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## DAC Working Party on Development Finance Statistics

# MODERNISING THE REPORTING ON ODA LOANS - RISK-ADJUSTED GRANT EQUIVALENTS AND OTHER APPROACHES

**Informal Meeting, 24 - 25 April 2014, Paris**

*This document is submitted for DISCUSSION under Item 3 of the Draft WP-STAT Agenda [DCD/DAC/STAT/A(2014)1/PROV].*

*It responds to broad endorsement by the Senior Level Meeting on 3-4 March 2014 of recommendations to "work towards the establishment of a clear quantitative definition of concessionality in character for use in the ODA context" and "with the assistance of the WP-STAT further investigate the feasibility of risk-adjusted grant equivalents (while not excluding other options)".*

*Members are invited to give their views on the implementation issues and potential implications on development finance allocations as detailed in paragraphs 9 and 19 through 23.*

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# MODERNISING THE REPORTING ON ODA LOANS – RISK-ADJUSTED GRANT EQUIVALENTS AND OTHER APPROACHES

1. This paper responds to broad endorsement by the Senior Level Meeting on 3-4 March 2014 of recommendations to "work towards the establishment of a clear quantitative definition of concessionality in character for use in the ODA context" and "with the assistance of the WP-STAT further investigate the feasibility of risk-adjusted grant equivalents (while not excluding other options)".1.

2. It thus presents, for WP-STAT members' consideration and comment, an assessment of the feasibility of risk-adjusted grant equivalents, and alternatives. The paper does not aim to secure decisions or approvals at this stage. Rather, in line with the SLM mandate, it aims to support an open and informal discussion of the feasibility of a risk-adjusted grant equivalent approach and its direct and second-order implications on statistical reporting, with some consideration of alternative approaches. The group's technical advice will be a key input to upcoming DAC, SLM and HLM discussions.

3. As with previous discussions of loan concessionality in DAC statistics, this document assumes an understanding of grant element methodology. Before tackling the discussion below, correspondents who are new to DAC statistics may therefore first wish to consult DCD/DAC/STAT(2012)18/REV1, which explains this methodology.

## Risk-adjusted grant equivalents [Option 1]

4. The risk-adjusted grant equivalent approach – specifically mentioned in the SLM paper and already discussed at the WP-STAT Concessionality Workshop on 19 November 2013 – involves a major change of methodology. ODA would no longer record the disbursements and repayments on loans that met the ***grant element*** test. Instead it would record the ***grant equivalent*** of the loan, assessed on the basis of the terms of repayment of the loan when the loan was extended. Moreover, the discount rates applied in the calculation of grant equivalents would take into account both the donor's cost of funds and the risk incurred in lending to a particular country.

5. It is important to stress that reporting based on risk-adjusted grant equivalents does not mean flow data would no longer be collected. Loan-by-loan reporting in CRS++ – on amounts committed and disbursed, principal and interest received, and debt outstanding – would remain as at present. These data would be used for the measurement of total official support for development (TOSD) and the statistical presentations of development finance from the perspective of the recipients.

### *Calculation method*

6. The method would be as follows: First, a risk-adjusted discount rate would need to be determined for the specific loan. This would be an estimate of the natural or neutral rate of interest that would have been charged in a market transaction (recognising however that the lender and, in many cases, the borrower may be governments). The risk-adjusted rate consists of the donor's total funding costs and a risk premium.

7. The risk-adjusted discount rate would then be used in a grant element calculation, and the resulting grant equivalent would be the ODA component of the loan.

1. Cf. DCD/DAC(2014)9, paragraph 29, point 6.

8. A simplified example may clarify this. Figure 1 shows a grant element calculation on a USD 1 million loan, extended at 2.5% interest, where the donor's total cost of making funds available is 4% p.a., and the additional risk represented by the borrowing country in question is 3%. Thus the natural rate of interest – i.e. the rate the borrower could expect to pay if there was no subsidy – is 7% p.a. When all the service payments required on the loan[3] are discounted at this rate, they amount to USD 785 500, and the loan's grant equivalent is the difference between this and USD 1 million – i.e. USD 214 500. So a risk-adjusted grant equivalent approach would record USD 214 500 as ODA.

**Figure 1. Grant element calculation**

(Loan of USD 1 million; interest rate 2.5% p.a., grace period 2.5 years, maturity 10 years, discount rate 7%)

| Date payment due | Period (p) | Principal outstanding in USD thousands | Future payments: Principal | Future payments: Interest | Future payments: *A. Total* | *B. Six-month factor at 7% p.a. $(1.07)^p$* | *C. Present value of future payments* |
|---|---|---|---|---|---|---|---|
| 01-01-2001 | | | | | | | |
| 01-07-2001 | 0.5 | 1,000.0 | | 12.5 | 12.5 | 1.034 | 12.1 |
| 01-01-2002 | 1 | 1,000.0 | | 12.5 | 12.5 | 1.070 | 11.7 |
| 01-07-2002 | 1.5 | 1,000.0 | | 12.5 | 12.5 | 1.107 | 11.3 |
| 01-01-2003 | 2 | 1,000.0 | | 12.5 | 12.5 | 1.145 | 10.9 |
| 01-07-2003 | 2.5 | 1,000.0 | 62.5 | 12.5 | 75.0 | 1.184 | 63.3 |
| 01-01-2004 | 3 | 937.5 | 62.5 | 11.7 | 74.2 | 1.225 | 60.6 |
| 01-07-2004 | 3.5 | 875.0 | 62.5 | 10.9 | 73.4 | 1.267 | 58.0 |
| 01-01-2005 | 4 | 812.5 | 62.5 | 10.2 | 72.7 | 1.311 | 55.4 |
| 01-07-2005 | 4.5 | 750.0 | 62.5 | 9.4 | 71.9 | 1.356 | 53.0 |
| 01-01-2006 | 5 | 687.5 | 62.5 | 8.6 | 71.1 | 1.403 | 50.7 |
| 01-07-2006 | 5.5 | 625.0 | 62.5 | 7.8 | 70.3 | 1.451 | 48.5 |
| 01-01-2007 | 6 | 562.5 | 62.5 | 7.0 | 69.5 | 1.501 | 46.3 |
| 01-07-2007 | 6.5 | 500.0 | 62.5 | 6.3 | 68.8 | 1.552 | 44.3 |
| 01-01-2008 | 7 | 437.5 | 62.5 | 5.5 | 68.0 | 1.606 | 42.3 |
| 01-07-2008 | 7.5 | 375.0 | 62.5 | 4.7 | 67.2 | 1.661 | 40.4 |
| 01-01-2009 | 8 | 312.5 | 62.5 | 3.9 | 66.4 | 1.718 | 38.6 |
| 01-07-2009 | 8.5 | 250.0 | 62.5 | 3.1 | 65.6 | 1.777 | 36.9 |
| 01-01-2010 | 9 | 187.5 | 62.5 | 2.3 | 64.8 | 1.838 | 35.3 |
| 01-07-2010 | 9.5 | 125.0 | 62.5 | 1.6 | 64.1 | 1.902 | 33.7 |
| 01-01-2011 | 10 | 62.5 | 62.5 | 0.8 | 63.3 | 1.967 | 32.2 |
| | | | | | | **sum =** | **785.5** |

Grant element = (1000-785.5)/1000 = **21.45%**

### *Implementation issues*

9. Calculating loan ODA in this way raises a number of implementation issues, some of which are technical while others have direct or second-order political implications. **Members' views are invited on the following points:**

- ***Eligible population of loans:*** One of the perceived advantages of the grant equivalent approach, noted at the Concessionality Workshop and subsequently, is that it provides a continuous "sliding scale" of concessionality measurement. Highly concessional loans would yield more ODA than loans with modest degrees of concessionality, but all concessional elements, however small, could be captured. This is in contrast to present "cut-off" system which counts the whole loan as ODA only if it reaches a 25% grant element, and excludes it from ODA if it does not.

3. The service payments here consist only of amortisation and interest, but could also include fees and charges.

The sliding scale would apply to all official loans with a developmental purpose (i.e., excluding export credits). However, the calculation may result in a *negative* grant equivalent for loans extended at terms harder than market terms. It would thus be necessary to decide whether such negative entries should be deducted from ODA. The loan volume would in any case be reportable as TOSD.

- ***Source of information for risk-adjusted rates:*** Four members proposed a method of constructing risk-adjusted rates as the sum of i) donor country bond yields, ii) an allowance for cost of credit, and iii) a risk premium.[4] More recently, the independent researcher David Roodman has proposed and used DDRs with the addition of the OECD's Minimum Premium Rates as used in the Export Credit Arrangement.[5] The second method would perhaps be simpler to operate as it relies on standard, readily available OECD data.

  The methods differ with regard to the reference rate for the *donor funding cost* (one uses bond yields plus one percent, while the other uses DDRs where the margin varies between 0.75% and 1.25% depending on the maturity of the loan) and the *risk premium* (one based on average default spreads of recipient countries grouped by the OECD's country risk categories, the other directly applying the OECD's Minimum Premium Rates). The Secretariat has tested both methods of determining the donor funding costs, which produce very similar results. As regards the risk premium, simulations have so far been computed only applying the first method and the best source of information remains to be determined. The required default spreads could be derived from financial information providers such as Bloomberg. The OECD Arrangement explicitly advises against applying the Minimum Premium Rates for any other purpose than the Arrangement.

- ***Frequency of change of risk-adjusted rates:*** DDRs are subject to an annual change on the 15th of January. The same revision cycle could be applied to the standardised risk premia, to be added to the DDR, to derive the risk-adjusted discount rates for use in ODA reporting for that year.

- ***Application of risk-adjusted rates to loans to multilateral organisations and funds:*** In recent years members have reported very few loans to multilateral organisations, but it should be considered whether, and if so how, to apply risk-adjusted rates to such lending. (Note that limited debt funding in the form of concessional loans was introduced in the IDA 17 financing framework.) A plausible solution might be to use the DDRs without any risk premium, on the logic that a loan to a multilateral can be assumed to be of AAA quality.

- ***Timing of reporting of grant equivalents:*** The simplest method of introducing grant equivalent reporting on loans would be to report the total grant equivalent at the time of loan commitment. However, this would make time series lumpy and care would need to be taken to adjust this reporting if part or all of the loan was not actually disbursed. An alternative would be to apply the grant element percentage to each disbursement as it was made. Thus, if the risk-adjusted grant element was 21.45%, as in the above example, 21.45% of each disbursement tranche of the loan would be reportable as ODA. Either method seems feasible. Yet another alternative, suggested by Spain, would be to apply the grant element method only to the loan repayments[6].

4. Cf. DCD/DAC/STAT(2012)22.

5. http://davidroodman.com/blog/2014/02/17/whats-the-best-way-to-count-loans-as-aid/

6. Spain's suggestion is as follows. Report the full face value of the loan as ODA when it is extended. When repayments of principal arrive, only make negative ODA entries for the non-grant-equivalent share of each

- ***Maintaining data on actual flows:*** Total ODA would no longer consist of grant and loan flows of cash, but of grants combined with grant-equivalent efforts. The flow concept could however be retained at the level of total official transactions (TOSD). Thus in the above example, ODA would record USD 214 500 and "non-ODA TOSD" would record USD 785 500 when the loan was extended, so that the total outflow of USD 1 million would show as TOSD. The principal repayments would then be deducted in full from TOSD, so that the net flow over the life of the loan would be zero in TOSD. However, no part of the principal repayments would be deducted from ODA. Interest would continue to be recorded as a memo item.

  This approach would seem feasible, though it raises a further question which has political as well as technical aspects. The 1970 UN resolution on aid and flow targets expressed these as "net amount[s]…in terms of actual disbursements".[7] Could the new type of ODA total, consisting of grants and grant equivalents, be considered as equivalent to net disbursements? Reporting on grant equivalents year by year as and when loans were disbursed would seem more appropriate here than reporting on grant equivalents upfront when loans are committed. It would allow using total ODA in assessments of performance against the UN target.

- ***Treatment of the existing stock of ODA debt:*** Moving to a grant equivalent approach would leave a large stock of outstanding ODA debt which under the present system would have given rise to negative entries as it was repaid.[8] Do members believe these repayments should still be deducted from future ODA figures? As a general rule a change in reporting methodology should not favour some members over others. Also, ignoring the existing debt stock would be prone to criticism by the NGO community that has been closely monitoring the discussion on the reporting on ODA loans. In any case, data on the repayments would still need to be collected, and could therefore be published in separate series. Alternatively, a transition period for reporting negative entries for the existing stock of ODA debt could be defined.

- ***Adjustments to debt relief reporting***: Since this option factors the risk of default into the ODA amount reportable when loans are extended, actual default and subsequent debt forgiveness should logically not give rise to a new ODA entry. (At present, interest forgiven on ODA loans, and principal and interest forgiven on OOF loans, counts as new ODA.) This would apply to all official development loans assessed for concessionality.

  The bulk of debt relief reported as ODA in the past relates to loans originally provided by the private sector. To date the full face value of forgiven debt has been reportable as an ODA grant, but this far exceeds the real cost to donors. Moreover, much forgiven debt concerns export credits, which are insured against default, at rates that take account of default risk. The implementation of a risk-adjusted approach in ODA reporting triggers the question of whether there is a need to curtail debt forgiveness reporting in respect of export credits and other private debt. At the SLM, a few members suggested this issue should be further discussed with representatives of the Paris Club.

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repayment. When all repayments have been deducted, the net ODA over the life of the loan would thus be its grant equivalent.

7. See http://www.un-documents.net/a25r2626.htm. The phrase "in terms of actual disbursements" appears only in paragraph 42 of the Resolution which specifies the 1 per cent flow target. It could, however, be assumed to carry over to paragraph 43 which specifies the 0.7 per cent ODA target.

8. For reference, member countries' total outstanding ODA debt as at the end of 2011 is estimated at USD 207 billion. The corresponding figure for EU institutions was USD 19 billion.

- ***Adapting the Terms Recommendation:*** The DAC Recommendation on Terms and Conditions of Aid, last revised in 1978, is a key discipline maintaining the overall concessionality of members' aid programmes. It requires, among other things, maintenance of an 86% grant element of total ODA, calculated annually on a commitment basis.

  If ODA loans are now to be recorded as grant equivalents instead of cash flows, the Recommendation will need either interpretation or amendment if it is not to become a dead letter. This would be feasible in principle, given that members would continue to report the details of loans in CRS++. However, it is not immediately clear what form the Recommendation would need to take to cope with ODA loans being reported in their grant equivalents. One possibility would be to maintain an "old ODA" series, calculated on the old basis, to which the Recommendation would still apply. This would not, however, guarantee a minimum grant element for the "new ODA" based on grant equivalents.

**Unified IMF/World Bank benchmark for External Debt Analysis in Low Income Countries [Option 2: cash-flow method, Option 3: grant equivalent method]**

10. On 11 October 2013, the IMF Board of Governors approved a new flat discount rate of 5% for assessing the concessionality of loans to low income countries (LICs). Only loans reaching a minimum grant element of 35%, using a 5% discount rate, are regarded as concessional. The unified 5% rate replaced an earlier system based on Commercial Interest Reference Rates, but with different treatment of long and short-term loans. Five per cent was "a level broadly aligned with the discount rate currently [i.e. in October 2013] used for calculating the grant element of long-term U.S. dollar-denominated loans".[9]

11. Harmonising the concessionality assessment with the IMF/World Bank system would retain the cash-flow basis of DAC statistics. However, it has one major caveat – the system is only applicable to lending to LICs and not to MICs, the latter representing a significant share of members' ODA loans. The counter-argument here could be that the system remains close to the criteria used by the OECD to assess tied aid loans and that the Tied Aid Disciplines apply to lending to LICs and MICs.[10] To be regarded as concessional, a tied aid loan must bear a grant element of 35% (50% for least-developed countries), using the OECD's Differentiated Discount Rates (DDRs). Both the DDRs and the IMF's earlier rates for calculating grant elements derive from Commercial Interest Reference Rates, though with somewhat different adjustments and averaging procedures. The 2014 US dollar DDRs range from 3.9% to 4.4%, depending on the tenor (duration) of the loan.

12. Using either the IMF/World Bank system or the OECD system for tied aid therefore produces similar results. Both systems are much stricter than the current grant element test in the ODA definition, and leave many fewer loans qualifying as concessional. This is partly because they both discount the future repayment stream on the loan at a much lower rate than the ODA grant element test (4-5% instead of 10%). This leaves a smaller gap between the repayment stream and the face value of the loan, resulting in smaller grant equivalents. But both the IMF and Tied Aid methods also require a higher grant element (35-50% instead 25%) before a loan is regarded as concessional.

13. An example may help bring this out. Say a 15-year loan was made at 1% interest, with equal principal payments twice a year, and no grace period. Its grant element, using a 10% discount rate, is

9. The Executive Board of the World Bank approved a similar proposal shortly afterwards. See http://www.imf.org/external/np/pp/eng/2013/100413.pdf and http://www.imf.org/external/np/pp/eng/2013/122313.pdf.

10. See http://search.oecd.org/officialdocuments/displaydocumentpdf/?doclanguage=en&cote=tad/pg(2014)1, p. 19f.

41.74%.[11] Thus it easily qualifies as an ODA loan against a 25% grant element. But if it were assessed instead on the IMF's grant element calculator against a discount rate of 5%, its grant element would be 24.07% – short of the current 25% threshold, and well short of the 35% level applied under the IMF and Tied Aid methods.

14. Calculating ODA using the IMF/World Bank test described above implies that:

- the ***current ODA grant element test would effectively be superseded*** by a more stringent formula, so that a smaller volume of official lending would qualify as ODA

- as the new discount rate would not take default risk into account, ***it would not require changes to debt relief reporting rules in respect of official development loans***.

Given that members have generally expressed their support for the grant equivalent approach, an alternative to look into would be aligning the discount rate with that used by the IMF but applying the grant equivalent approach. Figures for this are shown as Option 3 in the Annex. It will be observed that choice of the discount rate significantly affects the calculated grant equivalent.

**Alternative approach: No new quantitative test for ODA loan concessionality**

15. A couple of members have indicated a preference for not introducing any new quantitative test of the concessionality of ODA loans. This would seem unacceptable as it would be in breach of the HLM decision to "establish, as soon as possible, and at the latest by 2015, a clear, quantitative definition of 'concessional in character', in line with prevailing financial market conditions."[12]

16. One member has expressed the view that the 10% discount rate could be considered a proxy for risk-adjusted rates over a long period and across the developing countries as a whole. This reasoning is new and the Secretariat has not examined it in detail. If 10% is a proxy for risk-adjusted rates, however, it might be more logical to apply it to calculate grant equivalents, and count those as ODA. In that case, many of the questions raised under section "risk-adjusted grant equivalents" would then be relevant for this option too.

**Scenarios**

17. In response to members' request for quantitative analysis of the implications of the risk-adjusted grant equivalent approach, Annex 1 attempts to estimate the effects on members' ODA of the above options, over the period 2004-12. The results should be treated with some reserve, since:

- some loans reported as OOF have not had their terms reported or were extended at variable interest rates: these have not been assessed for concessionality and have not been included[13]

- there are difficulties in tracing disbursement and repayment streams as identification numbers sometimes change over time: averages were used instead

11. Using the OECD grant element calculator at www.oecd.org/development/stats/15344611.xls; to replicate, remember to "enable macros".

12. See the HLM communique at http://www.oecd.org/dac/HLM%20Communique%202012%20final%20ENGLISH.pdf.

13. At the time of writing only three members had responded to the Secretariat's request for additional data on OOF loans required for this analysis.

- global interest rates rise and fall over lengthy periods, so the effects on past data are not necessarily a guide to the future.

18. Effects on future ODA levels are less clear, though some general trends can be identified. Risk-adjusted grant equivalents would raise ODA levels over the medium and long term, since repayments on the relevant loans would no longer need to be deducted from ODA as it was repaid. The increase would be more marked if repayments on old loans were also not deducted, and if some elements of debt relief reporting were retained. The increases would only apply to loan-extending countries, with corresponding effects on donor rankings.

***Second-order implications***

19. Changing the reporting rules could also affect members' use of loans as an instrument of development finance. The risk-adjusted grant equivalent approach would generally encourage lending, especially if only positive grant equivalent amounts were counted. Risk-adjusted grant equivalents might also encourage highly concessional lending, although even modest elements of concessionality would be reportable as ODA.

20. Changing the rules may also have an impact on ODA allocations by recipient and recipient group. The risk-adjusted grant equivalent approach might also encourage lending to the poorer countries, since the riskier the recipient, the higher the ODA grant equivalent. Donors could however be criticised for lending to poor countries on relatively hard terms that exceeded their funding costs.

21. The above raises the question of possible updating of the Terms Recommendation and whether some additional safeguards should be built in the risk-adjusted grant equivalents system to ensure the continued poverty focus of ODA and the sustainability of lending to developing countries, including the MICs for which no debt sustainability framework has been defined.

***Conformity of risk-adjusted grant equivalents with the 2012 HLM decisions***

22. Since the risk-adjusted grant equivalent approach would curtail volatile debt relief reporting, it could be considered the best way to meet the HLM requirement to "avoid creating major fluctuations in overall ODA levels", and perhaps also the best approximation of relative "donor effort". However, it could be questioned whether it is line with the HLM decision to "maintain the definition of ODA, and only attempt to clarify the interpretation of loans that qualify as ODA" and whether it is "generally consistent with the way concessionality is defined in multilateral development finance". As regards the HLM's demand to "ensure equal treatment of all DAC members", much depends on the decision about the outstanding ODA debt, but otherwise the approach would allow for a fairer comparability of ODA figures between grant-only and grant-and-loan extending members.[14]

## Conclusion

23. The present DAC agreement on ODA loan reporting expires in 2014 and the HLM and SLM have given a mandate to find a clear quantitative definition of "concessional in character" at the latest by 2015. The work is generating increasing public interest, including in the press and among NGOs and academics. Fulfilling the mandate is thus key to safeguarding the DAC's credibility as the source of global

14. Maintaining the present reporting position would not ensure equal treatment, since the DAC has decided to accept, in respect of flows from 2011 to 2014, reporting by members with differing interpretations of "concessional in character". DCD/DAC(2013)27/FINAL; http://www.oecd.org/dac/stats/concessionality-note.htm.

ODA data, and securing its role in monitoring financial flows for development in the post-2015 period. WP-STAT members' input will be a vital contribution towards achieving this result.

24. Members are therefore requested to discuss whether:

- **ODA reporting based on risk-adjusted grant equivalents is feasible, and if so, how each of the implementation issues outlined in paragraph 9 should be handled.**

- **If the approach is not considered feasible, what other approaches should be examined.**

## ANNEX 1: ESTIMATED EFFECT OF OPTIONS ON ODA DATA

**Table 1. Total ODA, simulations with 2012 data (USD million)**

| | ***Option 1*** **Risk-adjusted grant equivalents** *A+B+C+I* | ***Option 2*** **Cash flows - 5% discount rate and 35% threshold** *A+B+C+D+E+F1+G1* | ***Option 3*** **Grant equivalents using 5% discount rate** *A+B+C+D+E+H* | ***For reference*** ***Current Net ODA*** *A+B+C+D+E+F+G* |
|---|---|---|---|---|
| Australia | 5,388 | 5,403 | 5,389 | *5,403* |
| Austria | 1,003 | 1,106 | 1,109 | *1,106* |
| Belgium | 2,379 | 2,315 | 2,372 | *2,315* |
| Canada | 5,499 | 5,650 | 5,697 | *5,650* |
| Czech Republic | 220 | 220 | 220 | *220* |
| Denmark | 2,705 | 2,693 | 2,706 | *2,693* |
| Finland | 1,321 | 1,320 | 1,320 | *1,320* |
| France | 10,752 | 10,298 | 11,105 | *12,028* |
| Germany | 13,602 | 12,924 | 13,698 | *12,939* |
| Greece | 327 | 327 | 327 | *327* |
| Iceland | 26 | 26 | 26 | *26* |
| Ireland | 808 | 808 | 808 | *808* |
| Italy | 2,956 | 2,738 | 2,924 | *2,737* |
| Japan | 16,908 | 10,619 | 16,127 | *10,605* |
| Korea | 3,562 | 1,588 | 2,323 | *1,597* |
| Luxembourg | 399 | 399 | 399 | *399* |
| Netherlands | 5,584 | 5,523 | 5,584 | *5,523* |
| New Zealand | 449 | 449 | 449 | *449* |
| Norway | 4,732 | 4,753 | 4,753 | *4,753* |
| Poland | 377 | 421 | 377 | *421* |
| Portugal | 477 | 520 | 410 | *581* |
| Slovak Republic | 80 | 80 | 80 | *80* |
| Slovenia | 58 | 58 | 58 | *58* |
| Spain | 2,080 | 2,052 | 2,083 | *2,037* |
| Sweden | 5,244 | 5,244 | 5,244 | *5,240* |
| Switzerland | 3,059 | 3,056 | 3,059 | *3,056* |
| United Kingdom | 13,779 | 13,891 | 13,891 | *13,891* |
| United States | 31,245 | 30,687 | 31,279 | *30,687* |
| **Total DAC countries** | **135,021** | **125,167** | **133,820** | ***126,949*** |
| EU Institutions | 15,312 | 12,508 | 13,746 | *17,479* |

*See Appendix to Table 1 for details on components [A-I] included in those total estimates.*

# APPENDIX TO TABLE 1

## Components included in current ODA and options 1-3, 2012 data (USD million)

| | *current ODA* | | | | | | | *option 2* | | *option 3* | *option 1* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | NET GRANTS (excl. debt delief) | NET EQUITIES | NET DEBT RELIEF GRANTS (private claims) | NET DEBT RELIEF GRANTS (other) | NET DEBT RESCHEDULING (ODA & OOF claims) | GROSS LOAN DISBURSEMENTS (excl. debt rescheduling) | LOAN REFLOWS (excl. debt rescheduling) | GROSS LOAN DISBURSEMENTS (excl. debt rescheduling) APPLYING A 5% DISCOUNT RATE | LOAN REFLOWS (excl. debt rescheduling) APPLYING A 5% DISCOUNT RATE | GRANT EQUIVALENT OF LOANS 5% DISCOUNT RATE | GRANT EQUIVALENT OF LOANS RISK-ADJUSTED DDR |
| | *A* | *B* | *C* | *D* | *E* | *F* | *G* | **F1**= *F x share of loans still qualifying as ODA using a 5% discount rate and 35% threshold* | **G1**= *G x share of loans still qualifying as ODA using a 5% discount rate and 35% threshold* | *H* | *I* |
| Australia | 5,355 | 0 | 0 | 8 | 0 | 43 | -4 | 43 | -4 | 26 | 33 |
| Austria | 1,002 | 1 | 0 | 106 | 0 | 1 | -4 | 1 | -4 | 0 | 0 |
| Belgium | 2,077 | 0 | 272 | 0 | 0 | 3 | -37 | 3 | -37 | 24 | 31 |
| Canada | 5,499 | 0 | 0 | 198 | 0 | 0 | -47 | 0 | -47 | 0 | 0 |
| Czech Republic | 220 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Denmark | 2,730 | -25 | 0 | 1 | 0 | 0 | -13 | 0 | -13 | 0 | 0 |
| Finland | 1,282 | 38 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| France | 8,395 | 0 | 0 | 1,337 | 137 | 3,688 | -1,528 | 732 | -303 | 1,236 | 2,357 |
| Germany | 12,102 | 270 | 0 | 545 | 0 | 1,362 | -1,339 | 425 | -417 | 781 | 1,230 |
| Greece | 327 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Iceland | 26 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ireland | 808 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Italy | 2,757 | 0 | 0 | 2 | 0 | 78 | -100 | 75 | -95 | 165 | 199 |
| Japan | 10,961 | -162 | 0 | 0 | 0 | 7,698 | -7,893 | 7,137 | -7,317 | 5,328 | 6,109 |
| Korea | 1,129 | 0 | 0 | 0 | 0 | 517 | -49 | 507 | -48 | 1,194 | 2,433 |
| Luxembourg | 399 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Netherlands | 5,464 | 0 | 120 | 0 | 0 | 0 | -61 | 0 | -61 | 0 | 0 |
| New Zealand | 449 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Norway | 4,490 | 242 | 0 | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Poland | 377 | 0 | 0 | 0 | 0 | 61 | -18 | 61 | -18 | 0 | 0 |
| Portugal | 311 | 0 | 0 | 0 | 0 | 308 | -38 | 238 | -29 | 99 | 166 |
| Slovak Republic | 80 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Slovenia | 58 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Spain | 1,985 | 23 | 73 | 0 | 3 | 38 | -84 | 25 | -56 | 0 | 0 |
| Sweden | 5,185 | 59 | 0 | 0 | 0 | 0 | -5 | 0 | 0 | 0 | 0 |
| Switzerland | 3,035 | 10 | 15 | 0 | 0 | 0 | -4 | 0 | -4 | 0 | 0 |
| United Kingdom | 13,639 | 140 | 0 | 112 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| United States | 31,206 | 0 | 0 | 56 | 0 | 0 | -576 | 0 | -576 | 16 | 39 |
| **Total DAC countries** | **121,347** | **596** | **480** | **2,387** | **140** | **13,797** | **-11,798** | **9,246** | **-9,029** | **8,870** | **12,597** |
| EU Institutions | 12,003 | 2 | 0 | 8 | 0 | 6,064 | -598 | 549 | -54 | 1,733 | 3,307 |

**Table 2. Total ODA, simulations with average 2004-2012 data (constant 2012 prices) (USD million)**

| | ***Option 1*** **Risk-adjusted grant equivalents** *A+B+C+I* | ***Option 2*** **Cash flows - 5% discount rate and 35% threshold** *A+B+C+D+E+F1+G1* | ***Option 3*** **Grant equivalents using 5% discount rate** *A+B+C+D+E+H* | ***For reference*** ***Current Net ODA*** *A+B+C+D+E+F+G* |
|---|---|---|---|---|
| Australia | 3,877 | 3,986 | 4,006 | *3,986* |
| Austria | 1,204 | 1,369 | 1,387 | *1,369* |
| Belgium | 2,432 | 2,359 | 2,424 | *2,359* |
| Canada | 4,983 | 5,114 | 5,160 | *5,114* |
| Czech Republic | 196 | 203 | 203 | *203* |
| Denmark | 2,683 | 2,701 | 2,739 | *2,701* |
| Finland | 1,148 | 1,145 | 1,146 | *1,144* |
| France | 10,889 | 11,012 | 11,615 | *11,438* |
| Germany | 11,562 | 12,013 | 12,658 | *11,908* |
| Greece | 475 | 475 | 475 | *475* |
| Iceland | 30 | 30 | 30 | *30* |
| Ireland | 888 | 889 | 889 | *889* |
| Italy | 3,410 | 3,844 | 4,062 | *3,841* |
| Japan | 17,795 | 12,099 | 17,155 | *12,074* |
| Korea | 1,486 | 926 | 1,199 | *931* |
| Luxembourg | 391 | 391 | 391 | *391* |
| Netherlands | 6,036 | 5,911 | 6,064 | *5,911* |
| New Zealand | 397 | 397 | 397 | *397* |
| Norway | 4,481 | 4,512 | 4,509 | *4,512* |
| Poland | 301 | 331 | 301 | *331* |
| Portugal | 491 | 576 | 542 | *600* |
| Slovak Republic | 74 | 74 | 74 | *74* |
| Slovenia | 50 | 50 | 50 | *50* |
| Spain | 4,519 | 4,340 | 4,450 | *4,367* |
| Sweden | 4,707 | 4,765 | 4,765 | *4,768* |
| Switzerland | 2,555 | 2,546 | 2,556 | *2,546* |
| United Kingdom | 11,091 | 11,778 | 11,780 | *11,751* |
| United States | 28,520 | 28,505 | 29,455 | *28,505* |
| **Total DAC countries** | **126,668** | **122,341** | **130,480** | ***122,664*** |
| EU Institutions | 14,435 | 12,419 | 13,251 | *16,883* |

*See Appendix to Table 2 for details on components [A-I] included in those total estimates.*

# APPENDIX TO TABLE 2

## Components included in current ODA and options 1-3, average 2004-2012 data (constant 2012 prices) (USD million)

| | *current ODA* | | | | | | | *option 2* | | *option 3* | *option 1* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | NET GRANTS (excl. debt delief) | NET EQUITIES | NET DEBT RELIEF GRANTS (private claims) | NET DEBT RELIEF GRANTS (other) | NET DEBT RESCHEDULING (ODA & OOF claims) | GROSS LOAN DISBURSEMENTS (excl. debt rescheduling) | LOAN REFLOWS (excl. debt rescheduling) | GROSS LOAN DISBURSEMENTS (excl. debt rescheduling) APPLYING A 5% DISCOUNT RATE | LOAN REFLOWS (excl. debt rescheduling) APPLYING A 5% DISCOUNT RATE | GRANT EQUIVALENT OF LOANS 5% DISCOUNT RATE | GRANT EQUIVALENT OF LOANS RISK-ADJUSTED DDR |
| | *A* | *B* | *C* | *D* | *E* | *F* | *G* | *F1= F x share of loans still qualifying as ODA using a 5% discount rate and 35% threshold* | *G1= G x share of loans still qualifying as ODA using a 5% discount rate and 35% threshold* | *H* | *I* |
| Australia | 3,797 | 0 | 0 | 147 | 0 | 43 | 0 | 43 | 0 | 62 | 80 |
| Austria | 935 | 2 | 264 | 185 | 0 | 0 | -16 | 0 | -16 | 2 | 3 |
| Belgium | 2,111 | 0 | 290 | 0 | 0 | 28 | -70 | 28 | -70 | 23 | 32 |
| Canada | 4,983 | 0 | 0 | 177 | 0 | 0 | -45 | 0 | -45 | 0 | 0 |
| Czech Republic | 196 | 0 | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Denmark | 2,679 | 4 | 0 | 53 | 3 | 20 | -57 | 20 | -57 | 0 | 0 |
| Finland | 1,101 | 21 | 23 | 0 | 0 | 1 | -3 | 0 | -1 | 0 | 3 |
| France | 8,927 | 0 | 612 | 1,221 | 147 | 2,106 | -1,576 | 418 | -313 | 708 | 1,349 |
| Germany | 10,365 | 185 | 0 | 1,523 | -12 | 1,199 | -1,353 | 374 | -422 | 596 | 1,011 |
| Greece | 475 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Iceland | 30 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ireland | 888 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Italy | 3,204 | 0 | 0 | 702 | 4 | 180 | -249 | 172 | -238 | 152 | 206 |
| Japan | 10,911 | -28 | 1,285 | 177 | 73 | 7,807 | -8,152 | 7,237 | -7,557 | 4,736 | 5,627 |
| Korea | 691 | 0 | 0 | 1 | 1 | 278 | -40 | 272 | -39 | 506 | 794 |
| Luxembourg | 391 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Netherlands | 5,813 | 0 | 223 | 25 | 3 | 2 | -154 | 2 | -154 | 0 | 0 |
| New Zealand | 397 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Norway | 4,322 | 159 | 0 | 29 | 0 | 3 | -1 | 3 | -1 | 0 | 0 |
| Poland | 301 | 0 | 0 | 0 | 0 | 36 | -6 | 36 | -6 | 0 | 0 |
| Portugal | 403 | 0 | 0 | 1 | 87 | 125 | -16 | 97 | -13 | 51 | 88 |
| Slovak Republic | 74 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Slovenia | 50 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Spain | 3,934 | 61 | 265 | 18 | 5 | 435 | -350 | 292 | -235 | 167 | 259 |
| Sweden | 4,647 | 36 | 24 | 58 | 0 | 3 | -1 | 0 | 0 | 0 | 1 |
| Switzerland | 2,416 | 30 | 108 | 1 | 0 | 1 | -11 | 1 | -11 | 0 | 0 |
| United Kingdom | 10,715 | 50 | 320 | 693 | 0 | 128 | -154 | 0 | 0 | 2 | 6 |
| United States | 28,507 | 0 | 0 | 909 | 31 | 15 | -957 | 15 | -957 | 8 | 13 |
| **Total DAC countries** | **113,263** | **521** | **3,414** | **5,928** | **340** | **12,411** | **-13,212** | **9,011** | **-10,137** | **7,014** | **9,471** |
| EU Institutions | 11,946 | 17 | 0 | 11 | 0 | 5,497 | -587 | 498 | -53 | 1,277 | 2,472 |

Note: average 2011-2012 data for the EU Institutions

**Methodological note:** For reasons given in the text, it is not possible to precisely quantify the effect that Options 1-3 would have had on past ODA figures. However, these tables are an attempt at estimation.

For Option 1, the estimates comprise ODA grants plus the grant equivalent of official developmental loans. Grants include grants for forgiveness of private debt (no data being presently available on the share of this that may have been insured or purchased at a discount), but not for forgiveness of official debt. Grant equivalents are included both for ODA loans and for OOF developmental loans the terms of which were available. The discount rate used to calculate the grant equivalent of each loan was the Differentiated Discount Rate for the year and currency concerned, plus an allowance for risk for the recipient country concerned.

For Option 2, the figures comprise ODA grants plus net ODA loans (positive or negative) multiplied by the share, calculated for each loan-extending donor separately, of ODA loans that would meet a 35% grant element test using a 5% discount rate. (Ideally the method for Option 2 would exclude all disbursements and repayments of loans that would not meet this tighter concessionality test; however, for several donors it was not possible to track disbursements and repayments loan-by-loan.)

For Option 3, the estimates comprise ODA grants plus the grant equivalent of official developmental loans calculated using a fixed 5% discount rate. There is no deduction for forgiveness of official debt in this option.

The appendices to Tables 1 and 2 provide the detail of components entering the calculations to facilitate understanding and enable calculation of the effects of some other approaches.