Resources mobilised from the private sector through official interventions, regardless of the country of origin of the funds mobilised	
TOSSD TOTAL, gross (A+B+C)		

Figure 2. Overview of satellite indicators (cross-border flows beyond TOSSD)

Satellite indicators

Official sources	
D. Officially supported export credits (not part of a developmental project financing arrangement)	Direct export credits Guaranteed/insured export credits
E. Short-term trade finance for development	Short-term trade finance by MDBs
Private sources	
F. Private philanthropy for development	Donations from private philanthropic foundations
G. Other private donations	E.g. Non-governmental Organisations (NGOs)
H. Private flows at market terms, including FDI	Worldwide FDI and Portfolio investments
I. Remittances	Worldwide personal remittances

b) Satellite indicators

3. Figure 1 suggests a number of additional indicators that could usefully complement the TOSSD framework by broadening the picture of developing countries' total resource receipts. These *"satellite indicators"* would mainly relate to private flows, including philanthropic resources, remittances and foreign direct investment (FDI). For the official sector, two satellite indicators are proposed: one capturing officially supported export credits and the other capturing short-term trade finance provided by multilateral development banks (MDBs). The satellite indicators could be derived from existing data in the international system (see section III.1). However, it is unlikely that the data collected for these additional indicators will be comparable with TOSSD figures – the data are not disaggregated, making it difficult to identify operations aligned with the SDG targets (for example, Foreign Direct Investment and remittances data cover only aggregates by recipient/receiving country). Consequently, these indicators should rather be seen as complementary information to compare TOSSD with other resource flows on a relative, "order of magnitude" basis.

Issues for discussion

- *Do members agree with the proposed scope of the TOSSD framework (A+B+C)?*
- *Members' comments and suggestions are also invited regarding the relevance and completeness of the proposed satellite indicators.*

III. REPORTING IN PRACTICE

a) Data sources

4. All cross-border flows included in the TOSSD framework (A, B and C in Figure 1) will be reportable at the activity level by the provider countries or multilateral institutions organising/managing the activity[2]. Confidential information linked to some TOSSD activities (e.g. company names) will need to be filtered out upstream by the data providers themselves.

5. Where appropriate, data for the TOSSD satellite indicators proposed in section II will be sourced from the IMF or World Bank (e.g. FDI and remittances). For some satellite indicators it may be possible to use other international data sources that cover more qualitative and granular data (e.g. official export credits, short-term trade finance from MDBs, and private philanthropy for development).

b) Point of measurement

6. At the July Task Force meeting, members agreed that TOSSD data will be collected on both a commitment and a disbursement basis. In addition, members were asked whether information on reflows was required in order to establish a complete and transparent picture of cross-border flows and to make it possible to compare TOSSD flows across countries. There was an emerging consensus that information on both flows and reflows would be necessary, but that the headline figure for TOSSD should be on a gross basis. Furthermore, it was agreed that the Secretariat would carry out

[2] See TOSSD Task Force dinner discussion note "A first discussion on who will report, and how TOSSD reporting might be carried out".

additional analyses regarding the use of TOSSD data by different actors and for different purposes in developing a concrete proposal in this regard. The Secretariat has therefore conducted an analysis of the usefulness of gross and net data by TOSSD user categories (i.e. government agencies and citizens in provider and recipient countries, development co-operation analysts and researchers). The first results of this analysis indicated that all user categories would be interested in having TOSSD figures on both a gross and net basis. Gross figures are critical to help provider countries monitor and assess in real time their national development co-operation policy and how it compares to the efforts of other providers. Gross figures are useful for recipient countries since they capture the actual volume of external development co-operation made available and can inform budget planning and liquidity assessments. Net figures are also considered useful, as they can provide insights about the impact of TOSSD resources on the overall financial situation of developing countries. In the light of these findings, it is suggested that the TOSSD headline figures be presented on a gross basis but that information on reflows be also collected whenever possible for transparency and analytical purposes.

7. During the July meeting the issue of the risk of incentivising short-term investments by counting reinvested earnings more than once was raised. If TOSSD is counted on both a gross and a net basis, then there is no risk of double-counting reinvested earnings since reflows from investments would be counted as negative flows. However, when information on reflows is not provided, there could indeed be a risk of double-counting.

Box 1. Operational definitions of commitments and disbursements (source: OECD-DAC Reporting Directives)

A commitment *is a firm written obligation by a government or official agency, backed by the appropriation or availability of the necessary funds, to provide resources of a specified amount under specified financial terms and conditions and for specified purposes for the benefit of a recipient country. Commitments are considered to be made at the date a loan or grant agreement is signed or the obligation is otherwise made known to the recipient.*

A disbursement *is the placement of resources at the disposal of a recipient country or intermediary institution (e.g. NGO). Disbursement may be measured in various ways at different stages of the transfer process. For financial loans and grants, subject to the availability of the necessary records, preference should be given to the stage closest to balance of payments treatment, e.g.: the payment by the source agency for goods to be shipped (or other payments to a third party on behalf of the recipient); the placement of funds at the recipient's disposal in an account in the provider country, in the recipient country or in a third country.*

c) Maturities covered

8. It is proposed that TOSSD data be collected in conformity with balance of payments principles (thus aligning with other international practices and standards) which implies that, in the case of capital transactions, only instruments with a maturity exceeding one year would be reportable. This would facilitate data reconciliation with countries' balance of payments statistics.

9. However, while development co-operation projects (e.g. large infrastructure facilities) require generally long-term financing mechanisms, access to short-term finance is also critical. For example, the lack of access to short-term trade finance for some countries often results in missed opportunities to use trade as an engine for development, particularly regarding investments in enterprise-based productive capacity. The Addis Ababa Action Agenda (para. 81) acknowledged that development banks have a role to play in providing and increasing market-oriented trade finance and therefore called on them to examine ways to address market failures associated with trade finance.

Issues for discussion

- *Do members agree that the TOSSD framework should mainly focus on medium and long-term operations (more than one year) to be compatible with other existing standards?*
- *Should TOSSD also include short-term (less than one year) operations from multilateral organisations aiming at supporting the SDGs, such as short-term trade finance? If so, what should be the criteria for short-term capital flows to be included? If not, should short-term capital flows relevant to the SDGs be nevertheless part of the TOSSD satellite indicators?*

d) Currency used for reporting purposes

10. In general, it is easier for data providers to report in the currency in which the transaction takes place. However, for consolidated data presentations (the headline TOSSD figure, satellite indicators) it will be important to clarify which currency would be the most appropriate to use. While most statistics on financing for development are presented in United States dollar equivalents, some alternatives exist and could be envisaged to limit the impact of fluctuating exchange rates (e.g. IMF Special Drawing Rights, which represent a basket of currencies consisting of the USD, the euro, the Chinese renminbi, the Japanese yen, and the British pound sterling).

Issues for discussion

Do members agree that the currency used for reporting purposes should be the currency in which the transaction takes place? What currency unit would be best/most appropriate for TOSSD statistical presentation purposes?

e) Reporting tools and methods

11. It is proposed that reporters use a single file format to report on TOSSD resources (A, B and C in Figure 1), including the resources mobilised through their interventions. For transparency purposes, data would be reportable at the activity level, although not all data fields of the TOSSD reporting format would necessarily be filled for all types of financial instruments. Thus, a certain level of aggregation in the information provided would be possible.

12. A draft TOSSD Reporting Form has been developed and is presented in this document as the possible reporting format that data providers would use when reporting TOSSD cross-border flows (see Figure 3). It builds on existing requirements used in the DAC-CRS statistical system and International Aid Transparency Initiative (i.e. CRS++ item-level reporting and Busan-common format). Reporting would be carried out electronically using a spreadsheet where each column would correspond to one data field and each row to one activity.

13. The proposed form comprises four sections:

- Section A identifies the activity: identification numbers to link different components (a loan, a guarantee, an equity stake) of an investment activity or project together, thereby facilitating database management and the tracking of project implementation over time (commitment, disbursements, etc.).
- Section B requests basic data on the activity, including a brief description of the activity, sector of destination, recipient, modality, and implementing agency (channel of delivery).
- Section C requests supplementary data. It includes information on the specific geographical area and whether the transaction reported is part of a broader financing arrangement (e.g. blended or project finance schemes, PPPs, etc.). It could also include information about whether the activity complies with specific international standards and/or disciplines.[3]
- Section D groups all volume data related to the activity including commitments, gross disbursements, loan repayments, and the amount of resources mobilised from the private sector.

Issues for discussion

- *Do members have any views on the reporting tools and methods proposed in this section?*
- *Is anything missing, or unclear?*
- *Should ISO codes be used in identifying provider institutions?*

[3] The Task Force will discuss whether and how the TOSSD measurement system could incorporate information about compliance with international standards during item 6 of the annotated agenda (see “Possible approaches for associating international standards and disciplines with the TOSSD statistical system”).

Figure 3. Activity-level Reporting Form for TOSSD cross-border flows to developing countries

Reporting Items	Clarifications
A. Identification data	
1. Reporting year	Year for which data are reported (e.g. reporting in 2017 on 2016 flows).
2. Reporting country/organisation	Each reporting country or multilateral organisation could have its own code (e.g. ISO code, to be discussed).
3. Extending agency	The extending agency is the government entity (central, state or local government agency or department) financing the activity from its own budget. The agency has budget responsibility and controls the activity for its own account.
4. Provider project number	The project number field facilitates tracking activities in provider institutions' internal databases which may be necessary, for example, to respond to requests to verify the data regarding certain reported activities.
5. TOSSD ID Number	In addition to their own project number, for each transaction, reporters could include a TOSSD ID number. The TOSSD ID number ensures the uniqueness of each transaction in the database, and possibly the link between original commitments across more than one reporting provider and subsequent disbursements over several years or between different components of the same project. The format needs to be common to all providers and could be set at ten digits: YYYYxxxxxx.
B. Basic data	
6. TOSSD recipient country	Each recipient country could have its own code (e.g. ISO codes, to be discussed).
7. Channel of delivery	The channel of delivery is the first implementing partner. It is the entity that has implementing responsibility over the funds and is normally linked to the extending agency by a contract or other binding agreement, and is directly accountable to it.
8. Type of resource flow	A distinction will be made between official and officially supported activities, i.e. resources mobilised from the private sector).
9. Type of finance	For discussion under section III.1 of this document.
10. Modality	A distinction will be made between various development co-operation modalities (to be developed).
11. Short description/Project title	Maximum 150 characters in English, French or Spanish (over time the aspiration will be to collect this information in all UN languages). The official project title can be used as a description as long as it does not contain abbreviations.
12. Sector/Purpose code	Classification and codes to be developed.
C. Supplementary data	
14. Standards and disciplines	For discussion under item 6 of the meeting agenda.
15. SDG focus (multiple choice)	To be discussed at a later stage.
16. Co-financing arrangements	Descriptive information, if applicable, on the broader co-financing arrangements such as the name of the public and private co-financiers, the type of co-financing arrangements (syndication, investment funds, project finance, etc.).
D. Volume data (Amounts in thousands, to be adjusted in the light of some currencies if needed)	
17. Currency	For discussion under section II.3 of this document.
18. Amounts committed	New amounts committed during the reporting year, i.e. the face value of the activity. .
19. Amounts extended	Amount disbursed during the reporting year.
20. Amounts received	Amounts received covers recoveries on grants, amortisation of loans and gains or losses from equity sales (a positive amount means that the donor country has made capital gains; a negative amount means it has suffered capital losses). Amortisation relates to principal payments received from the borrowing country during the reporting year, including any payments of arrears of principal.
21. Leveraging mechanism	For discussion under section III.2 of this document.
22. Amount mobilised	
23. Origin of the funds mobilised	
For loans only	
24. Maturity	Repayment period in months.

IV. FOLLOW-UP ON ACTION POINTS FROM THE JULY TASK FORCE MEETING: TAXONOMY OF FINANCIAL INSTRUMENTS AND MOBILISATION

a) Taxonomy of financial instruments

14. At the July Task Force meeting, the Secretariat introduced the recently updated OECD taxonomy of financial instruments and invited members to consider whether they found it sufficiently developed and appropriate in order to use it in the TOSSD statistical framework. In general, Task Force members considered the taxonomy helpful as a starting point for TOSSD data presentations. However, they also suggested that further work be carried out to a) better reflect in the classification the different instruments included in Islamic finance, and if necessary b) better align it to the classification system developed by the European statisticians' community, in particular on financial intermediation tools.

Islamic Finance

15. When updating its classification of financial instruments, the OECD had engaged with development finance experts in the Islamic Development Bank and the United Arab Emirates to carry out a first analysis on Islamic finance and make sure that the new classification would also cover the financial characteristics of these instruments. A first step was to establish a mapping of the main Islamic finance instruments (see Box 2) and to assess the nature of the financial contracts made between provider and recipient institutions. This work led to including a category for "asset-backed securities" (see Annex) in the taxonomy to reflect the financial characteristics of Sukuk, a frequently used financial instrument in Islamic finance. For the other Islamic finance instruments identified in the mapping, it was concluded that the existing taxonomy categories for loans, equities and guarantees/insurance were sufficient to capture their main financial features.

16. However, the classification does not explicitly make reference to Islamic finance as such given that it aims at classifying the variety of financial instruments used for development according to common contractual characteristics while avoiding introducing any other kind of considerations (e.g. developmental, cultural, etc.). In order to preserve the integrity of each dimension in the system, the Secretariat would suggest that any information beyond the contractual characteristics of the instrument underpinning an intervention/activity be tracked through separate dimensions.

17. Accordingly, in order to facilitate the identification and classification of the main Islamic finance instruments in TOSSD, it is proposed to:

- Add a reference to Islamic finance instruments in the clarification notes of the different sub-categories, where relevant, to facilitate their categorisation;
- Make use of key words (such as "Islamic finance" or "Sukuk") in the project description to facilitate tracking of this information.

Alignment with the classification developed by the European statisticians' community

18. As mentioned above, members also requested the Secretariat to assess whether the OECD-DAC taxonomy of financial instruments would need to be further aligned with the classification used by the European statisticians' community, in particular in the European System of Accounts (ESA). One particular area of interest mentioned at the July meeting was the treatment of financial intermediation.

19. The Secretariat has therefore reviewed the ESA classification of financial instruments[4] and as well the National System of Accounts (NSA)[5] classification given the international focus of the TOSSD measurement framework. First conclusions suggest that the OECD-DAC classification is consistent with the one used in the ESA – and even more developed in some areas (e.g. for grant contributions which in the ESA and NSA are considered "non-financial" transactions). Therefore, at this stage it is not proposed to add further items in the taxonomy for TOSSD reporting. On the issue of financial intermediation, it is indeed relevant to consider tracking these types of institutions given their growing importance in the financing for development landscape. For the OECD and in the NSA, financial intermediation is defined as a productive activity in which an institutional unit incurs liabilities on its own account via transactions on financial markets for the purpose of acquiring financial assets: the role of financial intermediaries is to channel funds among savers, lenders and borrowers by intermediating between them. While the financial instruments used in this context are already well-covered in the OECD-DAC classification (e.g. for example debt securities including asset-back securities, direct equity and shares in collective investment vehicles are covered in the OECD-DAC classification), the Task Force could consider enhancing the scope for TOSSD reporting to include different types of financial intermediaries channelling funds from the provider to the recipient. This could be captured in the "channel of delivery" field, as set out in the proposed reporting form presented in Figure 2. Financial intermediaries could be identified as banks, investment funds, pension and sovereign wealth funds – in addition to or within traditional channels such as multilateral institutions, public sector institutions and private sector institutions.

Issues for discussion

- *Are there financial characteristics of Islamic finance which are not properly captured in the classification? Do members agree with the Secretariat's proposed solutions to facilitate the classification and tracking of Islamic finance in TOSSD statistics?*
- *Do members agree that the OECD-DAC classification could be used in the context of TOSSD without additional change for the time being? Do member wish to consider developing a classification of the main channels of delivery to facilitate reporting and tracking of financial intermediaries in the TOSSD framework?*

b) Possible criteria for assessing the TOSSD-eligibility of official export credits

20. Task Force members agreed in July that commercially-motivated export credits would not be included in the TOSSD measure. However, they requested further work to develop eligibility criteria for export credits when they are provided in conjunction with development co-operation resources (co-financing operations) or when they clearly contribute to achieving specific sustainable development targets in developing countries.

21. An assessment of the TOSSD-eligibility of different examples of officially supported export credits is presented in Table 2 below. In this analysis, an export credit activity was considered TOSSD-eligible if:

- it was extended as part of a development co-operation co-financing operation, or

[4] http://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334.
[5] https://unstats.un.org/unsd/nationalaccount/docs/SNA2008.pdf.

- it directly contributed to a SDG target as identified in the official list of SDG targets developed and maintained by the UN Statistical Commission.

Table 2. Examples of official export credits potentially eligible to TOSSD

Examples *(provider names have been removed for confidentiality reasons)*	Co-financing with development co-operation.	Directly supporting SDG targets	TOSSD-eligibility
SAIDABAD WATER PROJECT, PHASE II *Export credit loan to Dhaka Water Supply and Sewerage Authority (Bangladesh), in associated financing package with concessional funds from the Ministry of Foreign Affairs in provider country.*	✓	✓ **(at least targets 6.1, 6.2)**	**YES**
Supply of two photovoltaic units for the electrification of KENEBIA and SADOLIA (cities). *Stand-alone export credit guarantee to Mali*	**x**	✓ **(at least targets 7.1 and 11.1)**	**YES**
Coal-fired power plant EPS (Engineering, Procurement, and Service) package. *Stand-alone export credit guarantee to Vietnam*	**x**	**X**	**NO**

Issues for discussion

Members are invited to comment on whether they consider these criteria sufficiently operational to determine the TOSSD-eligibility of these interventions while also adequately safeguarding the integrity of the TOSSD measure.

Box 2. Basic principles and financial services of islamic finance

1. Basic principles

Islamic finance should comply with the rules of Shariah. The basic principles of Islamic banking are the prohibition of riba (usury) and gharar (ambiguous contracts or deals). It also follows other key precepts, including:

- ***risk-sharing** between providers of funds and entrepreneurs (because interest is prohibited, suppliers of funds become investors instead of creditors and receive returns on profits instead), and*
- ***asset-backed (or transaction-backed) investment** to ensure a link between the real economy and the financial sector.*

2. Main financial instruments

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

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

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

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

***Murabaha** (trade with markup or cost-plus sale): under this mechanism, a commodity is exchanged for money, but the seller sells the commodity after declaring both the cost price and the profit margin in order for both to be included in the price of the commodity sold. (It is a condition that the bank buys the requested commodity before selling it on Murabaha to the buyer.)*
Other sales contracts: deferred-payment sale (bay' mu'ajjal) and deferred-delivery sale (bay'salam) contracts, in addition to spot sales, are used for conducting credit sales. In a deferred-payment sale, delivery of the product is taken on the spot but delivery of the payment is delayed for an agreed period. Payment can be made in a lump sum or in installments, provided there is no extra charge for the delay. A deferred-delivery sale is similar to a forward contract where delivery of the product is in the future in exchange for payment on the spot market.

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

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

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

c) Principles underpinning the measurement of resources mobilised from the private sector

22. The objective of measuring mobilisation in the TOSSD framework is to ensure data are available that capture the full value of all SDG-relevant finance, including complex developmental project financing arrangements. Because providers are aware of the associated contractual arrangements and may have this information readily available in their project databases, the relevant data could be integrated in the TOSSD reporting system. At the same time, the complexity of certain financing operations creates risks of double-counting and the artificial inflation of data. Accordingly, it will be very important to develop clear guidance about who is reporting, and what amount of resources are reported, given that there may be multiple providers involved in a given developmental project financing arrangement reported in the TOSSD system. The project identifier (or TOSSD ID number in figure 2) could be helpful to ensure different provider resources are clearly distinguished without inflating figures or double-counting,

23. As mentioned in Section II above, in July the Task Force agreed that the amount of resources mobilised from the private sector as a consequence of official development finance interventions would be part of the TOSSD framework but presented separately. A first discussion was also held on the methodologies to be used to capture this information. The Secretariat presented relevant methodological work carried out by the OECD so far in this area.[6] In general, Task Force members considered this work useful for TOSSD reporting purposes, highlighting the importance of ensuring that the measure only includes resources mobilised where a causal link with the official intervention could be demonstrated. At the same time, they encouraged continued work by the OECD covering a broader range of instruments and financing situations, including complex financing arrangements where multiple actors and instruments interact and cases where it might be difficult to properly link mobilisation to specific interventions (e.g. where a recipient government guarantees local entities which may also benefit from external support).

24. It will be important to agree on a number of key principles underpinning the measurement of amounts mobilised at the international level. In this regard, the Secretariat proposes that the methodologies used to capture resources mobilised from the private sector in the TOSSD framework should strive to be:

- conservative in terms of causality assumptions (for some investments it can be quite complex to prove that private financiers would not have invested without the official intervention);
- avoid double-counting (applying a method that ensures the private resources are not counted several times); and
- pragmatic in terms of point of measurement and data availability.

25. At the July meeting, Task Force members requested more information about the similarities and differences between the OECD's and other existing metrics on mobilisation. Over the past three years the OECD has collaborated with DFI experts, the OECD-hosted Research Collaborative on tracking private climate finance and the MDB Task Force on Measuring Private Investment Catalysation in order to enhance convergence in statistical measurement approaches across the

[6] Methodologies have been developed for five major instruments: guarantees, syndicated loans, shares in collective investment vehicles, direct investment in companies and credit lines (more information at: http://www.oecd.org/dac/stats/mobilisation.htm). Work is ongoing to develop methodologies for measuring other instruments such as project finance structures and interlinked leveraging instruments.

international community. This work has also involved agreeing on a common narrative across different institutions regarding inevitable differences (see box 3 below and also the MDB reference guide[7]).

Box 3. Similarities and differences between the OECD and MDB methodologies for measuring mobilisation

Both approaches have common underlying principles, but the scope of application and formulas used are different.

Similarities

- *Both seek to measure the mobilisation of private finance achieved through public interventions for the benefit of developing countries.*
- *Both only attribute private investment mobilised where there is i) a concrete link with or ii) the direct and active involvement of a public institution.*
- *Both rely on validating evidence of the public institutions' mobilisation effect.*

Differences

- *The OECD-DAC approach aims to develop a standard for measuring the mobilisation effect of public interventions, while avoiding double-counting at the international level. Amounts of private finance mobilised are attributed to all public institutions involved in a transaction. The MDB approach prorates the amounts mobilised among the MDBs only (i.e. no attribution to resources mobilised by bilateral providers or local actors).*
- *The OECD-DAC approach only measures the "direct" mobilisation effect, while the MDBs also aim to capture more "indirect" mobilisation (the catalytic effect of public interventions). Indirect mobilisation is considered more difficult to measure statistically.*
- *The OECD-DAC approach to measuring mobilisation is a work in progress. So far, it covers five types of instruments/mechanisms: guarantees, syndicated loans, shares in CIVs, credit lines and direct investment in companies. Work is scheduled in 2017/18 to cover a broader range of leveraging instruments such as standard loans and grants in co-financing schemes with the private sector. The MDB approach covers all instruments.*

MDB reporting to the DAC on their mobilisation activities

- *MDBs report their activities to the DAC on a regular basis following the OECD-DAC approach to ensure comparability across reporting institutions and to avoid double-counting at the international level.*

[7] The MDB reference guide is available online at: http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-PUBLIC-PrivInvestMob-Ref-Guide-Aug-14-2017.pdf. See page 13.

ANNEX –TAXONOMY OF FINANCIAL INSTRUMENTS

(As presented at the July meeting and subject to revisions according to discussions' outcomes under section IV.1 of this document)

Broad category	Sub-category code	Sub-category label	Clarification notes
100 - GRANTS	110	Standard grant	Grants are transfers in cash or in kind for which no legal debt is incurred by the recipient.
	210	Interest subsidy	A payment to soften the terms of private export credits, or loans or credits by the banking sector.
	310	Capital subscription on deposit basis	Payments to multilateral agencies in the form of notes and similar instruments, unconditionally encashable at sight by the recipient institutions.
	311	Capital subscription on encashment basis	
420 - DEBT INSTRUMENTS	421	Standard loan	Transfers in cash or in kind for which the recipient incurs legal debt (and the resulting claim is not intended to be traded). Since payment obligations on standard loan are senior obligations, i.e. creditors are entitled to receive payments against their claims before anyone else, they are also referred to as senior loans.
	422	Reimbursable grant	A contribution provided to a recipient institution for investment purposes, with the expectation of long-term reflows at conditions specified in the financing agreement. The provider assumes the risk of total or partial failure of the investment; it can also decide if and when to reclaim its investment.
	423	Bonds	Fixed-interest debt instruments, issued by governments, public utilities, banks or companies, tradable in financial markets.
	424	Asset-backed securities	Securities whose value and income payments are derived from and backed by a specific pool of underlying assets.
	425	Other debt securities	
430 – MEZZANINE FINANCE INSTRUMENTS	431	Subordinated loan	A loan that, in the event of default, will only be repaid after all senior obligations have been satisfied. In compensation for the increased risk, mezzanine debt holders require a higher return for their investment than secured or more senior lenders.
	432	Preferred equity	Equity that, in the event of default, will be repaid after all senior obligations and subordinated loans have been satisfied; and will be paid before common equity holders. It is a more expensive source of finance than senior debt, a less expensive source than equity.
	433	Other hybrid instruments	Including convertible debt or equity.
500 – EQUITY AND SHARES IN COLLECTIVE INVESTMENT VEHICLES	510	Common equity	A share in the ownership of a corporation that gives the owner claims on the residual value of the corporation after creditors' claims have been met.
	520	Shares in collective investment vehicles	Collective undertakings through which investors pool funds for investment in financial or nonfinancial assets or both. These vehicles issue shares (if a corporate structure is used) or units (if a trust structure is used).
	530	Reinvested earnings	This item is only applicable to Foreign Direct Investment (FDI). Reinvested earnings on FDI consist of the retained earnings of a direct foreign investment enterprise which are treated as if they were distributed and remitted to foreign direct investors in proportion to their ownership of the equity of the enterprise and then reinvested by them in the enterprise.
1000 - GUARANTEES AND OTHER UNFUNDED CONTINGENT LIABILITIES	1100	Guarantees/insurance	A guarantee refers to a risk-sharing agreement under which the guarantor agrees to pay part or the entire amount due on a loan, equity or other instrument to the lender/investor in the event of non-payment by the borrower or loss of value in case of investment. Other unfunded contingent liabilities refer to other instruments that do not constitute a flow as such but may be also collected in future.