

**ANNEX A. METHODOLOGICAL NOTES
DEVELOPMENT CO-OPERATION AT
A GLANCE 2021**

General point: unless otherwise stated, and with the exception of data on official development assistance (ODA) allocation by sector, and ODA supporting gender equality and environment objectives (whose figures refer to commitments), all figures in the profiles refer to gross bilateral disbursements. The term DAC country average refers to weighted averages of Development Assistance Committee (DAC) countries for the specific allocation. Allocations by the European Union institutions are excluded from this calculation. All of the data presented in the profiles is publicly available at: www.oecd.org/dac/financing-sustainable-development-and-effectivcooperation.org.

This annex describes the methodology and sources for: ODA grant equivalent methodology; financial instruments (grants and non-grants); allocations to multilateral organisations; Sustainable Development Goal focus; bilateral ODA by channel of delivery; bilateral ODA unspecified/unallocated; ODA to least developed countries; bilateral allocable aid; Gender Equality Policy Marker; environment markers; amounts mobilised from the private sector; ODA disbursed through government agencies; private development finance. All methodologies and sources on ODA, described in the following sections, are also applicable to the concept of private development finance used in the profiles of philanthropic foundations.

ODA GRANT EQUIVALENT METHODOLOGY

In 2014, members of the OECD's DAC decided to modernise the reporting of concessional loans by assessing their concessionality based on discount rates differentiated by income group, and introducing a grant-equivalent system for calculating ODA figures. Instead of recording the actual flows of cash between a donor and recipient country, DAC members agreed that the headline figure for ODA would

be based on the grant equivalents of aid loans, i.e. the "gift portion" of the loans, expressed as a monetary value. The grant equivalent methodology would provide a more realistic comparison of the effort involved in providing grants and loans and encourage the provision of grants and highly concessional (or soft) loans, especially to low-income countries.

In 2016, DAC members also decided to apply the grant equivalent measure to other non-grant instruments, such as equities and private sector instruments (PSI) to better reflect the donor effort involved. Whilst DAC members agreed on a methodology for counting the grant equivalent of official loans and loans to multilateral institutions, they have yet to reach agreement on how to calculate ODA grant equivalents for equities, PSI and debt relief. In 2020, the DAC agreed on a method for accounting debt relief on a grant equivalent basis. Pending an agreement, DAC members have decided on provisional reporting arrangements for PSI whereby either contributions to Development Finance Institutions (DFIs) and other PSI vehicles may be counted at face value (using an institutional approach), or loans and equities made directly to private sector entities may be counted on a cash-flow basis (using an instrument approach), with any equity sale proceeds capped at the value of the original investment. The review of rules governing reporting of PSIs is planned for 2021 to make the reporting of PSIs consistent with grant equivalents and it will result with the finalisation of implementation of past High Level Meeting (HLM) decisions.

This change in the ODA methodology took effect in 2019 with the publication of preliminary 2018 ODA, and this methodology has been in use in subsequent publications of the Development Co-operation Profiles.

The implementation of the ODA grant equivalent methodology added 3.5% to 2019 ODA levels for all DAC countries combined, with impacts on individual country figures

ranging from 33 % for Japan, 8.7% for Spain, 7.6% for Portugal and to -1.5% for Belgium, -1.6% for Finland and -2.1% for Korea.

The new “grant equivalent” headline ODA figures are no longer comparable with the historical series on “cash basis”. In the cash basis, the net capital flow over the lifetime of a loan is nil because repayments of principal are deducted when made; interest payments are not taken into account. In the grant equivalent method, both principal and interest payments are taken into consideration, but discounted to the value they represent in today's money.

In order to be fully transparent, the OECD will continue to also publish ODA data on a cash basis, but not as the headline ODA figure to measure donors' performance in volume or as a percentage of gross national income (GNI).

FINANCIAL INSTRUMENTS (GRANTS AND NON-GRANTS)

In DAC statistics, financial instruments classified as grants comprise: grants, capital subscriptions, debt forgiveness, interest subsidies and other subsidies. Financial instruments classified as non-grants comprise loans, reimbursable grants, debt rescheduling, debt securities (bonds and asset-backed securities), mezzanine finance instruments, equity and shares in collective investment vehicles.

ALLOCATIONS TO MULTILATERAL ORGANISATIONS

This term refers to all funds channelled to and through multilateral organisations. It encompasses core contributions to multilateral organisations and earmarked resources channelled through multilateral organisations (also known as non-core resources or multi-bi funding).

Core contributions to multilateral organisations are resources transferred to multilateral organisations and that the governing boards of these organisations have the unqualified right to allocate as they see fit within the limits prescribed by the organisation's mandate.

Earmarked contributions are resources channelled through multilateral organisations over which the donor retains some degree of control on decisions regarding disposal of the funds. Such flows may be earmarked for a specific country, project, region, sector or theme, and they technically qualify as bilateral ODA.

Project-type earmarked contributions are resources strictly earmarked for a specific use, at the project level, leaving no, or limited flexibility to the recipient organisation on their allocation. These resources include contributions to project-type interventions (aid type C01 in the DAC CRS list of codes), as well as contributions in terms of donor country personnel (aid type D01) and other technical assistance (aid type D02).

Programmatic earmarked contributions are resources that are earmarked with a greater degree of flexibility. These resources include contributions to specific-purpose programmes and funds managed by implementing partners (aid type B03), as well as contributions to basket funds/pooled funding (aid type B04).

For further information see the methodological note on tracking development co-operation through international institutions in DAC statistics: <https://www.oecd.org/dac/stats/tracking-flows-through-international-institutions.htm>.

SUSTAINABLE DEVELOPMENT GOAL FOCUS

The Sustainable Development Goal (SDG) focus is a voluntary field reported in the Creditor Reporting System (CRS) for which

reporting started from 2018 flows, and thus the reporting coverage might be incomplete. Up to 10 Sustainable Development Goals or targets can be reported against each individual aid activity in the CRS. The share of SDG-related aid is calculated as the sum of all bilateral ODA commitments marked for a specific SDG over the sum of all bilateral commitments. The figure “Sustainable Development Goal Focus” differentiates between the share of bilateral ODA marked against a single SDG, and the share marked against two or more SDGs, giving a visualisation of SDGs overlaps. The portion of bilateral ODA reported as not contributing to any SDGs is visualised as “not marked”. Given that activities can be simultaneously marked for more than one SDG, the sum of the shares of all SDGs is normally higher than 100%, and the shares from different SDGs should not be added up together. For more methodological information, please see: [https://one.oecd.org/document/DCD/DAC/STAT\(2018\)41/REV1/en/pdf](https://one.oecd.org/document/DCD/DAC/STAT(2018)41/REV1/en/pdf).

BILATERAL ODA BY CHANNEL OF DELIVERY

The channel of delivery tracks bilateral funding channelled through multilateral organisations, NGOs, PPPs and other channels. It also distinguishes between public and private implementing partners. The channel of delivery is the first implementing partner. It is the entity that has implementing responsibility over the funds and is normally linked to the extending agency by a contract or other binding agreement, and is directly accountable to it. Where several levels of implementation are involved (e.g. when the extending agency hires a national implementer which in turn may hire a local implementer), the first level of implementation is reported as the channel of delivery. Where activities have several implementers, the principal implementer is reported (e.g. the entity

receiving the most funding). In the case of loans, the borrower (i.e. the first entity outside the donor country that receives the funds) is reported.

Channels of delivery are identified by their codes. Titles and definitions for channel-codes are available in DAC statistical reporting directives (e.g. multilateral organisations are coded in series 40000, universities, research institutes or think tank are coded in series 50000.) The most up to date version can be found in the list of codes, worksheet “channel-codes”, available at <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/dacandcrscodelists.htm>.

Public sector institutions include central, state or local government departments (e.g. municipalities) and public corporations in donor or recipient countries. Public corporations refer to corporations over which the government exercises control by owning more than half of the voting equity securities or otherwise controlling more than half of the equity holders’ voting power; or through special legislation empowering the government to determine corporate policy or to appoint directors.

Private sector institutions include “for-profit” institutions, consultants and consultancy firms that do not meet the definition of a public sector institution (see above).

BILATERAL ODA UNSPECIFIED/UNALLOCATED

Some activities may benefit several recipient countries. Regional projects and programmes are reportable under the most specific available “regional/multi-country” category (e.g. South of Sahara), and are not attributed to a specific recipient country.

The category “bilateral, unallocated” is used if an activity benefits several regions. It is also used for a number of activities undertaken in donor countries such as administrative costs not included elsewhere.

ODA TO LEAST DEVELOPED COUNTRIES

ODA to least developed countries (LDCs) is presented in different manners. Bilateral flows reflect the funds that are provided directly by a donor country to an aid-recipient country.

However, when calculating a donor's total ODA effort with regards to the UN target for LDCs, an estimate needs to be made to impute aid by multilateral organisations back to the funders of those bodies. For more information on imputed multilateral flows see: <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/oecdmethodologyforcalculatingimputedmultilateraloda.htm>.

BILATERAL ALLOCABLE AID

Bilateral allocable aid is the basis of calculation used for all markers (gender equality and environmental markers). It covers bilateral ODA with types of aid A02 (sector budget support), B01 (core support to NGOs), B03 (specific funds managed by international organisation), B04 (pooled funding), C01 (projects), D01 (donor country personnel), D02 (other technical assistance) and E01 (scholarships).

GENDER EQUALITY POLICY MARKER

The DAC Gender Equality Policy marker is a statistical instrument to measure aid that is focused on achieving gender equality and women's empowerment. Activities are classified as "principal" when gender equality is a primary objective, "significant" when gender equality is an important but secondary objective, or "not targeted". In the profiles of DAC and non-DAC providers, the basis of calculation is all screened (i.e.,

screened target and screened non-targeted) bilateral allocable aid.

Gender marker statistics are only shown for donors with sufficiently high coverage – that is, more than 50% of the donor's bilateral allocable aid is screened for the policy marker. Cross-country averages only take into account these donors.

Source: OECD (2019), "Aid projects targeting gender equality and women's empowerment (CRS)", *OECD International Development Statistics* (database), <http://stats.oecd.org/Index.aspx?DataSetCode=GENDER>.

ENVIRONMENT MARKERS

Aid in support of the environment and the Rio Conventions encompasses activities marked with either the "aid to environment" marker or any of the four Rio markers: biodiversity, desertification, climate change mitigation and climate change adaptation. Aid focused on environmental issues as a principal objective includes only activities marked as "principal" by the "aid to environment" marker.

Aid focused on climate change overall comprises activities classified as "principal" or "significant" by either the climate change mitigation or adaptation marker; projects marked with both Rio markers are subtracted from the total to avoid double counting. Shares of aid targeting climate change mitigation and climate change adaptation specifically do not exclude this overlap; thus, the two should not be added together. More details are available at: <http://www.oecd.org/dac/environment-development/rioconventions.htm>.

The table "Performance against environment and Rio Markers" captures activities marked by each of the following markers: aid to environment, biodiversity, desertification, climate change mitigation and climate change adaptation. For climate change, the table presents data on aid supporting both mitigation and adaptation

(i.e., activities marked with both the markers), only climate change mitigation (i.e., activities marked with the climate change mitigation marker, but not climate change adaptation) and only climate change adaptation (i.e., activities marked with the climate change adaptation marker, but not climate change mitigation). Since the same project may be marked for multiple markers, the figures for each individual marker should not be added up as this can cause double counting.

For the aforementioned statistics, the basis of calculation is either **total** bilateral allocable aid or all **screened** (i.e., screened targeted and screened non-targeted) bilateral allocable aid. If the statistic is based on a single marker (e.g., only the biodiversity marker), the denominator is all **screened** bilateral allocable aid. If the statistic is based on a combination of multiple markers (e.g., both the climate change adaptation and mitigation marker), the denominator is **total** bilateral allocable aid. Environment and Rio marker statistics are only shown for donors with sufficiently high coverage – that is, more than 50% of the donor's bilateral allocable aid is screened for the marker. Cross-country averages only take into account these donors

The figure “Climate and environmental focus by sector” presented in each provider profile nets out the overlaps between Rio and environment markers: it shows climate-related aid as a sub-category of total environmental aid; biodiversity and desertification are also included (either overlapping with climate-related aid or as additional – other – environmental aid) but not separately identified for the sake of readability of the figure. One activity can address several policy objectives at the same time. This reflects the fact that the three Rio conventions (targeting global environmental objectives) and local environmental objectives are mutually reinforcing. The same activity can, for example, be marked for climate change mitigation and biodiversity, or for biodiversity and desertification.

Source: OECD (2019), “Aid activities targeting global environmental objectives”, *OECD International Development Statistics* (database), <http://stats.oecd.org/Index.aspx?DataSetCode=RIOMARKERS>.

AMOUNTS MOBILISED FROM THE PRIVATE SECTOR

In the OECD DAC statistics, mobilisation means the stimulation by specific financial mechanisms/interventions of additional resource flows for development. The methodologies for reporting on amounts mobilised are defined instrument by instrument (see Annex 6 of DCD/DAC/STAT(2018)9/ADD1/FINAL), but overall they reflect the principles of causality between private finance made available for a specific project and an official intervention, as well as pro-rated attribution as to avoid double counting in cases where more than one official provider is involved in a project mobilising private finance. The amounts mobilised from the private sector cover all private finance mobilised by official development finance interventions regardless of the origin of the private funds (provider country, recipient country, third country). The objective of data collection by the OECD DAC on amounts mobilised from the private sector is two-fold: i) to improve data on the volume of resources made available to developing countries (recipient perspective); and ii) to valorise the use by the official sector of mechanisms with a mobilisation effect (provider perspective). Data are collected through the regular CRS data collection for the following financial instruments: syndicated loans, guarantees, shares in collective investment vehicles, direct investment in companies / project finance special purpose vehicles and credit lines. Work is ongoing to expand the scope of the measure to also include simple co-financing arrangements, including in the form of technical assistance.

ODA DISBURSED THROUGH GOVERNMENT AGENCIES

The extending agency is the government entity (central, state or local government agency or department) financing the activity from its own budget. It is the budget holder, controlling the activity on its own account.

PRIVATE DEVELOPMENT FINANCE

Private Development Finance (PDF) includes cross-border transactions from

the private sector having the promotion of the economic development and welfare of countries and territories included in the DAC List of ODA Recipients as their main objective, and which originate from foundations or other private organisations' own resources, notably endowment, donations from corporations and individuals (including high net worth individuals and crowdfunding), legacies, bequests, as well as income from royalties, investments (including government securities), dividends, lotteries and similar. More information can be found at <http://www.oecd.org/development/financing-sustainable-development/development-finance-standards/beyond-oda-foundations.htm>.



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