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Use of DAC Statistics in Compiling
Balance of Payments Estimates of Transfers Receipts

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I. INTRODUCTION

1. The work program of the IMF Committee on Balance of Payments Statistics includes, as a medium priority item, an inquiry into the potential use of the OECD's Development Assistance Committee (DAC) statistics on grants disbursements in compiling improved estimates of current and capital transfers in balance of payments statistics of aid-recipient countries. This item was incorporated into the Committee's work program because of the sizeable asymmetries in the global balance of payments statistics on current and capital transfers and because of the considerable difficulties that many countries experience in recording receipts of transfers from abroad, especially non-cash grants.
2. The Fund's 1997 *Balance of Payments Statistics Yearbook (Yearbook)* shows that disbursements of current transfers exceeded the value of recorded receipts by \$46 billion a year during the 1992–96 period. The global discrepancy on capital transfers was in the other direction—receipts exceeded payments by about \$20 billion a year. The *Yearbook* data on current transfers likely includes transfers of a capital nature as several of the large donor countries (and recipient countries) do not appear to distinguish current and capital transfers in their balance of payments statistics, with the exception perhaps of debt forgiveness. Current transfers are reported in the balance of payments under three headings—general government, workers' remittances, and other transfers. The transactions of general government accounted for around 60 percent of receipts and payments each year during 1992–96, a significant part of which would reflect transactions related to development assistance. The latter cannot be separately identified in the transfers data reported to the Fund.
3. This note is organized as follows: Section II provides a brief overview of the DAC statistics with particular reference to the data on grants disbursements. Section III reports on consultations with balance of payments compilers and Fund consultants working in developing and emerging market economies on the usefulness of the DAC statistics on grants disbursements for compiling/checking balance of payments statistics. Some issues for discussion are presented in Section IV.

II. DEVELOPMENT ASSISTANCE STATISTICS

4. The DAC Statistics measure the flows of aid and other financial resources to aid recipients (developing countries and countries in transition), and cover aid loans and grants, other official flows, private market transactions, and assistance from non-governmental organizations to each recipient country and recipient countries combined. The main categories of grants are capital projects, budget and balance of payments support, food and other commodity aid, technical cooperation, and emergency relief. They include grants in the form of cash, services, and goods as well as debt forgiveness. The data on official flows are derived from donor's budgetary accounting systems. DAC Statistics are collected annually from the Members of the OECD's Development Assistance Committee, which is comprised of 21 donor countries and the Commission of the European Communities. A number of other countries and organizations also report to the OECD (Annex 1).

5. The annual DAC system is supplemented by reporting on individual transactions in the OECD's Creditor Reporting System (CRS), which provides textual and numerical information on specific projects. The CRS is an information system comprising data on Official Development Assistance and other lending by the official sector. The system has been in existence since 1967 and is sponsored jointly by the OECD and the World Bank. A subset of the CRS consists of individual grant and loan commitments (from 6,000 to 15,000 transactions a year) submitted by DAC donors (22 members) on a regular basis. Reporters are asked to supply (in their national currency) detailed financial information on the commitment to the developing country such as: terms of repayment (for loans), tying status, and sector allocation. The Secretariat converts the amounts of the projects into US dollars using the annual average exchange rates.

6. Although DAC statistics are largely based on balance of payments concepts and definitions, there are some important differences, as well as some variations in Member's reporting practices. Grants (and official loans and credits) for the supply (or financing) of military equipment and services are excluded. The conventions used in recording the timing of transactions varies slightly among countries. Measurement of cash transactions is represented by disbursements, not on an accruals basis. Moreover, these may also vary from the time the transactions are recorded by the aid recipient. Some Members do not record debt forgiveness in conformity with balance of payments concepts. Rather than recording the full amount of the loan forgiveness as a grant in the period when the loan is forgiven, some record forgiven amounts of principal and interest due in the future in the year in which they become due.¹

7. The annual DAC Questionnaire contains extensive geographical information on the source and destination of official development assistance and official aid, which facilitates their use by balance of payments compilers. Destination information is available on total bilateral grants to 187 countries/territories eligible to receive such aid. Destination information is also available for several specific types of bilateral grants (e.g., technical cooperation and developmental food aid), which are identified in Annex 2. A brief description of each of the grants components for which destination information is available is also provided. Administrative costs of development assistance agencies are also included as part of grants, but these data are reported to the OECD as a lump sum figure and therefore not included in the data on the country of destination of grants.

8. A high proportion of the compiled DAC Statistics is made available to the public in several regular publications—the Statistical Annex to the DAC Chair's Annual Report *Development Co-operation* and the *Geographical Distribution of the Financial Flows to Aid Recipients*. Considerable information is also available on the DAC's Internet site—<http://www.oecd.org/dac>

¹However, DAC Members have recently agreed on new guidelines on debt forgiveness reporting which are in conformity with balance of payments conventions.

III. CONSULTATIONS ON THE USE OF DAC STATISTICS FOR STATISTICAL COMPILATION

9. Using information available from the DAC's web site, the Fund's Statistics Department constructed, for each of 15 countries, a spreadsheet showing the source and type of grants disbursements for the years 1995-96.² Annex 3 provides, as an example, the information assembled for Armenia. The spreadsheets were sent to Fund consultants working abroad in the area of balance of payments statistics and to selected balance of payments compilers. The contacts were asked to (i) prepare a table comparing the data in the spreadsheets with corresponding information on transfers receipts included in the balance of payments statistics and (ii) provide an evaluation of whether the DAC Statistics could be used to improve the coverage of the national data on transfers receipts from abroad. Responses were received from all but one of the contacts.

10. The respondents were appreciative of this statistical initiative, as they generally found the DAC statistics on grants disbursements to be useful in identifying gaps in the balance of payments statistics. The DAC Statistics identified the main donor countries/organizations, which compilers could then contact directly for further information. However, a few respondents acknowledged difficulties in previous attempts to obtain information on bilateral grants from embassies or donor countries. Some respondents requested DAC data for earlier years (i.e., prior to 1995) and expressed an interest in receiving the DAC Statistics on an ongoing basis. One respondent asked if the data could be provided on a quarterly basis for use as part of the checking mechanism for the balance of payments statistics.

11. It was recognized that the national compilation systems were unlikely to have the high level of detail contained in the DAC Statistics (i.e., a matrix showing the source and type of aid). The degree of component detail available at the country level varied considerably. For some countries, information was available on the source of the grants but not on the type of aid received; in other cases information was available only on the type of aid (generally aid-in-kind and other aid).

12. In the majority of cases, the DAC Statistics showed higher grants disbursements than was recorded in the corresponding balance of payments statistics of the recipient countries. Frequently, there was no similarity in the bilateral data on aid flows. The recording of technical assistance is likely to be an important gap in recipient countries' balance of payments statistics, as national statistical systems frequently rely on cash reporting systems for cash grants and customs data for recording aid in kind. In some countries, the grants data are based on information provided by government agencies involved in the coordination of aid disbursements from abroad, and thus may include the receipt of services such as technical assistance.

²Armenia, Belarus, Botswana, Chile, Estonia, Fiji, Georgia, Kyrgyz Republic, Latvia, Lithuania, Moldova, Russia, Senegal, Ukraine, and Zimbabwe.

13. The DAC Statistics identify grants relating to technical cooperation, which includes scholarships, tuition, and the services of experts and volunteers whose prime role is in training or capacity development. Although these statistics may be comprehensive, compilers noted difficulties in using such data in the balance of payments accounts without additional information needed to record the offsetting debit entries (e.g., salaries paid to nonresident consultants working in the recipient country (part of compensation of employees), tuition in the donor country of students from aid recipients (part of travel), etc. Respondents asked if breakdowns could be provided of the most important components of technical cooperation.

14. Another concern expressed by the respondents was the composition of “other grants,” which the Fund calculated by subtracting from total bilateral grants the data for those grants for which destination information was available (see Annex 2). In the spreadsheets prepared for the 15 countries, “other grants” accounted for over 40 percent of total grants in 1996 and for seven of the countries exceeded 50 percent of grants disbursements. The distinction between technical cooperation and other grants was questioned, and respondents said that much more was needed about the basis of the definition and classification of the grant categories used in the DAC Statistics. According to the OECD, other grants may include capital project aid, sector investment programs, budget and balance of payments support, commodities, and supplies, which are discussed in the DAC Statistical Reporting Directives. The OECD is rewriting and simplifying the reporting directives (to become available in mid-1999).

15. The institutional coverage of the DAC Statistics was also questioned as to why important donors like the World Bank and the Fund are omitted from the grants statistics e.g., technical assistance? The OECD’s flows statistics includes loans from the World Bank and the Fund, except for the IMF “tranche” drawings, which do not count as official development assistance. Efforts are being made to improve coverage of grants from international financial institutions (e.g., data from regional development banks are already available).

16. Respondents also commented that it would facilitate their use of the DAC statistics on grants disbursements if a distinction could be made (i) between current and capital transfers (to conform with the *BPM* classifications) and (ii) between grants disbursements to the official and private sectors in the recipient country. The current reporting directives make no distinction between current and capital transfers. As regards, the sector receiving the grants, the bulk of aid goes to the public sector in the recipient country.

IV. ISSUES FOR DISCUSSION

17. Do Committee members see merit in the Fund apprising balance of payments compilers of the availability of DAC statistics on grants disbursements and encouraging them to consult these data in compiling and/or checking balance of payments statistics on receipts of grants from abroad?

18. Do Committee members see merit in asking the OECD to explore ways to develop the DAC Statistics to make them more useful in balance of payments statistical compilation? How should work in this area proceed?

Donor Country/Agency Coverage of DAC Data in 1996

DAC Members	Other Reporting Countries	Reporting Organizations
Australia	Greece	AfDF
Austria	Korea	AsDF
Belgium	Kuwait	CarDB
Canada	Saudi Arabia	EBRD
Denmark	Taiwan, Province	IBRD
Finland	of China	IDA
France	United Arab	IDB
Germany	Emirates	IDB Special Op. Fund
Ireland		IFAD
Italy		IFC
Japan		Nordic Development Fund
Luxembourg		SAF+ESAF
Netherlands		UNDP
New Zealand		UNFPA
Norway		UNHCR
Portugal		UNICEF
Spain		UNRWA
Sweden		UNTA
Switzerland		WFP
United Kingdom		Other UN
United States		
Commission of the European Communities		

Detail on Bilateral Grants Contained in the 1996 DAC Questionnaire

Aggregates in Table 1

Destination information in Table 2a

I. Bilateral Official Development Assistance (ODA)

1. Bilateral grants, total (a to l)	X
a) Project and program aid	
a.i. Capital project aid	
a.ii. Program aid	
of which: Sector program assistance	
b) Technical cooperation	X
c) ODA grants in Associated Financing packages	
of which: Interest subsidies	X
d) Developmental food aid	X
e) Emergency and distress relief	X
of which: -Relief food aid	
-Aid to refugees	
of which: in donor countries	
f) Debt forgiveness, total (incl. interest)	X
of which: -ODA claims (principal)	
-OOF claims (principal)	
-Private claims (principal)	
g. Other action on debt	
g.i. Service payments to third parties	
g.ii. Debt conversion and buybacks	
g.iii. Other	
h) General (core) support to NGOs	
i) General (core) support to int. NGOs	
j) Promotion of development awareness	
k) Administrative costs n.i.e.	Not applicable
l) Other(including recoveries)	

Selected Grants Items for Which Destination Information is Available

i. Technical cooperation (sometimes referred to as technical assistance)

Technical cooperation is a generic term covering contributions to development primarily through the medium of education and training. Free-standing technical cooperation covers activities whose primary purpose is to augment the level of knowledge, skills, technical know-how or productive aptitudes of the population of developing countries. Investment-related technical cooperation (IRTC) covers financing of services by the donor country with the primary purpose of contributing to the design and/or implementation of a project or program aiming to increase the physical capital stock of the recipient country. These services include consulting services, technical support, etc. IRTC is included indistinguishably as part of capital project aid, and so is not reported separately as technical cooperation.

ii. Development food aid

This item includes bilateral grants falling within the general definition of food aid, which is as follows:

- supplies of edible human food under national or international programs;
- cash payments made for food supplies;
- the transport costs financed by the donor country; and
- intermediate products such as animal food and agricultural inputs (fertilizers, seeds, etc.) where these are supplied by the donor as part of its food aid program.

iii. Emergency and distress relief (including emergency food)

An “emergency” is an urgent situation created by an abnormal event which a government cannot meet out of its own resources and which results in human suffering and/or loss of livestock. Such an emergency can result from (a) sudden natural or man-made disasters, or (b) food scarcity conditions arising from crop failure owing to drought, pests and diseases. Expenditures for the sustenance of refugees may also be included.

iv. Debt forgiveness

Debt forgiveness converts, by mutual agreement, a loan to a grant.

v. Grants included in associated financing packages—interest subsidies

Grants included in associated financing packages are included. These include lump sum grants provided directly to the recipient country, and subsidies paid to domestic lenders to reduce the interest rate on commercial credits reported as “single integrated transactions,” by the private sector in the donor country.

GRANT DISBURSEMENTS FROM SELECTED COUNTRIES--ARMENIA									
						(US\$ million)			
						1996			
	Total grants	Technical co-op	Development food aid	Emergency aid (non-food)	Debt forgive.	Assoc. financing 1/	Other grants	Total ex. A. fin	
ALL DONORS	142.89	84.84	22.18	19.89	0.00	0.00	15.98	142.89	
Australia	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Austria	0.12	0.05	0.00	0.00	0.00	0.00	0.07	0.12	
Canada	0.00	0.06	0.00	0.00	0.00	0.00	-0.06	0.00	
CEC	28.52	6.55	11.58	10.40	0.00	0.00	-0.01	28.52	
EBRD	0.30	0.00	0.00	0.00	0.00	0.00	0.30	0.30	
Finland	0.28	0.00	0.00	0.28	0.00	0.00	0.00	0.28	
France	4.91	1.79	0.00	0.00	0.00	0.00	3.12	4.91	
Germany	6.70	1.40	2.36	0.35	0.00	0.00	2.59	6.70	
Ireland	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.02	
Italy	0.03	0.03	0.00	0.00	0.00	0.00	0.00	0.03	
Japan	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.01	
Netherlands	7.52	4.08	0.00	3.42	0.00	0.00	0.02	7.52	
Norway	1.84	0.00	0.00	1.84	0.00	0.00	0.00	1.84	
Other UN	1.29	1.29	0.00	0.00	0.00	0.00	0.00	1.29	
Spain	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.01	
Sweden	2.73	0.00	0.00	2.73	0.00	0.00	0.00	2.73	
Switzerland	0.85	0.05	0.24	0.56	0.00	0.00	0.00	0.85	
UNDP	0.50	0.50	0.00	0.00	0.00	0.00	0.00	0.50	
UNFPA	0.49	0.49	0.00	0.00	0.00	0.00	0.00	0.49	
UNHCR	5.59	0.00	0.00	0.00	0.00	0.00	5.59	5.59	
UNICEF	1.92	1.92	0.00	0.00	0.00	0.00	0.00	1.92	
United Kingdom	1.37	1.06	0.00	0.31	0.00	0.00	0.00	1.37	
United States	74.00	65.00	8.00	0.00	0.00	0.00	1.00	74.00	
UNTA	0.53	0.53	0.00	0.00	0.00	0.00	0.00	0.53	
WFP	3.36	0.00	0.00	0.00	0.00	0.00	3.36	3.36	

1/ Grant portion of associated financing packages.

