

DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE

**POSSIBLE NEW MEASURE OF TOTAL SUPPORT FOR DEVELOPMENT:**

**Options Regarding Peace and Security, Climate Change and Global Programmes**

**DAC Meeting, 10 February 2014**

*This document is submitted for DISCUSSION under agenda item 3 of the Draft Annotated DAC Agenda [DCD/DAC/A(2014)2].*

*The note follows the discussion on the possible new measure of total official support for development at the 3 December 2013 meeting of the DAC. It addresses the issues not covered in the first discussion paper [DCD/DAC(2013)36], namely efforts to promote peace, security and justice in developing countries (section II), combat climate change (section III) and support global programmes which benefit developing countries but also DAC members themselves (section IV). Members are invited to share their preliminary views on the issues and questions highlighted in bold and the more general question of what further analytical work should be carried out in these areas in the coming months.*

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## **POSSIBLE NEW MEASURE OF TOTAL OFFICIAL SUPPORT FOR DEVELOPMENT: OPTIONS REGARDING PEACE AND SECURITY, CLIMATE CHANGE AND GLOBAL PROGRAMMES**

1. This paper follows the December 2013 DAC discussions on a possible new measure of total official support for development. It addresses a number of issues not covered in the first discussion paper, namely efforts to promote peace, security and justice in developing countries (section II), combat climate change (section III) and support global programmes which benefit developing countries but also DAC members themselves (section IV). **Members are invited to share their preliminary views on the issues raised and the more general question of what further analytical work in these areas should be carried out in the coming months.**

2. The paper is presented **for discussion at the 10 February 2014 meeting of the DAC**, as per the calendar of development finance. This discussion, together with that held on 27 January 2014 on the options for modernising the ODA measure [[DCD/DAC\(2014\)3](#)], the DAC List of ODA Recipients [[DCD/DAC\(2014\)4](#)], and members' comments on [DCD/DAC\(2013\)36](#), will provide the basis for the issues papers for the Senior Level Meeting scheduled on 3-4 March 2014.

### **II. Efforts to Promote Peace, Security and Justice**

3. The Statistical Reporting Directives provide specific instructions on the ODA eligibility of security expenditure (see summary in Box 1). ODA generally excludes financing military equipment and services, military components of peacekeeping operations and combatting terrorism. Generally included are civilian peacebuilding and conflict resolution activities and strengthening civilian oversight of security system management and reform. As regards police training, the Directives specify that training for routine police functions is eligible, while that for counter-subversion, suppression of political dissidence or intelligence gathering on political activities is not.

4. Members have previously indicated their agreement on this approach<sup>1</sup> to covering the major areas of intervention supported by bilateral and multilateral donor agencies. Nevertheless, the Secretariat regularly receives questions on the non ODA-eligible activities and requests for help in the interpretation of the Directives. The questions raised have mainly related to peacekeeping, police training and counter-terrorism (although, not exclusively so). These have become more pronounced as research and evidence have pushed donors to engage more extensively on security and justice issues.<sup>2</sup> Another typical question concerns situations where one component of an activity may be eligible but another not (e.g., delivery of humanitarian aid by military personnel, with relief goods delivered by a military aircraft being ODA-eligible but the total costs of the pilot not).

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1. The boundaries of ODA in the field of peace and security were set through an HLM decision in 2005 and reconfirmed in 2007. Cf. [DCD/DAC\(2007\)23/REV2](#).

2. See for example the World Bank's *World Development Report 2011 – Conflict, Security, and Development*.

5. Security and development are now increasingly recognised as inextricably linked. The endorsement of the New Deal for Engagement in Fragile States at Busan by both developing and developed countries confirmed the importance of the security and development nexus. While not mentioned in the HLM mandate on development finance, the inclusion of currently non ODA-eligible security expenditures in the broader measure of total official support for development should be explored, especially if in the context of post-2015 sustainable development goals peace is explicitly defined as an “enabler of development”. Similarly to the first discussion paper on the broader measure, members’ preliminary views are sought below through a number of specific examples. In essence, they highlight options on the outer boundaries of what could be included in a total measure and where the boundary should be between ODA and a total measure of official support.

**Box 1. Key elements of the Reporting Directives concerning ODA eligibility of security expenditure**

[cf. [DCD/DAC\(2013\)15/FINAL](#), paragraphs 76-81 and the Case-book (2007)]

- *Financing of military equipment and services* – generally not ODA-eligible apart from additional costs incurred for the use of military personnel to deliver humanitarian aid or perform development services;
- *Combatting terrorism* – generally not ODA-eligible due to perceived links to domestic security;
- *Expenditure on police training* – ODA-eligible for routine police functions, but not for counter-subversion, suppression of political dissidence or intelligence gathering on political activities;
- *Peacekeeping* – eligibility is restricted to expenditures within a UN context in nine activity areas, including security sector reform and other rule of law activities;
- *Management of security expenditure* – Strengthening of civilian oversight and broader public financial management is generally ODA eligible;
- *Enhancing civil society engagement in security management* – is generally ODA eligible;
- *Security System Reform* – non-military competence/capacity and planning activities to promote accountability are generally ODA eligible;
- *Civilian Peacebuilding and Conflict Resolution* – Aspects of this are ODA-eligible, excluding engagement with military strategy and defense co-operation.
- *Reintegration of combatants and control of small arms* – generally ODA-eligible with some limitations.<sup>1</sup>
- *Removal of land mines and unexploded ordnance* – generally ODA-eligible;
- *Child Soldiers* – efforts to prevent and/or demobilise child soldiers are generally ODA-eligible.

1. Disarmament of mass-destruction weapons and anti-proliferation of nuclear weapons is not mentioned in the Directives but is not considered as ODA-eligible.

## Issues for consideration

**Issue 1 – Multilateral security expenditure:** The approved resources for the UN Department of Peacekeeping Operations (UNDPKO) for the period from July 2013 to June 2014 amounted to USD 7.5 billion, of which 7% are estimated to be developmental.<sup>3</sup> The remaining 93% mainly pertains to the “security components” of the operations, implemented by military personnel.

*Questions to members:*

**a) Should the currently non-ODA eligible costs of UNDPKO peace operations, covering funding for military equipment and services, be included in the broader measure of total official support for development?** These non-ODA expenditures are internationally recognised as being essential to establishing a more secure and peaceful environment within which development can be fostered and sustained. (Re-classifying the 93 % as ODA would noticeably increase overall ODA with no corresponding change in any member action. It would risk appearing as a political decision to attribute more than can be counted towards the globally recognised 0.7% target. It would not be seen as an increase in resources for development. Hence, this option is not proposed for consideration.)

**Issue 2 – Bilateral participation in international peacekeeping operations:** The Reporting Directives specify that ODA reporting on bilateral participation in international peacekeeping operations relates to activities<sup>4</sup> that are “*part of an international peace operation mandated or authorised by the United Nations through a Security Council resolution and conducted by international organisations, e.g. UN, NATO, the European Union, or regional groupings of developing countries*”. The cost of bilateral activities is calculated as “*the excess over what the personnel and equipment would have cost to maintain had they not been assigned to take part in a peace operation*”. The expenditures reported under this item as ODA amounted to USD 310 million in 2012. Costs for military contingents participating in UNDPKO peacekeeping operations are not reportable as ODA.

*Questions to members:*

**b) Should the currently non ODA-eligible costs of members’ bilateral participation (e.g. military contingents) in international peacekeeping operations mandated or authorised by the UN be included in the broader measure of total official support for development?** At present, such expenditures are excluded from the reporting on other official flows but are reportable under a separate heading “total participation in peacebuilding operations (including non-ODA)”.

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3. The methodology for estimating the ODA-eligible share of UNDPKO peacekeeping operations is explained in detail in [DCD/DAC/STAT\(2010\)9](#), [DCD/DAC/STAT\(2012\)13](#) and [DCD/DAC/STAT/RD\(2013\)1/RD6](#). In brief, the budget documents of five largest peacekeeping missions were reviewed to i) identify their ODA components, ii) estimate their ODA-eligible staff costs and operational costs, and iii) calculate the share of ODA-eligible costs in the missions’ total budgets. This coefficient was then applied to all UNDPKO peacekeeping operations with a developmental mandate. DPKO has engaged a consultant to review the methodology and assess the scope for increasing the accuracy of the calculation. The current method may underestimate the developmental expenditures due to the fact that largest missions tend to be those with the highest levels of peacekeepers, undertaken early in the post-conflict cycle when civilian-led developmental activities are most difficult.

4. For the list of eligible activities, see [DCD/DAC\(2013\)15/FINAL](#), paragraph 80.iii.

c) **Should the principle remain that statistics on development finance exclude all regular salaries and expenses of military personnel?**

d) **Should forgiveness of military debt, currently reportable as other official flows, be included in the broader measure of total official support for development?**

**Issue 3 – Police training:** Research has underlined the interconnection between forms of violence that can generally not be addressed using ODA funds (such as political violence) with forms of violence that can (organised crime). Political and non-political groups may both engage in people trafficking, extortion, kidnap for ransom, child prostitution etc.

*Questions to members:*

e) **Should the currently non ODA-eligible police training in developing countries (i.e., training to combat violence by political groups) be included in the broader measure of total official support for development?**

**Issue 4 – Defining the outer boundary:** The elaboration of a broader measure of total official support for development could provide an opportunity to valorise the non ODA-eligible support to peace, security and justice in developing countries, and facilitate the allocation of financing for such activities. However, as OECD members have significant non-developmental security and justice expenditures, the risk of misclassification arises. (In some cases it might be difficult to separate developmental and humanitarian actions from those driven by the geo-political interests and policies of the donor state.)

*Questions to members:*

f) **For example, in the case of peacekeeping, would restricting the broader measure to expenditures under UN mandated or authorised operations be a sufficient safeguard or would other safeguards be required?**

### III. Combatting climate change

6. Taking action – both to adapt to climate change and to mitigate climate change – is a global challenge. Urgent action is needed to avoid significant future costs and consequences. The OECD estimates that the cost of inaction on climate change could equate to a permanent loss of over 14% in average world consumption per capita.<sup>5</sup> For developing countries, climate change may substantially erode the development gains made to date.

7. There are growing imperatives to better link climate and development issues. Through the United Nations Framework Convention on Climate Change (UNFCCC) a new global climate deal is expected in 2015 and in the same period the UN post-2015 development framework is expected to bring together traditional and sustainable development goals, including issues related to climate change, into one global framework. As such the compatibility between the UNFCCC and UN Post-2015 processes needs to be considered. This is particularly the case for the measurement of climate finance and development finance.

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5. See “*OECD Environmental Outlook to 2050: The Consequences of Inaction*”, OECD Publishing, 2012. doi: [10.1787/env\\_outlook-2012-3-en](https://doi.org/10.1787/env_outlook-2012-3-en).

8. The DAC statistics monitor climate-related official development finance through the “Rio markers.” Work is underway to further improve the quality and coverage of the reporting.<sup>6</sup> However, there are additional considerations for the measurement of climate change finance in the post-2015 context<sup>7</sup> to ensure that the measurement system incentivises additional and appropriate action on climate change.

9. This may require recognising the global public goods characteristics of climate finance; in particular, that the impacts of climate change will fall indiscriminately and inequitably across countries and over generations. By the same token, the benefits from greenhouse gas (GHG) mitigation do not directly accrue where action takes place, but are rather spread over both developing and developed countries.

10. Climate change and development are however inextricably linked. Climate change mitigation actions can have strong local co-benefits if actions are well-targeted and well-designed, whilst climate change adaptation is primarily focused on locally and regionally targeted development benefits. Put simply, adaptation can often be seen as just good development. In this respect it is nonsensical to separate climate finance from development finance. Given the scale of the challenge, action on climate change needs to be considered a cross-cutting issue and mainstreamed into development co-operation practice rather than treated in isolation. In practice, most climate mitigation and adaptation projects funded by DAC members are already included in DAC statistics as ODA, OOF or multilateral flows. In this context, a key objective is to reconcile: i) the narrow need to measure and monitor climate finance in the context of international climate finance goals as elaborated under the UNFCCC with ii) broader needs to measure and monitor climate-related ODA, other forms of climate-related development finance, and their interactions with development finance more generally, recognising the value of mainstreaming.

### Issues for consideration

**Issue 5 – Climate-related ODA and OOF:** Climate-related ODA amounted to USD 19.3 billion per year in 2011-12, representing 15% of total bilateral ODA commitments<sup>8</sup>. Although reporting on climate-related official non-concessional development finance to date is incomplete, results from Finland, France, Germany and Sweden indicate these flows can be significant (USD 700 million on average per year in 2010-12). DAC statistics on climate-related ODA and OOF help monitor the USD 100 billion commitment, but providing a comprehensive picture would necessitate collecting data on climate-related export credits and private flows.

*Questions to members:*

**g) Should the non-ODA climate-related flows be included in the broader measure?**

**Issue 6 – Carbon Capture and Storage:** Under current ODA definitions support to activities such as Carbon Capture and Storage (CCS) and potentially early-stage mitigation technology development may not count as ODA as their main objective may not be developmental. These activities are however crucial to take efficient action on climate change in developing countries. (See Box 2 below.)

6. See “Terms of reference and scope of work for a Joint ENVIRONET and WP-STAT Task Team to improve Rio markers, environment and development finance statistics” [[DCD\(2013\)8/REV2](#)].

7. See “*A Post-2015 Information System for International Development and Climate Finance*”, OECD. [http://www.post2015hlp.org/wp-content/uploads/2013/05/OECD\\_A-Post-2015-Information-System-for-International-Development-and-Climate-Finance.pdf](http://www.post2015hlp.org/wp-content/uploads/2013/05/OECD_A-Post-2015-Information-System-for-International-Development-and-Climate-Finance.pdf)

8. OECD DAC Statistics, January 2014 (provisional estimates). See also “*OECD DAC statistics on climate-related aid*”. <http://www.oecd.org/dac/stats/Climate%20change-related%20Aid%20Flyer%20-%20November%202013.pdf>

*Questions to members:*

**h) How can a post-2015 development finance measurement system be designed to recognise and encourage key efforts to take climate action at scale? Should activities with global public good benefits be included in the broader measure of total official support for development?**

**Issue 7 – Treatment of carbon market finance flows:** Carbon markets are a critical mechanism to support GHG emission reductions at least cost. Carbon market revenues have the potential to be significant: the UN High-level Advisory Group on Climate Change Financing estimates that a carbon price of USD 20 – USD 25 could generate increased carbon market flows of USD 30 billion and USD 50 billion annually.<sup>9</sup>

*Questions to members:*

i) The Clean Development Mechanism (CDM) is an existing market mechanism and provides an example of carbon market flows into developing countries. The CDM was intended to assist developing countries (non-Annex I parties) in achieving sustainable development and to assist developed countries (Annex I) in meeting their Kyoto targets. The boundaries of ODA in this regard were set in 2004<sup>10</sup> in line with the UNFCCC 2001 Marrakesh Accords on CDM<sup>11</sup>. New carbon markets and mechanisms beyond CDM may also emerge. **Should carbon market finance flows excluded from ODA under the 2004 DAC decisions be included in the broader measure of total official support for development?**

### **Box 2. Carbon Capture and Storage Technologies**

Carbon Capture and Storage (CCS) technologies enable the capture, transportation and underground storage of CO<sub>2</sub> from fossil fuel combustion or industrial processes, thus restricting the emissions of CO<sub>2</sub> into the atmosphere.

With continued dependence on fossil fuels, CCS has a vital role to play in a low carbon future: The IEA Energy Technology Perspectives 2012 2°C Scenario forecasts that CCS should contribute one-sixth of CO<sub>2</sub> emission reductions required in 2050, and the IEA states that this decade is critical for moving deployment of CCS beyond the demonstration phase.

Given rapid growth in energy demand, the largest deployment of CCS is required in non-OECD countries. Currently however CCS is far from commercially viable. The IEA highlights that OECD governments and MDBs must work together with non-OECD countries to ensure that support mechanisms are established to drive deployment of CCS in non-OECD countries in the coming decades.

**Source:** “Technology Roadmap: Carbon capture and storage”, IEA.

<http://www.iea.org/publications/freepublications/publication/TechnologyRoadmapCarbonCaptureandStorage.pdf>

- 9 . “Report of the Secretary-General’s High-level Advisory Group on Climate Change Financing”, UN, 2010. [http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF\\_reports/AGF%20Report.pdf](http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/AGF%20Report.pdf)
- 10 . Cf. [DAC/CHAIR\(2004\)4/FINAL](#).
- 11 . The Marrakesh Accords, Decision 17/CP.7, UNFCCC (2001).

#### IV. Support for global programmes and enablers of development

11. An increasing volume of queries about the boundaries of ODA, and the prospect of a broad sustainable development agenda after 2015, both suggest that a new measure of total official support for development could usefully address non-ODA global programmes and enablers for development. In addition to peace and security spending outside the ODA boundary, the measure might include contributions to global goals in the area of the environment, human rights, trade, or other fields of international co-operation. Specific efforts to promote trade through official or officially supported export credits could also be assessed for possible inclusion.

#### Issues for consideration

**Issue 8 – Human rights and standard-setting international organisations:** The ODA coefficient for United Nations High Commissioner for Human Rights is 64%, reflecting the activities of the “field operations and technical assistance” and “research and right to development” divisions of the organisation. The activities of the “human rights treaties” and “special procedures” divisions, the remaining 36%, are not counted in DAC statistics.

##### *Questions to members:*

j) The promotion of human rights through capacity development in developing countries is considered as part of good governance and counted as ODA. Consequently, human rights organisations that focus their work on developing countries, for example by supporting the judicial and legal frameworks of these countries through technical assistance and capacity development, have been assessed ODA-eligible. By contrast, organisations with a global human rights mandate (e.g. Amnesty International), or those seeking remedies and reparation for victims and human rights abuses (e.g. International Criminal Court, International Tribunals for Rwanda and former Yugoslavia) have been considered not to meet the development criterion of ODA. Some members have stressed that human rights and the rule of law cannot be separated in a more holistic concept of development, and that reparation of human rights abuses establishes the preconditions to rule of law and peace and development in post-conflict societies. **Should these activities be included in a broader measure of official support for development?**

k) A significant part of the work of international standard-setting organisations, such as International Labour Organisation, World Health Organisation or International Atomic Energy Agency, has global objectives and benefits all parties. Typically, only their technical co-operation programmes are primarily targeted to ODA recipients. **Should contributions to these global activities that benefit developing and developed countries equally be included in the broader measure?**

**Issue 9 – Costs of maintenance of refugees in donor countries:** The inclusion in ODA of costs associated with supporting refugees has been a source of criticism in the past. Currently, the first year’s cost of the upkeep of refugees is eligible as ODA. While the cost to member governments is real, the benefits are not viewed by some as directly accruing to developing countries. Their suggestion has been to exclude these costs from ODA altogether. In contrast, others have argued that the costs of refugees relate to their humanitarian obligations and therefore suggest that the second and subsequent years should also be counted as ODA. These numbers are significant for some members. For example, the United States reported USD 831 million of in-donor refugee costs as ODA in 2012. Had the costs in year 2 and beyond been allowed as ODA, the number would have increased by another USD 682 million or 82%.

*Questions to members:*

**l) Should the current arrangement for including the first year costs in ODA be retained and the out-years costs included in a new total measure?** This would necessitate clarifying the Directives to reduce the currently observed inconsistencies in members' reporting practices.<sup>12</sup>

**m) In response to critiques on “phantom aid”, should all in-donor refugee costs be moved to the broader measure of total official support for development?**

**Issue 10 – Associated financing and export credits:** In current DAC statistics, official and officially supported export credits are reported as other official flows and private flows respectively. Only the concessional component of an associated financing package is considered as ODA.

*Questions to members:*

**n) Should export credit components of associated financing packages be considered for inclusion in a new measure of total official support for development?**

o) At present, there is a clear separation in DAC statistics between development finance and export credits, and the community managing the rules on export credits is reluctant to consider these flows developmental as they are solely driven by members' commercial interests. However, this financing may have a significant impact on the economic development of developing countries. Some members attribute export credits to their government efforts to meet global climate change commitments. **Should all export credits be included in the new measure?**

12. As noted in paragraph 1, the above examples are presented to solicit members' preliminary views on the coverage of peace and security, other enablers of development and global goods in the possible new measure of total official support for development. **In their feedback members are invited to express their views also on the question of whether the inclusion of these elements would require rethinking the concept of “development” underlying the statistical system, in line with any agreements arising from the post-2015 process at the UN.**

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12. Cf. <http://www.oecd.org/dac/stats/RefugeeCostsMethodologicalNote.pdf>.