

**UNIVERSITY OF BIRMINGHAM**

# Report Synopsis

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## Background

The research objectives were first to answer the questions:

1. What are the data gaps in the Non DAC donor's aid data generated through AidData initiative?
2. What are the similarities and differences between classifications of OECD Creditors Reporting System (CRS), AidData initiative and IATI categorization and S-S categorization?
3. How does the existence of IATI categorization shape the dynamics of emerging donors under S-S cooperation?

And secondly, on the basis of the findings of the research, to propose a south-south cooperation data categorization that has the potential to complement ongoing IATI categorizations.

In this synopsis we summarise the principal findings.

## 1. The Non DAC Donor's Data Availability Index

The projects of Non DAC donors in AidData database ranged from 1962 to 2010 however the availability of historical data for most of the Non DAC donors is very limited. More than 60% of the total projects i.e. 2526 out of 4187 captured are from 2001-2010.

The purpose of the Non DAC Donor's Data Availability Index (DAI) is to identify the 'data gap' of Non DAC donor's aid data in the AidData database. The data gap is defined as 'the lack of data for a particular Non DAC donor with specific type of information required in the AidData database'. The Data Availability Index is based on the 'data gap' of 89 subfields of the AidData database.

There is absolutely no information available for 35 out of 89 fields, for instance whether the flows are bilateral or multilateral, CRS flow type, CRS sector and CRS finance type, fields determining the status of tied aid and debt portfolio like interest arrears, principal arrears, future debt servicing interest and payment. Information on CRS policy/thematic markers is also not available for Non DAC donors.

There are only ten fields for which the information is fully available for all the donors i.e. project id, year, recipient name, project title and six subfields that are coded by AidData i.e. purpose code, purpose description, activity code, activity description and whether the project has undertaken feasibility study and has technical assistance component or not.

Commitment date, start date, end date, effective date, contacts and their role, name of the implementing agency amount disbursed, loan term, grant element are some of the fields for which data is largely unavailable or poorly available.

51 out of 89 fields used for capturing Non DAC donor's aid data are also used for reporting by DAC donors in the CRS.

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## 2. Why southern donor's aid data is not captured?

At the Donor Level	At the Global Institutional Level
<ul style="list-style-type: none"> <li>a. capacity issues as in some cases, the data had never been gathered and in some cases it had been gathered, but not published.</li> <li>b. not interested in being seen as a donor by other donors and/ or by their own constituents</li> <li>c. unwilling or unable to cooperate</li> <li>d. some data is available on donor websites in the form of annual report However the real time disclosure remains the issue for Non DAC donors as 'some of these databases are not up to date' and could be attributed to lack of 'data transparency'</li> </ul>	<ul style="list-style-type: none"> <li>a. no incentive to report to any global institution,</li> <li>b. as there is no formal place in the aid architecture thus they do not report their activities according to standards of DAC donors,</li> <li>c. technical and institutional problems of data definitions and collection</li> <li>d. collecting and evaluating this data from emerging economies is especially challenging, as there is no standardised reporting</li> </ul>

Source: Andrade, 2009; Aid Data Email Response, 2011; Paulo and Reisen, 2010; Kharas, 2007; Johnson et al, 2008 & One's Data Report, 2010

While comparing the similarities and differences between CRS, AidData initiative and IATI standard, three kinds of trends are observed – a) Some fields remained the same or renamed in the IATI standard; b) New fields have been added in the IATI standard and c) Several fields have been merged into one field in the IATI standard to be provide with or without additional details (refer 2.7)

### 3. Compatibility of South-South Development Cooperation vis-a-vis IATI Standards

It is revealed that out of 33 IATI categories, 27 categories are fully compatible with the South-South Cooperation definition proposed by the background study commissioned by UNDCF. Only two categories are not compatible and four categories are almost compatible however it needs some minor modifications or addendum.

#### 3.1. Non Compatible IATI Categories

The two IATI categories those are not compatible with S-S cooperation and the policy challenges that it throws are as follows-

##### 3.1.1. Default Flow Type

One of the categories that are not compatible with south-south cooperation definition is the default flow type. As the IATI identifier shows the classification of the flow/ activity on the basis of OECD DAC's category i.e. Official Development Assistance (ODA), or Other Official Flows (OOF) [non-concessional but developmental] and excludes export credits, following could be the possible policy responses -

a) Southern donors could take the China example. China through its white paper on foreign aid has established a foreign aid policy that serves its larger south-south cooperation goals. The foreign aid policy in place doesn't include its EXIM export credit

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as foreign aid as these are market based lending tool. The concessional loan product from Chinese Exim bank falls under its foreign aid policy and termed as a foreign aid instrument<sup>1</sup>. However Indian lines of credit falls under S-S Cooperation and India does not have its foreign aid policy in place. So whether having a foreign aid policy contributing towards larger south-south cooperation is a possibility for other southern providers?

b) To explore the possibility to include export credit as an S-S cooperation tool but follow IATI standard to not disclose export credits as it's not applicable to DAC donors. Or southern providers disclose their export credits and ask IATI to extend its coverage to DAC donors export credit as well. Can the scope of DAC's definition of ODA be widened by acknowledging that export credits can be extended for economic development of developing countries and facilitate disclosure of export credit flows? However given the existing IATI classification that excludes export credit, will it be viable for export credits flows under South - South Cooperation to publish planned disbursement on the export credit activity in each of the next three financial years?

c) ODA and OOF is determined on the basis of purpose and concessionality (Sinha, 2010). Purpose i.e. 'for the promotion of the economic development and welfare of developing countries as its main objective' and Concessionality i.e. (a grant element of at least 25% calculated at a discount rate of 10 per cent). Lending by export credit agencies – with the pure purpose of export promotion – is excluded from the category of ODA. So, how to determine the concessionality and purpose of export credits? Isn't export credits under S-S cooperation are extended for economic development of developing countries? And what if export credits are concessional in nature (ref: India) and commercial in nature (ref: China). Unless consensus is reached, export credits can be confused that it's 'ODA'. And since export credits are tied with creditor country export of goods and services, it can be confused as tied aid.

d) What's the arrangement on tied aid within DAC donor group with reference to export credits that might be helpful to inform S-S cooperation the required policy choices? To confirm this, it might be helpful to enter into dialogue and explore whether the S-S cooperation providers are willing to consider establishing arrangements on export credit similar to DAC donors or not?

e) Validating and reaching a consensus towards defining the s-s cooperation.

### **3.1.2. Policy or thematic markers –**

On the issue of policy or thematic markers, do the southern providers agree that they provide their assistance as per these markers or do they work on any dedicated key south-south development key policy issue that can be identified and tracked?

After reaching to a consensus to the above two categories, the IATI will be fully compatible with the S-S Cooperation definition proposed by UNDCF background study. It will significantly reduce the challenge of collecting and evaluating aid data from emerging economies due to an agreed standardised IATI reporting. If the UNDCF is successful in reaching an agreed definition of south-south cooperation and determining its various flow types and together with ensuring southern providers participation in the IATI steering committee, there will be a formal place for southern provider in the existing aid architecture.

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<sup>1</sup> Thanks to Deborah Brautigam for pointing this out to us on 'The Broker' blog.

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It's expected that the southern donor's capacity issues around data collection and publication will be significantly addressed by their agreeing to the IATI standards. As the need of this institutional hand holding was recognised by Betancourt and Schulz (2009, 21) and as they acknowledged that 'the systematization of practice and learning is still pending' for South-South cooperation and suggested 'to invest in better information systems, statistics, reporting and monitoring and evaluation systems', the IATI standards could be the first step towards aid data transparency. However UNDCF's/ Task Team on South-South Cooperation's role needs to be explored as whether they will be interested to spearhead this task along with the IATI secretariat.

### **3.2. Almost Compatible IATI Categories**

The four IATI categories those are almost compatible with S-S cooperation but need some minor modifications or addendum are as follows –

#### **3.2.1. Default Finance Type**

As per IATI standards, it is the identifier to show the financing mechanism of the aid activity (e.g. grant, loan, capital subscription, export credit, debt relief and equity). As IATI standard is a standard in progress, it might need to include another category titled 'debt forgiveness and debt rescheduling as S-S Cooperation' to make it compatible for S-S Cooperation. In the present form, it's counting debt forgiveness and debt rescheduling as either as ODA, OOF or private claims. For instance, China does not count its Debt Relief as its foreign aid but it might very well falls under the wider s-s cooperation policy.

#### **3.2.2. Default Aid Type**

As per IATI standards, it is the identifier to show the type of assistance provided. For official donors broad categories are budget support, pooled funds, project-type interventions, experts, scholarships, debt relief, and administrative costs.

UNDCF study proposes following aid flows as not part of South-South cooperation (2009: 8)

- a. All military assistance, whether as grants or loans,
- b. All grants and loans to the private sector, and all foreign direct investment and portfolio investment,
- c. Flows which do not entail cross-border transactions, such as administrative costs, imputed student costs, promotion of development awareness, research and in-partner country refugees costs,
- d. Flows which are not part of cooperation agreements between partner country governments, such as support from local governments and municipalities of the country receiving the cooperation,
- e. Flows which provide core funding for international and partner country NGOs,
- f. Subsidies between agencies within the Southern partner country as these are internal flows within the partner country,
- g. Funding of activities aimed at combating terrorism.

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It could be more agreeable for southern providers with slight modification of title. Instead of 'default aid' it could be 'default south-south cooperation'. To confirm this, it might be helpful to enter into dialogue and explore whether the S-S cooperation providers are agreeing to the definition of the S-S cooperation that includes grants and concessional loans (including export credits) to finance projects, programmes, technical co-operation, debt relief and humanitarian assistance and contributions to multilateral institutions and regional development banks. Accordingly there is a possibility of consensus among southern providers be reached.

### 3.2.3. Default Tied Aid Status

As per IATI standards, it is the identifier that classify the amounts by degree of restriction on where procurement of goods or services can take place, classified as untied (open procurement), partially tied (donor and developing countries) and tied (donor or group not including most developing countries). It is worth to be noted that there is both a default for the entire activity, and an optional status for each transaction, for when different contributions to an activity have different tied statuses.

Following policy question arises -

- a. According to the UNDCF definition that we are working with, since export credit is part of south-south cooperation, would export credits be termed as tied aid under S-S cooperation?
- b. What's the arrangement on tied aid within DAC donor group with reference to export credits that might be helpful to inform S-S cooperation the required policy choices?
- c. Further, free-standing technical cooperation (TC) and food aid are excluded from being termed as tied aid for DAC donors. So whether technical assistance under S-S cooperation would be termed as 'tied aid' or not, need to be explored.

To confirm this, it might be helpful to enter into dialogue and explore whether the S-S cooperation providers are willing to consider establishing arrangements on export credit similar to DAC donors or not?

### 3.2.4. Planned Disbursements

As per IATI standards, the amount that is planned to disburse on the activity in each of the next three financial years can be published as per IATI standards except for export credit flows. It is with the objective of improving the data on future aid flows i.e. publishing schedules of planned expenditure. Given the existing IATI classification that excludes export credit, it might not be viable for export credits flows under South - South Cooperation as well.

## 4. Possible Challenges to the IATI and existing DAC donor's architecture

The participation of southern donors in IATI throws the following challenges to IATI and existing DAC donor's architecture:

- a) Since the access to data on other official flows and official export credit is restricted or confidential in nature and made available only in aggregate form,

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will the same yardstick be applied for 'non ODA' flows of south-south cooperation providers?

- b) What if southern providers disclose their export credits and ask IATI to extend its coverage to DAC donors export credit as well?
- c) Should the scope of DAC's definition of ODA be widened by acknowledging that concessional export credits can be extended for economic development of developing countries, and to facilitate disclosure of export credit flows?

### **5. Proposed south-south cooperation data categorization**

The proposed south-south cooperation data categorization is arrived at by assessing its compatibility with the IATI standards since this both indicates how much data is already available and is captured in the AidData database.

As noted above, the UN ECOSOC background study has attempted to define 'south-south development cooperation' and proposed the following definition:

'South-South cooperation is defined to include grants and concessional loans (including export credits) provided by one Southern country to another to finance projects, programmes, technical co-operation, debt relief and humanitarian assistance and its contributions to multilateral institutions and regional development banks' (UN ECOSOC, 2009; iv).

This definition of south-south cooperation differs from OECD DAC's definition of ODA since it includes export credits, which are excluded in OECD DAC's definition of ODA, except for some specific purposes and where they include a minimum level of concessionality.

Furthermore the IATI category of 'default flow type' is not compatible with the definition of south-south cooperation proposed by UN ECOSOC because the IATI identifier shows the classification of the flow/ activity on the basis of OECD DAC's category i.e. ODA, or OOF (non-concessional but developmental). However the UN ECOSOC study acknowledges this constraint and has asked Southern partners and UNDCF to advise on adopting IMF's approach or OECD's approach to calculate the concessionality level of the flows, which is 'used to measure the opportunity cost of the funds to the lender' (UN ECOSOC, 2009; iv). It is recommended that not only the method of concessionality of the flows need to be agreed upon but also the definition of south-south development cooperation proposed by UN ECOSOC background study.