

**Thirteenth Meeting of the
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**Use of DAC Statistics on Grants Disbursements for
Balance of Payments Compilation**

**Prepared by the Statistics Department, International Monetary Fund,
and the Development Cooperation Directorate, Organisation for Economic
Cooperation and Development**

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At its annual meeting in 1998, the IMF Committee on Balance of Payments Statistics reviewed a note prepared jointly by the Fund and the OECD on the use of the OECD's Development Assistance Committee (DAC) statistics on grants disbursements by major donor countries/organizations in compiling balance of payments estimates of transfers receipts by recipient countries. This investigation was undertaken in view of sizeable discrepancies during the mid-1990s in the global balance of payments data on transfers published by the Fund. The IMF Committee found merit in apprising aid-recipient countries of the existence of the DAC statistics and suggested that the OECD seek ways of improving the data. In recent years, the imbalances between recorded transfer receipts and payments at the global level have moderated, amounting to about \$20 billion a year in 1997 and 1998, less than half their level in the 1993–96 period.

The Fund has been using the DAC statistics on grants disbursements in its technical assistance program. In general, the DAC statistics tended to show a higher level of grants disbursements (debits) than was apparent from the balance of payments statistics on transfer receipts recorded by the individual recipient countries. This imbalance is consistent with the direction of the discrepancies found in the global data on transfer transactions. The DAC statistics on grants show extensive detail on the origin and destination of official grant disbursements. However, these data are believed to reflect many grants that are provided in the form of services, but which are not distinguished from grants in the form of cash. This makes it difficult to conduct data comparisons with country data or to use the data directly in balance of payments compilation. Typically, cash transactions are easier to measure, while compilers have difficulties in recording grants in the form of services, which require considerable information for correct recording in the balance of payments accounts.

In June 2000, the Fund, in collaboration with the OECD, disseminated the 1998 DAC statistics on grants disbursements to some 140 developing and transition countries for their information. A short explanatory note accompanied the data and countries were informed that although the DAC statistics were not designed for balance of payments compilation they might be helpful in evaluating the coverage of balance of payments statistics on transfer receipts. The OECD or the Fund could be contacted if there were any questions regarding these data. A copy of a sample letter to countries and illustrative data for Kenya is attached for the information of the IMF Committee on Balance of Payments Statistics.

The Fund will continue to use the DAC statistics in its technical assistance and training programs. No further work in this area is planned in the context of the Committee's work program. In future reviews of the DAC reporting system, the OECD will consider the possibility of making changes to its reporting system to make the grants data more amenable for use in balance of payments compilation.

June 30, 2000

Dear :

Each year, the Fund's Statistics Department transmits the annual report of the IMF Committee on Balance of Payments Statistics to its balance of payments correspondents. The report provides an overview of the Committee's work program and reports on trends in the statistical discrepancy in the global balance of payments statistics published by the Fund. I will be sending to you a copy of the Committee's 1999 Annual Report in the near future.

One of the items on the Committee's work program deals with the use of donor-country data on bilateral grant disbursements for checking and/or improving the coverage of the balance of payments estimates in the area of current and capital transfers. In this regard, I am writing to provide you with information from the statistical database of the Organisation for Economic Co-operation and Development (OECD) on bilateral grant disbursements, which you may find helpful in your work on compiling balance of payments statistics.

Each year, the OECD assembles the Development Assistance Committee (DAC) Statistics to meet the needs of policy makers in the field of development cooperation and to provide a means of assessing the comparative performance of the aid donors. Most of the statistics are available to the public in regular publications of the OECD. The extensive geographical detail available in the DAC statistics together with the component detail—technical cooperation, development food aid, emergency and distress relief, and debt forgiveness—provides a wealth of information on bilateral grant flows. An overview of the DAC grant statistics is provided in the attachment to this letter together with information from the DAC statistics database on bilateral grant disbursements to your country during 1998, the most recent year for which data are available. Although the DAC statistics were not designed for balance of payments compilation, you may find them helpful in evaluating the coverage of transfer receipts. If you have any questions regarding these data you may write to the OECD or the Fund at the following:

Mr. Brian Hammond
The Head of Division
Reporting Systems Division
Development Cooperation Directorate
Organisation for Economic Cooperation
and Development
2, rue André Pascal
75775 Paris, Cedex 16
France

Mr. Neil Patterson
Assistant Director for
Balance of Payments and
External Debt Division I
Statistics Department
International Monetary Fund
Washington, D.C.
U.S.A. 20431

I would welcome any comments that you may have regarding the use of these statistics in balance of payments compilation.

Best regards.

Sincerely yours,

Carol S. Carson
Director
Statistics Department

Attachments (2)

[Two pages from OECD Website]

DAC Statistics on Grants Disbursements

Under the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) a collection of statistics—DAC Statistics—is undertaken to meet the needs of policy makers in the field of development cooperation and to provide a means of assessing the comparative performance of the aid donors. These 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. Most of these statistics are available to the public in regular OECD publications, in particular the Statistical Annex to the DAC Chair's annual *Development Co-operation Report* and the *Geographical Distribution of the Financial Flows to Aid Recipients*. Since 1998, these statistics have also been made available on-line on the Internet.

In connection with the work program of the IMF Committee on Balance of Payments Statistics and in cooperation with the OECD, the **DAC statistics on grants disbursements** have been investigated as a possible data source for improving the coverage of national balance of payments statistics in the area of current transfers (i.e., aid receipts). Although the annual DAC statistics were not designed for compiling balance of payments statistics, they provide 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.

Data for Individual Recipient Countries

The accompanying spreadsheet provides information on the geographical distribution of grant flows to selected recipient countries. Some component detail on the type of aid flows (e.g., technical cooperation, food aid, etc.) is also available. A brief description of the coverage of the selected grant items for which destination information is available is provided below.

Selected Grants Items for which Destination Information is Available

1. 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.

2. **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.

3. **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.

4. **Debt forgiveness**

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

5. **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. The fifth edition of the IMF’s *Balance of Payments Manual* would not consider these transactions as transfers.

6. **Other grants**

Data for all other grants can be derived by subtracting the data for the above series, as applicable, from total official development assistance (ODA) grants. If there are no values for a particular series (e.g., debt forgiveness), the series is not presented in the accompanying spreadsheet; only series that have values are presented. There is no further information on the coverage of the other grants item for individual recipient countries. 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 figures and therefore not included in the data on the country of destination of grants.