This note contains the Chair's report and action points for the WP-STAT informal meeting held on 24-25 April 2014 at the OECD Conference Centre in Paris.
WP-STAT INFORMAL MEETING, APRIL 24-25, 2014
CHAIR’S REPORT & ACTION POINTS

DAY 1

Workshop on Reporting for New DAC Statistical Reporters

1. The Secretariat held a workshop to help new reporters better understand the DAC statistical reporting system and process. Overviews of DAC statistics, the reporting cycle and process, core statistical resources on the OECD’s aid web site (www.oecd.org/dac/stats) and new visualisation tools were presented, followed by a demonstration on how to access DAC statistics via the on-line systems.

Modernising the reporting on ODA loans – grant equivalents and other options

2. Both DCD Director Jon Lomøy and I stressed the importance of the work on concessionality and need to reach a successful conclusion by September in advance of the SLM and HLM. The Secretariat made a presentation on the implementation issues related to the grant equivalent approach that highlighted areas where members’ input was required, namely:

a) Using the DDR as the base cost of raising funds for the donor: most members could agree on the use of DDRs under this option. (One suggestion was to use a moving average – to smooth volatility – that could still be updated every year.)

b) Source of risk premia: there were divergent views on the source of the data to use for risk premia:

i. Bloomberg was not ideal as it was a commercial (and not public) database, and not comprehensive (it only had data for countries with access to capital markets i.e. not for all LICs).

ii. Some members suggested exploring further the possibility of using the Export Credit Group’s (ECG’s) Minimum Premium Rates (MPR); however, Michael Gonter from ECG Secretariat cautioned against their use as the MPRs had been designed for other purposes and the scales had not been updated since 1999; they were notionally related to risk but not to market spreads.

iii. Mexico reported that it was already applying the grant equivalent approach to measure loans and used the recipient country’s central bank rate as a proxy for the risk-adjusted discount rate.

iv. Several members suggested that risk premia should reflect a distinction between private and sovereign lending as the former was riskier than the latter. Members were invited to present ideas/proposals of how they would see such differentiation.

v. As regards ODA assessment of lending to multilaterals, some members thought there was no need to add a risk premium to the DDR, but some were of the view that the risk was not zero and should be incorporated some way (possibly based on the average risk of the multilateral institution’s portfolio – the World Bank could contribute on that point).
vi. Three members were open to using a flat 10% discount rate as proxy for risk-adjusted rates. Two members spoke in favour of the grant equivalent with DDR or 5% as the discount rate.

**ACTION:** further work is required to arrive at an acceptable source of risk premia.

c) **The treatment of negative grant equivalent:** a slight majority of members was in favour of not including negative grant equivalents in ODA. Others argued that their inclusion would provide an incentive for more concessional loans, and be more in line with the net ODA concept and fair to members not extending loans. Members also discussed the possibility of having a minimum threshold so as not to count very small grant equivalents.

**ACTION:** further examination of negative grant equivalents is required.

d) **Treatment of existing stock of ODA loans:** In a grant equivalent approach, while cash flows on loans would still be recorded in DAC statistics to provide for a recipient perspective, they would not be accounted for under an ODA measure. However, most members were of the opinion that repayments of the existing stock of ODA debt should still count as negative ODA during a phase-in period. For that phase-in period, some members favoured a mixed measure of ODA (including both grant equivalents for new loan disbursements and repayments on old ODA loans) while others suggested instead to maintain two parallel series on ODA (one based on current rules and one based on a clear-cut new grant equivalent approach where repayment of old loans would not be counted). In any case, the data on repayments would still be collected in the CRS for statistical completeness.

**ACTION:** agreement required for length of phase-in period, DAC guidance required on whether headline ODA figures from 2016 should include or exclude repayments received on old ODA loans.

e) **Treatment of debt relief:** not all members agreed with the argument that debt relief should not count as ODA for loans whose grant equivalents would already reflect risk taken up-front under the risk-adjusted grant equivalent model. This issue was considered complex and would need to be further analysed, and possibly discussed with the Paris Club. France stated it would produce and share a paper on the treatment of debt relief.

**ACTION:** France to share paper when ready, Secretariat to consult with Paris Club, rationale to be put forward to the DAC for guidance.

f) **Eligible population of loans:** members recognised that any loan whose grant equivalent would be included in ODA would need to meet the ODA definition’s requirement to be: “...administered with the promotion of the economic development and welfare of developing countries as its main objective”. This means that export credits could not be reported as ODA. The ECG Secretariat highlighted the difficulty to sometimes distinguish between developmental loans and export credits, as there was no definition for the latter. Similarly, I also reminded members that, as with current rules, any loan reported as ODA (under any system) must have completely transparent terms and objectives.

g) **Timing of recording:** the grant equivalent would be accounted for in ODA at the time of each loan disbursement, and not only in commitments. **This issue does not need further examination.**
3. There was a general sense that the grant equivalent approach was technically feasible, but that some areas (highlighted above) required further action or examination.

4. Beyond technical feasibility, several members indicated their preferred option among the three presented in the Secretariat paper; but many had not determined their final position yet, and it was clarified that all options remained on the table at this point of time. The following views were expressed:

− The risk-adjusted grant equivalent approach was seen as the most appropriate by a number of members while some still favoured other options, including harmonisation with the IMF/WB.

− The discount rate was a key element in the approach: eight members indicated the discount rate should be risk-adjusted, four members citing this could incentivise harder-term lending to poorest countries (instead, the accounting for risk upfront could be dropped and debt relief reporting could be maintained as and when defaults arise); some favoured a fixed discount rate. The WB explained that the fixed 5% discount rate introduced in the revised WB/IMF methodology for assessing the concessionality of loans to LICs did include a component for risk based on LIBOR rates (inter-bank rates). The WB was requested to provide further details on this.

− The discussion also touched on safeguards against over-indebtedness, and whether those should be built into the statistical system or handled via IMF/WB intermediaries; the World Bank explained that the role of the IMF/WB in terms of safeguards was increasing in scope to include all types of lending.

− The ECG Secretariat was concerned that the proposed risk-adjusted grant equivalent approach, by allowing the recording as ODA of grant equivalents of loans extended at terms similar to those for export credits, would contribute to blurring the line between developmental loans and export credits and provide incentives to circumvent the rules set in the Arrangement.

5. The DAC Facilitators urged members to accelerate their deliberations in respective capitals and have clear positions in advance of the upcoming DAC meetings.

_item 4. Modernising the reporting on other non-grant instruments: status report and work plan_

6. The Secretariat provided an update on ongoing and planned work for other non-grant instruments, including the update of the financial instruments classification, the measurement of leveraging and catalytic effects and the estimation of the provider effort involved in the use of non-grant instruments [see presentation attached]. Proposals on the financial instruments classification and data collection on guarantees would be elaborated for discussion at the WP-STAT September meeting, further refined to reflect the decisions on the post-2015 measurement system by the HLM at the end of the year, and presented for members’ approval by WP-STAT in 2015. The result of a survey on leveraging instruments would be presented to the September WP-STAT meeting.

7. Members were also informed of the Secretariat’s visit to New York, Washington DC and Mexico to present the DAC work on modernising the measurement and monitoring of external development finance to DAC members’ UN delegations, UN-DESA and ECOSOC as well as a number of side events of the IMF/World Bank spring meetings and the High Level Meeting of the Global Partnership. Further discussions with DFIs were planned in May-June and a workshop on recipient perspectives on development finance on 25 June.
8. Members were invited to refer to the “work plan for DAC HLM mandate on development finance” for information on upcoming events (updated and circulated as a Room Document ahead of each DAC meeting).

**Item 5. Other WP-STAT work arising from the SLM**

9. I provided an overview of work arising from the SLM, most of which relates to the preparation of the October 2014 SLM. In addition to options on concessionality these included:

- A new broader measure of total official support for development (TOSD), to include global public goods and enablers of development (climate, security, human rights, etc.).
- Measurement of the leveraging effect of official actions, while distinguishing between official and private flows.
- Standardisation of in-donor costs reporting – Canada, France, Sweden, Switzerland and UK (Italy to respond later) agreed to work in a task team to examine a standardised approach to in-donor refugee costs and, as a first step, advance a proposal for September (drawing from the technical paper on in-donor refugee reporting). The same task team will pursue the work on harmonization of other in-donor costs in 2015.
- DAC to examine ways to increase aid to countries most in need.

**DAY 2**

**Item 6. Reporting issues: Feedback on the reporting on 2012 flows**

10. The Secretariat gave a presentation on the issues stemming from reporting on 2012 flows providing an overview of member timeliness and quality of data. **Members are encouraged to make every effort to report on time.** A suggestion was made to display country names, rather than numbers of members, in subsequent reports and presentations, to allow members to see where they stand and encourage further progress.

11. Countries are gradually implementing the SNA2008 which has an impact on GNI figures. Several members did not wish to revise historical GNI series as this would change their ODA/GNI ratios. Some were in favour of publishing figures on both the old and the new bases. The Secretariat will obtain GNI figures on the new basis from the OECD Statistics Directorate in the fall and circulate these to members. Members that wish to revise their historical GNI figures will be able to inform the Secretariat then.

12. Sweden was interested in a study on donor practices in reporting administrative costs. The Secretariat pointed out that the ODA coverage of administrative costs was relatively clear in the statistical reporting directives, but that the item in the Directives was a residual of costs not already reportable under project and programme budgets. It was therefore difficult to standardise the contents of this item, which varied depending on members’ budgetary treatment of the costs.

13. Canada suggested that members’ statistical systems and how data are reported to the DAC be examined in the peer review process. **The framework for peer reviews will be reviewed this summer and interested members were encouraged to make this proposal at the DAC meeting on this issue.**
14. Some members felt the need for a forum within WP-STAT meetings to address reporting issues, statistical systems and architecture and best practices. Canada highlighted the fact that the statistical mission reports drafted by the Secretariat were useful.

15. The Secretariat gave an update on improvements in timeliness, quality and coverage of reporting by non-DAC providers of development co-operation. It highlighted a number of technical issues that should be taken up by the WP-STAT in due course to facilitate non-DAC providers’ reporting to the DAC statistical system [see DCD/DAC(2014)6 presented to the DAC on 10 February 2014].

16. The Netherlands suggested collecting data on NGO/INGO outflows, possibly through collaboration with IATI.

**Item 7. Proposed changes to the List of ODA-eligible international organisations (Annex 2)**

17. The Secretariat presented the draft paper on the proposed changes to Annex 2. In response to questions from members it clarified that:

- The Customs Co-operation Fund of the World Customs Organisation (WCO-CCF) was specifically targeted to countries on the DAC List of ODA Recipients.

- Dividends from the Social Dividend Account of the Council of Europe Development Bank (CEB) that shareholders forego could not be reported as new contributions because they did not represent a fresh budgetary effort.

18. The Secretariat had received a copy of the UNDPKO-commissioned report reviewing the current methodology for calculating the ODA coefficient for UN peacekeeping operations and would discuss the suggestions with UNDPKO in due course. France asked if the Secretariat could share the report with WP-STAT *(Secretariat to follow up)*.

19. I noted that the proposed changes will be handled through written procedure in June. In finalising the proposals the Secretariat will take into account:

- Australia’s question of whether the reference to “developing countries” in the template for Green Climate Fund (GCF) meant countries on the DAC List of ODA Recipients;

- Finland’s request for more information about the Organisation of Ibero-American States for Education, Science and Culture (OEI) and the Islamic Development Bank (IsDB) to be included in the appendix of the paper and its suggestion that OEI might need a coefficient;

- Austria’s question about ODA-eligibility of contributions to UNSOA;

- Additional information on the Global Agriculture and Food Security Programme (GAFSP) provided by the World Bank and comments by the EU, reiterating its reservation *(EU to submit these in writing)*.

20. Members did not raise any objections to Germany’s request to examine the eligibility of Intergovernmental Platform on Biodiversity and Ecosystems Services (IPBES) this year.

21. The Secretariat’s assessment of trust funds and their treatment on Annex 2 would be presented for members’ consideration at the September WP-STAT meeting. The Secretariat will
contact Canada, EU and Switzerland to provide clarifications on the Annex 2 procedure and thresholds for eligibility.

Item 8. Transparency and the Busan Transparency Indicator

22. Hanna-Mari Kilpeläinen from the Joint Support Team (JST) gave a presentation on the history and application of the transparency indicator as part of the Global Partnership monitoring framework. She explained that the initial assessments were a baseline and that the JST would work with donors to improve methodology.

23. I reiterated the Bureau’s comments on the assessment methodology made in November 2013, highlighting that the indicator:

− does not measure usefulness or quality of the data;
− gives unfair advantage to IATI reporters;
− does not measure progress again donor commitments; and
− is based on a methodology that is too mechanical and does not reflect reality in some instances.

24. Members generally expressed concern over the process, methodology and assessment. The process should have been more transparent; suggestions made on the October draft should have been actioned; the methodology should have given greater weight to donors’ efforts against their implementation schedules; and the assessments did not reflect member efforts or actual progress. Several members expressed their willingness to support further refinement of the methodology and improvement of the indicator.

Item 9a. Purpose codes: Energy

25. The Secretariat presented an updated proposal for revising purpose codes in the Energy sector category. A first version had been discussed at the June 2013 WP-STAT meeting and members’ comments received so far had been included in the updated proposal. Its objective was to facilitate the use of the codes for reporting and analytical purposes, including through easier identification of the different energy sources (e.g. renewable energy).

26. Members generally agreed with the suggested changes with the UK and Germany requesting some modifications to titles and descriptions. The Netherlands suggested that WP-STAT revisit the multiple sector coding issue.

27. Members were invited to send any final comments to the Secretariat by 15 May. The formal proposal will be sent to members in June for approval through written procedure.

Item 9b. Purpose codes: Tax and development

28. The UK presented a proposal to separate activities related to taxation from purpose code 15111 (public finance management).

29. Several members and the World Bank stated they strongly supported the objectives of this initiative but were not convinced that creating a specific purpose code was the best approach.
Item 10a. Policy Markers: Disaster Risk Management

30. Prashant Singh from GFDRR presented the proposal on adding a policy marker for Disaster Risk Management (DRM), stressing that DRM was a growing area for concern in terms of sustainable and resilient development as the cost of recovery from disasters far exceeded the cost of prevention. In response to questions from the Secretariat and members, he provided the following clarifications:

- the DRM policy marker would be used exclusively for qualitative measurement of DRM streamlining;
- the disaster preparedness CRS code should remain under humanitarian response, the marker would be applied to activities in all other sectors;
- the co-existence with adaptation was a natural occurrence and could be explained; and
- DRM work did not include technology disasters.

31. While members agreed with the importance of DRM as a development activity, some of them expressed concerns over the proliferation of policy markers and the work in capitals to manage them. GFDRR stated its willingness to work on producing guides and other material to facilitate the application of the marker by development officers.

32. I summarised that the proliferation issue would be handled separately via a proposal on the retirement of unused markers and criteria for including new markers (in 2015). GFDRR will work bilaterally with members that had some reservations and will be given the opportunity (if consultations are completed in time) to seek approval via written procedure. GFDRR will also provide additional examples on the overlap with the Adaptation marker.

Item 10b. Policy markers: Report back from the Joint ENVIRONET/WP-STAT Task team on Rio markers

33. The Secretariat informed members of discussions at the Joint ENVIRONET/WP-STAT Task team on Rio markers held on 20-21 March 2014 and upcoming work. (See presentation.) The next meeting will be held on 3 June 2014 in Bonn.

Item 11. Other Business

34. The US will advance a proposal on the treatment of negative commitments.

35. The US mentioned work on Budget identifiers and possible adjustments to CRS codes to allow a crosswalk between CRS codes and recipient country “major budget areas”.

36. Simon Scott of the Secretariat announced the departure of Vice-Chair Almut Knop. He flagged that France (Shanti Bobin) had expressed interest in replacing her. The Secretariat would invite formal nominations by May 16, and the election (or appointment in the case of a sole candidate) will be formalised through the written procedure. It will cover only the remainder of Ms Knop’s term, i.e. to end-2014. Elections for the 2015 tenure will be held at the formal meeting in September.

37. The Secretariat and I provided an update on the PWB 2015-16. A copy of the Bureau’s input (DCD/DAC(2014)17) was circulated to members.
38. The dates for the formal WP-STAT were announced: 16-17 September 2014 to be held at the OECD Conference Centre.

39. Ten members requested a second informal meeting to be help in consideration of the outstanding work on concessionality. The Bureau and Secretariat will discuss and respond to members.