DAC Working Party on Development Finance Statistics

ACTION POINTS

Informal Meeting, 2-4 March 2015
OECD Conference Centre, Paris

Action points arising from the WP-STAT Informal Meeting, held at the OECD Conference Centre, Paris, 2 - 4 March 2015.

Contact: Katie Russell - katie.russell@oecd.org

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WP-STAT INFORMAL MEETING ON 2-3 MARCH 2015 - ACTION POINTS

1. Welcome

1. The new Head of the Statistics and Development Finance Division, Haje Schütte, introduced himself and presented the preliminary workplan to implement the HLM mandate on development finance, including the timeline for WP-STAT deliverables over the next 12 months. The new DAC co-facilitator from Belgium, Lieven De La Marche, informed members of on-going DAC processes, including the DAC evaluation, the revision of the DAC mandate and its implications for the Subsidiary Bodies, and the start of implementation of the 2015-16 Programme of Work and Budget. Regarding the workplan on development finance, he suggested sharing the road map approved in the DAC with WP-STAT and highlighted the importance of a clear division of labour between the WP-STAT and the DAC.

2. HLM outcomes: Implementation of the concessionality agreement and implications of the grant equivalent system

2.a Revision of the Reporting Directives [DCD/DAC/STAT(2015)5]

2. In order to implement the concessionality agreement, the HLM tasked the WP-STAT to prepare revised Reporting Directives for endorsement by the DAC by the end of 2015. The work plan to conduct this work includes the following steps:

- **Step 1.** Identification of sections that need revision: DCD/DAC/STAT(2015)5 presents the Secretariat’s first proposals, for discussion at the WP-STAT in March 2015.

- **Step 2.** First iteration of a full-fledged proposal for revised Reporting Directives, for discussion at the WP-STAT in May 2015.

- **Step 3.** Analytical work on the treatment of loans to multilateral organisations and multi-country agreements, for discussion at the WP-STAT in the Fall.

- **Step 4.** Second iteration of the full-fledged proposal for revised Reporting Directives, for discussion at the WP-STAT in the Fall.

- **Step 5.** Submission of revised Reporting Directives for endorsement by the DAC by the end of 2015.

- **Step 6.** First reporting by members in the new system, starting with preliminary reporting on 2015 data in March 2016 (Advance Questionnaire).

3. In parallel with WP-STAT work, the DAC will be invited to review the implementation questions which require political guidance (e.g. implications of the agreement on the 1978 Terms Recommendation or the Tied Aid disciplines, the timing for reviewing the agreed new discount rates). As for reporting on debt relief, in line with the timeline agreed at the HLM, instructions will need to be updated by the end of 2017, to take effect in reporting on 2018 data; work in this area will start in 2016.
4. When drafting the revised Directives, the Secretariat will take into account members’ comments on DCD/DAC/STAT(2015)5. In particular, several members highlighted the need to:

- Clarify that the HLM agreement pertains to sovereign loans only, and that the treatment of other loans (e.g. loans to the private sector) remains to be discussed.

- Further discuss the wording of paragraph 12 of the Directives (definitions of concessional and non-concessional) and clarify the treatment of loans that do not meet the grant element thresholds.

5. The Secretariat emphasised that any revisions needed to reflect the HLM agreement and some elements could not be fully clarified until the conclusion of discussions on private-sector instruments and the concept of total official support for sustainable development.

**Immediate actions:**

- Members will send further written comments on proposals in DCD/DAC/STAT(2015)5 by 16 March 2015.

- The Secretariat will prepare a full-fledged proposal of the revised Reporting Directives by mid-April, for discussion at the WP-STAT meeting in May 2015. That version will incorporate also revisions related to the new taxonomy of financial instruments and data collection on amounts mobilised [see DCD/DAC/STAT(2015)7].

2.b Revision of the reporting forms and key implementation points [DCD/DAC/STAT(2015)6]

6. The HLM decisions on the timeline for implementing the new system and its consequences on reporting requirements were specified as follows:

- During the transition period (concerning data for 2015-17) current reporting requirements need to be maintained and prominence will be given in statistical publications to ODA data based on the current system (i.e. cash-flow basis, 25% grant element threshold, 10% discount rate).

- The new system based on grant equivalents, new concessionality thresholds and discount rates will be introduced starting with 2015 data. This creates additional reporting requirements. To minimise reporting burden during the transition period, and given the tight deadline for introducing the new data collection, minimum changes would be introduced at this stage to the reporting forms (one new item in the CRS, a few new aggregates in the DAC Advance Questionnaire and Table DAC1).

- The Secretariat will run both current and new systems in parallel in its internal databases during the transition period.

- ODA based on grant equivalents will become the norm starting with 2018 data, but cash-flow data will continue to be published (disbursements and repayments, including for past ODA loans still outstanding at the time of change).

7. The possibility of calculating grant equivalents backwards in time was also discussed. Although not considered a priority, such data would help communicating about the new system with stakeholders outside the DAC.
8. The treatment of specific cases raised a number of comments by members that will need to be tackled in the next steps:

- One member found too simplistic the treatment proposed by the Secretariat for cases where the recipient changes income group during the disbursement period (grant element assessed at the time of commitment, using the discount rate relevant to the income group of the recipient at that time). Graduation of countries can be foreseen in advance and members should not be given the possibility to profit from higher discount rates when a lower discount rate can be expected in a few years’ time (the lower discount rate should apply instead).

- A few members stated that, during the transition period, members should be given the possibility to report as ODA all new loans complying with the current system (i.e. meeting the grant element threshold of 25% calculated at a 10% discount rate) even if the loans would not qualify as ODA under the new system (and no ODA grant equivalent would be recorded). The treatment of such loans from 2018 onwards will need to be clarified.

Immediate actions:

- Members will send written comments on proposals in DCD/DAC/STAT(2015)6 by 16 March 2015.

- The Secretariat will calculate ODA data on grant equivalent basis for years 2011-14, and will contact members if and when their inputs are needed.

2.c Treatment of loans to multilateral organisations, multi-country agreements (oral presentation)

9. The Secretariat explained that under the current Reporting Directives the ODA eligibility of a loan was assessed on the basis of its developmental motivation and its terms, but no distinction was made between official and private borrowers, or bilateral and multilateral borrowers. With the understanding that the HLM agreement only applied to sovereign loans, further work was required to specify the treatment of loans to private borrowers (see agenda item 3.b) and multilateral borrowers.

10. Members generally agreed that the reporting on loans to multilateral organisations should be on grant equivalent basis. They also generally agreed that the risks in lending to multilateral organisations were lower than in lending to countries, but that there was a difference between major multilateral organisations with preferred creditor status (such as World Bank, Regional Development Banks) and sub-regional organisations.

11. The Secretariat will present an analysis of the risk profiles of multilateral organisations for discussion at WP-STAT meeting in the Fall. Members are invited to send to the Secretariat any relevant material in this regard. (The base factor of the discount rate would be the same as for sovereign loans.)

3. HLM outcomes: Updating classifications and modernising the measurement of private sector instruments


12. Members generally agreed with the proposed revisions to the Reporting Directives to implement the new taxonomy of financial instruments. They made a number of suggestions on the channel codes for private sector institutions, primarily to ensure their mutual exclusivity and also better identify sub-sovereign entities (e.g. municipalities, state-owned enterprises). The Secretariat recalled that some of the
codes were proposed to allow the derivation of current Table DAC1 aggregates from the CRS, but the question of which aggregates to collect in the modernised system remained to be discussed. The Chair urged members to move forward on this issue so that the WP-STAT can focus its efforts in 2015 on other major areas of work.

Immediate actions:

- Members will provide further comments in writing by 31 March 2015.
- The Secretariat will integrate the proposal in the draft revised Directives for consideration by the WP-STAT May meeting.


13. Members expressed their preferences toward the institutional and instrument-specific approaches and agreed that both needed to be further developed. Noting that the instrument-specific approach was more in line with the current Directives (point of measurement) and that the institutional approach did not capture the full spectrum of private-sector instruments, the two ways that could be seen going forward were: i) a stand-alone implementation of the instrument-specific approach; or ii) a co-existence of the institutional and instrument-specific approaches. Members generally considered that safeguards needed to be built in the system; however, introducing concessionality thresholds for lending to the private sector was seen as counter-intuitive and thus discouraged. The EIB mentioned a note developed by the MDBs in 2013\(^1\) which could be relevant in the consideration and elaboration of safeguards to prevent over-subsidisation of the private sector.

14. It was noted that if the two approaches were to coexist, it was essential to ensure statistical consistency and credibility of the data resulting from the two approaches. Further work on the instrument-specific approach – which could build on the Secretariat’s paper DCD/DAC/STAT(2015)3 – could possibly help to identify the basic principles on which the criteria for assessing the eligibility of the transactions between a donor and its DFI under the institutional approach could be developed.

15. As regards potential other approaches, members made no explicit suggestions, but commented on possible variants of the institutional and instrument-based approaches (e.g. grant equivalent based institutional approach and flow-based instrument approach).

16. The Secretariat emphasised that the question of incentives had not been addressed in the paper, but would be included in subsequent analyses and presented for discussion by the DAC. Comments made by the WP-STAT in this regard will be taken into account in the preparation of the paper to the DAC.

Immediate actions:

- Members will provide their written feedback on the questions in the paper by 20 March 2015.
- A second iteration of the paper reflecting members’ feedback will be prepared for consideration at the WP-STAT May meeting.
- In response to requests from several members, the Chair encouraged interested members to contact him to discuss in detail some of the technical aspects of the approaches.

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\(^1\) DFI Guidance for Using Investment Concessional Finance in Private Sector Operations.
4. HLM outcomes: Pursue work on measuring development finance beyond ODA


17. The Chair briefed members on his meeting with representatives from the business community in the UN context. The business community was eager to see the mobilisation measure come to fruition; the new measure would complement efforts by the community to measure the performance and effectiveness of their activities in development.

18. Members welcomed the proposal for revising the Directives and reporting forms to set up the framework for data collection on amounts mobilised from the private sector. They acknowledged that the methodologies only covered a first set of instruments (guarantees, syndicated loans and shares in collective investment vehicles) and that others would need to be elaborated. Members also suggested further analysis on complex financial packages that use more than one instrument and generally agreed that a universal identifier was needed to track mobilisation for one initiative across actors. It was noted that the methodologies to measure mobilisation remained work in progress but represented a good start toward a first international standard in this area.

Immediate actions:

- The Secretariat will incorporate the proposed changes to reporting forms in the revised Directives for consideration by the WP-STAT in May.

- The methodologies in DCD/DAC/STAT(2015)8 will be piloted in the forthcoming Survey on mobilisation, the results of which will contribute to preparations for the Financing for Development Conference in Addis Ababa.

4.b Total Official support for Sustainable Development (TOSSD) and recipient resource inflows (oral presentation)

19. The Secretariat presented the status of work on the new measure of total official support for sustainable development (TOSSD). It noted that, following the HLM agreement on concessionality and the fact that modernised ODA would measure loans on grant equivalent basis, the coverage of TOSSD in terms of the financial instruments covered and their measurement on flow basis could now be clearly illustrated. It explained that further work on the measure would be based on the building blocks presented in annex 3 of the HLM communiqué. A key question for consideration was the treatment of private finance mobilised either as part of, or additional to, TOSSD. The Secretariat’s presentation also illustrated how one could derive from the TOSSD concept more comprehensive data on resource inflows than at present. Broad consultations on the scope of the TOSSD concept would be organised with the broader development community in the course of the year, both at the political level (e.g. meetings of the DAC Chair, side events in conferences on development finance) and with development practitioners and lead thinkers (e.g. a workshop to this effect would be organised in the beginning of May).

20. In response to members’ questions and comments on TOSSD, some of the features of the concept that had been discussed in the DAC in 2014 were clarified. It was stressed that the purpose of TOSSD was not to replace ODA but to improve the measurement of development finance, and incentivise the mobilisation of resources for development, beyond ODA. It was noted that the TOSSD headline figure would be published on gross disbursement basis, but net disbursements would be collected for the purpose of accurately reflecting resource inflows. Moreover, the DAC had discussed the relation between official resources and instruments and private resources mobilised and there was agreement to give more visibility
on these resources in the statistical system, also in order to enhance understanding of how financing packages come together. The possible inclusion of private resources mobilised in the TOSSD measure is however still under discussion. As regards the timeline, the Secretariat explained that decisions on the scope of the measure and the definitions of the building blocks, in particular in terms of enablers of development and the definition of sustainable development, could only be taken after the SDGs had been agreed. More broadly, the link between TOSSD and the means of implementation of the post-2015 SDGs could be further explored [e.g. developing additional indicators for the monitoring technology transfer or capacity building beyond the current framework based on reporting on expenditures in monetary (USD) terms].

21. Members expressed the view that the reporting by multilateral organisations in DAC statistics should also be addressed in the TOSSD context. Ideally all multilaterals included on Annex 2 should be requested to report to the DAC so as to capture development co-operation provided through core contributions to these organisations (and to better reflect these unearmarked contributions in subsequent analyses, for example, on the geographical breakdown of development finance). Similarly, TOSSD should facilitate the capturing of activities funded in developing countries through core contributions to NGOs. The ongoing pilot exercise on channel codes was relevant in this context.

**Next steps:**

- Members were encouraged to contact the Secretariat to pilot the TOSSD concept in their administration. The UAE had confirmed its intention to undertake a TOSSD pilot during the first half of the year.

22. In response to members’ comments on the collaboration with DFIs on the various topics in the workplan on development finance, the Secretariat informed members of the plans for broader DAC work on private sector. These would be further discussed at the 10 March 2015 DAC meeting but involved: i) strengthening the discussions in the Advisory Group on Investment for Development (AGID, joint body of the Investment Committee and the DAC); and ii) setting up a DFI advisory network to bring in DAC work more expertise on mobilising private finance for development but also address issues such as the confidentiality of DFIs’ operations.

5. **Other elements of post-2015 agenda**


23. Main points emerging from the discussion on the comprehensive review of purpose codes and policy markers were as follows:

- **Clean-up of the classifications:** members did not wish to remove purpose codes as this would jeopardize the granularity of the sector classification; in any case, the assessment on what sectors should be maintained should not be based solely on volumes reported, as this would be skewed towards costly activities. One member suggested a review of the research-related purpose codes in this context so as to make the classification more coherent. For markers, several members would agree that the PD/GG marker was redundant and could be dropped, while a few were hesitant and suggested improving its definition.

- **Identification of gaps in the classifications in relation with the new SDGs:**
Members generally welcomed the initiative to revisit and modernise the classifications, but warned, based on past attempts with the MDGs, that a comprehensive mapping of purpose codes and markers with the SDGs would be too ambitious an exercise. Some members pointed that the architecture of the DAC databases was a related issue, as in their view it needed to better reflect the multidimensional nature of aid contributions (e.g. multiple purpose codes). Further discussion will be required as there will be external pressures to assess provider input to the SDGs.

- Members warmly and broadly supported the introduction of the proposed new purpose code for “ending violence against women and girls”.

- Members also supported the introduction of a “dummy” purpose code for voluntary reporting on “tax administration”.

- There was no opposition against the proposed “Non-communicable disease control” purpose code, but some members requested further clarification on this proposal.

**Immediate actions:**

- The proposal for introducing a new purpose code for “ending violence against women and girls” will be slightly adjusted based on comments made during the meeting, and submitted to GENDERNET and WP-STAT for approval through the written procedure.

- The Secretariat will send a note to members to provide them with the “dummy” code to use to voluntary report on “tax administration” starting with their reporting on 2015 data. The definition for that code will draw on a proposal earlier made by the United Kingdom [DCD/DAC/STAT(2014)7].

- The Bureau will inform members of other next steps with regard to the review of purpose codes and policy markers in light of the new SDGs.

**5.b. Contribution to broader transparency efforts, including the Busan Common Standard: assessing transparency of statistical information (CRS/FSS) [DCD/DAC/STAT(2015)4]**

24. The Secretariat presented its proposed approach to contribute to measuring transparency of CRS/FSS reporting in the context of the Global Partnership for Effective Development Cooperation (GPEDC) monitoring. The paper had been drafted in accordance with the general view that members had expressed in the September 2014 WP-STAT meeting about the inherent differences between CRS/FSS (representing “statistics”) and IATI (representing “management data”), which meant that transparency had to be assessed in a differentiated manner. The suggested approach was to contribute to the refinement of the transparency assessment methodology undertaken by the Joint Support Team in preparation of the 2nd monitoring round planned end of 2015-early 2016.

25. Responding to the comments from several members, the Secretariat provided clarification on situating the proposal in a broader context. The Secretariat also reassured members on its continued collaboration with IATI and confirmed that IATI had been invited to the meeting. The suggested approach was generally welcomed although a few members emphasised that work in this regard should be complementary to and support the existing work ongoing in the GPEDC on the transparency indicator and not aim to create a standalone transparency indicator. One member also emphasised that transparency efforts should build on existing requirements so as not to create additional burden on new reporters.
Immediate actions:

- The Secretariat will integrate and pilot the new framework as part of the yearly review of members’ data normally presented at the formal meeting.
- The Secretariat will collaborate with the Joint Support Team to refine the transparency indicator.

6. Update on work on in-donor costs (oral presentation)

26. The Secretariat explained that streamlining reporting on in-donor costs was part of the broader ODA modernisation and included in the development finance work plan of the DAC for 2015; the work had been mandated at the Senior Level Meeting in March 2014. For the sake of credibility, it was important to produce streamlined reporting instructions for inclusion in the revised Directives by the end of the year. Work had started last year in a meeting of the WP-STAT Task Team on in-donor costs; that discussion had focused on in-donor refugee costs taking the 2012 Secretariat’s review of members’ reporting methodologies as a starting point. One clear result from the meeting had been that the definition of a refugee should be better specified in the Directives (identification at the time of application rather than decision). For administrative costs, there was no background document on members’ methodologies, and work remained to be planned.

Next steps:

- The Task Team would hold a second discussion on in-donor refugee costs in the margins of the WP-STAT in May 2015 (e.g. lunch discussion). Interested members can join the Task Team at any time.
- On that basis, the Secretariat will put forward a proposal for revised reporting instructions on in-donor refugee costs, for consideration at the WP-STAT meeting in the Fall.
- The Secretariat will propose an approach for work to streamline reporting on administrative costs. Members were invited to provide the Secretariat with information they would have on this item.

7. Update on peace and security task team (oral presentation)

27. Catherine Graf, the Swiss Delegate and co-chair of the Task Team, provided an update on this work. She recalled that the Task Team was comprised of 12 members (6 from INCAF and 6 from WP-STAT) and had a mandate until the end of the year with terms of reference approved by the DAC. She stressed that work on ODA eligibility of peace and security expenditures was politically sensitive and that for this reason the Task Team was reporting directly to the DAC. During the first two meetings of the Task Team (October 2014, February 2015), discussions had focussed on clarifying the Directives which had been examined paragraph by paragraph. This had brought to light that some paragraphs had become obsolete, while others were not well known to members. Proposals for editorial changes will be developed for the 3rd meeting of the Task Team in July. As regards the consideration of ODA eligibility of new items, no conclusions had been reached. Mindful of the political risks involved in discussing the eligibility of activities touching upon SDG 16 at this stage, the Task Team would follow a cautious approach and proceed at slower pace.
Next steps:

- A report on the 2nd meeting of the Task Team will be presented to the DAC in the second quarter of the year. The DAC will be also invited to address the expansion of the terms of reference of the Task Team to cover peace and security in the context of TOSSD.

- The 3rd Task Team meeting of the Task Team will be held in early July.

8. Quality dimension: Tying status (oral presentation)

28. Following earlier discussions on the tying status of certain aid categories, Canada presented a draft proposal it had developed with Austria, Belgium, Germany and Switzerland and suggested circulating the draft for members’ comments, possibly at the May meeting of the WP-STAT. The draft proposal listed four possible criteria for determining cases in which aid untying was deemed irrelevant:

1. The assistance does not offer any opportunity to untie (through procurement etc.).

2. The assistance relates to costs which are imputed after the fact.

3. Expenditures relate to donors’ internal policies to manage populations within its borders and cannot reasonably be substituted.

4. Situations where it would be unreasonable or ineffective to untie aid (e.g., untying would substantially increase time and cost of delivery without yielding the expected benefits of foreign procurement).

29. The draft proposal also suggested to include in the CRS a field for recording the amounts of aid that were deemed “not untiable” in order to improve consistency in members’ reporting on this item.

30. The Secretariat indicated that the draft proposal seemed to run counter to the OECD views that competition results in efficient allocation of resources. Furthermore, the proposed criteria failed to take account of existing DAC rules on good procurement practices and principles on humanitarian assistance. Finally, the criteria could set precedents for considering more items to be “not untiable” which was not recommendable. Declaring aid categories as “not untiable” should rather be done on a case-by-case basis, if members deemed this necessary for political reasons. The discussion was inconclusive with the proponents arguing for their draft proposal, while others were not convinced and thought it would instead create confusion.

Actions:

- Canada and the Secretariat will work together to draft a proposal that could generate consensus.

9. Any other business

31. The Secretariat informed members of a note it had prepared on the valuation of Certified Emission Reductions (CERs) resulting from Clean Development Mechanism projects supported by ODA. Following a DAC agreement in 2004, donors are required to include in their ODA reporting the value of CERs received in that context (negative ODA). In response to a request received from Korea, the Secretariat note proposes a reference price approach for the valuation of CERs. It will be submitted for approval, under the written procedure, by ENVIRONET and WP-STAT and thereafter by the DAC.
32. Canada expressed concern that aid to LDCs was being measured differently in various reports and expressed its interest in working with the Secretariat to develop a standard methodology. The Secretariat mentioned that it had begun work on improving the geographical and income group breakdown/attribution of contributions to regional programmes and organisations. This issue was also brought up by members during the TOSSD discussion on the recipient receipts metric.
SUMMARY OF WORKSHOP ON DAC STATISTICAL REPORTING (4 MARCH 2015)

33. The Secretariat gave an in-depth presentation of the data verification and validation process that it undertakes from the moment reporting files are received by donors to the moment the data are disseminated on-line.

34. The workshop helped provide a better understanding of all the work in the Secretariat to ensure the data were conform to the statistical reporting directives and that reporting was on the same basis for all donors. The Secretariat also encouraged donors to incorporate validation checks in their internal systems, based primarily on the CRS Checklist (http://www.oecd.org/dac/stats/documentupload/DCD-DAC-STAT(2014)8En.PDF) to avoid the often tedious correspondence during the validation process. To facilitate this, the Secretariat will make the algorithms it uses for integrity checks available to members.

35. The workshop provided a basis for exchange between members on the difficulties some have in collecting the data from their contributors and managing their systems.

WORKSHOP ON SHARING BEST PRACTICES AROUND DATA ISSUES (4 MARCH 2015)

36. This member driven workshop provided the opportunity for members to exchange views and good practices on data management systems and mechanisms. Denmark presented a paper on issues it faced with Master Data Management [DCD/DAC/STAT/RD(2015)2/RD1].

37. The workshop highlighted the difficulties and insufficient resources many donors face in managing their aid systems. Each donor has a unique system in place to meet internal and external demands. Some have robust systems (ORACLE, SAP, SQL), others use web platforms to collect data, but for many compiling aid statistics – especially for OECD/DAC purposes – is still a complex and manual process. Three-quarters of the participating donors had statistical teams of less than 4 people.

38. The Secretariat showed various resources available to assist donors in the DAC reporting process, such as the codes list (available in excel and xml). This codes list will be expanded to include all channel codes and not just main channels of delivery. In addition, the Secretariat reiterated that it would make the algorithms it uses in its own systems to validate data available to members as well as an updated version of the tables that describe the compilation of DAC tables from CRS activity level data. The Secretariat also reminded members that it was available to undertake missions to capitals to assist reporters from a substantive but also technical point of view. Some assistance and guidance can also be organised using video-conferencing.

39. Participants welcomed the Secretariat’s proposal to revive the WP-STAT community space to continue exchanging informally knowledge on systems, data validation procedures, training materials, presentations, validation algorithms etc. Participants will be sent information to access this community space and will be advised to set-up notification alerts so they remain abreast of ongoing discussions and new content being posted.

40. The Secretariat invited members to inform it by e-mail to dac.contact@oecd.org if the links to national data portals that were available at present on the DAC statistical website were still valid (http://www.oecd.org/dac/stats/dataportals.htm).