

**Development Co-operation Directorate
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DAC Working Party on Development Finance Statistics

**TOSSD CROSS-BORDER RESOURCE FLOWS PILLAR: FROM RECIPIENT
TO PROVIDER PERSPECTIVE**

WP-STAT WORKSHOP ON THE PROVIDER PERSPECTIVE OF TOSSD

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TOSSD CROSS-BORDER RESOURCE FLOWS PILLAR: FROM RECIPIENT TO PROVIDER PERSPECTIVE

Note for discussion at the WP-STAT workshop scheduled on 29 March 2018

1. Description of resource flows covered in TOSSD and who reports on what

1. This section presents the resource flows covered in TOSSD as agreed by the TOSSD Task Force and defined in the emerging TOSSD reporting instructions¹. Relevant excerpts are copied below *in bold italic text* for ease of reference.

The cross-border resource flows pillar covers resources extended to TOSSD-eligible recipient countries in support of sustainable development by bilateral and multilateral providers (Figure 1). The major breakdown is between grants and in-kind contributions on the one hand, and financial transactions on the other hand. No distinction is made between concessional and non-concessional transactions. Resources mobilised from the private sector by official interventions are also included. However, they are presented under a separate heading as the funds do not necessarily originate from the provider country and may even be domestic i.e. originate from the recipient country.

Figure 1. Overview of TOSSD cross-border resource flows pillar

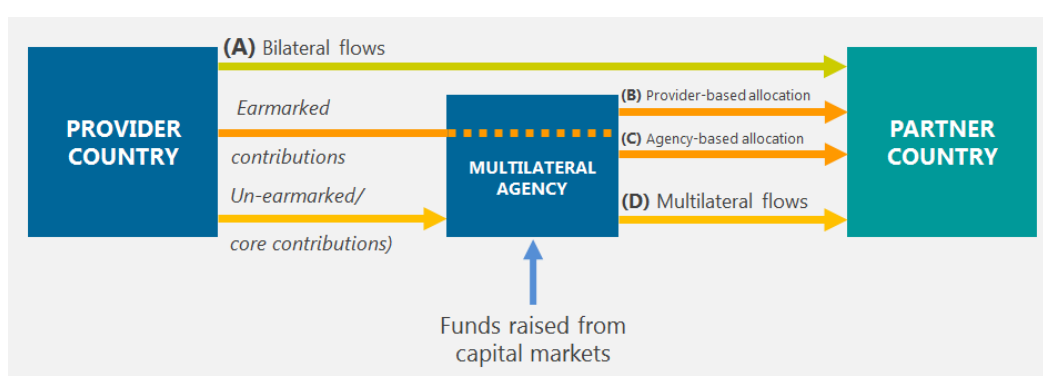
TOSSD Framework	
	from provider countries, multilateral agencies and pooled funds
TOSSD Framework	A. Grants
	Including technical co-operation and other in-kind contributions
	B. Financial transactions
	Debt instruments and equity investments
	C. Resources mobilised from the private sector
	Resources mobilised from the private sector through official interventions, regardless of the country of origin of the funds mobilised
	TOSSD TOTAL, gross (A+B+C)
TOSSD Framework	

¹ The emerging TOSSD reporting instructions are available at the website of the TOSSD Task Force at <http://www.oecd.org/dac/financing-sustainable-development/tossd-events.htm>. The excerpts in this paper are from the version discussed at the last Task Force meeting on 30-31 January 2018. Further adjustments are made to the instructions as and when the Task Force progresses in its work.

In the TOSSD system, bilateral providers report activities they undertake directly with a recipient country or that they fund through earmarked contributions to multilateral organisations for specific, usually project-type, interventions.

Figure 2. Reporting on TOSSD by provider

Provider countries report on A and B. Multilateral providers report on C and D.



In the TOSSD system, multilateral providers report on activities that they undertake under their own responsibility (decisions on resource allocations to specific purposes are made by the institutions themselves). The original source of funds can be official providers (through core contributions or pooled funds²) or the private sector (through funds raised in the international capital markets or private charitable contributions to multilateral organisations). In the case of funds for which a multilateral institution only provides Trustee services, the organisations implementing the activities, and not the Trustee institution, should report on TOSSD.

In the case of trust funds managed by several multilateral organisations, it should be considered, on an ad-hoc basis, which institution is better placed to report on TOSSD outflows, usually the lead institution.

2. Provider perspective to the resources recorded in the cross-border resource flows pillar: the principle of attribution

2. As shown above, the cross-border resource flow pillar of TOSSD will record the outflows from multilateral organisations and not the inflows or contributions to those international organisations from provider countries. However, in data analyses there may be a need to present the multilateral outflows from a “provider country perspective” to acknowledge the fact that these organisations could not operate without the contributions from provider countries, given that an important part of their activities are funded by those countries.

3. To present the resources recorded in the TOSSD cross-border flows pillar from the provider country perspective, it is necessary to define a method for attributing the multilateral outflows (C and D in figure 2) to countries contributing to the organisations.

² When funds are pooled they lose their identity and become an integral part of the recipient institution’s financial assets.

3. Attribution methodologies ³

4. There are several potential attribution methodologies and the options may differ depending on the type of organisation [e.g. multilateral development bank (MDB), United Nations (UN) agency or special fund] since they operate in a different manner. However, the methodology should be transparent, simple to communicate and easy to replicate.

The case of MDBs

5. The outflows from MDBs originating from core contributions (D in figure 2) could be considered as having been “mobilised” by the Banks’ shareholders in proportion to their shares and **attribution could be a simple product of the ownership shares and the outflows from the Banks**. Given that TOSSD covers all financial instruments regardless of their concessionality, the calculation should take into account both concessional and non-concessional resources. The formula for the calculation would thus be as follows:

[Provider country X’s share of ownership in an MDB Y] *multiplied by* [the organisation Y’s outflows]

Establishing ownership shares in MDBs

6. MDBs traditionally operate two types of financing “windows” – concessional financing for the poorest countries and non-concessional financing on market terms for others. While considerable institutional innovation is taking place, the underlying funding mechanisms can be described as follows:

- **Concessional financing** is typically funded by provider country contributions, retained earnings from previous lending activity and, in some cases, transfers from sister institutions. Recently, however, concessional windows have leveraged funds from the capital markets.⁴
- **Non-concessional financing**⁵ leverages money from global capital markets on the basis of the MDBs’ capital, which is typically composed of “paid-in” capital, “callable” capital and “reserves” built up over the years through income from operations. Paid-in capital is actual cash contributed by member country shareholders (core contributions). Together with reserves, it constitutes the bank’s equity. Callable capital is a contingent liability, payable in the event that the bank is not able to meet its financial obligations. Member countries have an obligation to pay their share of the callable capital on demand at the request of the bank’s Board of Directors. The money raised by MDBs on capital markets to fund their operations is backed by this obligation.

³ This section is based on the TOSSD Compendium available at <http://www.oecd.org/dac/financing-sustainable-development/tossd-public-consultation.htm>.

⁴ IDA, the concessional window of the World Bank, has recently started to leverage funds from the capital markets. The Asian Development Bank has merged its concessional and not concessional windows.

⁵ For the sake of simplicity, this paper does not analyse MDBs’ private sector windows (e.g. IFC, MIGA) the funding sources of which are more diverse.

7. Based on the above, indicators that could be used to determine the share of ownership of each member country of an MDB could be the voting power, paid-in capital, paid-in contributions through replenishments (either latest or historical) and callable capital. The table below presents their pros and cons.

Table. Potential indicators for establishing shares of ownership in MDBs

Indicator	Pros	Cons
Voting power	Could be considered as the most logical indicator as it is calculated from shareholders' contributions in capital increases throughout the years.	Not necessarily available in annual reports. Within the different funding windows of a bank group, the voting powers differ, as does the membership. Attribution based on the voting power does not have a sound financial rationale, as there is no economic causality between the voting rights of different countries in the governance bodies of an MDB and its ability to raise resources on the capital markets.
Paid in capital	Readily available in annual reports. A relatively stable indicator, which facilitates calculations.	For concessional windows, could misrepresent provider country contributions.
Paid in + Callable capital	Callable capital represents over 90 % of the institutions' balance sheets for non-concessional windows.	Unnecessary complication as paid-in and callable capital are proportional. (Using one or the other to calculate the share of ownership produces the same result.)
Paid-in contributions in latest replenishment	Readily available in annual reports. Incentivises financing MDBs.	Date of replenishments vary per institution. Replenishment may be on-going in the moment of calculation. Less relevant for non-concessional windows, as paid-in contributions represent less than 10% of the balance sheet.
Paid-in contributions – historical	Represents historical shareholdings.	No issue regarding the date of replenishments, though often unclear if the historical data provided includes the latest replenishment. Uses historical data in a measure of current flows. Does not reflect current membership, Can be considered unfair to emerging provider countries that have recently increased their funding to MDBs.

8. Given that MDBs have different structures, it might be challenging to select an indicator that can be applied to all of them. In particular, in some cases it may be necessary to calculate attribution for all funding windows of a bank while in other cases a separate calculation for concessional and non-concessional windows may be more appropriate. Using paid-in capital or contributions as the basis for the indicator is preferable to voting power as it reflects the resources made available by the provider – captured in TOSSD.

9. At the workshop discussion is invited on the pros and cons of the various options with a view to identifying a few for further discussion in the Task Force.

The case of UN entities

10. Other multilateral organisations, for example UN agencies, do not leverage funds in the capital markets. They do not have “shareholders” but obtain funding mainly from their members through assessed or voluntary contributions.⁶ In addition to financial contributions, they may receive in-kind contributions e.g. seconded staff. However, data on such contributions could be difficult to obtain. Moreover, in-kind contributions represents a small share of total contributions.

11. The outflows from UN entities could be considered as having been “mobilised” by the member states in proportion to their contributions and **attribution could be a simple product of the contributions (both assessed and voluntary) and the outflows from the entities** as follows:

[Provider country X’s share of contributions in an Agency’s total budget *multiplied by* [the agency Y’s outflows]

12. In practice, it will be necessary to define whether the calculation is based on historical data or data on most recent year. For the sake of simplicity, it could be envisaged to take into account only the contributions for the most recent year.

The case of trust funds and pooled funds

13. Multilateral organisations, whether banks, UN entities or other, frequently operate trust funds or other pooled funds for specific purposes. In establishing the TOSSD provider perspective, it will be important to clarify whether these funds are treated as an integral part of the organisation or separately.

14. Given that contributions to trust funds are voluntary and that not all members of an organisation necessarily make contributions to trust funds, it would be logical to **attribute the outflows from a trust fund back to the contributing countries only** (applying the same formula as for UN agencies).

Presentation of attributed multilateral outflows in TOSSD provider perspective

15. Another question to be addressed is how to present the data on attributed multilateral flows in the TOSSD provider perspective. Given that a part of these flows (e.g. in the case of non-concessional windows of MDBs) are leveraged from the global capital markets on the basis of the institutions’ portfolios, balance sheets and support from members (including financial support), and given that they do not originate directly from provider countries, attributed outflows (or at least a part of them) would need to be shown separately from other flows. This would follow the logic of the general TOSSD framework where amounts mobilised are included in the measure but shown separately. A similar treatment could be envisaged for attributed multilateral outflows. This would also increase transparency and visibility of the use of leveraging mechanisms in financing for development.

⁶ Some organisations obtain funding also from private sector entities e.g. philanthropic foundations or NGOs, or through donations from private individuals.

Issues for discussion

Do you agree with the proposed method for attributing outflows from multilateral organisations and pooled funds back to provider countries? Would you propose any alternative methodologies?

Which of the proposed indicators would you favour for attributing multilateral outflows from MDBs? Do you have alternative proposals?

With regard to UN entities and other multilateral organisations, would you agree in attributing the outflows based on the most recent contributions for the sake of simplicity?

What are your views on the presentation of data on attributed multilateral outflows in the TOSSD provider perspective?