



## Options for measuring technical co-operation

TOSSD Task Force Issues Paper<sup>1</sup>

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### I. INTRODUCTION

1. The issue of how to measure in-kind technical co-operation was discussed at the first meeting of the Task Force (in early July 2017), but no clear consensus emerged on the matter. Some Task Force members defended the use of the purchasing power parity (PPP) methodology to ensure that technical assistance data are comparable across countries. Others argued that such a methodology was not needed in all cases – it would depend on whether experts are hired through an international process or not. Yet others pointed out that further analysis was necessary, especially with regard to the consequences of using PPPs or exchange rates to convert data to a single currency e.g. USD. The Secretariat was asked to carry out a comparative analysis of the use of PPPs and exchange rates.

2. The analysis presented in this paper focuses on i) estimating the monetary value of technical co-operation and ii) scoping non-monetary aspects of technical co-operation, including proxies for assessing the “quality” or “value-added” of the resource or technical expertise being provided.

### II. ESTIMATING THE MONETARY VALUE OF TECHNICAL CO-OPERATION

3. The value and cost of technical co-operation are conceptually quite different – the cost of technical co-operation does not necessarily reflect its value (e.g. usefulness, effectiveness, impact) on the ground. Still, providers of technical co-operation, including a number of South-South providers, have identified the need to include quantitative aspects in reporting on technical co-operation, including estimates of its monetary value or cost.

4. In international statistical reporting, the estimation of the cost of providing technical co-operation needs to be based on methodologies that ensure comparability across countries. This section looks at the key questions in this regard and provides a comparative analysis of measuring in-kind technical co-operation using national currencies (and exchange rates to convert to USD), PPP factors and international wages.

#### ***a) Implications of the tendering process***

5. The implications of the tendering process when assessing in-kind technical co-operation were discussed during the first meeting of the Task Force. Some participants argued that when experts are hired through international tender and are paid in international currencies (e.g. USD, EUR), it can be considered that they are hired in the international market. If experts are directly contracted – not through a tender process – but paid in international currencies, they can still be considered as internationally-hired. Therefore, measuring this technical co-operation in national currencies and then converting the amount through exchange rates or PPPs would not make sense because the price of the contract would already be internationally comparable in monetary terms.

<sup>1</sup> Jointly drafted by Marisa Berbegal ([Marisa.Berbegalbanez@oecd.org](mailto:Marisa.Berbegalbanez@oecd.org)), Julia Benn ([Julia.Benn@oecd.org](mailto:Julia.Benn@oecd.org)) and Raundi Halvorson-Quevedo ([Raundi.Halvorson-Quevedo@oecd.org](mailto:Raundi.Halvorson-Quevedo@oecd.org)).

The OECD therefore recommends that when experts are contracted externally and internationally, the price of the contract in an international currency be recorded in TOSSD.

***b) Options for estimating the cost of in-kind technical co-operation***

6. Technical co-operation is a key component of TOSSD resource flows. It is particularly important for many providers of South-South co-operation who have traditionally argued that the way technical co-operation is measured in OECD Official Development Assistance (ODA) statistics does not provide a fair and balanced picture given the significant differences that exist in national salary levels across countries. Establishing a fairer, more balanced system is essential in order to ensure wide buy-in of TOSSD by Southern providers.

7. Two potential approaches for measuring technical co-operation in a more balanced way are i) using PPP factors or ii) establishing an international salary reference table for international experts in terms of their relative experience – thus establishing a monetary value for the technical co-operation regardless of the country of origin of the expert. These approaches are spelled out in greater detail below.

- **Option 1: measuring in TOSSD the opportunity costs of sending national experts to another country.** Countries would count the amount of time that experts work on the concrete project (including preparation and number of days in the field) and calculate the cost as a proportion of the expert's salary, applying PPP factors (discussed in section c below) to that amount. Travel costs (flight, accommodation, per-diem, etc.) would also be added to the estimated cost.
- **Option 2: using an international wage table that monetises technical co-operation provided by experts with equivalent level of experience.** A possible benchmark could be the salary table that has been established by the United Nations for its professional staff, which categorises remuneration according to the experience and seniority of staff. The level of salaries for professional staff at the United Nations is determined based on the Noblemaire Principle, which states that in order for the international civil service to attract and retain staff from all Member States, the level of remuneration must be sufficient to attract those from the countries where salary levels are highest. Therefore, the salaries of United Nations professional staff are set by reference to the highest-paying national civil service (see box 1). Travel costs associated with TOSSD-eligible technical co-operation resource flows would be added, measured in local currency.

### Box 1. UN salary table for professional and higher-grade staff categories

The UN salary table is produced on both a gross and net basis, but since most UN professionals are exempted for paying taxes, gross salaries would be a better proxy for applying UN salaries in valuing technical co-operation at the international level. Moreover, the table of salaries for UN staff are provided on an annual basis. Daily salaries have been calculated by the OECD as the annual amount divided by 365, as follows (as of 1st January 2017):

Level	Min number of years of experience	Grade average annual salary (USD)	Daily gross salary (USD)
D-2	More than 15 years	153,545	421
D-1	15 years	140,915	386
P-5	10 years	121,111	332
P-4	7 years	100,788	276
P-3	5 years	83,709	229
P-2	2 years	66,000	181
P-1	Young professionals	51,430	141

#### ***c) Purchasing power parity in practice***

8. PPP factors are estimated through the International Comparison Program. Using PPP factors could make in-kind technical co-operation values more comparable across countries, compensating for large differences typically found in the salaries of officials from different countries or nationally-hired consultants. PPPs are widely used in economic and development studies, by multilateral institutions, the private sector and other actors. They have been used, for example, in developing the SDG and MDG frameworks, the UNDP's Human Development Index, poverty rates establishing the international poverty line, size of economy and price levels in the World Bank's World Development Indicators, and country group aggregates and growth rates in the IMF's World Economic Outlook and its country quota formula.

9. One of the issues to evaluate when considering the use of PPPs is their timeliness. PPPs are not produced every year: the most recent International Comparison Program results, covering 199 economies, were released in 2014 for the reference year of 2011<sup>2</sup>. However, the World Bank releases yearly PPP figures extrapolating from the 2011 International Comparison Program benchmark estimates or imputing through a statistical model based on that programme. For 47 high- and upper middle-income economies, yearly conversion factors are provided by Eurostat and the OECD. Therefore, it would be feasible to apply conversion factors on a yearly basis. The conversion factor would be applied by the organisation collecting the data to ensure homogeneity in its application.

<sup>2</sup> More information on the ICP and PPPs is available at <http://www.worldbank.org/en/programs/icp>

### III. A COMPARATIVE ANALYSIS

10. During the first meeting of the Task Force, it was agreed that the OECD would conduct a comparative analysis of the use of PPPs versus national currencies (converted through exchange rates) and explore alternative ways to estimate the cost of technical co-operation. The analysis is provided in Box 2 below.

11. This comparative exercise shows wide differences across countries for the same resource provided, which in the example is measuring the cost of sending 50 medical doctors to provide medical training for one month in a given country. Three countries are compared: Cuba, France and Argentina. In the case of Cuban doctors, who have a worldwide reputation for excellence, the project would be monetised at a total of USD 1 000<sup>3</sup>, compared to USD 248 893 if France were to send the same number of doctors with similar expertise.

#### Box 2: Comparative analysis: sending 50 medical doctors

Costs	Cuba	France	Argentina
Daily salary per doctor (National Currencies (*))	1	150	60
Total cost national currencies (*)	1,000	225,000	90,411
Total cost USD	1,000	248,894	6,126
Total cost PPP		280,025	9,810
Total cost UN salary (7 years)	414,198	414,198	414,198

\* USD, Euro and Argentinian pesos

12. The OECD would recommend Option 2, i.e. using international wage tables. This method would count the same amount of money for the same resource, regardless of the country sending the experts. This approach seems reasonable, and it would be an important step towards integrating in the TOSSD measure, in a fairer manner, resources from South-South providers – who provide a significant share of their development co-operation as in-kind technical support.

#### Issues for discussion

*Do you agree that the treatment of technical co-operation should be linked to the hiring process (international vs. national)?*

*What is your preferred option for estimating the monetary cost of providing in-kind technical co-operation?*

### IV. NON-MONETARY ASPECTS OF TECHNICAL CO-OPERATION

13. Complementary information beyond the estimated cost of technical co-operation could be collected in TOSSD to further describe the cross-border resource transfer and to reflect the value-added of technical co-operation. TOSSD could, for example, include information on the number of experts deployed or the number of days they worked. Non-monetary indicators of the value-added

<sup>3</sup> Cuba has a dual monetary system with Cuban pesos and Cuban convertible pesos pegged to the US dollar. The national pesos have very limited use, so figures in national currency are shown in USD. PPPs are not available for Cuba.

could also be collected, possibly based on the Inter-American Development Bank's methodology for assessing technical co-operation and the toolkit for identifying, monitoring and evaluating the value-added of triangular co-operation developed by the Global Partnership Initiative. This includes:

**Indicators on outcomes and/or impact:**

- How many professionals were trained (if any)?
- Was/were the topics of intervention identified as development constraints or opportunities in the country strategies (whether at national, regional or local level)?
- What outputs/outcomes were foreseen in the log-frame or the documentation of the TC activity?
- Were the outputs generated by the TC (technical co-operation) used to: (i) inform new government policy or programme? (ii) Inform new legislation or regulation? (iii) Create, change or improve institutions? (iv) Support design or implementation of development co-operation projects? (v) Other (specify)?

**Indicators for ownership:**

- Who initiated/requested this TC activity?
- Was the beneficiary agency actively involved throughout the implementation of the TC activity?
- Was the TC activity co-financed by the beneficiary?

**Indicators for sustainability:**

- How are the results of the TC expected to be sustained after its completion?
- Does the TC activity encourage the transfer of successful experiences?

**Issues for discussion**

*Do you agree that qualitative information on technical co-operation should also be provided by reporters to complement quantitative information in the TOSSD framework?*

*If so, which of the suggested qualitative aspects set out above might TOSSD capture? Do you have additional suggestions?*