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SCOPING THE NEW MEASURE OF TOTAL OFFICIAL SUPPORT FOR DEVELOPMENT (TOSD)

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It is presented for DISCUSSION under item 4 of the Draft Annotated DAC Agenda [DCD/DAC/A(2014)9].

This note presents the state-of-play of work to elaborate mock-up definitions on five possible TOSD components or memo items. Members are invited to consider the questions outlined on page 11 of the paper.

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SCOPING THE NEW MEASURE OF TOTAL OFFICIAL SUPPORT FOR DEVELOPMENT (TOSD)

1. The SLM (March 2014) welcomed the idea of a measure of total official support for development (TOSD) which is supplementary to ODA and which would capture various development finance mechanisms not yet reported on in a systematic and consistent way across members. Figure 1 outlines the potential components of such a new measure based on previous DAC discussions on what expenditures it could include.¹ In terms of overall guiding principles the SLM agreed to the approach that a **TOSD would provide a more comprehensive measure of donor contributions addressing global challenges and enablers of development (climate change, peace and security) and valorise market-like financial instruments.** With regard to the latter, it recommended paying particular attention to the differentiation between official flows and finance mobilised from the private sector thanks to official efforts.

2. This note presents the state-of-play in work to elaborate **definitions of expenditures to be included in TOSD.** Bearing in mind members' comments that the TOSD concept needs a compelling narrative and logic, a clear identity and not be merely a bin for items excluded from ODA², the Secretariat has drafted mock-up definitions on five possible TOSD components or memo items, namely:

- a) Enablers for development (peace, security, justice and human rights);
- b) TOSD extended using market-like financial instruments;
- c) TOSD memo item on private sector resources mobilised by official action³;
- d) Global Public Goods – TOSD memo item including elements of Combatting Climate Change⁴; and
- e) TOSD administrative costs.

3. A pilot survey to **test the approach and estimate the orders of magnitude of TOSD components** is ongoing with Denmark. The provisional results are presented in Box 1 for illustrative purposes. It would be helpful that other members volunteered for a similar survey over the summer, so as to help prepare a detailed discussion on the measurement questions at the meeting of the Working Party on Development Finance Statistics (WP-STAT) on 16-17 September 2014. At the subsequent 23 September 2014 DAC meeting members will be invited to take stock of progress in this work and decide whether it is sufficiently advanced to be brought for consideration by the SLM in October 2014.

4. The mock-up definitions below are presented at this stage **for members' information and preliminary reactions that would also help fine-tune the survey to be rolled out for volunteering members over the summer 2014.**

¹ Suggestions on expenditures to be included in TOSD were presented in DCD/DAC(2013)36, DCD/DAC(2014)7 and DCD/DAC(2014)9.

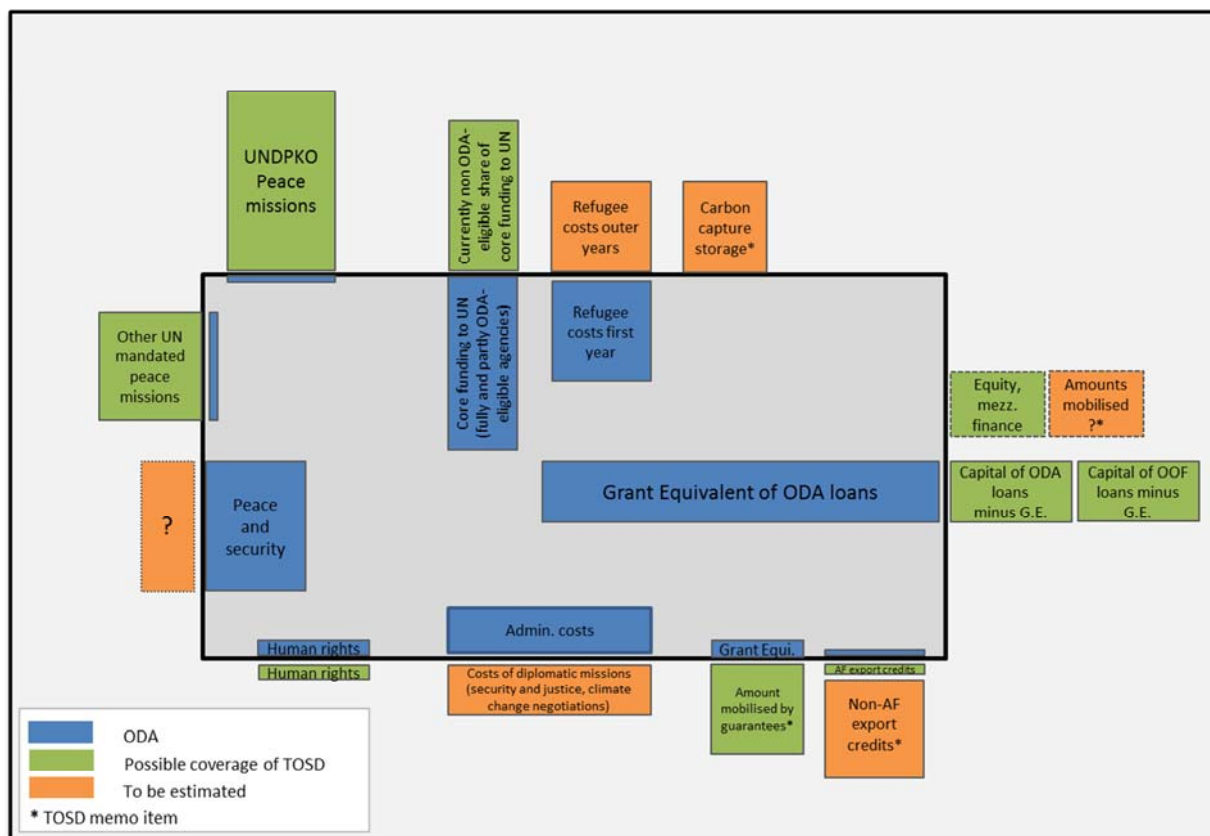
2. Cf. DCD/DAC/M(2014)2/FINAL, paragraph 8.

3. The rationale for introducing a memo item for "Private sector resources mobilised by official action" stems from the DAC recommendations on clearly distinguishing between official and private flows.

4. The rationale for introducing a memo item for "Global Public Good - Combatting Climate Change" is that these expenditures spread over different TOSD elements.

5. It is recalled that **data on TOSD would primarily be published on a gross disbursement basis.** However, data on reflows associated with non-grant financial instruments would still be collected as they are needed for international accountability and analyses of developing countries' resource receipts⁵.

Figure 1. Potential coverage of TOSDⁱ



ⁱ The illustration highlights key financial instruments and mechanisms that may be included in a possible coverage of TOSD. Support to climate change-related objectives can be cross-cutting and integrated with other development finance objectives, drawing on the same financial instruments, such as ODA grants and OOF. These cross-cutting elements are not depicted in the illustration, but unique dimensions of support to climate change are, such as support through carbon markets and support to activities with purely global public good characteristics (e.g. Carbon Capture Storage - CCS).

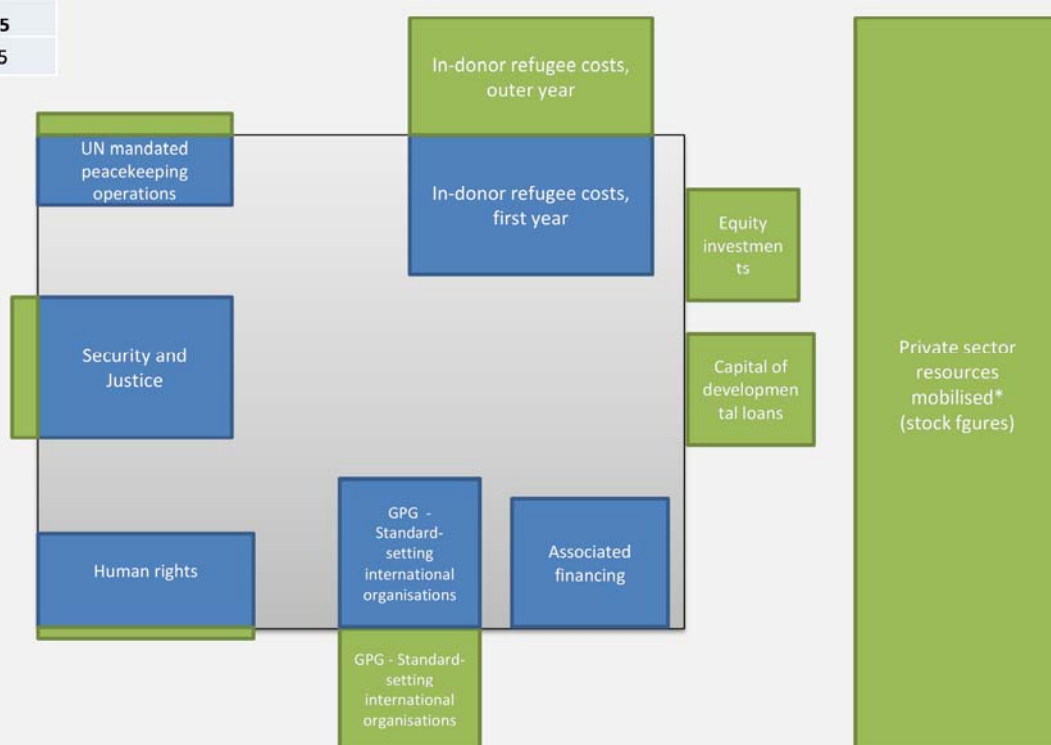
5. A first proposal for a partner countries' resource receipts measure with the working title "Resource Inflows for Development" will be discussed at the forthcoming OECD workshop on 25 June 2014 [see also DCD/DAC/RD(2014)9/RD1].

Box 1. Orders of magnitude of TOSD – The case of Denmark

The Figure below illustrates the provisional results of the pilot survey with Denmark and is presented for illustrative purposes. The Secretariat will in the course of the coming months undertake in-depth quality assurance of the data. The preliminary figures however show that, in 2012, the TOSD-eligible expenditures beyond ODA would have added another USD 255 million to Denmark's gross ODA disbursements of USD 2819 million. The memo item of additional private resources mobilised by official interventions amounted to another USD 625 million.

Order of magnitude of TOSD components - gross disbursements, USD million 2012

Gross ODA	2,819
Net ODA	2,693
TOSD	3,075
memo item	625



* TOSD memo item

ODA components

Possible additional
TOSD components

a) Enablers for Development – Peace, security, justice and human rights

6. Peace, security, justice and human rights are increasingly important elements of a broader development agenda, but are at the same time also controversial in the political dialogue about the post-2015 development framework. The way in which these dimensions will be incorporated in the framework is therefore unclear. Nevertheless, it seems justified to include in TOSD expenditures in these areas that are excluded from ODA, but considered by the international community as critical for establishing pre-conditions for development. Given the breadth and scope of the issues involved, any expanded measure under TOSD should be based on a generic approach that can be used to assess and classify donor contributions, keeping in mind both the need to truly reflect donors' actual contributions, but also keeping in mind the politically sensitive character of some of the issues involved.

TOSD for security and justice

7. Defining TOSD for security and justice is made complex by the wide range of activities within these sectors which include ODA-supported programmes, such as to train community police units or for judicial reform, but which can also include counter-terrorism training, or equipping and capacity-building of military units, including to strengthen civilian oversight. Each of these areas itself represents a spectrum of potential debate on enablers of development. The criteria defining TOSD for security and justice could include:

- i. **TOSD for security and justice is consistent with the promotion of peaceful and accountable states** – supportive of respect for human rights and rule of law, in accordance with international norms. It must involve a clear rationale supporting the achievement of peace-building and state-building goals and/or the post-2015 development framework.
- ii. **TOSD for security and justice promotes peaceful and inclusive societies** – it benefits the population of the country for which the activity is intended, not the pursuit of foreign policy objectives or non-developmental foreign policy goals of the donor.
- iii. **TOSD should consider all implementing entities (e.g. police, military, security and civilians). However, the question of inclusion of the provision of lethal equipment needs to be clarified, taking into account reputational risks involved.**

TOSD for peacekeeping

8. The majority of multilateral peacekeeping expenditures are not ODA-eligible, given the difficulties to isolate ODA-eligible activities and costs in the budgetary documents of the missions. It could be argued however that peacekeeping operations led by the UN Department of Peacekeeping Operations (DPKO) or other UN-mandated operations (which may be conducted by international organisations, such as e.g. UN, NATO, the European Union, or regional groupings of developing countries) have a clear developmental and humanitarian intent. Consequently, **the totality of donors' contributions to DPKO and other UN-mandated peacekeeping operations could count as TOSD. The inclusion of costs for lethal equipment must be considered based on the general principle adopted for TOSD.**

TOSD for human rights

9. 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.⁶

10. According to the Geneva Human Rights Institutional Development Network, the primary objective of most human rights organisations is the realisation of universal human rights and fundamental freedoms and their mandate has, by definition, a global purpose. Their activities typically include monitoring, advocacy and capacity building⁷, and by conducting an analysis of the detailed budgets of the organisations, it is possible to determine if a human rights organisation's activities directly benefit ODA-eligible countries. This may be either through direct spending in these countries or promoting the rights of the people from these countries.

11. **While maintaining the principle that ODA reporting on contributions to human rights organisations should be limited to activities directly benefiting ODA-eligible countries, TOSD for human rights could capture the contributions in full.**

TOSD coverage of in-donor refugee costs

12. Official sector expenditures for the sustenance of refugees in donor countries during the first twelve months of their stay is reportable as ODA, including payments for refugees' transport to the host country and temporary sustenance (food, shelter and training). Expenditures for voluntary resettlement of refugees in a developing country are also counted. ODA excludes expenditures on deportation or other forcible measures to repatriate refugees or amounts spent to promote the integration of refugees into the economy of the donor country, or resettle them elsewhere than in a developing country.

13. Data on in-donor refugee costs are not necessarily comparable between donors as reporting practices vary in terms of categories of refugees included, types of expenditures covered, and methodology used to assess costs during the first year of stay of refugees. The WP-STAT has established a task team to explore the scope for streamlining ODA reporting in this area.

14. TOSD, as a more comprehensive measure of support for development and through its links with the global objective of peaceful and inclusive societies, could be defined to include **total costs incurred by donor countries in relation to refugees originating from ODA-eligible countries**, i.e. covering:

- All categories of refugees (a number of members include in their ODA reporting only asylum seekers awaiting decision, others only include asylum seekers granted asylum, others exclude rejected asylum seekers);
- All types of expenditures (not only expenditures for essential temporary sustenance as covered in ODA, but also resettlement assistance, administrative costs, detention and police costs, training); and
- Out-years (i.e. costs in relation to refugees having stayed more than one year in the donor country).

6. Cf. DCD/DAC/STAT(2011)15.

7. See description in DCD/DAC/STAT/RD(2012)1/RD1.

TOSD for global public goods – Standard-setting international organisations

15. The List of ODA-eligible international organisations (Annex 2 of the Reporting Directives) includes a number of agencies with a global mandate and normative functions. In their case the developmental share of their activities and budgets is estimated to derive a coefficient for ODA reporting purposes. **TOSD could include the entire contribution to these organisations with the reasoning that their activities, while benefiting developed and developing countries alike, are essential for enabling development.** For instance the work of WHO on developing norms and standard can be considered as a global public good and such contribution could be considered as part of TOSD.

b) TOSD extended using market-like financial instruments

16. The main objective of modernising the development finance measurement framework is to adapt systems and concepts to the contemporary realities of development finance. This includes capturing new instruments, fairly valuing budgetary efforts, and ensuring that incentives promote the most efficient uses of development resources, given the differentiated needs of developing countries.

Equity and Mezzanine finance

17. Recent consultations with the DFI community highlighted concerns about the inability of the current flow-based system and ODA criteria to provide incentives to use (when appropriate) market-like instruments such as equity investments (either direct or through investment funds) or mezzanine finance (successful investments generating profit result in negative flows). The system rather creates disincentives for these forms of finance although they play a critical role in filling the gap between aid and private finance. **TOSD could valorise these investments given that the headline figures would be reported on gross disbursement basis.**

Capital of developmental loans

18. Regardless of the option chosen to assess concessionality and reporting on ODA loans, TOSD would include the face value of developmental loans to ODA-eligible countries (or multilateral institutions).

Donor efforts of guarantees and other risk mitigation instruments

19. Official guarantees extended for development purposes, not being a flow as such, are not captured in the DAC statistical framework or in international financial statistics more generally. In 2013, a Survey on guarantees for development was carried out by the Secretariat as part of the DAC workstream to improve statistics on non-ODA flows aiming to fill this information gap. Data were collected on private sector flows to developing countries mobilised by guarantee schemes over the period 2009–11 (see component c).

20. Work is ongoing to explore possible options to measure the donor effort involved in the utilisation of guarantees and other risk mitigation instruments. These include counting: i) claims paid by the official agency (when guarantees are activated), ii) government's contributions to institutions extending these instruments, iii) risk taken by the guarantor (through a quantitative measure to be developed), or iv) concessionality assessment of the guarantee provided, *i.e.* the difference between the premia actually charged by the public institution and those the market would charge.⁸ The effort could be reported as

8. See [http://www.oecd.org/dac/stats/DCD-DAC-STAT\(2013\)17-ENG.pdf](http://www.oecd.org/dac/stats/DCD-DAC-STAT(2013)17-ENG.pdf).

TOSD or ODA, depending on the general framework for reporting on non-grant instruments, in particular whether ODA reporting will be on grant equivalent or cash flow basis.

Associated financing and export credits

21. In current DAC statistics, official and officially supported export credits are reported as other official flows (OOF) and private flows respectively. Only the concessional component of an associated financing (AF) package is counted as ODA. **It would seem logical to include the non-concessional component – even if this happens to be an export credit – in TOSD, as the ODA and non-ODA components of AF packages, while different, are inseparably linked financing components of a single project.** [The grant component's classification as ODA is justified by the fact that the project is commercially non-viable (otherwise the OECD Arrangement would not allow a subsidised credit) and development-motivated (often community infrastructure/services projects that go beyond the rationale of economic viability)].

22. Export credits that are not part of AF packages are commercially-motivated, and should be **excluded** from TOSD if it is defined as flows extended with a developmental motivation. They could be treated in a similar way as the private sector resources mobilised by official action, such as guarantees (see below).

c) TOSD memo item – private sector resources mobilised by official action

23. In recent meetings, DAC members have confirmed the importance to maintain the distinction between official flows and actions, and the private resources they may mobilise. It will therefore be necessary to develop and propose robust methodologies for defining the private flows mobilised. These methodologies may vary depending on the nature of the instruments (e.g. guarantees, syndicated loans, equity investment) and incentives involved (developmental vs. commercial). The Survey in 2013 enabled the Secretariat to estimate the amounts mobilised through guarantee schemes for development; a regular data collection on this information will be discussed in the Fall 2014. Regarding amounts mobilised through other instruments, the Secretariat is currently surveying bilateral and international development finance institutions to explore the feasibility of measuring, in an international statistical system, the amounts mobilised from the private sector by public development finance whilst avoiding double counting. First findings will be shared at the 2014 September DAC WP-STAT meeting.

d) TOSD memo item - Global Public Good including elements of Combatting Climate Change

24. Climate change is an international priority and a central part of development co-operation today. There are growing imperatives to better link climate and development issues. In the same period that the UN post-2015 development framework is expected to bring together traditional and sustainable development goals into one global framework, the United Nations Framework Convention on Climate Change (UNFCCC) is expected to agree a global climate deal in 2015 (COP21, Paris). This will include agreement on a framework for measuring, reporting and verifying international climate finance under the context of the Convention.

25. The compatibility between the UNFCCC and UN Post-2015 processes needs to be considered – particularly with respect to measurement of climate finance and development finance – in order to build on existing systems, prevent the emergence of divergent and duplicative reporting (i.e. across the UNFCCC and DAC) and to limit the reporting burden for DAC members. The 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.

26. Climate change is a cross-cutting theme and can be addressed through existing development finance instruments. In this respect, many climate mitigation and adaptation projects funded by DAC members are already included in DAC statistics as ODA, OOF or multilateral flows and work is underway to further improve the quality and coverage of this reporting. Going forward, the extension of the coverage of DAC statistics to capture guarantees and mobilised private finance would greatly facilitate the measurement and monitoring of broader provider support to climate change mitigation and adaptation in developing countries.⁹

Carbon capture storage (CCS) and carbon market flows

27. There are also some additional considerations for the inclusion of climate change finance within a broader measure of TOSD, to ensure that the measurement system incentivises additional and appropriate action. 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 and 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.

28. A new TOSD measure could include climate-related activities that under current definitions do not count as ODA as their main objectives may not be developmental, and that could rather be considered as global public goods. This includes support to innovative technologies such as Carbon Capture and Storage (CCS) and supporting early-stage technology research and development (to catalyse future cost-reductions and commercial viability). These activities are crucial to take efficient action on climate change in developing countries.

29. A new TOSD measure may also need to reflect **carbon market finance flows** that that under current definitions may not count as ODA¹⁰. Carbon markets are a critical mechanism to support GHG emission reductions at least cost. 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. Members' guidance on the inclusion of these types of expenditures in TOSD would also need to take into account the differentiation between official flows and finance mobilised from the private sector from official interventions.

e) Administrative costs

30. Under the heading in-donor costs, "administrative costs not included elsewhere" donors may report administrative costs related to development assistance programmes that are not already included under other ODA items as an integral part of the costs of delivering or implementing the aid provided. This includes the administrative budget of aid agencies and the budget, partly or wholly, of executing agencies involved with ODA delivery.

9. In the survey, information is requested on climate-related activities that in the current system are reported as OOF.

10. The boundaries of ODA in this regard were set in 2004 in line with the UNFCCC 2001 Marrakesh Accords on CDM.

31. The costs of diplomatic staff assigned to aid-related duties in developing countries are reportable as administrative costs. Costs of other staff in embassies or diplomatic missions are excluded from the ODA definition since their primary motive is not “economic development and welfare of developing countries”. However, these officials may work for example on peace and security and other issues establishing pre-conditions for development – these costs could be included in TOSD. (By contrast, costs related to diplomatic staff working on visas, passports, security of embassy buildings etc. should be excluded from TOSD.) This is an item that would need to be reconsidered once all the components of TOSD have been agreed upon.

32. The representation costs of delegations to international organisations are considered ODA if they are financed by an aid agency. Representation costs relating to international negotiations on global public goods, e.g. climate negotiations, are not counted as ODA since any outcome would be global and not specific to developing countries. However, similarly to the argument around contributions to standard setting organisations, it can be argued that any outcome from these negotiations will also benefit developing countries. These costs could therefore be included in TOSD.

33. At its 3 July 2014 discussions, members are invited to:

- **suggest any additional elements that should be considered for inclusion in TOSD;**
- **comment on the suggested approaches to delineate the outer boundaries of TOSD in the areas covered in the note;**
- **comment on the proposed country surveys and provide other guidance to the further work on TOSD.**