

**FIRST MEETING OF THE TOSSD TASK FORCE
OECD CONFERENCE CENTER
06 JULY 2017**

ACTION POINTS

This note presents the action points from the 1st meeting of the TOSSD Task Force as recorded by the Co-Chairs and the Secretariat. In brief:

- **There was general agreement that “Sustainable Development” in the context of TOSSD should be defined using the UN definition (option 1 of the issues paper) and by identifying as sustainable those development activities that directly correspond to a specific SDG target (option 3).** Alignment with national priorities was deemed important but should not necessarily be a strict TOSSD eligibility criterion.
- **There was no consensus on a list of developing countries to use in the context of TOSSD and further discussion is needed on this topic.** Several TF members proposed that the DAC List of ODA Recipients or the World Bank list be used for the sake of simplicity. Others felt that these lists could be a starting point for discussions, with the possibility of establishing a broader list.
- **There was broad support to include in the TOSSD framework both official and officially supported resources.** This includes resources from state-owned enterprises and companies “under significant government influence”. Most TF members considered that the amounts mobilised from the private sector by official development finance interventions should be an integral component of TOSSD and therefore be included in the framework, but presented separately. In general, export credits would not be included. However, further work is needed to develop eligibility criteria for those export credits that are extended in co-financing with development co-operation.
- **Most TF members preferred publishing data on both gross and net flows but presenting gross flows as TOSSD “headline” figures.** Additional work and comparative analysis on the use of PPPs vs. USD should be conducted, ideally using practical examples.
- **The Secretariat will consider the need to expand and develop the current OECD classification for the purpose of TOSSD,** notably to reflect the different instruments included in Islamic finance.
- **TF members took note of the TORs and provided several suggestions to improve or clarify the text.** These comments will be taken in consideration for a final version of the TORs.

1. Clarifying key concepts embedded in the TOSSD definition

“Sustainable Development”

- Many Task Force (TF) members agreed on the need for key guiding principles to assess whether an activity can be counted in TOSSD as support for sustainable development. Suggestions from the floor in this regard included building on what already exists, establishing a methodology that is simple and credible, and ensuring the quality and consistency of data collected.
- Many TF members expressed support for options 1 and 3 in the issues paper. Option 1 (establishing criteria for TOSSD-eligibility based on the UN definition of sustainable development) could be used as a chapeau using a possible shorthand definition e.g. “sustainable economic growth with social inclusion and without compromising the environment”. Option 3 (identifying as sustainable those development activities that directly correspond to a specific SDG target) could then help further refine TOSSD eligibility criteria. Several members spoke in favour of a broad approach to sustainable development and cautioned against linking TOSSD too closely to the SDG indicators, as these still had many gaps and were sometimes oversimplified.
- One TF member proposed that the link between TOSSD and the SDGs be made clear and noted that it was important for the financial flows captured in TOSSD to be in conformity with international standards. The TF member also pointed out that TOSSD was not yet included in the SDG indicator framework agreed at the UN Statistical Commission (UNSC) last March. The co-chair responded that TOSSD may be included in future discussions of the UNSC meetings.
- The Secretariat will look into the work on sustainable development carried out by the Conference of European Statisticians to see how it could support the work of the Task Force.

“Officially supported”

- Most TF members supported the idea that including only official flows in the TOSSD framework will not allow development actors to see the full and exact picture of development finance at country level. Hence the necessity to capture in the framework officially supported resources. Most TF members were of the view that while amounts mobilised should be part of the framework, they should be presented separately.
- There was broad support to include, even beyond state-owned enterprises, companies “under significant government influence” in the TOSSD framework. Further research is needed to better understand and clarify how data on these companies’ activities could be captured in a practical manner.
- Some TF members highlighted the importance of data on broader flows to developing countries and proposed that the TOSSD framework also capture “satellite indicators”, such as development co-operation provided by private philanthropies. Illicit financial flows were also mentioned in this regard.
- One TF member proposed looking into the possibility of including a representative of a multilateral development bank in the Task Force given these institutions’ significant experience vis-à-vis officially supported flows and the mobilisation of private capital.

“Developing Countries”

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

recognising that this was a very sensitive issue, including within the UN:

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

Alignment with partner countries’ priorities

- There was general agreement that the alignment of resources with the goals and objectives of the SDGs should be the principal eligibility criterion for TOSSD. Many TF members felt that, given the broad scope of the SDGs, TOSSD flows should not send the signal that some SDGs (such as governance, gender, sexual rights, human rights, access to information, empowerment) were less important than others and therefore should not be part of the framework. Finally, the issue of country priorities shifting from one year to another would challenge the eligibility of TOSSD activities and the comparability of TOSSD data over time. Alignment with national priorities was deemed important but should not necessarily be a strict TOSSD eligibility criterion. The work of the Conference of European Statisticians could be instructive for future TF work on this issue.

2. Measurement issues: relevant international statistical norms and valuing technical co-operation

Measurement issues

- Most TF members expressed a preference for presenting TOSSD flows on a gross disbursement basis for the sake of simplicity. Several noted that gross flows best reflect the intensity and magnitude of ongoing SDG investments.
- Most TF members preferred publishing data on both gross and net flows but presenting gross flows as TOSSD “headline” figures. One TF member added that information on reflows is necessary in order for TOSSD to present a complete picture of development finance. Another TF member stressed the necessity of TOSSD measurement to reflect both the provider and recipient perspectives. Another argued for TOSSD to be presented in building blocks (e.g. gross flows, reflows, amounts mobilised).
- The Secretariat noted that each metric has its own specific purpose, and expressed the view that both gross and net flow data should be provided whenever feasible. It was agreed that the Secretariat would carry out additional analysis regarding the use of TOSSD data for different groups or actors as a way of developing a concrete proposal in this regard going forward.

- One TF member suggested that other existing development finance statistics, such as those from the World Bank and other organisations, should be considered when building the TOSSD framework.

Technical co-operation

- Some TF members defended the use of the purchasing power parity (PPP) methodology to ensure technical assistance data is more comparable across countries. Others argued that such a methodology was not needed in all cases. They considered the PPP methodology could be useful when technical assistance is provided in kind, but where experts are contracted through an international tendering process, and when consultants are hired and paid in an international reference currency and not in the currency of the provider country, the actual financial flow (the price of the contract) should be recorded instead.
- Other TF members pointed out that further analysis was necessary, especially with regard to the consequences of using PPPs or exchange rates.
- It was mentioned that in the margins of the DAC Working Party on Development Finance Statistics (WP-STAT) meeting, a workshop had been organised with non-DAC providers of development co-operation and that Mexico had presented its methodology for valuing technical development co-operation employing a comparative analysis based on the use of local currency (Mexican pesos), USD and PPPs.
- It was agreed that the Secretariat would contact Mexico to ask for permission to share with TF members the presentation made by Mexico on this topic. Moreover, it was agreed that additional work and comparative analysis on the use of PPPs vs. USD should be conducted, ideally using practical examples.

3. TOSSD-eligibility of specific financial instruments

Taxonomy of financial instruments

- In general, TF members considered the recently updated OECD taxonomy of financial instruments helpful as a starting point for TOSSD data presentations.
- One TF member suggested also looking at the classification system developed by the European statisticians' community, including the extent to which financial intermediation tools could be better captured.
- One TF member commented it could work with the Secretariat on how the OECD classification could be enhanced to properly reflect the different instruments included in Islamic finance.
- It was agreed that the Secretariat will further explore these questions and consider the need to expand and develop the current OECD classification for the purpose of TOSSD.

Amounts mobilised from the private sector

- Most TF members considered that the amounts mobilised from the private sector by official development finance interventions should be an integral component of the TOSSD framework and therefore be included in the measure.
- It was also agreed that the measure should only include amounts mobilised where a causal link could be demonstrated. In some cases it might be difficult to properly link mobilisation to specific interventions (e.g. where the national government guarantees local entities which may also benefit from external support).
- The Secretariat will further work on complex financial structures where a private actor may benefit from several official interventions (national and external). It will further describe the different existing approaches for measuring mobilisation (OECD has one, the MDBs have another), and invite further discussion on which approach would be best suited for TOSSD.

Export credits

- Some TF members were in favour of including export credits in the TOSSD framework (on a net flow basis to avoid a statistical bias given their generally large volumes), in particular when used to finance projects in sectors such as infrastructure.
- Others cautioned about the risk of presenting export credits as development finance, in particular in the light of ongoing discussions with the OECD Export Credit Group on ODA modernisation of Private Sector Instruments (PSI). One TF member suggested presenting this financing separately (not in the TOSSD measure) in order to get a better understanding of the big picture of developing countries' total resource receipts.
- The conclusion was that, in general, export credits would not be included in the TOSSD framework. However, further work is needed to develop eligibility criteria for those export credits that are extended in co-financing with development co-operation, potentially building on the three – economic, social and environmental – pillars of sustainable development. The Secretariat will also explore the case of the Southern African Custom Union.

4. TOSSD Task Force: draft terms of reference and proposed working methods

- TF members took note of the TORs and provided several suggestions to improve or clarify the text.
- Additional wording or thinking on the overall introduction is needed to strengthen the case for establishing the Task Force, and to make the link with the UN Statistical Commission.
- A reference should be made to the fact that when developing new statistics, it is key to think about data users. It would be good to engage users above and beyond simply ensuring transparency about the work of the TF.
- Regarding the composition of the Task Force:
 - One TF member proposed that a clear reference be made to how consultations with the CSO community will be carried out.
 - Another member felt that a CSO such as AidData should be included in the Task Force.
 - Two TF members felt that development banks could be good candidates for Task Force membership.
 - The TORs should make explicit that, of the two co-chairs, one is a chief statistician and the other a senior development policy specialist. This will help strengthen the credibility of the Task Force and support acceptance of the results of its work by the UN statistical community.
- On working methods:
 - The need to systematically embed the UN system into the workings of the Task Force was highlighted. Clarification should be made on the role of UNDESA and on how “work to develop TOSSD will (...) be taken forward in close association with relevant UN bodies (the UN Statistical Commission and the Inter-Agency Task Force on Financing for Development” (page 1, paragraph 3 of the draft TORs).
 - It was suggested that at least one TF meeting be held in New York.
 - Canada and Costa Rica volunteered to host a meeting of the Task Force.