

UNDERSTANDING AID STATISTICS

Introductory notes for users

1. This is the 40th edition of *Statistics on International Development (SID)*, formerly known as *British Aid Statistics*, which is produced annually. It reports on the deployment of official UK financial resources to support international development, and shows how this funding is broken down by destination country or organisation, type of assistance and purpose.

2. Previous editions of *SID* have included indicators of development progress in developing countries, using 'Millennium Development Goal' (MDG) statistics. This information was not derived by DFID, but taken from international sources which are widely accessible. This volume refers readers to sources of such information rather than duplicating them here as this will ensure readers access the most up to date figures. A summary chart on MDG progress based on UN data is given along with information on sources of MDG data at Annex 3.

3. As well as showing total development assistance from all official UK sources, *SID* reports in detail on the Department for International Development's (DFID) aid programme – through which most UK funding for international development is channelled. It is **important to understand the distinction between different UK and DFID figures** and in this report, readers can see from the table titles whether figures are for the UK as a whole,

or for DFID only. The section 'What counts as aid?' later in this chapter discusses the various components of UK aid in detail and is followed by an explanation of when the use of different figures might be most appropriate.

4. The UK is a member of the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) which is a forum for consultation among 22 donor countries and the European Commission. The DAC sets the definitions and classifications for reporting on aid financing internationally and produces a statistical report on international aid flows annually¹. As a DAC member, the UK is committed to transparent reporting of development assistance in a way that permits international comparisons. Thus while DFID (like other UK Government Departments) has moved to resource accounting, *SID* continues to be produced on a cash basis in line with international reporting practices. This, and the fact that *SID* excludes some DFID voted funds² that are not counted as aid, includes some attributed funds from outside DFID's vote and reports some debt relief on a 'benefit to country' basis³, means that **total figures in *SID* differ from those published in DFID's departmental report**. These differences are explained in the following section 'What counts as aid?'

¹ OECD (2005) Development Co-operation Report 2004 (Volume 6, No 1)

² Voted funds are the budget allocations set by Parliament.

³ See 'Classification of DFID Bilateral Aid Types' on page 7 for explanation.

5. The data in *SID* can be reconciled to DFID's formal resource accounts for 2004/05 as shown in the glossary item on 'resource accounting'. This glossary entry also explains why the year 2001/02, when DFID changed to resource accounting, was a unique year, as is footnoted for many tables.

6. This edition incorporates new figures, mainly covering the **2004/05 financial year and 2004 calendar year**. Tables showing data reported internationally to the OECD-DAC are prepared on a calendar year basis while most other statistics are presented on a UK financial year (April-March) basis.

7. In this edition, some tables have been simplified and others are new. If readers find *SID* is not reporting information they require that was previously available, they should contact DFID's Statistical Reporting and Support Group (SRSG) who will be able to supply the figures. Most of the tables cover a 3-5 year period, however longer series are available for many tables on request.

What counts as aid?

8. Aid is a broad term and *SID* reports a number of different aggregations of development assistance, key ones being the

- **DFID programme of aid;**
- **Gross Public Expenditure on development (GPEX) and**
- **Net UK official development assistance (ODA).**

The components of each of these are described below and shown diagrammatically in 'The Various Aggregates of Aid' on page 5.

9. The major part of the UK aid effort is money channelled through the **DFID programme**. This includes bilateral and multilateral aid⁴ from DFID funds voted by parliament including activities funded from the Africa Conflict Pool and Global Conflict Pool⁵. Beyond DFID voted funds, the DFID programme also includes an attribution of EC budgetary spending (the UK's contribution to the EC is paid directly by the Treasury and then attributed to different departments with DFID receiving the attribution of the development budget)⁶. It should be noted that DFID debt relief reported within the DFID programme represents the annual benefit to recipient countries of debt relief that has been agreed. This is explained in 'Classifications of DFID Bilateral Aid Types' on page 7.

10. **Gross Public Expenditure on Development (GPEX)** shows development aid flows from all official UK sources. This includes the entire DFID programme, aid flows from other central government departments, investments and debt reorganisation from the UK government body that invests in the private sector in developing economies (CDC Group PLC or CDC) and debt reorganisation from the

⁴ See Page 6 for information on classifying bilateral/multilateral expenditure.

⁵ The Conflict Pools are described in the glossary.

⁶ Prior to 2004/05 aid to a group of 10 countries that joined the EC in 2004 was attributed to DFID however from 2004/05 these sums are attributed to the Treasury. The countries concerned are Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Export Credit and Guarantee department (ECGD). See box 1 for more on CDC and ECGD.

Box 1: What are CDC and ECGD?

CDC Group plc (or CDC) replaced the former Commonwealth Development Corporation in 1999. CDC was founded in 1948 and is now the UK government's instrument for investing in the private sector in developing economies (it does so through fund management companies, of whom the largest is Actis Capital LLP). CDC has activities in more than 50 developing countries. CDC provides equities and concessional loans to companies in some aid-eligible countries, and these disbursements and repayments are included as UK flows. Although CDC no longer provides loans to governments, it did in the past and these existing loans can become eligible for debt relief.

ECGD is an agency of the Department of Trade and Industry which assists UK exporters to win business overseas by providing insurance for exporters and guarantees to banks providing export finance. Countries can acquire debt with ECGD when they default on paying for goods and services.

11. The DFID programme and GPEX figures both report gross flows from the UK and are reported according to UK financial years. The other important aid classification reported is **net ODA** (also referred to as UK ODA) which is compiled according to an internationally agreed definition set by the DAC (see box 2) and is thus comparable with figures for other donors. This is

produced on a calendar year basis. As well as ODA, the DAC also requires international reporting of 'Official Aid' or OA and 'Other Official Flows' or OOF. These are also defined in box 2.

Box 2: ODA, OA and OOF

Official Development Assistance (**ODA**) is defined as flows to developing countries and multilateral institutions provided on a concessional basis by official agencies, with the promotion of the economic development and welfare of developing countries being the main objective. Only aid distributed to certain countries counts as ODA – those on Part I of a list produced by the DAC⁷

Official Aid (**OA**) is aid which meets the same criteria as ODA, but is administered to countries on Part II of the DAC list. In the UK this includes some aid from DFID and other government departments and CDC concessional loans to relevant countries.

Other Official Flows (**OOF**) are flows to aid recipient countries by the official sector which do not satisfy the criteria necessary for ODA or OA⁸

12. UK ODA is largely equivalent to GPEX in terms of definition, although there are five key differences (shown below), that do result in notably different figures:

- ODA is produced on a calendar year basis, while GPEX is produced on a financial year basis.

⁷ Table 25 shows whether countries are on Part I or Part II of the DAC list (This information is also shown on a map on page 116). Broadly speaking, Part I countries have lower incomes and lower levels of development than Part II countries, however there are anomalies since the list has been subject to negotiation over a number of years.

- ODA includes only aid to countries on Part I of the DAC list (while GPEX includes aid to countries on both parts of the list).
- While GPEX shows gross flows, ODA is reported as a net figure, taking account of any loans repaid or grants recovered.
- Promissory notes for the World Bank and Regional Development Banks are counted as ODA at the time they are deposited whereas sums are not counted against DFID programme spend (hence GPEX) until the time the funds are drawn down (encashed).
- Lump sums of debt relief are reported as ODA, but in GPEX some 'DFID debt relief' is reported as the benefit to the country⁹ (most debt relief is treated in the same way in both GPEX and ODA).

When to use DFID figures, GPEX and UK ODA figures

13. If readers are interested in making international comparisons, **UK ODA** figures which follow international reporting practices should be used. Although UK figures for 2004 have just been finalised, for some analyses including data for other donors, 2003 figures are the latest available.

14. An important United Nations target to which all donors signed up in 1970, states that each donor should spend 0.7% of its gross national income as ODA. Progress

⁸ In the UK, non-concessional loans from CDC and ECGD interest stabilisation grants are classified as OOF.

⁹ See Classifications of DFID Bilateral Aid Types on page 7.

against this statistic for the UK and other donors is reported in *SID*.

15. Readers interested in wider aid spend (not just ODA) have the choice of looking at the **DFID programme** or **GPEX figures** (or at figures reported to the DAC on ODA, OA, OOF and private flows¹⁰).

16. Those interested in DFID in particular, will want to focus on **DFID programme** figures. For some analyses figures are only available for the DFID programme and so these must be used – for example the breakdown of spend by MDGs shown in Section 4. To be able to fully understand DFID programme figures, readers may wish to consult the Aid Types table on page 7 which summarises what counts as different types of aid. Definitions of all the classifications used in tables appear in the glossary.

17. Section 5 explains **debt relief** in detail and where different figures on debt relief are located in *SID*.

¹⁰ Private flows are not classified as aid, but are reported to the DAC separately and shown in *SID* Table 4. See glossary for definitions.

Classification of Bilateral and Multilateral Aid

Bilateral assistance is provided directly to partner countries while **multilateral assistance** is provided through international organisations. While much DFID expenditure is clearly identifiable as bilateral or multilateral in nature, there are some anomalies.

Funds can only be classified as multilateral if they are channelled through an organisation on a list in the DAC Statistical Reporting Directives which identifies all multilateral organisations. This list also highlights some bodies that might appear to be multilateral but are actually bilateral (in particular this latter category includes some international non-governmental organisations such as the International Committee of the Red Cross and some Public-Private Partnerships such as the Global Alliance for Vaccines and Immunisation and the Global Fund to Fight Aids, Tuberculosis and Malaria). The DAC list of multilaterals is updated annually based on members nominations; organisations must be engaged in development work to be classified as multilateral aid channels.¹¹

While core funding to multilateral organisations is always classified as multilateral expenditure, additional funding channelled through multilaterals is often classified as bilateral expenditure. This would be the case in circumstances where a DFID country office transfers some money to a multilateral organisation (eg. A UN agency) for a particular piece of work in that country (or region). That is where DFID has control over what the money is being spent on and/or where it is being spent. Likewise, if DFID responds to an emergency appeal from an agency for a particular country or area, the funds will be allocated as bilateral spend to that country or region. As a result, some organisations, such as UN agencies have some of their DFID funding classified as bilateral and some as multilateral.

DFID is planning to introduce a new activity reporting system from 2007. The new system will be more flexible and should enable us to gather more information on our aid flows, including details of how much of our bilateral aid programme is channelled through multilateral organisations, and vice versa.

¹¹ Money may be classified as bilateral while a case is being made for a new multilateral organisation to be recognised.

Classification of DFID Bilateral Aid Types¹²

Financial Aid – Poverty Reduction Budget Support (PRBS) – Funds provided to developing countries for them to spend in support of their expenditure programmes whose long-term objective is to reduce poverty; funds are spent using the overseas governments' own financial management, procurement and accountability systems to increase ownership and long term sustainability. This includes PRBS earmarked for a specific sector.

Other Financial Aid – Funding of projects and programmes such as Sector Wide Programmes not classified as PRBS. Financial aid in its broader sense covers all bilateral aid other than technical cooperation and administrative costs but in *SID* we separately categorise 'Grants and Other Aid in Kind', Humanitarian Assistance and DFID Debt Relief. Aid and Trade Provision which was previously identified in *SID* has now been merged into 'other financial aid' as it is a rapidly declining flow.

Technical Cooperation - Activities designed to enhance the knowledge, intellectual skills, technical expertise or the productive capability of people in recipient countries. It also covers funding of services which contribute to the design or implementation of development projects and programmes.

This assistance is mainly delivered through research and development, the use of consultants, training (generally overseas partners visiting the UK or elsewhere for a training programme) and employment of 'other Personnel' (non-DFID experts on fixed term contracts). This latter category is growing less significant over time as existing contracted staff reach the end of their assignments.

Grants and Other Aid in Kind - This category comprises support to the development work of UK and international Civil Society Organisations, (increasingly through partnership agreements with Civil Society Organisations) and grants to the British Council. It also covers equipment and supplies that the UK might provide (e.g. medical supplies) and funding under a Small Grant Scheme intended to allow Heads of Mission in a number of partner countries to fund eligible small projects of developmental value.

Humanitarian Assistance - Provides food aid and other humanitarian assistance including shelter, medical care and advice in emergency situations and their aftermath. Work of the conflict pools is also included.

DFID Debt Relief - This includes sums for debt relief on old DFID aid loans and cancellation of debt under the Commonwealth Debt Initiative (CDI). The non-CDI DFID debt relief is reported on the basis of the 'benefit to the recipient country'. This means that figures shown represent the money available to the country in the year in question that would otherwise have been spent on debt servicing. The CDI debt cancellation is reported on a 'lump sum' basis where all outstanding amounts on a loan are shown at the time the agreement to cancel is made. See Section 5 for more details on debt relief.

¹² Full definitions are given in the glossary.