Outcomes of the 2014 OECD DAC High Level Meeting (HLM)

Making OECD DAC statistics fit-for-purpose in a post-2015 world

On 15-16 December 2014, for the first time in over 50 years, the OECD DAC came to an important consensus on how to modernise its statistical framework for measuring development finance to developing countries. Paving the way for the ambitious and transformative post-2015 Sustainable Development Goal (SDG) agenda, the OECD DAC demonstrated that strong political impetus, coupled with a will to compromise, can produce historic change to ensure that the right incentive frameworks and financing and investment tools are on the table for all countries.

What is the Development Assistance Committee (DAC)?

The OECD Development Assistance Committee is an international community of practice regrouping important and long-standing providers of development co-operation: together in 2013 they provided more than US$ 134 billion of Official Development Assistance (ODA, or concessional resources, 70% in the form of grants), to developing countries all over the world. Their collective objective is to work together to increase the volume of ODA and to enhance its effectiveness. The Committee is engaged in many activities designed to improve development co-operation, including the exchange of good practice, peer reviews, and the development of policy guidelines and disciplines. One of the DAC's most important activities involves collecting statistics on the financial resources members and other providers extend to help developing countries reduce poverty and promote sustainable development (see box).

OECD data and statistics are a "global public good". They inform the global development finance accountability framework by:

- Providing a yardstick for measuring the volume and terms of concessional resources provided;
- Assessing donors' performance against their aid pledges; and
- Enabling partner countries, civil society and other development actors to hold donors to account.

The Value of Statistics

Statistics are an essential tool 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 DAC members to benchmark their performance and to identify trends and financing gaps that help them set priorities, reallocate spending and increase impact. Currently, the DAC statistical system collects and publishes data from 29 DAC members, 18 non-DAC providers, 31 multilateral organisations, and one foundation. By tracking and analysing resource flows channelled toward sustainable development, both DAC and non- DAC providers alike can learn from one another, understand the composition and dynamics of today's more complex financing packages, and enhance development finance synergies.

What is at stake for the post-2015 agenda?

The year 2015 provides the world with an unprecedented opportunity to chart a more inclusive and sustainable future for all. The scope and ambition of the post-2015 SDG agenda is truly transformative, envisaging an end to absolute poverty and a new era in global development characterised by continued economic and social progress, environmental sustainability and peaceful and inclusive societies. If goals and targets are to translate into action, the SDG's will require the effective mobilisation and use of all available resources – and 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.

Gearing up for the SDG framework: modernising DAC statistics to ensure they are fit-for-purpose

The emerging post-2015 financing strategy will require a monitoring system which 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. The focus has been 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 (HLM) in December 2014, DAC Members culminated this work by reaching a historic agreement to mobilise more and better sustainable development financing, on the basis of four key elements:

Modernising the ODA measure DAC members have modernized the way ODA loans are measured and concessionality assessed. Concessional loans will no longer be measured at face value – only the amount of the loan that is concessional will be recorded. Key features of concessionality – loan discount rates and thresholds for ODA eligibility – have been adjusted. Discount rates will now be lower and differentiated according to borrowing country income groupings: thus, a loan to a least-developed country will register more ODA than a similar loan provided to a middle-income country. And concessionality thresholds have been established on a sliding scale basis, creating incentives to provide more and cheaper ODA to lower-income countries. Safeguards have also been built in – IMF/World Bank debt sustainability rules will now need to be factored into ODA lending operations.

What are the implications of this modernization?

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

Mobilising more private finance for development In recognition of the rising importance of private capital for financing international development, Ministers decided to pursue further work in two respects: i) to develop a methodology for tracking ODA used to catalyse private sector investment in effective development, and ii) to establish an international standard for accurately measuring the volume of private resources mobilised through official efforts (using instruments such as guarantees, insurance products, and equity shares)[1]. 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 for more proactive efforts to deploy official development finance in ways that will leverage additional private finance for development.***

[1] Private resources mobilised by official sources will be tracked separately, and will not be included in Official Development Assistance (ODA) flows.

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 LDCs, and to incentivise softer terms and conditions for resources provided to Low-Income Countries (LICs), Least Developed Countries (LDCS), Small Island Developing States (SIDS), Land-Locked Developing Countries (LLDCs) and fragile and conflict-affected states. To foster progress and accountability against these commitments, DAC members will monitor each other's individual performance through the OECD DAC peer review process, and on a collective basis at annual DAC Senior Level Meetings.

What are the implications of this decision?

- ***Enhanced transparency and accountability across DAC members regarding their efforts to allocate more of total ODA to countries most in need.***

A statistical measure tailored to the SDG framework: Total Official Support for Sustainable Development (TOSSD)

Finally, Ministers agreed to pursue work to develop a new measure that would foster accountability and promote transparency of the totality of officially supported resource flows for sustainable development to developing countries. The new measure could include both concessional and non-concessional financing (including grants, loans, equity, mezzanine finance, venture capital, shares in collective investment vehicles, development-related export credits, etc.). It would cover activities and sectors mirroring the emerging SDG framework – including financing for Global Public Goods where these are deemed relevant for development. The TOSSD measure will be developed in close collaboration with 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.

What are the implications of this initiative?

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