OECD statistics in a post-2015 world

Outcomes of the 2014 OECD DAC High Level Meeting

On 15-16 December 2014, the OECD Development Assistance Committee (DAC) came to an important consensus on how to modernise its statistical framework for measuring international development finance. In doing so, it demonstrated that strong political impetus, coupled with the willingness to compromise, can produce historic change. This modernisation process will help to ensure that the right incentive frameworks, and financing and investment tools, are in place to help all countries achieve a successful financing for development strategy and realise the ambitious and transformative post-2015 Sustainable Development Goals (SDGs).

The year 2015 signals an unprecedented opportunity to chart a more inclusive and sustainable future for all – a new era in global development characterised by economic and social progress, environmental sustainability and peaceful and inclusive societies. Yet if the SDGs and their targets are to translate into action, they will need to be supported by the effective mobilisation and use of all available resources, coupled with a pragmatic financing strategy for achieving this. The strategy will need to reflect the vast changes – new actors, new financial instruments, new sources of finance – that have taken place over the past decade in the international development finance landscape.

The OECD Development Assistance Committee

The OECD Development Assistance Committee (DAC) is an international group of providers of development co-operation. In 2014 DAC members provided USD 135.2 billion of official development assistance (ODA). DAC members work together to increase the volume of ODA and to enhance its effectiveness by exchanging lessons in good practice, conducting peer reviews and developing policy guidelines. One of the DAC's most important activities involves collecting data on the financial resources that DAC members and others extend to help developing countries reduce poverty and promote sustainable development. OECD data and statistics:

- facilitate the assessment of providers' performance against their pledges
- enable partner countries, civil society and others to hold providers to account.

OECD-DAC statistics will incentivise more and better finance for sustainable development

The emerging post-2015 financing strategy will require a monitoring system that covers both public and private financing, provides a framework for the efficient allocation of resources and ensures accountability. With this in mind, over the past two years the DAC has been working to upgrade and modernise its statistical system to ensure uniform reporting across members, capture new and more complex financing instruments and arrangements, and create incentives for mobilising additional resources and allocating scarce ODA where needs are greatest.

At their High Level Meeting in December 2014, DAC members culminated this process by reaching a historic agreement comprising four key elements:

MODERNISING THE ODA MEASURE. DAC members agreed to change the way ODA loans are measured and concessionality is assessed. Concessional loans will no longer be recorded at face value – only the amount of the loan that is concessional will be recorded. The key features determining concessionality – loan discount rates and thresholds for ODA eligibility – have also been adjusted: discount rates will be lower and differentiated according to the income grouping of the borrowing country (e.g. a loan to a least developed country will register more ODA than a similar loan provided to a middle-income country). These changes create incentives to provide more and cheaper ODA to the poorest countries. Safeguards have also been built in: concessional lending operations will need to align with the IMF/World Bank debt sustainability rules in order to be counted as ODA.

What are the implications of this modernisation?

- Developing countries will access ODA loans on better terms and conditions than ever before.
- A more transparent and realistic comparison of providers' budgetary "effort" will be possible as regards ODA loans and grants.
- Safeguards will ensure ODA debt sustainability.

MOBILISING MORE PRIVATE FINANCE FOR DEVELOPMENT. In recognition of the rising importance of private capital for financing international development, DAC Ministers decided to pursue further work in two important areas: 1) developing a methodology for tracking ODA used to catalyse private sector investment in development (e.g. guarantees, insurance products and equity shares), and 2) establishing an international standard for accurately measuring the volume of private resources mobilised through official efforts. A modernised DAC statistical system capturing the diversity of financial instruments used by the official sector to unlock private investment can help mobilise significant volumes of additional resources for sustainable development.

What are the implications of these initiatives?

- Incentives will be created to use official finance to leverage additional private finance for sustainable development.

STEPPING UP TARGETING OF RESOURCES TO COUNTRIES MOST IN NEED. DAC members have agreed to take action to reverse the declining trend of ODA to the least developed countries (LDCs), and to incentivise softer terms and conditions for resources provided to low-income countries (LICs), LDCs, small island developing states (SIDS), landlocked developing countries (LLDCs) and fragile and conflict-affected states. To promote progress on and accountability against these commitments, DAC members will monitor each other's performance: individually, through the OECD-DAC peer review process, and collectively at annual DAC Senior Level Meetings.

What are the implications of this decision?

- Transparency and accountability regarding the efforts of DAC members to allocate more of total ODA to the countries most in need will be enhanced.

A STATISTICAL MEASURE TAILORED TO THE SDG FRAMEWORK. DAC Ministers also agreed to develop a new measurement framework to foster accountability and promote transparency regarding the totality of officially supported resources promoting sustainable development in developing countries. The new measure of total official support for sustainable development (TOSSD) could include both concessional and non-concessional finance (e.g. grants, loans, equity, mezzanine finance, venture capital, shares in collective investment vehicles, development-related export credits, etc.). Its coverage of activities and sectors would mirror those of the emerging SDG framework – including financing for global public goods where these are deemed relevant for development. The TOSSD framework will be developed in close collaboration with a range of development stakeholders and non-OECD providers of development co-operation, and its features and parameters will be contingent upon the final shape of the post-2015 framework.

The value of statistics

Statistics are essential for planning, managing and ensuring the best use of development finance – particularly scarce resources such as ODA. The data produced by the OECD DAC allows providers of ODA to benchmark their performance and to identify trends and financing gaps so as to set priorities, reallocate spending and increase impact. Currently, the DAC statistical system collects and publishes data from **29 DAC members, 18 non-DAC providers, 34 multilateral organisations and one foundation.** By tracking and analysing resource flows channelled toward sustainable development, DAC and non-DAC providers can learn from one another, understand the composition and dynamics of today's complex financing packages, and enhance development finance synergies.

What are the implications of this initiative?

- A new statistical measurement framework, collectively developed by the international community, will encourage greater transparency and learning about development financing options and impacts, and will support international monitoring and accountability for the financing strategy underpinning the post-2015 agenda.