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ANNEX 1: 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 2.

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 report¹ 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 list² 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.

¹ OECD, [Development Co-operation Report 2013](#) (December 2013)

² 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 87.8% of total UK ODA in 2013. 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

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.

ANNEX 2: GLOSSARY

Items which are underlined have separate entries elsewhere in the Glossary

Administrative costs

DFID administrative costs cover the total cost of delivering all DFID's programmes. They include UK based and local staff, consultants, travel, rents and communications. They also cover expenditure in respect of residual rent liability on the Chatham Maritime site arising from the terms agreed for the privatization of DFID's former Next Steps agency, the Natural Resources Institute. Other administrative costs cover the overseas costs of staff in agreed diplomatic posts concerned with full time administration of aid delivery. Under DAC definitions all these items are wholly ODA eligible.

DFID administrative costs presented in *SID* are not directly comparable to those presented in DFID's Resource Accounts due to some differences in methodology and definitions. The major difference is in the treatment of Programme Funded Administrative costs. In *SID*, Programme Funded Admin is defined as administration costs, which is in line with DAC definitions. Whereas Programme Funded Admin is classified as programme expenditure in the Resource Accounts.

ODA also includes ODA-eligible administrative costs of other government departments or agencies. For 2011 flows onwards, the FCO has used a more precise method approved by the DAC to estimate administrative costs in relation to front line diplomacy and have reported higher administrative costs than in previous years as a result.

Aid

SID presents two concepts of aid to developing countries: Official Development Assistance (ODA) and the DFID programme of aid. The DAC maintain a list of Recipients of Official Development Assistance (ODA). There are also some countries to which the UK gives aid that is not classified as ODA.

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 within the External Assistance Budget is attributed to either DFID or Other UK Government Departments based on the aim of

the budget line (development, conflict prevention, improving international relations). To calculate DFID's attribution, 15.31 per cent (the UK's share of EC expenditure in 2013 of each budget line attributed to DFID was totalled. The attribution for Other UK Government Departments uses the same method.

Not all of the EC External Assistance Budget scores as ODA. It is not straightforward to provide a precise Figure for the share of individual UK Government Department's attribution which should score as ODA. Most of the UK's share of EC expenditure for developing countries is attributed to the DFID programme and is shown under multilateral contributions.

Bilateral aid

Bilateral aid covers all aid provided by donor countries when the recipient country, sector or project is known. Core contributions to development organisations not on the DAC list of Multilateral Organisations is also classed as bilateral aid (for example the Global Partnership for Education). Core contributions to organisations on the DAC list of Multilateral Organisations in support of their development programme is classed as multilateral aid.

Bilateral Aid delivered through a Multilateral Organisation

This aid type covers funding that is channelled through a multilateral organisation and DFID has control over the country, sector or theme that the funds will be spent on. For example, this includes contributions to multi donor trust funds and special appeals managed by multilateral agencies. This is also sometime referred to as 'multi-bi' or 'multilateral non-core' but all refers to the same definition.

Bilateral Aid delivered through an NGO

This aid type includes DFID bilateral programme that is channelled through UK or international Not for Profit Organisations, such as NGOs or Civil Society Organisations. It contains both funding for specific projects and core funding i.e. when DFID has no control over the sector or recipient country.

British Council

The British Council is the UK's international organisation for educational opportunities and cultural relations. The FCO supports the British Council through grant-in-aid

funding. This funding goes to support a range of initiatives including building the capacity and quality of English language teaching; supporting education systems; and using cultural exchange to improve economic welfare. UK ODA statistics include the proportion of this work which is clearly focussed on delivering economic welfare and development in ODA eligible countries. The British Council's aid activities in developing countries are reported by the FCO.

CDC Group PLC (formerly Commonwealth Development Corporation)

CDC was transformed from a statutory corporation into a public limited company in December 1999, paving the way for it to become a Public/Private Partnership. From 1999 to 2004 it traded as CDC Capital Partners. From July 2004, most of the operational staff, including all overseas offices, transferred to a new company called Actis Capital LLP, which was de-merged from CDC. Actis has a majority of private sector partners and manages some of CDC's investments under contract. CDC Group PLC itself remains wholly Government-owned and is now the UK government's instrument for investing in the private sector in developing economies (it does so through fund management companies). The conditions under which the CDC operates means that its investments must have a clear development objective. It provides equities to companies in ODA eligible countries, and these disbursements and repayments are included as UK flows. The net amount (i.e. equity purchase less equity sales) of CDC investments in ODA-eligible countries is reported as ODA.

Chevening Scholarships

Chevening Scholarships fund international students who want to study in the UK. Largely funded by the FCO, the Scholarship scheme also receives significant contributions from universities and other organisations in the UK, and from a wide range of overseas sponsors including governmental and private sector bodies, with which the FCO have partnership agreements. Funding from this scheme to students from ODA eligible countries are included in UK ODA statistics.

Civil Society Organisations (CSOs)

Non-governmental organisations, trade unions, and church faith and community groups have a long and impressive record of involvement in international development. These civil society organisations and networks can play a vital role in empowering poor people overseas and in building global alliances in support of eliminating world poverty.

Climate Investment Funds

The aim of the Climate Investment Funds is to support development and poverty reduction through better environmental management, and help developing countries respond and adapt to climate change. The CIFs are funded by the UK and other donors.

Colonial Pensions

These are pension payments made to ex-members of the UK Overseas Civil Service who were employed directly by developing country governments. These payments are administered by DFID but they are not sourced from DFID Departmental Expenditure Limit (DEL). These payments are reported under 'Other Source of UK ODA'.

Concessional

A loan, the terms of which are more favourable to the borrower than those currently attached to commercial market terms is described as concessional (or a soft loan) and the degree of concessionality is expressed as its grant element. For more detail on how these are calculated, please see the [OECD DAC Aid Statistics](#) website

Conflict Pool

The Conflict Pool is the principal mechanism by which the Government allocates joint resources in support of its commitments to prevent and tackle conflict, as set out in the Building Stability Overseas Strategy. It focuses on discretionary conflict prevention, stabilisation, and peacekeeping activities. Its resources for 2011/12 to 2014/15 were set by the 2010 Spending Review through a joint conflict settlement. This settlement is additional to departmental budgets, and is managed jointly by the Department for International Development (DFID), Foreign and Commonwealth Office (FCO), and Ministry of Defence (MoD). It brings together diplomatic, defence and development capabilities into an integrated, cross-government response to instability and conflict overseas.

The Conflict Pool combines ODA and non-ODA resources. The Figures quoted in Table 3 for the Conflict Pool represent the ODA amounts actually disbursed through FCO/MoD systems. All Conflict Pool funds disbursed by DFID are ODA eligible and are included in the DFID Bilateral Programme.

Country Specific

In this publication "Country Specific Bilateral expenditure" refers to spend which can be allocated to a specific recipient country. Additional tables provide a breakdown for

country specific expenditure.

This definition includes funding from all spending divisions within DFID, regardless of whether or not the division is a country programme or an international/policy programme.

DAC List of Recipients of Official Development Assistance (ODA)

The DAC List of ODA Recipients is designed for statistical purposes. It helps to measure and classify aid and other resource flows originating in DAC countries. It is not designed as a guide to eligibility for aid or other preferential treatment. In particular, geographical aid allocations are national policy decisions and responsibilities.

Countries are divided into income groups based on Gross National Income (GNI) per capita as reported by the World Bank, with the Least Developed Countries (LDCs), as defined by the United Nations, separately identified. Countries that have exceeded the high-income threshold for three consecutive years at the time of the review are removed from the List. The DAC List is reviewed every three years.

Debt relief

Debt relief can take various forms, including:

- Debt cancellation (sometimes called stock relief) – partial or 100 per cent reduction of amounts outstanding (principal and/or interest);
- Debt rescheduling where payments (interest and/or principal) are delayed or rearranged;
- Flow relief – partial or 100 per cent debt service payments.

Developing countries

Developing countries are those countries and territories in the DAC List of Recipients of Official Development Assistance (ODA).

Development Assistance Committee (DAC)

The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) is a forum for consultation among 28 donor

countries, together with the European Commission, on how to increase the level and effectiveness of aid flows to all aid recipient countries. The member countries are Australia, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, The Netherlands, New Zealand, Norway, Portugal, Poland, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, UK and USA.

The DAC sets the definitions and criteria for aid statistics internationally. Statistical Directives exist to encourage comparability of reporting of resource flows by DAC members. The countries receiving aid are set out in the DAC List of Recipients of Official Development Assistance (ODA).

DFID programme

This term covers all DFID expenditure on development assistance. The DFID programme comprises:

- Bilateral aid to developing countries, where DFID has control of the recipient country or sector and includes activities funded from the conflict pools jointly managed by DFID, MOD and the FCO and the International Climate Fund (ICF), jointly managed by DFID, DECC and DEFRA.
- Multilateral aid, including core funding to multilateral organisations such as UN agencies, the World Bank and the UK share of EC development programmes.
- Administration costs.

Export Credit Guarantee Department (ECGD)

ECGD, or its operating name of UK Export Finance, is a ministerial department and provides insurance for exporters against the main risks in selling overseas, and guarantees to banks providing export finance. It also negotiates debt relief arrangements on commercial debt.

Payments by the ECGD to commercial banks, enabling them to maintain internationally agreed interest rates for export credits for trade with aid recipient countries, are known as International Stabilisation Grants. These are included in Other Official Flows (OOF).

Export credits

Export credits finance the supply of goods and services to aid recipient countries. Only credits with an initial or extended maturity of over one year are included in total flows of resources. Private export credits are those made available by the private, bank and non-bank, sector. Guaranteed export credits are those parts of private export credits guaranteed by ECGD.

General Budget Support

See **Poverty Reduction Budget Support**

Gift Aid

Gift Aid refers to tax that is reclaimed by UK charities from the HMRC on donations made by UK taxpayers. The ODA estimate includes an estimate for the amount of Gift Aid that is spent on ODA-eligible activities.. For further details about the new methodology and how this differs from previous methodologies please see the [Gift Aid Methodology Note](#) (October 2013)

The estimate of Gift Aid for UK Civil Society Organisations is included in ODA (shown in Table 3).

Gross National Income (GNI) - formerly Gross National Product (GNP)

GNI comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product or GDP), together with income received from other countries (notably interest and dividends), less similar payments made to other countries.

Gross Public Expenditure on Development (GPEX)

GPEX is expenditure by all official UK sources (i.e. government departments and public bodies such as [CDC](#)), on aid to developing countries on the [DAC list of ODA eligible countries](#) and multilateral organisations and some other countries, which meets the criteria for developmental [Official Flows](#) agreed by the [DAC](#).

Statistics on GPEX are now published separately from *SID*. The 2013/14 GPEX data will be released in November 2014 and can be accessed from the [DFID Statistics homepage](#).

Guaranteed export credits

See **Export credits**.

Humanitarian assistance

Humanitarian assistance generally involves support to humanitarian organisations and the provision of material aid (including food, shelter and medical care), personnel, and advice in order to:

- save lives, alleviate suffering and maintain human dignity during and in the aftermath of man-made crises and natural disasters;
- reduce the incidence of refugees and internally displaced people;
- hasten recovery and protect and rebuild livelihoods and communities;
- reduce risks and vulnerability to future crises, including strengthening preparedness measures.

DFID provides funding to certain UN agencies (mainly WFP, UNICEF, OCHA, UNHCR and WHO) for their humanitarian assistance programmes in individual countries.

These amounts are recorded as bilateral disaster relief as DFID has influence over the use and destination of the funds. DFID also gives core funding to these organisations where we do not specify the recipient of the funding; this is classified as multilateral aid.

DFID also channels assistance through Civil Society Organisations, such as the Red Cross, as a means of providing humanitarian assistance to individual countries. These contributions are recorded as bilateral aid as the destination country is known.

Income groups

The categorisation of recipient countries by income groups is based on Gross National Income (GNI) per capita Figures as reported by the World Bank.

Input Sector Codes

See **Sector**

International Climate Fund (ICF)

The purpose of the UK Government's International Climate Fund (ICF) is to support international poverty reduction by helping developing countries to adapt to climate change, take up low carbon growth, and tackle deforestation. It is jointly managed by DFID, DECC and DEFRA.

Least developed country (LDC)

In the mid-1960s, 24 developing countries were identified as having particularly severe long term constraints on development. They were assessed on three criteria: per capita GDP, manufacturing base and literacy. Inclusion on the list of LDCs as defined

by the United Nations is now assessed on two main criteria: economic diversity and quality of life.

Multilateral aid

This is aid delivered in the form of core contributions to organisations on the DAC List of Multilateral Organisations. A core contribution is when DFID does not specify the recipient or sector of the contribution and funds are transferred into the general budget of a multilateral and are not separately identifiable from other donor's contributions. DFID aid delivered through a multilateral organisation where the recipient country, sector or project is known is classed as bilateral aid.

Some international bodies conduct activities that benefit both developing and developed countries. The DAC have agreed proportions that account for the activities of these organisations that focus on developing countries. When ODA is reported these agreed proportions are applied to core contributions. For example, when reporting core contributions to UNESCO only 60% is reportable as ODA.

Official and Private Flows

The flow of resources to aid recipient countries is a term used in DAC reporting and corresponds broadly to the following transactions with recipient countries and multilateral institutions (for the benefit of recipient countries).

- Grants and long term capital transactions effected by governments or the official sector of DAC countries;
- Private flows which are long term (over one year) capital transactions by UK residents (as defined for balance of payment purposes) with aid recipient countries, or through multilateral agencies for the benefit of such countries. They include all forms of investment, including bank lending and export credits where the original maturity exceeds one year. Private flows are reported to DAC separately for direct investment, export credits and bank lending.
- Grants by private voluntary agencies (often referred to as "private grants").

It excludes:

- **military equipment or services:** grants, official loans, or credits (guaranteed or not) for the supply or financing of military equipment or services. However from 1993 onwards forgiveness of debt generated by military lending is recorded as QOF.

- **transfers to private individuals:** transfer payments to private individuals are not included unless they are part of technical co-operation or relief programmes.
- **transfers by private individuals:** private payments are excluded except for grants by private voluntary organisations for development assistance and welfare purposes (see third bullet above).

Official Development Assistance (ODA)

Official development assistance is defined as those flows to developing countries and multilateral institutions provided by official agencies or by their executive agencies, each transaction of which meets the following tests:

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

Official development assistance is shown both gross and net of loan repayments.

From 2005 only aid to countries on the DAC List of Recipients of Official Development Assistance is eligible to be recorded as ODA.

The UN target for aid (0.7 per cent), endorsed in 1970 by the UN General Assembly, is expressed in terms of net ODA (i.e. after deduction of loan capital (i.e. principal) repayments) as a percentage of Gross National Income.

Other Bilateral Aid

This aid type covers bilateral aid that is not elsewhere classified, i.e. it is not defined as Budget Support, Technical Assistance, or Debt Relief and it is not delivered by a multilateral organization or an NGO. It includes:

- Funding to other donors for shared development purposes.
- Funding of land and geological surveys in developing countries.
- Provision of books, equipment and other supplies.

Other Official Flows (OOF)

Other Official Flows are defined as flows to developing countries by the official sector which do not satisfy both criteria necessary for ODA (i.e. can be either non-

concessional and convey a grant element of less than 25 per cent or non-developmental purposes or both).

Poverty Reduction Budget Support (usually referred to as 'Budget Support')

Poverty Reduction Budget Support (PRBS) can take the form of a general contribution to the overall budget (general budget support) or support with a more restricted focus (sector budget support). PRBS is aid which is:

- Provided in support of a government policy and expenditure programme whose long-term objective is poverty reduction;
- Spent using national (or sub-national) financial management, procurement and accountability systems, although provided the recipient government's Public Financial Management Administration (PFMA) systems remain the principle means by which fiduciary risk is managed, additional safeguards may be agreed to where necessary;
- Normally transferred to the central exchequer account, but may be transferred to a sector specific bank account or sub-national level bank account over which government has full financial authority³;

And, in the case of sector budget support

- Earmarked for expenditure either in a particular sector, sub sector, programme, or set of expenditure lines, but where the use of DFID funds cannot be tracked to the level of goods and services.

Note:

- I. This definition was agreed in May 2005 and is wider than previously used. The main difference is that the old definition required PRBS to be spent through a central exchequer while the new definition recognises the important issue that the funds are spent using national (or sub-national) financial management systems and are allocated through the government's budget process.
- II. The difference between the definitions with regards to DFID's current portfolio is likely to be relatively small. Some PRBS expenditure included in *SID* has been classified under the wider aspects of the new definition, however to date no retrospective marking exercise has taken place so most of the historical

³ The sub-national authority must have a significant level of policy and budgetary authority. This would exclude many local government bodies, but include states and provinces within large federal countries with significant power.

PRBS data has been gathered using the old definition. In the future, expenditure will be classified using the new definition.

Private Flows

See **Official and Private Flows**

Promissory notes

Promissory notes are a method of funding multilateral organisations where DFID 'deposits' funds with the Bank of England. Multilateral organisations then 'encash' these funds as they need them. They include capital subscriptions to the World Bank, the Regional Development Banks, the International Fund for Agricultural Development, the Global Fund to Fight AIDS, TB and Malaria, GEF and the Montreal Protocol.

When reporting internationally, DFID reports the deposits of its promissory notes. However, previous to the 2007/08 edition of SID, DFID reported its promissory notes encashments. Within the data used for this publication, promissory note deposits are reported, consistent with DFID's international reporting.

Regional Development Banks

International Development Banks, which serve particular regions, for example the African Development Bank or the European Bank for Reconstruction and Development.

Resource accounting

Resource Accounts are an accrual-based approach to Government accounting that adopts a commercial style of preparation in line with generally accepted accounting practice. Accruals accounting is a method of recording expenditure as it is incurred, not when it is paid out, and income as it is earned, not when it is received. Resource Accounting requires departments to report on and manage all assets and liabilities and takes account of non-cash charges not previously recognized under cash accounting such as depreciation and capital charges. Resource accounts also provide information on how resources have been used to meet objectives.

Under Resource Accounting, expenditure is recorded at the time goods and services are consumed rather than when payments are brought to book.

Sector

The areas of the recipient countries' economic or social structure that aid is intended to support. DFID categorises its aid into broad sectors according to the OECD DAC Purpose Codes: Education; Health; Social Services; Water and Sanitation; Government and Civil Society; Other Social Infrastructure and Services: Economic Infrastructure and Services: Production Sectors: General Environmental Protection; General Programme Assistance; Action Relating to Debt; Humanitarian Aid; Administrative Costs of Donors; Refugees in Donor Countries; and Unallocated/Unspecified. Please note that for DAC reporting, only the dominant sector is reported for a project. This is in line with DAC guidelines but can cause some differences when looking at raw DFID data, compared to data used for OECD reporting.

Sector Budget Support

See **Poverty Reduction Budget Support**

Technical Assistance

Technical assistance is the provision of know-how in the form of personnel, training, research and associated costs. It covers primarily:

- Consultancies: the provision of assistance to recipient countries in the form of contracted specialists.
- Knowledge and Research: includes grants for agreed programmes of research and development at UK institutions (sometimes in collaboration with non-UK institutions) which will be of benefit to assisted countries.

It also includes:

- Training and Scholarships: the provision of assistance in the form of training for persons from aid recipient countries. The training may be provided in the UK, in the home country of the student, or in a third country. Training provided under the Commonwealth Scholarship and Fellowship Plan, the Shared Scholarship Scheme and Training through Country Programmes is managed directly by, or on behalf of, DFID.

Increasingly training is also being provided by means of short in-country courses as part of, or in association with, country projects. This is not fully captured at present in the statistics on training. The costs of these activities are included within projects and programmes.

UNITAID

UNITAID is an International Drug Purchase Facility hosted by the World Health Organisation (WHO). The aim of UNITAID is to contribute to scaling up access to treatment for [HIV/AIDS](#), [malaria](#) and [tuberculosis](#), primarily for people in low-income countries, by leveraging price reductions for quality diagnostics and medicines and accelerating the pace at which these are made available⁴.

Voted funds

Voted funds are those funds approved by Parliament for public expenditure.

⁴ UNITAID website: <http://www.unitaid.eu>

ANNEX 3: DATA SOURCES

DFID

1. The majority of UK Official Development Assistance (ODA) is delivered through DFID's budget. The 2002 International Development Act makes reducing poverty the core purpose of UK aid. As such, the vast majority of DFID aid expenditure is included in ODA; only a small amount of expenditure on non-ODA eligible countries and multilateral institutions is excluded. Figures for the **DFID programme** are produced from a combination of data held on DFID's internal accounting and management information system (ARIES) and the UK attributions of EC budgetary spending.

2. DFID's Overseas Pensions Department is also responsible for the payment of **colonial pensions** made to ex-members of the UK Overseas Civil Service who were employed directly by developing countries. A small element of this is permitted to be classed as ODA. From 2010/11 this has been reported as non-DFID expenditure; this change being consistent with DFID's Departmental Expenditure Limit (DEL).

ODA managed jointly by DFID and other UK Official Agencies

3. The **Conflict Pool** provides programme resources which are governed and jointly managed by DFID, the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MoD). It brings together the UK government's development, diplomatic and defence expertise in an integrated response to conflict prevention, stabilisation and discretionary peacekeeping. Part of the Conflict Pool's expenditure is ODA eligible. In these statistics all Conflict Pool funds disbursed through DFID are ODA-eligible and are included as part of DFID expenditure. The remaining ODA Figures comprise the aggregate of FCO and MOD funding. Data on the ODA eligible Conflict Pool funds disbursed by the FCO and MOD are collected by DFID in liaison with programme officers in the relevant departments.

4. Under the same joint conflict settlement, on behalf of the three departments, the FCO manages HMG's Peacekeeping Budget. This covers the UK's assessed peacekeeping costs – a legal obligation as a member of these organisations – for UN Peacekeeping (UNDPKO), the Organisation for Security and Cooperation in Europe (OSCE) Field Missions, European Security and Defence Policy (ESDP) Military and

Civilian Missions, NATO operations in the Balkans, and the International Criminal Courts and Tribunals. In line with DAC rules 6% of the funding to UNDPKO and 74% to the OSCE are allowed to score as ODA. Funding to ESDP Civilian Missions is also reported as ODA.

5. The **International Climate Fund (ICF)** is a jointly managed HMG fund, created in 2010 to reduce poverty while supporting developing countries tackle the challenges posed by climate change. Ministerial responsibility is joint between DFID, the **Department for Energy and Climate Change (DECC)**, and the **Department for Environment, Food and Rural Affairs (Defra - for forestry)**. This arrangement brings together expertise from across Government on international development, climate change adaptation and mitigation, and forestry.

6. The Climate Investment Funds were established in 2008 to support development and poverty reduction through better environmental management and help developing countries respond to the realities of climate change. Both **DFID** and **DECC** contribute to the CIFs.

Other ODA delivered by UK Government Departments / Official Agencies

7. The **FCO** ODA includes spend through the British Council, strategic and bilateral programmes, aid related frontline diplomacy and contributions to multilateral organisations. About 25% goes to Low Income countries and 70% goes to Middle Income Countries, with the remainder non country specific. About 35% of FCO ODA goes to fragile states. The Independent Commission on Aid Impact reviewed FCO ODA last year and their report is [here](#). There is more information on FCO ODA on the FCO's ODA transparency pages [here](#).

8. **DECC** ODA includes contributions to the International Climate Fund, and annual contributions to multilaterals including the International Atomic Energy Agency (IAEA). A proportion of this support to the IAEA is deemed ODA eligible. DECC also provides bilateral funding to specific countries and regional programmes. In 2013 these bilateral programmes included the Get FIT programme in Uganda that aims to scale up private investment in small scale renewable energy plants the World Bank's Carbon Initiative for Development (Ci-Dev) programme. Overall, the majority of DECCs funding goes through the International Climate Fund, which in 2013 included

contributions to the Clean Technology Fund (CTF), the Global Climate Partnership Fund (GCPF), the BioCarbon Fund and NAMA (Nationally Appropriate Mitigation Actions). DECC have also continued to provide technical assistance funding for international carbon capture and storage capacity building and for an international 2050 pathways partnership project.

9. DEFRA ODA includes contributions to the International Climate Fund, and **DEFRA** is responsible for the Darwin Initiative, which is a programme aimed at assisting the progression of environmental goals in developing countries. Eligible expenditure is included in UK ODA statistics.

10. The **Scottish Government** runs its own bilateral aid programme which aims to directly support the achievement of the Millennium Development Goals (MDGs) and economic growth in a number of developing countries. The **Welsh Assembly's** 'Wales for Africa' programme also aims to help deliver the MDGs and provides small grants to organisation based in Wales.

11. The **Department for Culture Media and Sport** works closely with DFID to deliver a range of initiatives to help address wider social issues encompassed by the MDGs; including contributing towards addressing gender inequality and acting as an effective medium for conveying educational messages relating to health.

12. The **Home Office** reports ODA spend in-country to provide essential support (housing, sustenance, travel) to those granted refugee status within the UK, from the date support is applied for to the date that support ceases, for a maximum of twelve months. Home Office ODA spend also funds the identification of refugees overseas who are brought to the UK and supported for their first twelve months.

13. The estimates of the costs incurred by the **UK Border Agency (UKBA)** of supporting refugees from developing countries during their first 12 months in the UK are included in the ODA statistics. There is ongoing methodological work in this area which aims to ensure the UK is reporting these costs in line the OECD DAC guidance. ODA from the UKBA is reported under the total ODA for the Home Office.

14.

15. The **Department of Business, Innovation and Skills (BIS)** provides the Medical Research Council (MRC) with ring fenced support for overseas

development. The MRC uses this funding to support peer reviewed global health research administered by UK institutions or in MRC Units and Institutes on research studies that are aimed at improving health in developing countries. There is ongoing work identifying and developing ODA eligible activities which BIS will report on from 2014 onwards.

16. Other government departments also make direct contributions to the UN system, a proportion of which is reported as ODA. The **Department for Work and Pensions** makes an annual contribution to the International Labour Organisation and the **Department for Health** makes an annual assessed contribution to the World Health Organisation.

Other sources of UK ODA

17. **CDC Group PLC** is wholly government owned and the conditions under which it operates means that its investments must have a clear development objective. The net amount (i.e. equity purchase less equity sales) of CDC investments in ODA-eligible countries is reported as ODA and the gross amount (i.e. equity purchase only) is reported in GPEX.

18. **Export Credit Guarantee Department (ECGD)** or its operating name of UK Export Finance, is a ministerial department and provides insurance for exporters against the main risks in selling overseas. . It also negotiates debt relief arrangements of commercial debt. The relevant amounts of any debt relief are included in UK ODA statistics in line with OECD DAC definitions.

19. The majority of the External Assistance Budget of the **European Commission** is deemed to be ODA eligible. The vast majority of the relevant UK contribution to this budget is attributed to DFID and reported as part of DFID's own ODA statistics. The estimate of the remaining UK share of overall EC ODA is reported separately in these statistics.

20. The **Gift Aid** scheme allows UK charities to reclaim tax from HM Revenue and Customs on donations made by UK taxpayers. The proportion of additional support provided to UK NGOs via this scheme to deliver developmental objectives is estimated by DFID as explained in the Gift Aid methodology note⁵.

⁵ DFID, [Gift Aid Methodology Note](#) (October 2013)

21. In addition to the above, ODA reporting requires data on export credits (both official and private) provided by **ECGD**; on direct investments, provided by the **Office for National Statistics**; and on bilateral securities and other claims, provided by the **Bank of England**.

22. Data for the international comparisons contained in Section 2 of this publication are from the DAC website <http://www.oecd.org/dac/stats>.