



## Improvement to the UK calculation of Imputed Multilateral Shares

### Summary

1. Following recent feedback on our Imputed Multilateral Shares (IMS) estimates, the Foreign, Commonwealth and Development Office (FCDO) statisticians working on Official Development Assistance (ODA) carried out a review that focused on several aspects of the methodology. These are summarised below:
  - The differences between the UK and OECD (Organisation for Economic Co-operation and Development) IMS methodology – assessing whether aspects of the OECD methodology should be incorporated into the UK method, where appropriate.
  - Coverage – investigating the treatment of UK core contributions to multilaterals who do not report disbursement<sup>1</sup> data (to the OECD).
  - Source data – investigating whether greater granularity was available in the multilateral disbursement data underpinning the IMS calculation.
  - Improving the processes behind calculating the estimates.
2. Following our review, we have updated and improved the UK methodology for calculating the UK Imputed Multilateral Shares. The improvements together increased the coverage of the UK IMS estimates. In 2018, around 10% of the UK's core contributions were not covered in the OECD disbursement data: With our new methodology this falls to 6%.
3. We concluded, following discussions with the OECD, that while our calculation methods are similar, there are differences in our use of multilateral disbursement data. We have incorporated certain aspects of the OECD approach into the new IMS methodology, although where differences do remain, we contend that our method is more appropriate for UK needs. This improves the coherence of the UK IMS estimates while bringing us more in line with the OECD. For more information on the differences and similarities between the OECD and UK IMS calculation **see Table 1**.
4. We have backdated the new methodology to 2015, providing five continuous years' worth of the latest IMS estimates.

### Links

- Newly released 2019 IMS estimates ([sector](#) and [country](#)) and backdated IMS series using the new methodology 2015-2018 ([additional tables](#)).
- IMS series using old methodology 2015-2018 ([sector](#) and [country](#)).

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<sup>1</sup> See Glossary on p.7 for the definition of the term “disbursements” and “commitments” in this context.

## Background

5. Core multilateral ODA is a term used to describe un-earmarked funding from national governments to multilateral organisations, which are pooled with other donors' funding and disbursed as part of the core budget of the multilateral organisation. It is therefore not possible to directly track the recipient (sector or country) of UK core multilateral funding.
6. A geographical and sectoral breakdown of the UK's core contributions to multilaterals is estimated using the sectoral and geographical distribution of disbursements made by multilaterals and reported to the OECD (these are called the 'Imputed Multilateral Shares').

### Working example of how IMS are calculated:

- The UK core contribution to multilateral Y was £10 million in one calendar-year period.
- Multilateral Y submitted disbursement data to the OECD for that same year that showed 70% of their ODA spend benefitted Kenya, and the other 30% benefitted Nigeria.
- The IMS calculation then estimates the benefitting countries resulting from the UK's £10m core contribution to multilateral Y. The estimated spend to Kenya in this example would be 70% of £10m which equates to £7m, and the estimated spend to Nigeria would be 30% of £10m which is £3m.

7. If a multilateral organisation does not report their ODA spend to the OECD, then any UK core contribution to the organisation is not allocated to a sector or country<sup>2</sup>. The full UK core contribution for these non-reporting multilaterals is coded under "Sector Unspecified" and "Developing Country, unspecified". Multilaterals who do report their ODA spend to the OECD may also allocate ODA spend to "unspecified sector" or "Developing Country, unspecified".
8. These shares should be taken as indicative estimates rather than exact amounts of funding, and they are dependent upon multilateral organisations returning disbursement data to the OECD.

## Comparing the OECD methodology and UK methodology

9. The OECD produce their own IMS estimates for each donor country, including the UK.
10. There are differences between IMS estimates produced by the UK and those published by the OECD. Having two sources of UK IMS estimates could be misleading for users of international development statistics. Therefore, it was important to assess the differences, adjust the UK methodology where appropriate, and explain the reason for any remaining differences.

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<sup>2</sup> In some cases where a multilateral organisation does not report its development assistance to the OECD but the multilateral is only mandated to work in a country, region or sector, FCDO statisticians allocate its core contributions to the relevant country, region or sector. An example of this is the UN Department for Peacekeeping Operations (UNDPKO) on page 4

11. We have worked with colleagues at the OECD to improve the UK methodology, which in turn led to closer alignment between the two methods. However, some differences do remain. For example, the OECD treatment of UN agencies (V. in Table 1) adds a further level of approximation which could lead to more uncertain estimates.
12. **Table 1** summarises our assessment of the components of the OECD method and the “old” UK method. It also highlights the new UK approach, noting if differences remain between the OECD and UK methodologies.

**Table 1.** Differences between the OECD methodology and the “old” UK methodology

	<b>OECD method</b>	<b>“old” UK method</b>	<b>UK new approach</b>
<b>I. Source data</b>	The OECD uses the Creditor Reporting System ( <a href="#">CRS</a> ) and, for 2018 estimates and years prior, also used an aggregated table ( <a href="#">Table 2a</a> ).	The UK uses the CRS.	For 2019 estimates onwards, the OECD just uses the CRS, which aligns with the UK’s approach. However, the UK go one step further and disaggregate the CRS for increased EU granularity.  <b>For 2019 estimates onwards, the UK and OECD are aligned.</b>
<b>II. Main data type</b>	The OECD uses donors’ <u>gross</u> disbursement data.	The UK uses donors’ <u>net</u> disbursement data.	The UK will continue to use the net disbursements as it is consistent with the way in which ODA spend including core contributions is reported in Statistics on International Development.  <b>Remains a difference.</b>
<b>III. Using commitments as a proxy for multilaterals that do not report disbursements</b>	The OECD uses commitment data (see Glossary p.7) as a proxy for multilaterals that do not report disbursement data.	The UK currently only uses disbursement data. For multilaterals that do not report disbursements the UK core contribution to the organisation is not allocated to a country or sector.	The UK will use commitment data for any non-reporting multilaterals (if available), in-line with the OECD method.  <b>Fully aligned.</b>
	The OECD uses commitment data as a proxy for Green Climate Fund (GCF) disbursement data.	The UK treats GCF as a non-reporting multilateral.	GCF started reporting disbursements to the OECD in 2020 (covering the ODA period from 2015 to 2019). The OECD will use disbursement data for GCF IMS calculations. The

			UK will use commitment data to estimate the distribution <sup>3</sup> .  <b>Remains a difference.</b>
<b>IV. Changes to reporting status of multilaterals</b>	The OECD treats the Asian Development Bank (AsDB) and Asian Development Fund (AsDF) as one organisation in their IMS methodology.	The UK only uses AsDB disbursement data and treats AsDF as a non-reporting multilateral.	The UK will treat AsDB and AsDF as one organisation in our methodology in-line with the OECD <sup>4</sup> . This means that AsDF will no longer be a non-reporting multilateral.  <b>Fully aligned.</b>
	The OECD treats the African Development Bank (AfDB) and the African Development Fund (AfDF) as one organisation in their IMS methodology.	The UK treats AfDB and AfDF separately.	As of 2019 the OECD treat AfDB and AfDF separately, in-line with the UK.  <b>Fully aligned.</b>
<b>V. UN agencies</b>	Historically the OECD used disbursement data from reporting UN agencies as a proxy for non-reporting UN agencies.  For 2019 estimates onwards, the OECD no longer use reporting UN agencies data as a proxy for non-reporting UN agencies.	The UK core contribution to all non-reporting multilaterals (UN and otherwise) are not allocated to a country or sector.	The OECD and UK will use country-specific detail included in donors' programme information to calculate the IMS for UN Department for Peace Keeping Operations (UNDPKO). <sup>5</sup>  <b>Partially aligned.</b>

<sup>3</sup> Currently total GCF disbursements reported to the OECD are small compared to the sum donors' contributions received in the corresponding years, as the GCF only started approving funds for programming in 2015 – the use of GCF commitments instead of disbursements will be reviewed in the coming years.

<sup>4</sup> For contributions to the AsDF the OECD use the concessional outflows (ODA) from AsDB/AsDF data and for the AsDB they use the non-concessional outflows. This does not affect the UK method as we do not extend core contributions to AsDB.

<sup>5</sup> Please note that the UNDPKO is not included in the IMS sector code breakdown, and so the amount in the "unallocated" category will be larger in Table A9 than in Table A10.

## Specific areas for consideration in UK methodology

13. In previous years the EU Institutions' disbursement data used in the UK calculation comprised of the 'European Investment Bank' (EIB), 'European Commission – Development Share of the Budget' (EC) and 'European Development Fund' (EDF) data, which had been aggregated together. As the UK does not provide funding to the EIB, its inclusion affects the country/region percentage splits, inflating UK spend to certain countries and deflating others, making the estimates less representative. This can be observed in the examples of the next section. To improve the quality of our IMS estimates, we will now use the EU Institutions' disaggregated CRS data to exclude EIB data, and only use EC and EDF disbursement data in the calculation.
14. In previous years the field of "unspecified sector" and "developing countries, unspecified" included non-reporting multilaterals as well as multilaterals who allocated spend to "unspecified sector" and "developing countries, unspecified". We have added a new category to each sector and country dataset called "Unallocated" which is for the non-reporting multilaterals. Adding this new category allows users to better understand the coverage of the estimates and ensures the true "unspecified sector" and "developing country, unspecified" amount being allocated by multilaterals are not misrepresented.
15. We discovered the following multilaterals were incorrectly categorised as non-reporting since 2015: OSCE (Organization for Security and Co-operation in Europe), UNEP (United Nations Environment Programme) (although in 2017-2018 is a non-reporter) and the IDB (Inter-American Development Bank). These have now been included in the sector/country splits.
16. The IMS calculation is typically produced in Excel with a series of formulae and pivot tables. Following the methodology review, this calculation has now been automated (using R software) to minimise the possibility of human error, increase reproducibility and reduce the resource burden.

## Examples of the impact of the methodology improvements

17. In addition to including an "Unallocated" category for core contributions to non-reporting multilaterals, the improvements that drive the largest changes in the IMS estimates are:
  - Including the Green Climate Fund (GCF) commitment data as a proxy for disbursement data in the IMS calculation (**see III in Table 1**), meaning that UK core contributions to GCF are now included in the sector/country splits
  - The disaggregation of EU Institutions (**see paragraph 13**)
18. Below are the top 5 sector increases and decreases, and the top 5 country/region increases and decreases for 2018 IMS estimates comparing old and new methodologies.

## Sectors

**Table 2. Top 5 sector increases in 2018**

Sector	<i>£ thousand</i>		
	IMS new method	IMS old method	Difference (new-old)
15110 – Public sector policy and administrative management	148,579	112,427	36,152
43060 – Disaster Risk Reduction	34,489	4,649	29,840
43010 – Multisector aid	136,513	115,231	21,283
14015 – Water resources conservation (including data collection)	25,929	5,820	20,109
14010 – Water sector policy and administrative management	86,623	68,524	18,099

19. As was the case for “Africa, regional”, the largest sector increase (15110 – Public sector policy and administrative management) of £36 million is primarily the result of including the commitment data for Green Climate Fund (GCF), as well as the disaggregation of EU Institutions (**Table 2**).

**Table 3. Top 5 sector decreases in 2018**

Sector	<i>£ thousand</i>		
	IMS new method	IMS old method	Difference (new-old)
21030 – Rail transport	12,243	86,180	-73,937
24030 – Formal sector financial intermediaries	57,229	131,009	-73,780
23210 – Energy generation, renewable sources - multiple technologies	33,920	52,523	-18,603
32262 – Oil and gas (upstream)	5,321	18,353	-13,032
14020 – Water supply and sanitation - large systems	30,696	42,562	-11,866

20. The largest sector decrease (21030 – Rail Transport) of £74 million from the old method to the new method is primarily as a result of the disaggregation of EU Institutions, with much of the old IMS estimate coming from the EIB (which the UK does not contribute towards) (**Table 3**).

## Countries

**Table 4. Top 5 country/region increases in 2018**

Recipient country	<i>£ thousand</i>		
	IMS new method	IMS old method	Difference (new-old)
Africa, regional	127,746	91,713	36,032
South of Sahara, regional	105,335	79,447	25,888
Bangladesh	255,466	237,045	18,422
Burkina Faso	89,002	75,489	13,514
Mongolia	17,676	5,490	12,186

21. The country/region seeing the largest **increase** in its 2018 IMS estimates when comparing the old method to the new method is “Africa, regional” (£36m) (**Table 4**). This increase is primarily a result of including the commitment data for the GCF in the calculation, but also in part due to EU Institutions disaggregation.

**Table 5. Top 5 country/region decreases in 2018**

Recipient country	IMS new method	IMS old method	£ thousand
			Difference (new-old)
Developing countries, unspecified	317,496	806,373	-488,877
Turkey	55,593	135,101	-79,508
Serbia	22,708	49,667	-26,960
Egypt	12,290	29,925	-17,635
India	177,533	194,170	-16,637

22. The creation of the new “Unallocated” category, that captures core contributions to the non-reporting multilaterals, accounts for much of the **decrease** in estimated spend to “developing country, unspecified” when comparing the old method to the new method (decrease of £489m) as well as the inclusion of the GCF (“Unallocated” = £322m) (**Table 5**). Turkey saw the largest country-specific decrease of £80 million as a result of the disaggregation of EU Institutions.

## Conclusion

23. Following our review of the UK methodology, we have implemented improvements to the multilateral data underpinning the IMS calculation to ensure it better aligns with the UK core contributions and the OECD methodology. Together, our improvements now ensure the IMS estimates are fit for purpose and meet the needs of our users.
24. If you have any questions or would like to provide us with feedback on the ODA spend statistics, please contact us at:

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## Glossary

Disbursements show actual payments in each year, resulting in the realisation of donors’ intentions and the implementation of their policies. They are necessary to examine the contribution of donors’ actions in development achievements, and better describe aid flows from a recipient’s point of view.

Commitments measure donors’ intentions and permit monitoring the targeting of resources to specific purposes and recipient countries. They fluctuate as aid policies change and reflect how donors’ political commitments translate into action, thus giving an indication about future flows.