World Bank Group
Comments on TOSSD proposal
August 2016

We want to thank the Secretariat for its thorough work on the TOSSD compendium, and the inclusive and consultative spirit and process in which the TOSSD concept and methodology is being developed. We welcome this opportunity for the World Bank Group to comment on the compendium.

Our starting point when commenting on the TOSSD-measure is that, while it presents a useful framework, no single measure can paint the full picture and adequately describe all the major channels through which the official sector (including MDBs) mobilizes and catalyzes financing for development. In that sense, TOSSD should be seen as one of several possible metrics of development finance.

While we agree that mobilization of private resources is a very important element of development finance, we note that there are other ways (than suggested in the TOSSD compendium) in which such mobilization can be tracked and reported, without aggregation into total provider or recipient financing.

The WBG is of the opinion that the recipient perspective (rather than the provider perspective) is the most useful and meaningful approach for TOSSD. We note that the 2030 Agenda focuses on all countries raising resources to meeting national and global development goals, rather than the transfer of resources from advanced economies to developing countries. We consequently believe that, in an SDG context, TOSSD should focus on the *mobilization* rather than the *transfer* of resources for development purposes. In other words, the most useful focus from our perspective is *how* development is funded, rather than the *source*. In this context we also note that the Financing for Development agenda emphasizes a larger role for domestic resource mobilization (both in terms of taxation but also through channels such as capital market development). Moreover, the provider perspective is vastly more complicated to track (than the recipient perspective) and it may overlap with existing reporting by providers.

The reasons for our unease with the provider perspective is especially clear when we look at efforts to measure the private capital channeled to development purposes. We would argue that private sector finance is inconsistent with the concept of "provider" countries: unlike ODA, private finance rarely resides in one particular country. To illustrate: while a private entity that contributes to the financing of a development objective may "reside" in one country, its ownership may be elsewhere (and likely in many different countries). Or if an MDB leverages funding from a Dutch pension fund, should that count as Dutch funding, or as funding leveraged by the MDB, for which the Netherlands is a shareholder?

The focus on external (versus domestic) finance is also not consistent with the private finance perspective. "Mobilization" is the "use" of private finance for productive purposes, not simply the "provision" of finance. Therefore if a domestic pension fund that had previously invested largely in domestic treasury bills participates in an MDB-supported project, the domestic source of private finance is being channeled into the development activity. This sort of development finance should not be excluded. In this sense, the "cross border" focus of TOSSD is not well suited to tracking the official sector contribution to mobilizing private finance.

We are also not fully comfortable with the suggested approach to the attribution of resources mobilized by MDBs. If TOSSD is 'only' an attribution of transfers (provided a reasonable methodology can be found) we would argue that the exercise would be of limited use. The key feature of the MDBs is their leveraging of balance sheets and project level mobilization. Through their pooling of resources, MDBs achieve certain benefits of scale, which helps make the sum larger than the individual contributions.

We understand that TOSSD may want to ultimately attribute the provision of official sector finance to the MDB shareholder. However, if TOSSD is to be used, as noted in para 9, to "facilitate learning and exchange of good practice among developing countries about accessing and combining resources most effectively", the use of MDBs by bilaterals needs to be explicitly recognized. We would therefore also like to see an interim stage reported that distinguishes resources provided bilaterally versus those channeled through an MDB.

We would also like to comment on the proposed use of Purchasing Power Parity at the *provider level*. From our point of view, this makes limited analytical sense. PPP is a useful concept at the project level, or when measured from the recipient angle (i.e., measuring what the resources provided can do in different countries), but is a highly contestable way to measure donor effort. (The example of Chile and the US providing wheat did not seem appropriate, given that wheat is a commodity and it is therefore priced on global markets).

With regards to measuring guarantees, the WBG finds the proposal to track 'guarantee-facilitated' disbursements to be unnecessarily complicated. We would suggest to rather track commitments, in line with the current reporting from MDBs.

The World Bank Group continues to work closely together with other MDBs to harmonize the methodology for measuring mobilization, cofinancing and catalyzation of development finance. The Catalyzation Task Force set up by Heads of MDBs for this purpose will submit its first report shortly. To the extent that the MDBs are able to agree on a common methodology for measuring and framework for reporting on private capital mobilization, cofinancing and catalyzation, we encourage the OECD to align TOSSD with this methodology and consider the MDB reporting as a building block for its own metrics and reports. This will minimize duplication of effort and promote clarity and consistency in measuring these important components of development finance.

We highly appreciate the TOSSD team's willingness to brief the MDB Task Force working on mobilization issues, and we will continue to exchange information about its work to inform the OECD/DAC's work.