

Expert Reference Group Meeting – 3-4 October 2013

Session 2 – New Measures of National and Official Development Finance?

Discussion Paper¹

Background

The 2012 [DAC High Level Meeting](#) agreed to “elaborate a proposal for a new measure of total official support for development”, and others have proposed new measures of total national development effort.

Among the main aggregates produced from DAC statistics at present are:

- **Total net resource flows for development** – all official and private flows, measured on a cash basis, net of repayments but not net of earnings. There is a [UN target of 1% per cent of national income](#) for this measure, though it has fallen out of use since the level of private flows is outside government control.
- **Total official flows** – the sum of concessional and non-concessional flows to developing countries, including export credits which have a primarily commercial motive. A target of 0.75% of donors’ national income for total net official flows was [proposed at UNCTAD II](#) in 1968, and adopted by some donors at the time, though this is largely forgotten.
- **Official development finance (ODF)** – this consists of all developmentally-oriented finance from bilateral and multilateral official sources. The inclusion of the outflows of multilateral agencies means ODF is measured as receipts of developing countries, not for individual donor countries, and there is therefore no official target for this aggregate.
- **Official development assistance (ODA)** – this can be measured gross or net. There is a long-standing and politically prominent [UN target for net ODA of 0.7%](#) of donors’ national income.

Issues

Participants’ comments are invited on the following questions concerning possible new measures of both official financing, and aggregate national effort for development. Some explanatory comments and suggestions have been included to aid reflection.

- **What should be included in a new headline measure of official development effort? How best to measure “provider budgetary effort”? How to better identify actual resource transfers (“recipient benefit”) to developing countries? What should be included in these two potential measures?**

¹ The ideas expressed in this working paper do not necessarily represent views of the OECD, the OECD’s Development Assistance Committee (DAC), or their member countries, or the endorsement of any approach described therein.

The proposal to measure both donor effort and recipient benefit, endorsed by the DAC High Level Meeting in 2012, mainly related to ODA. But it could also apply to a broader measure of development flows. If the focus is on recipient benefit, then ODF should perhaps be revisited to ensure its contents are up-to-date. If the focus is on provider budgetary effort, then several existing measures could be given prominence, including net ODA, gross ODA, and total official flows. It might also be worth investigating the [ECDPM concept](#) of splitting “other official flows” into developmentally motivated and other flows. This would allow “developmental OOF” to be added to ODA to form a new measure of “official development flows”. This total would need to be measured gross to distinguish it from ODA, since the OOF component would be non-concessional, i.e. subject to repayment, and therefore sum to zero in the long run.

- **How can a framework for measuring and monitoring external development finance be fully representative of today’s development landscape? How can it better integrate new actors and serve the interests of all stakeholders (e.g. how to better represent South-South cooperation, technical assistance and alternative forms of cooperation).**

South-South providers of development co-operation point to several differences in their programmes which make application of the DAC statistical framework problematical. First, they may conceive of their co-operation more as mutually beneficial arrangements than as “assistance”. Second, the relatively small difference in income levels between them and the countries they help makes it unrealistic to apply burden-sharing concepts or aid volume targets. Third, they point out that converting the cost of their assistance into relatively hard currencies understates the real transfer of resources, especially having regard to the nominal wage levels of their technical assistance personnel.

It may help to address these concerns if data on South-South co-operation were presented at PPP conversion rates as well as using exchange rates. It might also be emphasised in presenting South-South efforts that aid targets were specified for “economically advanced countries” and were not designed to apply to other sources of development co-operation. Less emphasis on volume and more on the nature and effects of South-South co-operation may also be warranted. However, where flow statistics are concerned, there are clearly advantages in a uniform system of measurement across all providers.

- **How can a new framework better record resources provided to developing countries through market-like instruments (risk mitigation instruments, equity investments)?**

Risk mitigation instruments such as guarantees and insurance are playing an increasing role in cross-border development finance. However, they are “flow facilitators” rather than flows themselves. A recent DAC study of guarantees suggests that a separate data collection should be made on them, concentrating on the amounts mobilised by the guarantees. In most cases it appears that no net budgetary effort involved, as the guarantees are purchased. However there may be a case to count as ODA the value of any guarantee offered for free by a donor government, provided that there is no double counting later in respect of those guarantees that are called and result in actual indemnification payments.

Equities are already counted in DAC statistics, but on a cash basis. This means that the actual purchase and sale prices for equities are recorded as positive and negative flows respectively. Some have suggested that, in order to encourage equity investment, sales should in future be recorded only at “book value”, i.e. at the price originally paid, not the actual receipts from the eventual sale.

- **Similarly, what additional measures (e.g. overall national effort) would provide a more inclusive picture of the new development landscape – beyond the measures suggested above to better monitor “provider effort” and “recipient benefit”?**

Several suggestions have been made over the years to go beyond “Total net resource flows for development”, the widest of the existing DAC aggregates. For example, in 2006, the Hudson Institute proposed a measure of [“total economic engagement”](#) including remittances and a wider capture of private efforts, including volunteer time, the work of religious bodies, and vaccine donations by pharmaceutical companies. In 2009, Italy proposed to the G8 a similar approach designed to measure “whole of country” effort in favour of development. The OECD subsequently elaborated this idea to include most of the Hudson ideas plus a “tracking tool” to examine the effects on development of a variety of donor policies.

The [World Bank](#) has assisted discussions of the Whole of Country approach (WOCA) but it has also been the subject of [criticism](#) by [NGOs](#). There are significant issues of data availability and reliability in respect of several aspects of the both the total economic engagement and WOCA proposals.