

# Understanding aid expenditure statistics

*This section provides a summary of the key terms used throughout the publication, explaining the definition of Official Development Assistance (ODA) and other key terms such as bilateral aid and multilateral aid. Descriptions of the classifications used to summarise the different types of aid and different sectors that the UK supports are also included. A glossary describing all terms is provided at Annex 1.*

2.1. 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 28 donor countries and the European Commission. The DAC sets the definitions and classifications for reporting on aid financing internationally, including Official Development Assistance (ODA), and produces a statistical report<sup>1</sup> on international aid flows annually. As a DAC member, the UK is committed to transparent reporting of development assistance in a way that permits international comparisons. This section explains the key definitions used throughout this publication.

## Official Development Assistance (ODA)

2.2. Aid flows count as Official Development Assistance (ODA) if they meet all of the following conditions:

- They go to countries or territories on the DAC list<sup>2</sup> of ODA recipients, or to recognised multilateral institutions. The DAC list includes all low and middle income countries based on gross national income (GNI) per capita as published by the World Bank, with the exception of G8 members, EU members and other countries with a firm date for entry into the EU. All Least Developed Countries (LDCs), as defined by the United Nations, are included on the list.
- They are provided by official agencies or by their executive agencies.

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<sup>1</sup> OECD, [Development Co-operation Report 2012](#) (November 2012)

<sup>2</sup> OECD, [DAC list of ODA recipients](#) (2013)

- They are administered with the promotion of the economic development and welfare of developing countries as its main objective.
- They are concessional in character and convey a grant element of at least 25 per cent.

2.3. ODA is reported on a calendar year basis and is shown both gross and net of loan repayments.

## **Classification of Bilateral and Multilateral Aid**

2.4. The classification of aid as **bilateral** or **multilateral** is based on definitions laid down by the DAC. On the whole, bilateral assistance is provided to partner countries while multilateral assistance is provided as core contributions to international organisations. While much of the UK expenditure is clearly identifiable as bilateral or multilateral in nature, there are some anomalies.

2.5. Funds can only be classified as multilateral if they are channelled through an organisation recognised as multilateral by the DAC. This list is updated annually based on members' nominations. Organisations must be engaged in development work to be included.

2.6. Aid may be classed as bilateral while a case is being made for the recipient institution to be recognised by the DAC as a multilateral organisation. Once the DAC has recognised the multilateral organisation the aid may be retrospectively re-classified as multilateral.

2.7. While core funding to multilateral organisations is always classified as multilateral expenditure, additional funding channelled through multilaterals where the recipient country/region, sector, theme or individual project is known is classified as bilateral expenditure.

## **Classification of Bilateral Aid Types**

2.8. The classification of DFID bilateral aid types are consistent with DAC reporting standards and are detailed below.

- **Budget Support** – this includes contributions to developing countries for them to spend in support of a government policy and 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. Budget support can take 2 forms:
  - **General budget support** which takes the form of general 'unearmarked' contributions to the overall budget; or
  - **Sector budget support** which has a more restricted focus, earmarked for a specific sector.
  
- **Core support to Non-Governmental Organisations (NGOs), Public Private Partnerships (PPPs), research institutions** – this includes contributions to non-governmental organisations, multilateral institutions, public private partnerships and research institutions for use at their discretion.
  
- **Project type interventions** – this includes contributions to fund projects where there are a set of inputs, activities and outputs, agreed with the partner country, to reach specific objectives/outcomes within a defined time frame, with a defined budget and a defined geographical area.
  
- **Experts and other technical assistance** – this covers the provision of know-how in the form of personnel, training and research. The 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 becoming less significant over time as existing contracted staff reach the end of their assignments.
  
- **Debt relief** – this includes any contributions relating to debt (forgiveness, conversions, swaps, buy-backs, rescheduling, refinancing). It 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.

- **Other in-donor expenditures** – this includes contributions that do not result in a cross-border flow. It may include funding of activities to increase public support and raise awareness of development co-operation efforts, and official sector expenditure on refugees in donor countries.
- **Administrative costs not included elsewhere** – this includes administrative costs of development assistance programmes not already included under other ODA items as an integral part of the costs of delivering or implementing the aid provided.

## Sector Expenditure Estimates

2.9. The UK spends ODA in a number of different sectors. Details of the broad sectors used for reporting ODA, based on the DAC Purpose Codes, are summarised below, including some examples of what is included in each sector.

- **Education** – including primary education, secondary education, post-secondary education and teacher training.
- **Health** – including basic health care, communicable disease control, health education and health personnel development.
- **Water and sanitation** – including water supply and sanitation, water resources conservation and waste sector policy.
- **Government and civil society** – including public administration, financial management, elections, human rights, democratic participation and civil society, conflict prevention and resolution, peace and security.
- **Other social infrastructure and services** – including social/welfare services, employment policy, housing policy, culture and recreation and statistical capacity building.
- **Economic infrastructure and services** – including transport and storage, communication, energy generation and supply, banking and financial services, business and other services.
- **Production sectors** – including agriculture, forestry and fishing, industry, mineral resources and mining, construction, trade policy and regulations and tourism.

- **General environmental protection** – including environmental policy, biodiversity, flood prevention and control.
- **General programme assistance** – including general budget support, food aid and other commodity assistance.
- **Action relating to debt** – including debt forgiveness, relief of multilateral debt, rescheduling and refinancing, debt swap and buy-back.
- **Humanitarian aid** – including emergency response, provision of shelter, water, sanitation and health services, supply of medicine, food aid, relief coordination, reconstruction relief and rehabilitation, and disaster prevention and preparedness.
- **Administrative costs of donors**
- **Refugees in donor countries**
- **Unallocated / unspecified** – including sectors not specified and the promotion of development awareness.

2.10. For each sector code selected, budget holders (those responsible for managing the expenditure) indicate what proportion of the total budget is expected to be spent in or on behalf of that sector.

2.11. In the case of Sector Budget Support (SBS), this can easily be allocated to sectors as SBS has a restricted focus and is intended for a specific sector.

2.12. In the case of General Budget Support (GBS), funds are provided directly to recipient governments and pooled with their own funds. Partner governments then use their own allocation, execution, accounting and reporting systems in spending the aid to support their development programmes. As a result, GBS cannot easily be broken down by sector. For statistical purposes, DFID has developed a standardised methodology to notionally allocate GBS to sectors in the same proportions as the recipient government allocates total resources to ODA eligible activity. This means, for example, if a government intends to spend 25 per cent of its budget on education, 25 per cent of GBS provided would be attributed to education. It is important to note that this methodology does not attempt to say where DFID funding actually goes, but where it would go if partner governments allocated it in proportion to their own budget. The methodology also does not attempt to measure, or claim to measure, marginal changes in governments' expenditure resulting from aid flows.

## DFID Imputed Share of Multilateral ODA

2.13. When DFID or other UK government departments provide core contributions in support of multilateral organisations, it is not possible to directly track the funding to the country or sector level. However, to provide a further indication of the destination and sector of UK aid, the overall proportions of ODA reported by the relevant agencies are used to impute a UK contribution.

2.14. This publication uses the breakdown of ODA reported by each multilateral organisation to the DAC to estimate what proportion of UK core contributions are spent in each country and sector. Where a multilateral organisation does not report its development assistance to the DAC but the multilateral is only mandated to work in a particular country, region or sector, DFID allocates 100% of its core contributions to the relevant country, region or sector. If a multilateral organisation does not report to the DAC but works in multiple sectors and/or countries then 100% of DFID's core contributions are allocated to the category 'non-sector allocable'.

## DFID Programme

2.15. As well as reporting statistics on total UK ODA, this publication also includes some statistics on ODA delivered by the DFID programme, which accounted for 87% of total UK ODA in 2012. The DFID programme includes bilateral and multilateral expenditure from DFID funds voted by Parliament including activities funded from the Conflict Prevention Pool. Beyond DFID voted funds, the DFID programme also includes an attribution of EC budgetary spending (the UK is attributed a share of the EC's External Assistance Budget based on total UK contributions to the EC. Each budget line is then attributed to either DFID or other UK government departments).

## DFID Country Programme

2.16. DFID's Bilateral Programme can be further disaggregated between **Country Programme** and **International/Policy Programme**. DFID's total programme is allocated to budget lines for spending divisions. **Country Programmes** are divisions within DFID that work in specific countries or regions e.g. East & Central Africa Division. **International/Policy Divisions** are DFID divisions which work on policy areas or with international organisations which benefit many different countries.