

DEVELOPMENT CO-OPERATION DIRECTORATE

**Measurement issues: Relevant international statistical norms and valuing technical co-operation**

**First TOSSD Task Force Meeting**

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## Measurement issues: Relevant international statistical norms and valuing technical co-operation<sup>1</sup>

*TOSSD Task Force Issues Paper*  
6 July 2017

### I. INTRODUCTION

1. This paper sets out two key measurement issues relevant to the TOSSD cross-border flows pillar: i) whether flows should be measured on a gross or a net basis and ii) the valuation of technical co-operation, which does not necessarily involve cross-border fund transfers. The key questions underpinning these issues are:

- Is information on reflows required for i) establishing a complete and transparent picture of cross-border flows to developing countries supporting sustainable development and ii) making it possible to compare these flows across countries?
- How might technical co-operation be valued so that TOSSD data present a comparable, appropriate and balanced picture of support extended to developing countries?

2. Agreement on these issues will be necessary in order to ensure the consistency and coherence of the TOSSD measurement framework and to secure support from a broad range of development actors and stakeholders, including South-South and triangular co-operation providers who play an important role in providing technical co-operation to developing countries.

### II. MEASURING FLOWS ON A GROSS OR NET BASIS

3. In order for TOSSD data to provide a full picture of development co-operation projects and other support it will need to furnish relevant financial information on these projects over time. A project becomes concrete when it is approved by both the provider and the recipient institution(s): this is when there is a firm commitment from all parties for it to be implemented. Data on subsequent disbursements and possible reimbursements are required in order to monitor the actual transfer of resources while the project is being implemented and operationalised.

#### Key relevant points from the TOSSD Compendium

4. In June 2016, a “TOSSD Compendium”<sup>2</sup> spelling out the proposed structure, definitions and key statistical features of the measurement framework was posted on-line in a special consultation permitting the international community to react to the then-current thinking regarding TOSSD. As regards the gross vs. net flow issue, the Compendium proposed i) that TOSSD data be compiled on a calendar year basis (given that fiscal years vary across providers) and ii) that measurement be on a flow basis and ideally at activity level, including information on commitments, associated disbursements and repayments as well as other reflows. The Compendium further suggested that

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<sup>2</sup> Please see paragraphs 54, 78, 80 and 81 of the TOSSD Compendium available at <https://www.oecd.org/dac/financing-sustainable-development/TOSSD%20Compendium2016.pdf>

TOSSD headline figures be presented on a gross disbursement basis in order to reflect the totality of resource inflows at developing country level – but that information on reflows (including repayments of loans, repatriation of capital and occasionally recoveries on grants) would be collected over time for transparency purposes and presented separately.

5. The TOSSD Compendium posed the following question to the international community:

*Would the “gross” basis be the most appropriate for publishing TOSSD data, supplemented by information on reflows for transparency purposes?*

### **Reactions and feedback from the international community**

6. Seven of the nine countries/institutions responding to this question advocated using “net” flows as the main measure for TOSSD flows. One country supported publishing data on gross flows supplemented by information on reflows, while another opposed collecting information on reflows and dividends.

#### **Issue for discussion**

TOSSD Task Force members are invited to express their views regarding the following question:

*The international community has signalled broad support for collecting and publishing information on TOSSD on a net basis, showing both disbursements and reflows. What is your view on this matter?*

### **III. MEASURING TECHNICAL CO-OPERATION**

7. Technical co-operation can take the form of a resource flow crossing borders if it is included in a project financing arrangement. Far more frequently, however, technical co-operation is provided in the form of consultants or experts whose salaries are paid by a provider country and in which case there is no financial flow visible to the developing country. Establishing an agreed methodology to measure the “cost” of providing this type of technical co-operation (e.g. salaries) is essential since it is a widely used modality of development co-operation and, in the case of some providers, represents the bulk of their support to developing countries. Providers beyond the Development Assistance Committee (DAC) membership have reasonably argued that the current methodology used in DAC statistics does not present a balanced and appropriate picture as it does not reflect price level differences (and therefore the relative purchasing power of currencies) across different provider countries. For example, why does a European consultant in Bolivia count for much more development co-operation than an Argentinian consultant or seconded public servant?

8. In the OECD DAC statistical system, technical co-operation covers both project-type interventions (projects generally aimed at the transfer of technical and managerial skills or of technology for the purpose of building up national capacity in developing countries) and the free-

standing provision of know-how in the form of experts, personnel, training and research, and of scholarships.<sup>[1]</sup>

### Key relevant points from the TOSSD Compendium

9. The Compendium recognised the importance of having comparable data regarding technical co-operation supplied by different providers<sup>3</sup>, and therefore proposed applying the Purchasing Power Parity (PPP) methodology when measuring these resources. The PPP conversion factor is defined as “the number of units of a country’s currency required to buy the same amount of goods and services in the domestic market as a U.S. dollar could buy in the United States” (World Bank, 2005)<sup>4</sup>. Applying PPP in the context of international co-operation would enable technical co-operation contributions to be valued on a comparable basis.

10. The Compendium further suggested that the PPP conversion factor be applied by the institutions collecting and publishing the data using an automated procedure. From a technical point of view, this is feasible and does not present a reporting burden for either the institutions reporting or the institution collecting and publishing the data. PPP-converted TOSSD would facilitate a more judicious and balanced measure of cross-border technical co-operation support. It would thus complement the USD value of the TOSSD flow.

11. In the context of the TOSSD consultation, the following question was posed to the international community:

*Should differences in price levels between countries be factored into TOSSD data in order to provide a more judicious and comparable measure of resources? Should the PPP conversion factor be applied to all TOSSD modalities, or possibly just to parts of it (e.g. technical co-operation, aid in-kind)?*

### Reactions and feedback from the international community

12. Out of 12 organisations/countries that provided feedback on the TOSSD Compendium regarding this question, eight were in favour of the use of the PPP measurement methodology. Three of them were in favour of applying it to all modalities of co-operation, and two of having both USD equivalents and PPP equivalents presented in parallel in the measurement framework. Only two countries opposed the use of PPP, arguing it could present a distorted picture. Moreover, one organisation proposed having separate measures, one for cross-border financial flows and one for cross-border resource flows through technical co-operation. One organisation further suggested bringing providers from the South into the discussion.

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[1] See paragraphs 173 and 174 of OECD DAC statistical converged reporting directives available at [http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DCDDAC\(2016\)3FINAL.pdf](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DCDDAC(2016)3FINAL.pdf)

<sup>3</sup> See paragraphs 96-100 of the TOSSD Compendium.

<sup>4</sup> URL

[http://databank.worldbank.org/data/Views/Metadata/MetadataWidget.aspx?Name=2005%20PPP%20conversion%20factor,%20GDP%20LCU%20per%20international%20\\$&Code=PA.NUS.PPP.05&Type=S&ReqType=Metadata&ddlSelectedValue=MDG&ReportID=50247&ReportType=Table](http://databank.worldbank.org/data/Views/Metadata/MetadataWidget.aspx?Name=2005%20PPP%20conversion%20factor,%20GDP%20LCU%20per%20international%20$&Code=PA.NUS.PPP.05&Type=S&ReqType=Metadata&ddlSelectedValue=MDG&ReportID=50247&ReportType=Table) (accessed 29 June 2017)

### Issues for discussion

There are different alternatives for measuring non-monetary flows. Task Force members are invited to give consideration to the following questions:

*Would the use of PPP provide a more consistent, comparable picture of technical co-operation provided by diverse providers? Are there any other methodologies that could be alternatively used (e.g. number of projects or person-hours)?*

*If PPP equivalents are to be used for TOSSD:*

- *Should it be applied only to technical co-operation or to all TOSSD modalities?*
- *Should national currencies, USD and PPP be measured simultaneously and in parallel or should PPP-adjusted TOSSD be the main measurement for TOSSD?*

*What are recipient countries' views on this issue?*