Meeting of the Expert Reference Group
OECD Conference Centre, Paris

23-24 January 2014

MEETING REPORT

This summary record covers the 23-24 January 2014 meeting of the Expert Reference Group on External Financing for Development (ERG). Supporting documents that are available on the internet are linked within this document, including the agenda. Documents not available on the web are attached as annexes.

Introductory Session

The meeting was opened by the Chair of the OECD Development Assistance Committee (DAC), Mr. Erik Solheim. He outlined the modern development finance landscape, the growing role of non-DAC and private flows and the need to consider the expanded nature of post-2015 goals encompassing the development, sustainability and global public goods agendas. He asked that participants emphasise simplicity and effectiveness in modernising the statistical system rather than seeking technical perfection. He also asked the experts to remember the core objectives of having a system that maximises both flows and their effectiveness and that can be utilised by the wider international community as it pursues the post-2015 goals.

Session 1 – The inner circle: from ODA to a narrower measure of donor effort?

Mr. Jon Lomøy, Director of the OECD Development Co-operation Directorate, provided introductory remarks and Ms. Julia Benn made a presentation outlining the three main options for modernising ODA from DCD/DAC(2014)3:

1. Focused ODA by only measuring expenditures and excluding in-donor country costs;

2. Revise ODA by measuring grant equivalents and streamlining in-donor cost reporting; and

3. Broaden ODA by measuring gross flows.

Mr. Gyan Chandra Acharya made introductory remarks, and supplied additional commentary on the UN's SDG setting process (Annex 2). Prof. Chaturvedi made a brief presentation, which can be found in Annex 3.

Mr. Acharya emphasised the strong desire from within the UN to retain a strong commitment to countries with the greatest needs, that ODA was a particularly well-suited vehicle for doing so and as such, caution must be applied less any changes dilute its value. Mr. Acharya's preferred approach to modernising ODA was to make it more robust and targeted at those countries in greatest need and to focus on cross-border flows.

Prof. Chaturvedi's presentation framed ODA relative to other forms for external finance that are typically available to developing countries such as remittances and foreign direct investment and how it fits with other DAC statistical measures such as Other Official Flows (OOF) and Country Programmable Aid (CPA). Prof. Chaturvedi argued for the modernisation of ODA to create a clear and simple measure based on grant equivalents that can fit alongside other DAC measures, including a new measure to capture non-ODA flows, in a system that should also prove useful to non-DAC providers.

Discussion

Experts agreed that the pressure was on to reform ODA, not least if the DAC is to remain relevant and the ODA measure credible. There was some discussion on the narrative underpinning ODA and the need to move beyond any focus on a single issue, such as poverty reduction, but to encompass the wider post-2015 agenda.

In terms of modernisation, experts preferred a hybrid option comprised of elements from both options 1 and 2 as outlined in DCD/DAC(2014)3, rather than the wholesale adoption of one option or another as detailed in the paper. In particular the tightening of reporting of in-donor costs (Option 1) and the adoption of an instrument neutral, grant equivalent based approach to ODA (Option 2). The ability of a new definition to incentivise the use of instruments that leverage private flows was also emphasised.

In addition, the experts discussed the UNDPKO's ongoing discussion regarding how to account for peace and security expenditure and noting that the outcomes from this should be considered by the DAC in terms of attributing such costs to ODA or a new, wider measure.

The ERG recommends:

- That a combination of options 1 and 2 from DCD/DAC(2014)3 be preferred with general support for moving to reporting on a grant equivalent basis. Option three was not preferred.

Session 2 – Country eligibility

Ms. Suzanne Steensen made an introductory presentation covering the main points of DCD/DAC(2014)4. The presentation highlighted the heterogeneity of countries on the DAC List of ODA Recipients and outlined two main challenges:

- The need to focus ODA on those countries in greatest need and with the least access to alternative external sources of finance; and

- The need to continue to support MICs in meeting their development challenges, including reducing inequality and financing the provision of global public goods.

Three main options were outlined for discussion:

1. Accelerating the graduation process from the DAC List of ODA Recipients;

2. Setting a voluntarily target of a greater share of ODA (e.g. 50%) to countries in greatest need; and

3. Maintaining the status quo as countries will continue to graduate under current policy settings.

The presentation was complemented by introductory reflections by Ms. Judith Randel and Mr. Daniel Titelman.

Ms. Randel focused on the potential negative effects of countries being removed from the list too early. Notwithstanding that many candidates for early graduation from the List may be UMICs, or even transitioning to becoming HICs, many such countries still face significant challenges regarding poverty. In addition, it is also highly likely that they will also be directly involved in meeting post-2015 goals as they include sustainability and the provision of global public goods. As such, an accelerated graduating process may well result in specific funds for action in these areas being cut off and the country being distanced from global efforts to meet such goals.

Mr. Titelman focused on the use of per-capita income as the sole graduating metric. He suggested that it is overly simplistic in that it fails to take into account a country's broader circumstances that otherwise affect its ability to continue to meet development challenges; let alone the expanded scope of the post-2015 goals. He supported his narrative with the example of the multifaceted criteria used to determine IBRD eligibility that include institutional capacity, access to capital markets and a measure of vulnerability.

Discussion

Discussants considered the role of ODA specifically in terms of poverty reduction from the perspective of the recipient country and the need for sustainable progress to be made across a broad range of development issues by LDCs. This led into a discussion of the merits of the current income-based graduation criterion from the List. It was concluded that the adoption of multifaceted criteria, including country stability, access to financial markets and other elements might provide for better outcomes.

The role of many MICs as donors was also considered as was the adoption of a broader range of objectives beyond development in the setting of the post-2015 goals. As such, it was concluded that while accelerated graduation may well have a first order impact to focus ODA on those in greatest need, the second order impact of excluding a number of MICs, with significant populations, would hinder the achievement of post-2015 goals.

The ERG recommends:

- ODA's role should be considered relative to its ability to support the attainment of the post-2015 goals;

- The premature removal of MICs from the list is likely to prove counterproductive to attaining post-2015 goals (particularly those relating to global public goods), would be politically damaging and could be expected to disrupt efforts for achieving wider co-operation between DAC donors and other providers;

- A better approach to meeting the objective of focusing ODA on those in greatest need would be to devise specific targets for ODA (Note – the OECD/DAC is monitoring the UN process with regard to defining such countries and how the current classifications of LDCs, Fragile States and LICs etc. will fall under this.); and

- That in order to ensure that countries graduating from the list are capable of sustained progress, that there is merit in considering an expansion of the current criterion for graduation to include other indicators.

Session 3 – From a political to a market perspective on concessionality?

The DCD's Mr Simon Scott made an introductory presentation covering the main points of a discussion paper on concessionality. Three main questions were presented for discussion:

1. Should a new discount rate for calculating the grant element be fixed or differentiated?

2. If it was differentiated, should it be risk-free, or risk-adjusted?

3. Should there be a concessionality threshold (ruling some loans in and some out while counting those in at their face value), or a continuum (acknowledging all levels of concessionality but counting only the grant equivalent as ODA)?

The presentation was complemented by opening remarks by Prof. Pierre Jacquet and Mr. Seán Nolan.

Prof. Jacquet supported the use of grant equivalents based on differentiated, risk adjusted rates as it captures the concessional part of any loan compared to that available on the open market.

He contended that it is the best measure of recipient benefit and also a realistic approximation of donor effort. However, the measurement of actual budgetary costs may be better yet as a measure of donor effort. One approach to this would be for an escrow account to be set up by the donor country and the reporting of allocations to it as ODA. The utilisation of these allocations, and transformation into different instruments, would be undertaken by financial institutions under a clear and transparent governance structure and strict financial monitoring. This approach could also minimise distortive end-of the year disbursement pressure to ramp up annual ODA figures.

With regard to the need for a concessionality threshold under a grant equivalent reporting scenario, Prof. Jacquet suggests there is no need for one. One argument for its omission is that having one can lead to perverse outcomes such as: 1) loans not being extended when they should simply because they would fail to meet the threshold, or 2) terms being written in excess of what is needed for the sake of having a qualifying loan, thus depriving other projects of funds.

Mr. Nolan contrasted the approach to measuring concessionality taken by the World Bank (WB) and International Monetary Fund (IMF) to that of the DAC and highlighted the different objective for doing so. The WB and IMF do not attempt to measure donor effort and recipient benefit but focus on debt sustainability. In addition, their focus is almost exclusively on a low income sub-set of countries with very limited access to financial markets. Mr. Nolan supports a shift to the DAC using differentiated, risk-adjusted discount rates and accounting of grant equivalents as a sound and legitimate approach to reporting ODA.
However, he cautioned that common, centrally agreed, risk adjusted rates should be used to prevent allegations of manipulation of ODA figures. Even then, commonly agreed, economically well justified rates may not withstand a critical assessment from NGOs that are wary of any lending rates above donor funding costs. He therefore suggested that the setting of an appropriate methodology should complement a revised definition of concessional in character. In addition, it should also be more in tune with the preferred approaches of NGOs such as the capping of lending rates relative to the borrowing rates faced by providers. The role of a risk adjusted rate would then be reserved for pricing donor effort of the provider.

Discussion

There was unanimity around the need to change the way ODA is reported and strong support to move to the grant equivalent approach based on risk adjusted rates that reflect market conditions. However, a note of caution was sounded with regard to the potential impact of using risk adjusted discount rates on the actual interest rate of loans. Since low income, fragile states tend to have the highest risk profiles, comparatively expensive loans to these countries would still qualify as ODA. While this is conceptionally appropriate, high risk does cause higher costs, it may lead to unsustainable interest rates and raise debt sustainability issues.

Initial ideas to mitigate this risk include the introduction of a ceiling on the risk adjusted discount rate or an absolute interest rate cap on ODA loans. Another approach could encompass direct links to the IMF's Debt Sustainability Framework in setting borrowing rates for countries under IMF auspices.

Experts recommended that further conceptual work be conducted before detailed financial modelling is undertaken.

The issue of simplicity and the ability of the general public to understand the approach being taken were also raised. The comment was made that the general public does not necessarily understand the current methodology and that the modernised system would in any case retain significant parts of it.

The ERG recommends:

- That for loans, differentiated, risk-adjusted, discount rates could be used to calculate a grant equivalent that is then recorded as ODA; and

- That safeguards are put in place to:
  - Ensure that risk adjustment is consistently applied;
  - Ensure that rate setting does not disadvantage those countries in greatest need;
  - Ensure the system does not make debt sustainability issues worse; and
  - Prevent allegations of profiteering or ODA inflation by donors in rate setting.

Session 4 – From a partial to a comprehensive broader measure of total support for sustainable development from official efforts?

The DCD's Ms. Julia Benn introduced the main points of DCD/DAC(2013)36 regarding a new measure of Total Official Support for Development.

Opening remarks were also made by Mr. Poul Engberg-Pedersen (see notes attached as Annex 4), and a presentation was made by Mr. Joachim Heidebrecht (Annex 5).

Mr. Engberg-Pedersen outlined the context for the creation of a broader measure based on the motivation to not only capture but incentivise additional resource flows beyond ODA. Part of the rationale for it would be to create more direct links between needs, politics and resources beyond ODA. In turn, this would allow for a strengthening of the role of ODA in tackling development specific issues such as poverty elimination and that ODA should be framed as such. A broader measure, could, however, be set in an alternative frame, one that emphasises its role as supporting broader sustainability and GPG goals, as encompassed by the post-2015 goals.

In addition, Mr Engberg-Pedersen emphasised the need, from both a recipient perspective, and in terms of tracking progress towards post-2015 goals, for outcomes to be measured.

Mr. Heidebrecht's presentation focused on the benefits of a broader measure being introduced to the DAC statistical system as a means of promoting other instruments. He illustrated his points using the example of blended loans which are characterised by having high levels of both promotional efficiency (no over or under subsidisation) and distributive justice (spreading the benefits across more beneficiaries).

He also cautioned against an overestimation of the potential of concessional finance; stating that it can neither substitute grants nor should it crowd out private finance. Yet Mr. Heidebrecht highlighted its potential to bridge the gap between pure grant and market finance, that it is an instrument to mobilise more resources for development, and that that should be adequately reflected in a revised DAC statistical system.

Discussion

The ensuing discussion focused on the rationale behind a broader measure, what to include, its relationship to ODA and its ability to be adopted by non-DAC donors, should they so choose.

Experts agreed that a new measure should cover the converged development, sustainability and global public goods agenda of the post-2015 goals. Different options were put forward on whether the same focus should apply to ODA, or whether ODA should remain development focused, with an emphasis on poverty reduction.
A split emphasis between ODA and another measure might better serve the marshalling of public support for both poverty reduction and the needs of LDCs and fragile states, as well as a separate sustainability and GPG agenda covered more broadly by the post-2015 goals.

On the other hand, a common narrative for ODA and a new measure might better recognise the link between development and sustainability and the fact that LDCs are also interested in meeting challenges beyond poverty reduction. In addition, it might prove easier to garner political support for a single narrative encompassing development, sustainability and GPGs. Finally, it was noted that a single narrative would not prevent individual donors from designing their programmes in line with their own priorities.

In addition, the experts agreed that the new measure should focus on flows from official sources, using Other Official Flows (OOF) as a starting point, before looking at how private flows mobilised by official ones might be quantified and recorded and that remittances and private foreign direct investment should be excluded.

The inclusion of export credits was considered a borderline decision. The inclusion of tax concessions was advised against. The inclusion of additional spending on peace and security expenditures, climate change and other items was debated but no firm conclusion was reached.

In general, the experts concluded that further analysis around the composition of a new measure was required. It was recognised that political support would be needed from within the DAC covering its purpose and scope, but that too wide a scope would render it meaningless.

The ERG recommends:

- The establishment of a broader measure to complement ODA;
- Such a measure must be underpinned by a clear narrative and be designed to support additional resource mobilisation;
- It should be developed in partnership with non-DAC providers to explore possibilities to move towards a shared measurement system;
- It should be limited to official flows with any expansion to include private flows mobilised by official ones subject to be carefully considered; and
- The measure should not include remittances, FDI or tax concessions.

DAC Delegates' debriefing

The DCD Director, Mr. Jon Lomøy and two of the experts, Mr. Tony Pipa and Prof. Age Bakker, debriefed DAC Delegates on the main outputs from the meeting.

On the modernisation of ODA

That a move to reporting on a grant equivalent basis was appropriate and that a combination of elements in options 1 and 2 from DCD/DAC(2014)3 is preferred. Option 3 was not preferred.

On country eligibility

That the first step in determining which countries should be eligible is to be clear about the purpose of ODA.

There was much debate around the impact on focusing aid on LDCs and the accelerated graduation of MICs. However, the balance of opinion was that premature (MIC) graduation would not help promote the attainment of post-2015 goals and would lead to political and credibility problems. Therefore, some sort of target for those countries in greatest need was the preferred method of channelling more ODA to those countries.

On concessionality

The use of differentiated, risk adjusted, rates and the recording of a grant equivalent amount as ODA is an appropriate method for calculating both donor effort and recipient benefit. Further analysis was suggested as to whether this method may need to be accompanied with some safeguards to prevent the notion of profiteering or the pricing of loans at levels that threaten debt sustainability. Approaches to this might include the setting of maximum discount or interest rates on ODA loans and/or linking the ODA eligibility of loans to WB/IMF concessionality criteria for countries under the IMF debt sustainability framework.

On the creation of a new measure (Total Official Support for Development)

Such a move was supported on the basis that a firm rationale for such a measure can be established. It should be designed to promote resource mobilisation and innovation and be focused on supporting the full range of post-2015 goals. Its scope needs further consideration, but it should initially be limited to official flows with further work needed on how private flows mobilised by official ones might be tracked. Remittances, FDI and tax concessions should not be included and it should be designed in consultation with non-DAC providers so that it is fit for their adoption should they so choose.

Annex 1 – Meeting Participants

***EXPERTS** (in alphabetical order)*

Mr. Gyan Chandra ACHARYA	*Under-Secretary-General and High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States* *United Nations (UN-OHRLLS)*
Prof. Age BAKKER	*Chairman* *Netherlands Committee for Financial Supervision*
Dr. Sachin CHATURVEDI	*Senior Fellow* *Research and Information System for Developing Countries (RIS)*
Mr. Poul ENGBERG-PEDERSEN	*Deputy Director General and Managing Director* *International Union for Conservation of Nature*
Mr. Joachim HEIDEBRECHT	*Division Chief* *Department of Development Research* *KfW*
Prof. Pierre JACQUET	*President* *Global Development Network*
Mr. Sony KAPOOR	*Managing Director* *Re-Define*
Mr. Geoffrey LAMB	*President, Global Policy and Advocacy* *Bill and Melinda Gates Foundation*
Prof. Mthuli NCUBE	*Chief Economist and Vice President* *African Development Bank*
Dr. Sean NOLAN	*Deputy Director* *Strategy Policy and Review Department* *International Monetary Fund (IMF)*
Mr. Anthony PIPA	*Deputy Assistant Administrator* *Bureau of Policy, Planning and Learning* *U.S. Agency for International Development (USAID)*
Ms. Judith RANDEL	*Co-founder and Executive Director* *Development Initiatives*

Mr. Daniel TITELMAN	*Director* *Financing for Development Division* *United Nations Economic Commission for Latin America and the Caribbean (ECLAC)*
Mr. Alexander TREPELKOV	*Director* *Financing for Development Office* *UN-DESA*

OECD-DAC CHAIR AND BUREAU MEMBERS

Mr. Erik SOLHEIM	*Chair* *Development Assistance Committee (DAC)* *Organisation for Economic Co-operation and Development (OECD)*
Mr. Jean-Christophe DONNELLIER	*Minister-Counsellor for Economic Affairs* *DAC Vice-Chair and DAC Permanent Delegate* *Permanent Delegation of France to the OECD*
Ms. Ana Paula FERNANDES	*Counsellor* *DAC Vice-Chair and DAC Permanent Delegate* *Permanent Delegation of Portugal to the OECD*
Ms. Yukiko OKANO	*Counsellor* *DAC Vice-Chair and DAC Permanent Delegate* *Permanent Delegation of Japan to the OECD*

OTHER

Mr. Maher MAMHIKOFF	*Chair* *OECD/DAC Working Party on Development Finance Statistics*

OECD SECRETARIAT

Mr. Jon LOMØY	*Director* *Development Co-operation Directorate*
Mr. Serge TOMASI	*Deputy Director* *Development Co-operation Directorate*

Mr. Simon SCOTT	*Head of Division* *Statistics and Development Finance* *Development Co-operation Directorate*
Ms. Julia BENN	*Senior Policy Analyst* *Statistics and Development Finance* *Development Co-operation Directorate*
Ms. Suzanne STEENSEN	*Senior Policy Analyst* *Statistics and Development Finance* *Development Co-operation Directorate*
Mr. Jean TOUCHETTE	*Senior Policy Analyst* *Statistics and Development Finance* *Development Co-operation Directorate*
Ms. Claudia SCHMERLER	*Senior Policy Analyst* *Statistics and Development Finance* *Development Co-operation Directorate*
Mr. Jens SEDEMUND	*Executive Advisor to the Chair* *Development Assistance Committee*
Ms. Lauren BRADFORD	*Policy Analyst* *Statistics and Development Finance* *Development Co-operation Directorate*

Annex 2 – Background notes for the intervention by Mr. Gyan Chandra Acharya, High Representative (UN-OHRLLS) at the 23-24 January 2014 meeting of the Expert Reference Group on Development Finance

During the meetings on SDGs being held in New York, what is coming strongly is that SDGs have to be ambitious, integrated, holistic and universal, but should also take into account different conditions and situations around the world. MDGs focussed the global attention and support and thus spurred national commitments to make good progress in some of the core areas of human development, but it is far from success everywhere. Especially the vulnerable countries like LDCs and among them in countries affected by conflict, many of the MDGs are not going to be met, even though the progress is quite visible. Therefore acceleration of MDGs till 2015 should be a high priority. Going forward, beyond 2015, some of the core MDGs will have to be integrated into the SDGs.

Many vulnerable countries stressed that poverty eradication, equity and sustainability have to be the overriding priorities for the post 2015 development agenda. The depth of poverty, the incidence of poverty in relation to their population and the capacity of the state to deal with them have to be taken into account, when trying to frame global goals and international support mechanisms. This means that LDCs should be getting due priority in the shaping of the post 2015 development agenda, where the percentage of the poor below the poverty line is still about 50 of the total population, whereas in other developing countries it is about 23 per cent on average.

All the developing countries have stressed that ODA has played an important role in reducing poverty and promoting human development. LDCs and other vulnerable groups emphasised the critical role of ODA in their development endeavours.

There was a strong call for the fulfilment of ODA commitment of 0.7 per cent of GNI by DAC countries. There was also some apprehension among LDCs and other vulnerable countries that any review of ODA should not dilute its character of being official concessional finance for development purposes. Furthermore, the principles of Monterrey consensus were stressed and the need to build upon it was indicated in order to ensure predictable financing for sustainable development. Sustainable development concept is much larger than MDGs and therefore there would be much larger requirement of financing.

There are 49 LDCs with the population of almost 900 million. They are 34 from Africa, 13 from the Asia pacific region and Haiti from Latin America. Their low human development, lowest per capita income due to structural challenges and high vulnerability to external shocks puts them at the bottom of development ladder. Their huge dependence on ODA was stressed in many meetings in particular during the OWG meeting on vulnerable countries. Their dependence on ODA is highest among all groups of countries. Majority of the development-related work takes place in these countries, only with the assistance from the international community.

Predictability of ODA financing and the level of dependence on ODA for development financing in these countries, lack of a domestic resource base and huge development gaps were the reasons behind their call for giving due priority to LDCs in ODA allocation. LDCs face multiple vulnerabilities and these have been further exacerbated by the new and emerging challenges, including the impacts of climate change.

There was also a very strong feeling against the recent decline in ODA in general but those going to LDCs in particular. They also pointed out that while every development partner makes a strong political commitment to focus its development assistance to the needy in LDCs, the disbursement patterns have not reflected that. The recent steep decline is worrisome to them.

They also underscore that they are aware that development is first and foremost the primary responsibility of the nation itself, however, given the multiple and complex challenges and low initial conditions, they look for a stronger solidarity and support from the international community.

LDCs have also called for the Aid-plus agenda. They have stressed on enhancing domestic resource mobilisation, development of the private sector as an engine of growth, better market access for their products, promotion of enabling environment for investment together with facilitatory arrangements from the home countries, productive utilisation of remittances, control of illicit flow of finance and enhanced south-south cooperation. Besides they also have called for effective utilisation of ODA, good governance at all levels and stronger alignment and integration with national priorities with special focus on productive capacity building.

In the short to medium terms, ODA plays a critical role. However, they also look forward to the graduation from LDCs and moving away from the overreliance on ODA in the longer term.

They are also aware of the need to utilise other sources of financing including innovative financing given the widening of global development agenda and disproportionate impacts of global challenges on them.

Therefore, from the perspective of both the challenges and opportunities, there is a strong case for enhancing the ODA allocation going to LDCs, if we are to meet the global development goals. There is a strong feeling that rapid development and progress of LDCs is not only a moral imperative, it also contributes to peace and security and promotion of human rights. In today’s globalised and integrated world, it is also in the enlightened self-interest of the international community to lend full support to those that are most vulnerable.

Annex 3, Prof. Chaturvedi's presentation to Session 1 on ODA modernisation

Modernised ODA Concept

* Serge Tomasi has rightly brought forward the point that the ODA is supplemented by Country Programmable Aid (CPA) and with what is counted as 'Other Official Flows' (OOF).
* Number of recipients has declined by 55.
* ODA $130 billion; Remittances $345 billion; FDI $414 billion
* ODA
  - Dated terminology
  - Does not cover market based instruments
  - Generated by failed loans and invoked guarantees
  - At time also covers loans with no subsidy at all

ODA	Other Official Flows	Country Programmable Aid (CPA)
Grants : Transfers made in cash, goods or services for which no repayment is required	Transactions by the official sector with countries on the DAC list of ODA Recipients which do not meet the conditions for eligibility for ODA, either because they are not primarily aimed at development, or because they have a grant element of less than 25 per cent.	Gross bilateral ODA (Grants and loans;) minus: • Debt Relief • Humanitarian aid •Food aid •Administrative costs •Imputed student costs •Promotion of dev. awareness •Refugees in donor country •Core support to national and international NGOs •Aid from local governments •Equity investments Aid not from main agency

ODA	Other Official Flows	Country Programmable Aid (CPA)
Loans :Transfers for which repayment is required. Only loans with maturities of over one year are included		
Technical co-operation (a) Grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) Payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment).		
Grants, loans and credits for military purposes are excluded. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.		

Modernised ODA Concept

- Budget Expenditure for projects/programmes/public policies (Donor's effort towards financing of Development)
- Besides Fiscal effort, measurement may also include capital of loans, market mechanisms such as guarantees, private equity from development banks; debt cancellation; expenditure on refugees; student costs; tax concessions for private charitable donations (Public Effort).
- Flows from NGOs and Private Foundations (National Effort for Development).

Modernised ODA Concept

- Private Foreign Investment (better investment climate better enabling environment for economic growth; idea is not to contribute to international solidarity effort but to increase revenue or improve profitability of the private firm); migrant remittances.
- Germany has also suggested to account for market value of 'grant', given the specific risks involved in particular recipient economies.

Key Issues: Modernised ODA Concept

- Issue is how much of this is net transfer and how much of this is gross transfer
- Essential element we should look for is the point that comes from Public Finance viz. distinguishing the expenses incurred in/for the donor country and the ones actually transferring for the recipient country.
- Remittances: Service delivered; FDI: Performance Clause
- Are these measures really helping in capturing 'pure solidarity' and 'market–oriented' efforts clearly and precisely? Novel financial instruments
- ODA/OOF/CPA vs. ODA/New ODA/Updated ODA

Key Issues: Modernised ODA Concept

- Where would we be capturing contributions towards global public goods?
- Effort should be for clear and simple ODA with grant equivalent than face value for current political patronage rather than complicated concept with little traction among recipients.
- Is there a similar effort for capturing parallels with Non-ODA new forms of development finance?

Annex 4 – Speaking notes from Mr Poul Engberg-Pedersen - 24 January 2014

A partial to a comprehensive broader measure of total support for sustainable development from official efforts?

1) Why? Some criteria in a hierarchical order:

1. To mobilise more resources for poverty reduction and sustainable development, including the provision of global public goods.

2. To establish more realistic political dialogues on the resources that are needed for SDGs.

3. To facilitate engagement with non-DAC "donors", for whom ODA is a foreign concept.

4. To enable a fairer comparison among donor countries. This should not be the primary objective.

2) What would be the difference in motivation and narrative between the ODA policies on one hand and the other support policies for sustainable development on the other hand

1. The narrative for ODA / development cooperation: Humanitarian, solidarity, focused on poverty elimination in LDCs / LICs – that require support for all aspects of sustainable development, peace and state-building in fragile states, including management of the effects of global public bads in LDCs. Hence, this comprises contribution to the provision of global public goods by and from LDCs.

2. The narrative for ODA-funded development cooperation with LICs (IDA-eligible) can be largely the same. However, this raises questions about the nice LDC-target (50 % of ODA) discussed 23 January.

3. The narrative for the remaining ODA (going to various categories of MICs that are on the ODA eligibility list) has to be different. Since ODA plays such a small role in these countries, using poverty eradication as the purpose and narrative in countries with tens of millions of extremely poor people makes little sense. Eradicating extreme poverty is the responsibility (and achievement) of these MICs themselves. Instead, the motivation for using ODA in these MICs should be to enable weak institutions to provide global public goods. Under this ODA narrative for MICs, there is something in it for ourselves as donors – honesty is needed.

4. In consequence, the motivation and narrative for the "measure of total support for sustainable development" (outside, but including ODA) should be along the lines of achieving the universal SDGs, including provision of global public goods (which the Secretariat paper postpones for a later discussion).

5. Among Serge Tomasi's four categories, this additional "total support" would comprise:

    a. Those parts of "budgetary effort for development" that may not be ODA-eligible.

    b. The "public effort for development", including innovative financing that is not ODA-eligible, but may be subsidised through public funds (and therefore may have a grant element). Presumably, this could cover DFIs, mezzanine finance, equity investments, debt cancellation, etc. I think we agreed last October that tax concessions should not be included.

    c. The "national effort for development", including civil society and philanthropic aid.

    d. However, the "total support" would not include "private investment in developing countries", except for public subsidies and guarantees. I'm not certain for what purpose we would need to monitor "private investment in developing countries" as a sign of development cooperation.

3) How do we get "recipient benefits" into the calculation of "total support"?

- The Secretariat paper postpones this discussion to a future paper / discussion – and gives it a spurious name "recipients receipts"! In my view, this is quite far from development effectiveness and impact.

- The tendency seems to be to break down recipients by country categories, monitoring how much goes to the most vulnerable etc. countries. This is a necessary but not a sufficient measure of benefits.

- An alternative is to select some of the most relevant *targets under the SDGs* to monitor their achievement (as with immunization or school enrolment under the MDGs). This should be done for global public goods.

- The challenge is that MDG or SDG achievement offers no incentives and has no consequences. No-one is held accountable.

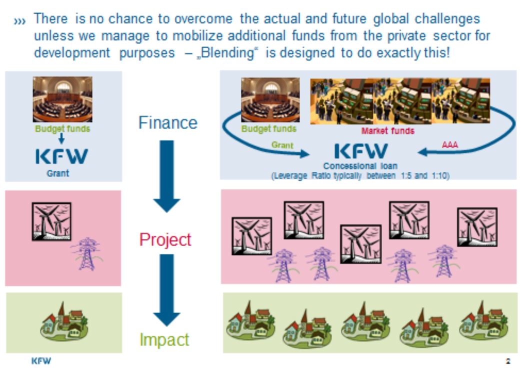
4) Conclusions / main points

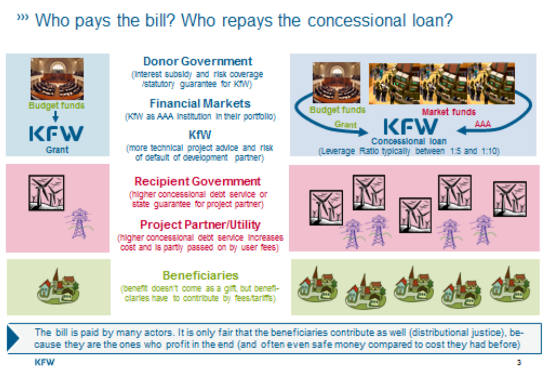
- Why do we need a measure of total support? To mobilise additional resources, and to establish a more direct link between needs, politics and resources.

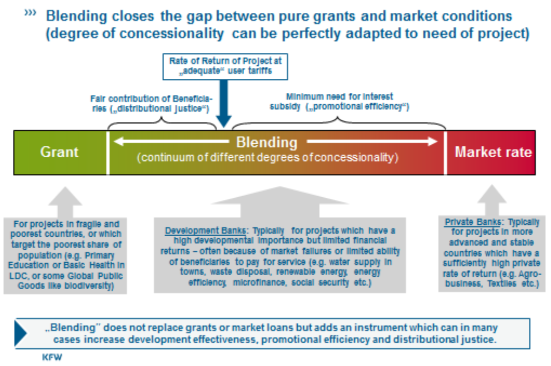
- The narrative for the non-ODA part should be provision of global public goods for sustainable development.

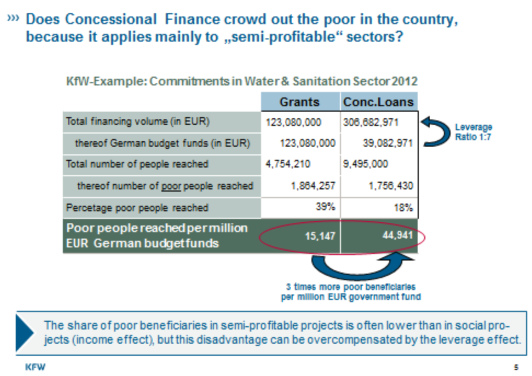
- "Recipient benefits" require monitoring of SDG and GPG target achievement.

Annex 5 – Presentation by Mr. Joachim Heidebrecht









	Grants	Conc.Loans
Total financing volume (in EUR)	123,080,000	306,682,971
thereof German budget funds (in EUR)	123,080,000	39,082,971
Total number of people reached	4,754,210	9,495,000
thereof number of poor people reached	1,864,257	1,756,430
Percetage poor people reached	39%	18%
Poor people reached per million EUR German budget funds	15,147	44,941