

WORKSHOP ON DEVELOPMENT FINANCE STATISTICS – DAY 1

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OECD DEVELOPMENT ASSISTANCE COMMITTEE (DAC) AND ENGAGEMENT WITH COUNTRIES BEYOND THE DAC

1

Introduction to the OECD Development Assistance Committee

- About the DAC
- Mandate
- Main activities
- Programme of work

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About the OECD Development Assistance Committee

- Established in **1961**.
- Leading international forum of bilateral providers of development finance. Currently **30 members**.
- Internationally recognised source for statistics on development co-operation.
- Sets **standards for development co-operation** (e.g. ODA definition, list of ODA recipients, recommendations on untying aid).
- Contributes to shape the **International Agenda**:
 - poverty reduction
 - gender equality
 - harmonization of donor practices
 - policy coherence for development
 - sustainable development.

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DAC Mandate

“ ... promote development co-operation and other policies so as to contribute to sustainable development, including pro-poor economic growth, poverty reduction, improvement of living standards in developing countries, and a future in which no country will depend on aid.”

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DAC Main activities

- Collects and publishes statistics and monitors development finance flows.
- Analyses, reviews and provides guidance on development co-operation policies.
- Peer Reviews.
- Promotes sharing of good practices.
- Work on development effectiveness.
- Promotes Policy Coherence for Development.
- Helps shape the global development architecture.

1

DAC Programme of work 2017-18

- Scaling up financing for sustainable development and targeting resources more effectively:
 - Global Outlook on Financing for Development
 - Quantitative and policy analysis of external development finance
 - Policies to scale-up sustainable public/private development finance arrangements and partnerships
- Setting of standards and methodologies, collection, quality assurance and dissemination of financing for development statistics
- OECD DAC Peer reviews and the Development Co-operation Report
- Evaluation and results for more effective development co-operation

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DAC Programme of work 2017-18 (cont.)

- Effective development co-operation, policies and dialogue for sustainable development:
 - Effective, accountable & inclusive institutions (Govnet)
 - Climate change, ecosystems & environmental sustainability (Environet)
 - Gender equality and women's empowerment (GenderNet)
 - Conflict, fragility and resilience to shocks (INCAF)
 - Development co-operation for trade, green investment, and private sector development for the 2030 Agenda
- Partnerships for the global development co-operation architecture:
 - DAC engagement and global relations
 - Global Partnership for Effective Development Co-operation and the Global Monitoring Report
 - Global Forum for Development
 - International Dialogue on Peacebuilding and Statebuilding
 - Effective Institutions Platform (EIP)

2

Engaging with countries beyond the DAC

Long tradition of the Secretariat working with non-DAC countries to:

- Enrich **policy dialogue and knowledge sharing** on development co-operation.
- Ensure that DAC decision-making and dialogue processes are more **open and inclusive**.
- Strengthen the DAC's contribution to a more **effective development co-operation** architecture.

2

Engaging with countries beyond the DAC

Outreach activities include:

- Policy dialogue
- Collaboration on aid management and statistics:
 - Aid Management seminars
 - Statistical seminars – to improve mutual understanding of the measurement of development co-operation
 - 20 non-DAC countries report development finance flows
 - Non-DAC countries are invited to WP-STAT meetings
- [Development finance beyond the DAC Website](#)
- Analysis of development co-operation provided by non-DAC countries:
 - OECD makes estimates for non-reporting countries, based on publicly available data.

Q.

Time for questions and clarifications



INTRODUCTION TO DEVELOPMENT FINANCE STATISTICS

3 Introduction to DAC Statistics: main concepts

- Basic Concept: Official Development Assistance (ODA)
- What is excluded from ODA?
- New concept under development: Total Official Support for Sustainable Development (TOSSD)
- Main differences between ODA and TOSSD

3

Basic concept: Official Development Assistance (ODA)

Flows to the DAC List of **ODA recipients** (countries and multilateral development institutions).

O

“Official”: provided by **official agencies**, including state and local governments, or by their executive agencies.

D

“Development”: administered with the promotion of the **economic development and welfare of developing countries as its main objective**.

A

“Assistance”: **concessional in character**, i.e. provided in the form of grants or soft loans.

DAC List of ODA recipients

Least Developed Countries		Other Low Income Countries	Lower Middle Income Countries		Upper Middle Income Countries		
Afghanistan	Malawi	DPR Korea	Armenia	Paraguay	Albania	Jamaica	Thailand
Angola	Mali	Kenya	Bolivia	Philippines	Algeria	Jordan	Tonga
Bangladesh	Mauritania	Tajikistan	Cabo Verde	Samoa	Antigua & B.	Kazakhstan	Tunisia
Benin	Mozambique	Zimbabwe	Cameroon	Sri Lanka	Argentina	Lebanon	Turkey
Bhutan	Myanmar		Congo	Swaziland	Azerbaijan	Libya	Turkmenistan
Burkina Faso	Nepal		Côte d'Ivoire	Syria	Belarus	Malaysia	Uruguay
Burundi	Niger		Egypt	Tokelau	Belize	Maldives	Venezuela
Cambodia	Rwanda		El Salvador	Ukraine	Bosnia & H.	Marshall I.	Wallis & F.
CAR	Sao Tome & P.		Georgia	Uzbekistan	Botswana	Mauritius	
Chad	Senegal		Ghana	Viet Nam	Brazil	Mexico	
Comoros	Sierra Leone		Guatemala	West B. & Gaza S.	Chile	Montenegro	
DR Congo	Solomon I.		Guyana		China	Montserrat	
Djibouti	Somalia		Honduras		Colombia	Namibia	
Eq. Guinea	South Sudan		India		Cook Islands	Nauru	
Eritrea	Sudan		Indonesia		Costa Rica	Niue	
Ethiopia	Tanzania		Kosovo		Cuba	Palau	
Gambia	Timor-Leste		Kyrgyzstan		Dominica	Panama	
Guinea	Togo		Micronesia		Dominican R.	Peru	
Guinea-B.	Tuvalu		Moldova		Ecuador	Saint Helena	
Haiti	Uganda		Mongolia		Fiji	Saint Lucia	
Kiribati	Vanuatu		Morocco		FYROM	St Vincent & G	
Lao PDR	Yemen		Nicaragua		Gabon	Serbia	
Lesotho	Zambia		Nigeria		Grenada	Seychelles	
Liberia			Pakistan		Iran	South Africa	
Madagascar			Papua N. G.		Iraq	Suriname	

DAC List of ODA-eligible international organisations

Annex 2 – Extract

41000	UNITED NATIONS AGENCY, FUND OR COMMISSION (UN)
41301	Food and Agricultural Organisation
41130	United Nations Relief and Works Agency for Palestine Refugees in the Near East
42000	EUROPEAN UNION INSTITUTION (EU)
42001	European Commission - Development Share of Budget
43000	INTERNATIONAL MONETARY FUND (IMF)
43005	International Monetary Fund - Post-Catastrophe Debt Relief Trust
44000	WORLD BANK GROUP (WB)
44001	International Bank for Reconstruction and Development
44002	International Development Association
45000	WORLD TRADE ORGANISATION
45002	World Trade Organisation - Advisory Centre on WTO Law
45001	World Trade Organisation - International Trade Centre
46000	REGIONAL DEVELOPMENT BANK
46003	African Development Fund
46025	Islamic Development Bank
47000	OTHER MULTILATERAL INSTITUTION
47111	Adaptation Fund
47009	African and Malagasy Council for Higher Education

- **Official transactions** are those undertaken by central, state or local government agencies **at their own risk and responsibility**, regardless of whether these agencies have raised the funds through taxation or through borrowing from the private sector.
 - This includes transactions by *public* corporations i.e. corporations over which the government secures control by owning more than half of the voting equity securities, or otherwise controlling more than half of the equity holders' voting power; or through special legislation empowering the government to determine corporate policy or to appoint directors.
- **Private transactions** are those undertaken by firms and individuals resident in the reporting country from their own private funds.
 - Special case of Rulers' foundations: in the case of UAE, the Ruler's decisions are considered those of the state and therefore cannot be equated to those of a private person, business or foundation. Grants provided by these foundations may be assimilated to official flows.

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DEVELOPMENT: What is ODA?

- **Humanitarian aid and long term development**
- **Core (general) contributions for development:**
 - General support to the recipient government budget including funding to support the implementation of macroeconomic reforms.
 - Core contributions to NGOs active in development.
 - Core contributions to multilateral institutions active in development (UN agencies, Multilateral Development Banks, etc.).
- **Projects aiming at improving economic development & welfare of dev. countries:**
 - Infrastructure projects, e.g. construction of hospitals, schools, tramways, dams, etc.
 - Capacity building projects, e.g. Ministry of justice capacity building – rule of law.
- **Technical co-operation:**
 - Experts, consultants, teachers, academics, researchers, interns, volunteers contributing to development.
 - Training & research; language training; workshops, seminars & conferences.
- **Debt relief operations**
- **Certain in-donor costs** (administrative, refugees, scholarships, development awareness)

3

DEVELOPMENT: What is not ODA?

- Primarily commercial objectives
- Military aid and promotion of donor's security interests
- Combatting terrorism
- Promotion of language or culture of the provider country
- Religious objectives

➔ **Not sufficient for an activity to have a positive impact on development to qualify as ODA, it needs to have development as its primary objective.**

3

DEVELOPMENT: Examples of ODA

- Digging of drinking water wells, and the installation of pumps and water storage tanks.
- Support and care for orphans and orphanages.
- Medical training to nurses and doctors on malaria treatment or provision of medical equipment.
- Provision of in-kind donations during emergency e.g. drinking water, clothing.
- Construction of social housing.
- Contribution to UNHCR.
- Integrated rural development project.
- Solar power projects.
- (...)



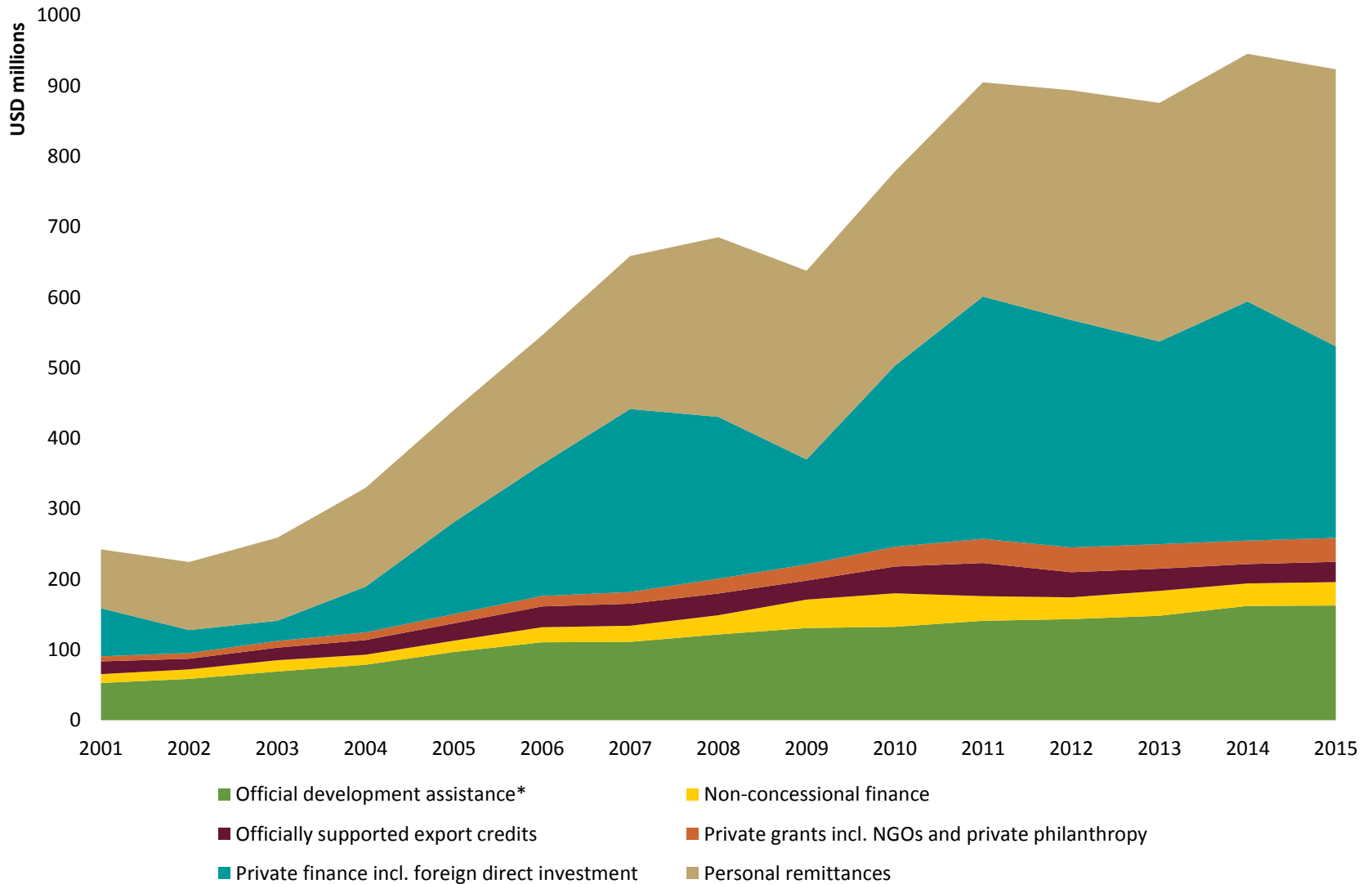
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Resource flows covered in DAC statistics

	Concessional	Non-concessional
Official	Official development assistance (ODA) <ul style="list-style-type: none">- grants- concessional loans- technical assistance	Other official flows (OOF) <ul style="list-style-type: none">- non-concessional loans (e.g. by DFIs)- investment-related transactions- export-related transactions
Private	NGO, foundation and other charitable flows	Private flows at market terms <ul style="list-style-type: none">- FDI and portfolio investment- export credits- bonds

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Financial flows to developing countries beyond ODA (from OECD)



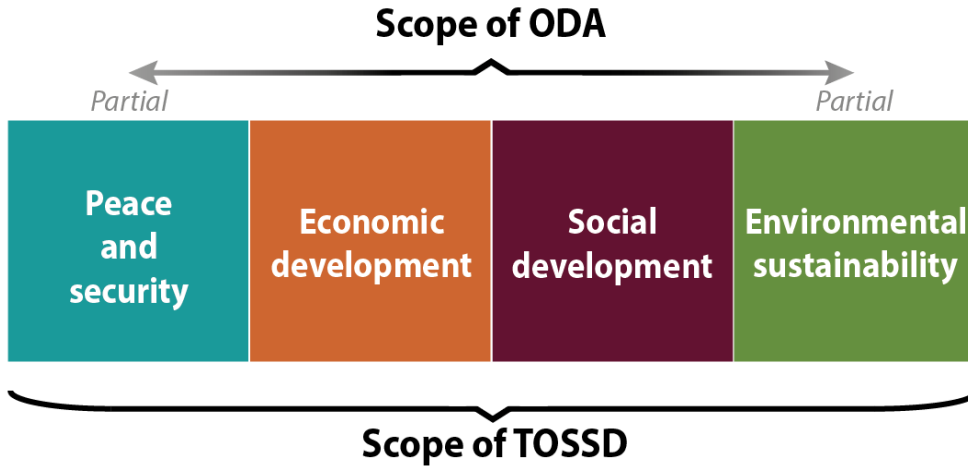
Working Definition:

Total official support for sustainable development (TOSSD) includes all officially-supported resource flows:

- to promote sustainable development in developing countries; and
- to support development enablers or address global challenges (at country, regional or global levels).

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Main differences between ODA and TOSSD



Larger purpose
All providers of development finance

Broader motivations

ODA:
One main motivation



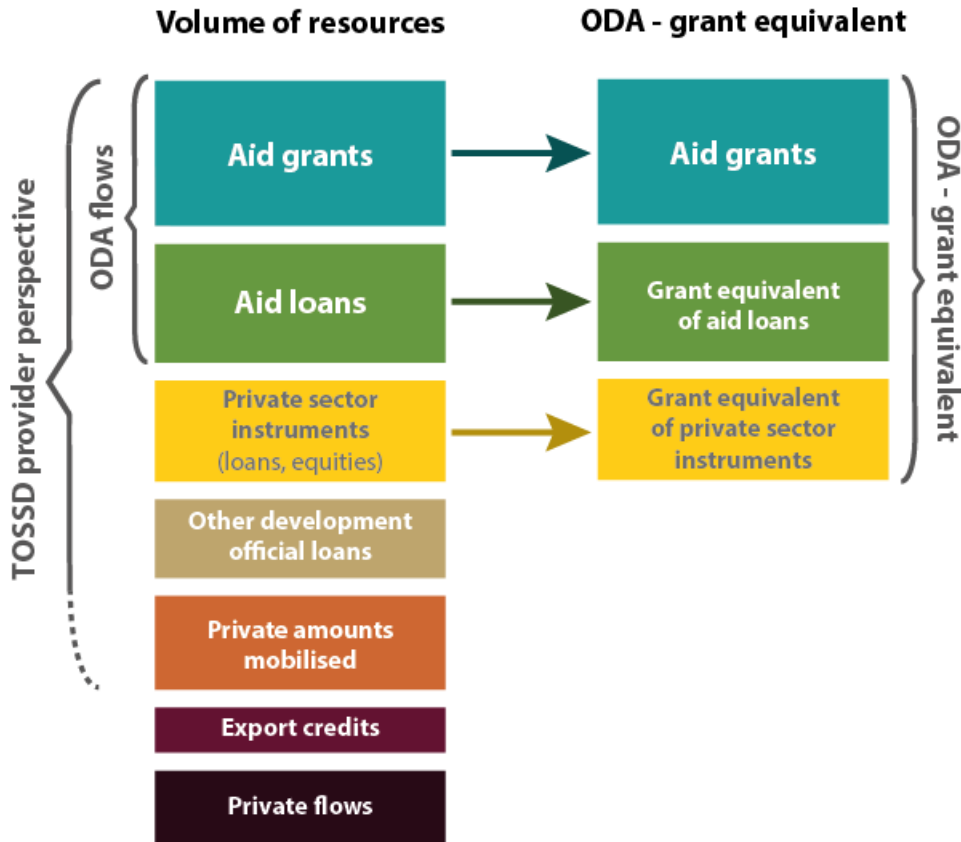
TOSSD:

A combination of motivations

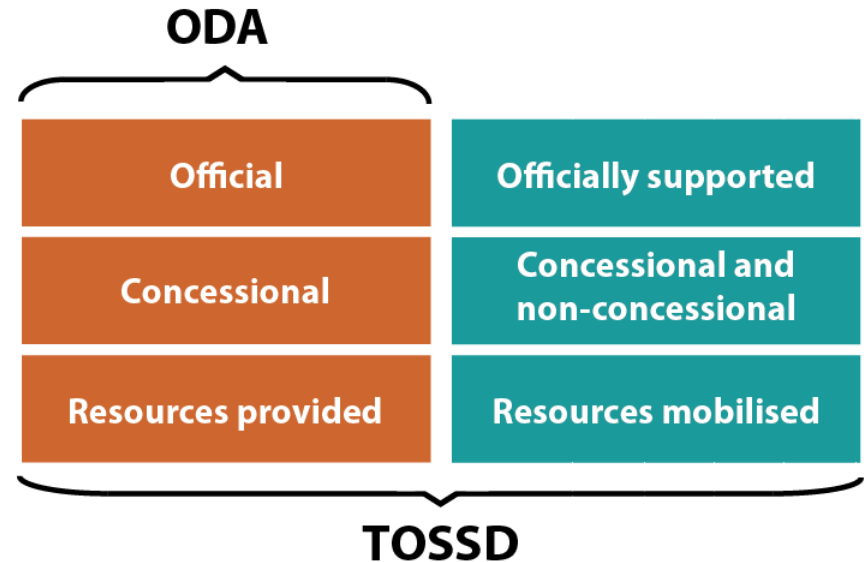


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Main differences between ODA and TOSSD

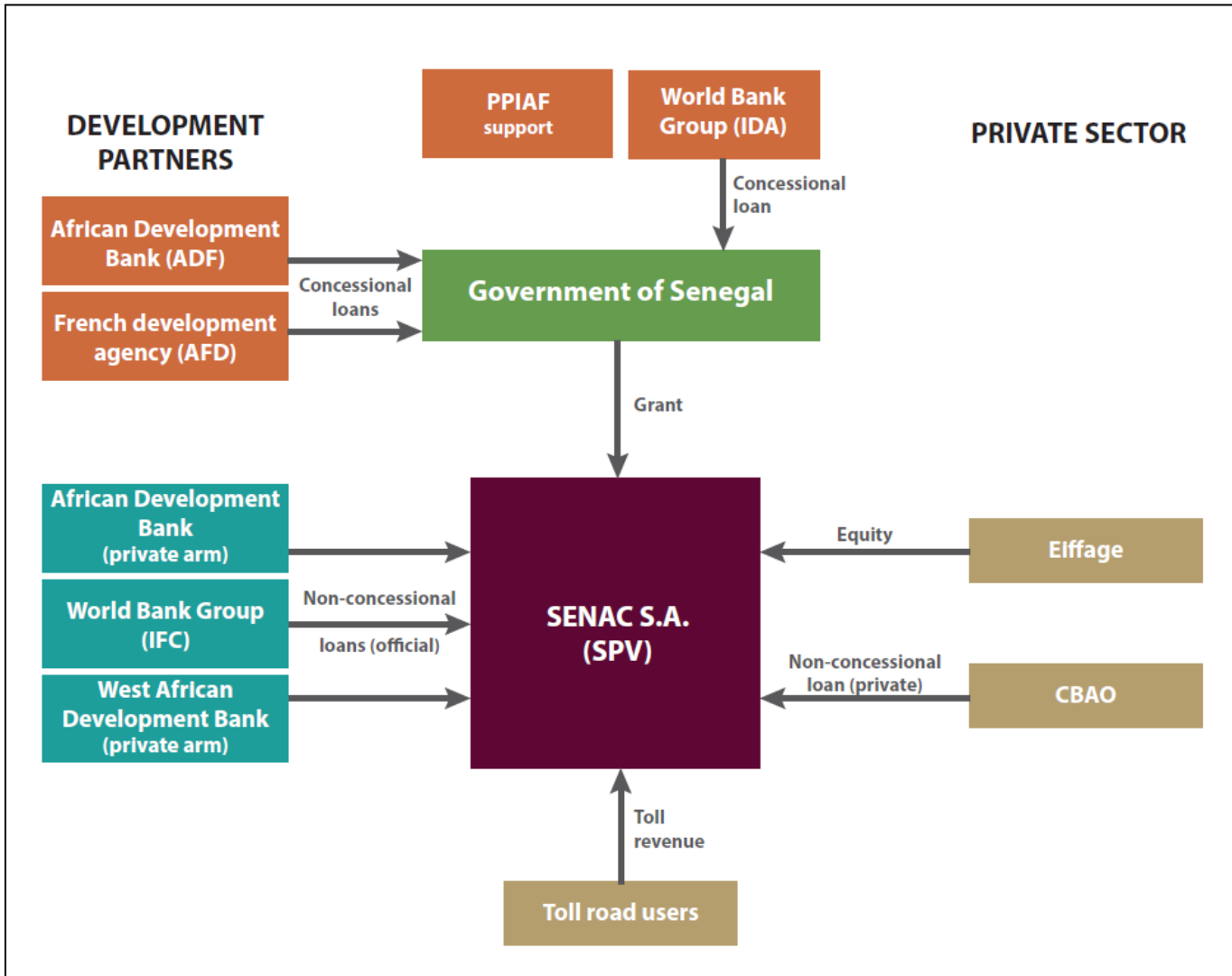


Framework for monitoring the means of implementation of the **2030 Agenda**



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Development finance flows: an illustration



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Time for questions and clarifications



KEY DEFINITIONS OF DEVELOPMENT FINANCE FLOWS, ODA ELIGIBILITY AND CONCESSIONALITY

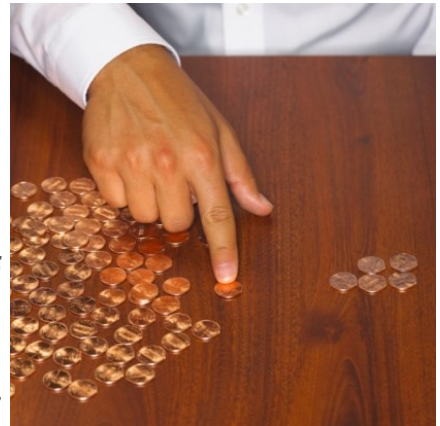
Commitment vs. disbursement

Commitment: a written obligation to provide resources under specified conditions and terms reported in the year when the agreement is signed.

- Measure providers' intentions and permit monitoring the targeting of resources to specific purposes and recipient countries.
- Commitments, even if multi-year, are recorded in whole in the year they are signed.

Disbursement: the placement of resources at the disposal of the recipient country or agency.

- Show actual payments in each year. They show the realisation of providers' intentions and the implementation of their policies.
- Better describe aid flows from a recipient's point of view.
- Subsequent disbursements of an earlier commitment are recorded annually, in the years they are transferred from providers to recipients.



Gross vs. net

Gross: Resources transferred to developing countries in any given year.

- Basis for analysing flows at country-level or sector-level.

Net: Gross amounts minus amounts repaid by developing countries.

- Basis for tracking global targets such as ODA/GNI.

Cash flow vs. grant equivalent

Cash flow: Real resources transferred to developing countries.

- Applies to all flows (ODA-like or not): grants, concessional and non-concessional loans, private capital.

Grant equivalent: Face value of a loan multiplied by its *grant element* (which measures the concessionality of a loan).

- Calculation of donor effort involved in making ODA funds available.
- Applies to ODA only.
- Basis for analysis of the overall concessionality of flows.

Official vs. private transactions

Official: those undertaken by central, state or local government agencies at their own risk and responsibility, regardless of whether these agencies have raised the funds through taxation or through borrowing from the private sector.

Private: those undertaken by firms and individuals resident in the reporting country from their own private funds.



Bilateral vs. multilateral

Bilateral: transactions undertaken directly with a developing country or channelled through NGOs or through a multilateral organisation earmarked to a developing country or to specific purpose programmes and funds. Also encompass other, internal development-related transactions (e.g. promotion of **development awareness, debt reorganisation and administrative costs**).

Multilateral: contributions that meet the following criteria:

- the recipient institution conducts all or part of its activities in favour of development and developing countries
- the recipient institution (i) is an international agency, institution or organisation whose members are governments, who are represented at the highest decision-taking level by persons acting in an official capacity and not as individuals; or (ii) is a fund managed autonomously by a multilateral agency
- funds are pooled so that they lose their identity and become an integral part of the recipient institution's financial assets.

Peace and security expenditures:

- Financing of military equipment and services is generally excluded from ODA (e.g. providing lethal equipment).
- Using military personnel as a last resort to deliver humanitarian aid or perform development services (additional costs only) is eligible.
- The primary objective needs to be developmental.
- Development co-operation should not be used as a vehicle to promote the provider's security interest.
- Police: civil police work is eligible, but not training on counter-subversion methods, suppression of political dissidence, or intelligence gathering on political activities.
- Preventing violent extremism (e.g. through education) is eligible but counter-terrorism (e.g. support for armed response) is not eligible.

6

ODA eligibility: rules for specific topics

In-donor refugee costs:

- Official sector expenditures for the **sustenance** of refugees (food, shelter, training) in provider countries can be counted as ODA during **the first twelve months** of their stay.
- Also includes **expenditures for voluntary resettlement** of refugees in a developing country, allocated geographically according to the country of resettlement.

Amounts spent to promote the integration of refugees into the economy of the donor country are excluded from ODA, as are expenditures on deportation or other forcible measures to repatriate refugees.

➔ **DAC Temporary Working Group on Refugees and Migration** established in February 2016 to clarify the rules of reporting on in-donor refugee costs.

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ODA eligibility: rules for specific topics

Development-oriented social and cultural programmes:

Provide basic facilities or training to enhance the social and cultural development of nationals of developing countries:

- musical training would in general be eligible, but not a concert;
- language courses would be eligible, but a poetry reading wouldn't;
- exclude finance for artistic, musical and sporting events, including tours, visits and the attendance of professional artists or sportsmen;
- exclude expenditures essentially intended to improve the image of a donor country in the country in which they are made, or incurred in connection with friendly or cultural exchange schemes.

Administrative (overhead) costs:

- administrative budget of the central aid agency or agencies, and of executing agencies wholly concerned with ODA delivery.
- portion of administrative costs incurred by other, multi-purpose, executing agencies for delivering aid.
- the costs of using premises, computer and word-processing equipment and motor vehicles.
- in respect of premises in the donor country, only the costs of maintenance and upkeep of buildings currently used for development activities may be reported as ODA.
- all construction costs are excluded, unless the building concerned is to be donated to a developing country for development purposes.

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ODA eligibility: concessionality of loans

How is concessionality expressed?

- Long maturity (= grace period + repayment period)
- Presence of grace period (extended interval to first repayment of principal)
- Low interest rate

How is concessionality measured?

- A *grant element calculation* measures concessionality, taking account of maturity, grace period, and interest rate; such calculations need a reference interest rate as a benchmark.
- The grant element is a mathematical assessment of the financial terms of a transaction: difference between the **face value of a loan** and the **present value of the service payments** the borrower will make over the lifetime of the loan, expressed as a percentage of the face value.

[VIDEO ON GRANT ELEMENT](#)

6

ODA eligibility: concessionality of loans to official entities

Parameters entering the assessment of concessionality in DAC statistics

	LDCs & other LICs	LMICs	UMICs	Multilateral institutions <i>Global</i>	Multilateral institutions <i>Regional</i>
Discount rate	9%	7%	6%	5%	6%
Threshold (minimum grant element for qualifying as ODA)	45%	15%	10%	10%	10%

❖ Discount rate = 5% (IMF rate) + risk adjustment factor (4%, 2%, 1%, 0%)

The choice of discount rate is crucial to the result of a grant element calculation:

- whether a loan is concessional;
- how concessional it is;
- whether it is more concessional than another loan.

**Example: loan, 5 years of grace, 20 years of maturity,
same interest rate=1.7%**

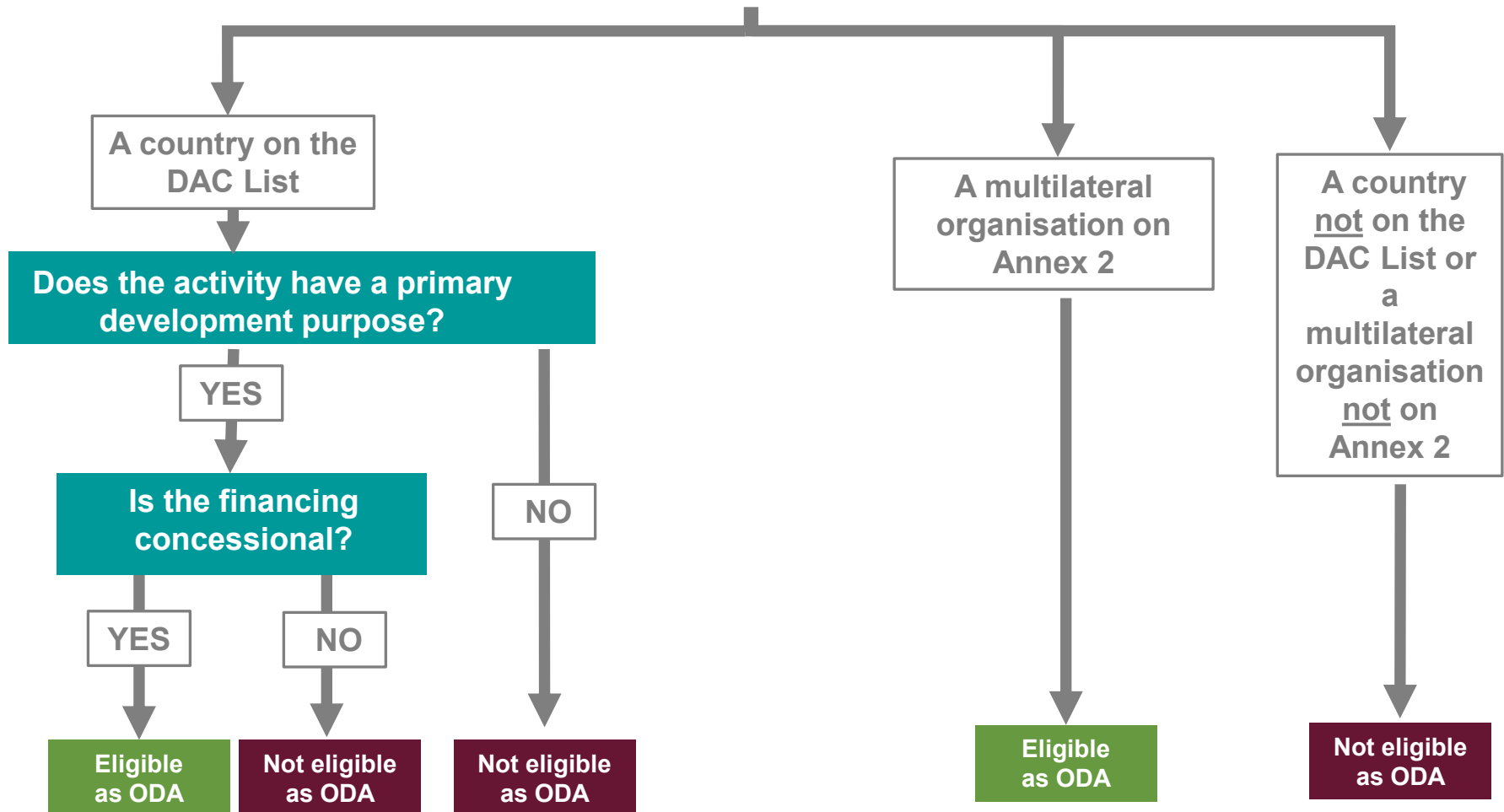
Country	Income group	Risk-adjusted discount rate	Grant element
Malaysia	UMIC	6%	36% > 10%
Syria	LMIC	7%	41% > 15%
Somalia	LDC	9%	51% > 45%

 **Higher grant element for concessional lending to riskier countries.**

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Decision tree on ODA eligibility

Who benefits from the activity/contribution?





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Examples of activities: ODA or not?

- **Institutional capacity building** in planning, leadership and management in the Ugandan health sector.  ODA eligible
- Regular contribution to **OCHA**  ODA eligible
 - OCHA is on the Annex 2.
- Renovation of a **mosque or a church**  not ODA eligible
 - The primary motive is considered religious, not developmental.
- Contribution to **IDA** 17th replenishment  ODA eligible
 - IDA is on the Annex 2.
- Reconstruction in **Japan**  not ODA eligible
 - Japan not on the DAC List of ODA recipients.  not ODA eligible
- Loan to build a hospital in Benin, 40% grant element
 - The minimum grant element threshold is 45% for LDCs.

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Examples of activities: ODA or not?

- Improve **youth capacity** to contribute to the effort to **prevent extremism** in their communities:
 - Develop media campaign through the establishment of youth advocates;
 - Design, develop and publish advocacy materials.  ODA eligible
- Enhance the capacity of the **Somalian National Army (SNA) troops** conducting joint operations with AMISOM and long term capacity building of the SNA  not ODA eligible
 - Capacity strengthening of the Army.

Q.

Time for questions and clarifications



Thank you!