

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.

1.1 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)

1.2 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 2014](#) (October 2014)

² OECD, [DAC list of ODA recipients](#) (2014)

- 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.

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

Classification of Bilateral and Multilateral Aid

1.4 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.

1.5 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.

1.6 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.

1.7 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

1.8 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

1.9 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.

1.10 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.

1.11 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.

1.12 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

1.13 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.

1.14 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

1.15 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 86% of total UK ODA in 2014. 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 EU budgetary spending (the UK is attributed a share of the EU's External Assistance Budget based on total UK contributions to the EU. Each budget line is then attributed to either DFID or other UK government departments).

DFID Country Programme

1.16 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.

ANNEX 2: GLOSSARY

Items which are underlined have separate entries elsewhere in the Glossary

Administrative costs

2.1 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.

2.2 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.

2.3 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

2.4 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

2.5 The UK is attributed a share of the EU's External Assistance Budget based on total UK contributions to the EU. 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).

2.6 The calculation of the proportion of EU budget development spending that is attributed to DFID's budget has changed (from 2014 onwards). This is an improvement in the methodology to reflect that DFID is not the lead department responsible for the policy areas covered by the 'European Neighbourhood' and the 'Pre-Accession' EU budget instruments. As such the UK share of spending under these instruments will no longer be attributed to DFID's budget. In 2013, 85 per cent of the UK's share of EU budget ODA was attributed to DFID's budget. In 2014, the estimate calculated with the new methodology is 46 per cent. This change does not affect UK financing for the European Union, or the total level of EU ODA that is attributed to the UK. Overall there has been a limited change in the UK share of EU Budget ODA; in 2014 the estimate for EU attributed UK ODA is £816 million compared to £813 million in 2013.

2.7 Not all of the [EU](#) 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.

Bank lending

2.8 This refers to net lending to countries on the [DAC List of ODA Recipients](#) by banks in OECD countries. Loans from Central Monetary Authorities are excluded. In *S/D*, Figures obtained from the Bank of England, are shown in Table 1.

Bilateral aid

2.9 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

2.10 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.

Bilateral Aid delivered through an NGO

2.11 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

2.12 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)

2.13 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

2.14 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)

2.15 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 (Formerly the Environmental Transformation Fund)

2.16 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.

Colonial Pensions

2.17 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

2.18 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

2.19 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.

2.20 The Conflict Pool combines ODA and non-ODA resources. The Figures quoted in Table 4 for the Conflict Pool represent the ODA amounts actually disbursed through DFID/FCO/MoD systems. All Conflict Pool funds disbursed by DFID are ODA eligible and are included in the DFID Bilateral Programme.

Country Specific

2.21 In this publication “Country Specific Bilateral expenditure” refers to spend which can be allocated to a specific recipient country. Table 6 provides a breakdown for country specific expenditure.

2.22 This definition includes funding from all spending departments with DFID, regardless of whether or not the department is a country programme or an international/policy programme.

Country Programme and International/Policy Programmes

2.23 DFID's programme is allocated to budget lines for either: a) dedicated country/regional aid programmes or b) international/policy programmes. Country programmes are divisions within DFID which work in specific countries e.g. to East & Central Africa Division or Asia Division. International/policy programmes are divisions which work on a policy area or with international organisations e.g. Policy & Research Division, or International Relations Division. More details on DFID budget allocations by programme is published in DFID's Resource Accounts which is available on the DFID website.

2.24 Country Programme aid is different to country specific aid, which is based on the recipient country of the funding and not DFID division.

DAC List of Recipients of Official Development Assistance (ODA)

2.25 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.

2.26 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

2.27 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

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

Development Assistance Committee (DAC)

2.29 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.

2.30 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

2.31 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.

Direct investment

2.32 This is investment that adds to, or acquires, a lasting interest in an enterprise operating in an aid recipient country, the investor's purpose being to have an effective voice in the management of the enterprise. It is measured as the change in the net worth of branches, subsidiaries, or associate companies to the investing company.

Direct Investment is shown in Table 1.

Export Credit Guarantee Department (ECGD)

2.33 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.

2.34 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

2.35 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 UK Export Finance (UKEF).

General Budget Support

See **Poverty Reduction Budget Support**

Gift Aid

2.36 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. The methodology used to calculate the latest 2012/13 estimate of ODA-eligible Gift Aid reflects work by DFID and HM Treasury officials to improve the methods used in the estimation. 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 6).

Governance and Transparency Fund (GTF)

2.37 The Governance and Transparency fund is a one-off fund which has been designed to help citizens hold their governments to account through strengthening the wide range of groups that can empower and support them.

Grants by private organisations

2.38 This comprises all expenditure by UK voluntary agencies on development assistance and relief to recipient countries, to multilateral agencies or to private international organisations for the benefit of recipient countries net of any support from official sources.

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

2.39 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)

2.40 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](#).

2.41 Statistics on GPEX are now published separately from *S/D*. GPEX figures for 2014/15 will be available in January 2016 and can be accessed from the [DFID Statistics homepage](#).

Guaranteed export credits

See **Export credits**.

Humanitarian assistance

2.42 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.

2.43 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.

2.44 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

2.45 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)

2.46 The purpose of the 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)

2.47 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

2.48 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.

2.49 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

2.50 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. Figures can be seen in Table 1.

- 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 OOF.
- **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)

2.51 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.

2.52 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

2.53 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)

2.54 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’)

2.55 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.

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.

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 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

2.56 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.

2.57 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 this publication, promissory note deposits are reported, consistent with DFID's international reporting.

Regional Development Banks

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

Resource accounting

2.58 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

2.59 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.

Sector Budget Support

See **Poverty Reduction Budget Support**

Technical Assistance

2.60 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

2.61 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

3.1 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.

3.2 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 Government Departments

3.3 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.

3.4 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.

3.5 The International Climate Fund (ICF) is a jointly managed 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), HM Treasury and the Department for Environment, Food and Rural Affairs. This arrangement brings together expertise from across Government on international development, climate change adaptation and mitigation, and forestry.

3.6 The Climate Investment Funds (CIFs) 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

3.7 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 in 2013 and their report is [here](#). There is more information on FCO ODA on the FCO's ODA transparency pages [here](#).

3.8 **The Ministry of Defence** (MoD) undertakes several ODA related activities, including disaster relief training, international capacity building and policy advice.

3.9 **DECC** ODA includes contributions to the International Climate Fund, and annual contributions to multilaterals including the International Atomic Energy Agency (IAEA). DECC also provides bilateral funding to specific countries and regional programmes. DECC provides technical assistance funding for international carbon capture and storage capacity building and for an international 2050 pathways partnership project.

3.10 **DEFRA** is responsible for the following ODA related activities: the BioCarbon Fund Initiative for Sustainable Forest Landscapes (ISFL), the Darwin Initiative, the Illegal Wildlife Trade Challenge Fund and contributions to the Multilateral Fund for the Implementation of the Montreal Protocol (MLF).

3.11 The **Scottish Government** manages its own bilateral aid programme under its International Development Fund. It also provides funding for climate change funding through the Climate Justice Funds. The Welsh Assembly's 'Wales for Africa' programme also aims to help deliver the MDGs and provides small grants to organisation based in Wales.

3.12 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.

3.13 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.

3.14 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.

3.15 The **Department of Business, Innovation and Skills** (BIS) supports the Newton Fund, which uses UK expertise in research and innovation to promote economic development and social welfare of partner countries.

3.16 The **Department for Work and Pensions** (DWP 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

- 3.17 **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.
- 3.18 Export Credit Guarantee Department or its operating name of **UK Export Finance** (UKEF), 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.
- 3.19 The majority of the External Assistance Budget of the **European Commission** is deemed to be ODA eligible. The treatment of the allocation of this budget is described as a background note in the supporting information.
- 3.20 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.
- 3.21 In addition to the above, ODA reporting requires data on export credits (both official and private) provided by UKEF; on direct investments, provided by the Office for National Statistics; and on bilateral securities and other claims, provided by the Bank of England.
- 3.22 Data for the international comparisons contained in Figures 5, 6 and 7 are from the DAC website <http://www.oecd.org/dac/stats>.

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

Annex 4: Data Quality and Processing of the Department for International Development's National Statistics

Introduction

1. This statement is in accordance with Principle 4, practice 2 and 3 of the Statistics Code of Practice, which ensures that official statistics are produced to a level of quality that meets users' needs, and that users are informed about the quality of statistical outputs. It also sets out the quality assurance procedures applied to the data used for compiling statistics on UK Official Development Assistance (ODA).
2. The basic building block of UK ODA statistics is aid activity (project) data recorded by spending teams in DFID country offices and central departments, and by other UK official agencies. The aid activity data includes information for project or programme description; the agency extending the aid; the country, region or organisation receiving the aid; the purpose and sector that the aid activity is designed to assist, and the official expenditure or receipt for the activity. DFID collects this information through its financial management system, 'ARIES'⁶ and Other Government Departments (OGDs) use similar administrative systems for their data. In compiling UK ODA statistics, the OGD data is combined with DFID data.
3. On a spend basis, DFID's data make up over 85 per cent of total UK ODA , and OGDs' data comprise the remaining share.
4. A central team of statisticians, in the Finance Performance and Impact Department (FPID) of DFID, are responsible for compiling annual UK ODA statistics, which are released in time to comply with the [OECD DAC reporting schedule](#) twice a year in the spring and autumn. The two National Statistics releases are:
 - Provisional UK ODA as a proportion of Gross National Income (the ODA/GNI ratio) (released in the spring), which includes a provisional estimate of the UK ODA/GNI ratio based on preliminary ODA data;
 - Statistics on International Development (published in the autumn), which confirms the UK's ODA/GNI ratio and includes more detailed disaggregated ODA statistics.
5. The central team of statisticians work with spending teams and the OECD Development Assistance Committee (DAC) during the year to ensure ARIES and OGD data comply and are consistent with definitions and classifications for reporting on ODA internationally. The definitions and classifications are specified in the OECD DAC Statistical Reporting Directives⁷ .
6. The target for the UK's ODA/GNI ratio has been placed in law. On 26 March 2015, the UK passed [legislation](#) that makes a commitment to spend 0.7 per cent of GNI on ODA in 2015, and each year after 2015.

⁶ ARIES is DFID's financial management system used to manage, monitor and evaluate the effectiveness of its aid programme, and manage resources for its operations

⁷ [DAC Statistical Reporting Directives](#)

7. DFID's aid data is published through the Development Tracker available on the Gov.uk site⁸. ARIES project data, as well as other government departments' ⁹ data, is made available on the Open government website as part of the [UK Aid Transparency Guarantee](#).
8. The Independent Commission for Aid Impact (ICAI) and the National Audit Office provide independent scrutiny and assurance to Parliament of DFID's work, including comment on UK ODA statistics¹⁰ and the data that underpin the statistics¹¹.
9. This paper is laid out in two sections, covering:
 - **Data quality and processing arrangements** carried out to compile the National Statistics. This follows the four areas of practice suggested by the UK Statistics Authority for quality assurance of administrative data sources used in official statistics¹²: operational context and administrative data collection ; communication with data supply partners; quality assurance (QA) principles, standards and checks by data suppliers, and producers QA investigations and documentation.
 - **An assessment of assurance** of the quality of the administrative data sources used and processes undertaken. This is based on the level of public interest in the National Statistics and level of documentation and assurance to keep users informed.

Data quality and processing arrangements

10. This section describes the operational context, communication with spending teams, quality assurance carried out by spending teams and quality assurance carried out by the statisticians compiling ODA statistics.

Operational context and data collection

11. ARIES data are used for a number of different operational purposes:
 - managing, monitoring and evaluating DFID's aid projects
 - providing Management Information (MI) for planning and performance
 - providing transparency information for publishing on the Open Government website and through the Development Tracker
 - providing financial data for deriving accounting and statistical information. For example, it provides the source data of DFID's Resource Accounts and ODA statistics.

⁸ See DFID's Development Tracker. <http://devtracker.dfid.gov.uk/>

⁹ The FCO is the largest source of ODA other than DFID. FCO ODA activity can be found [here](#)

¹⁰ See [Independent Commission for Aid Impact](#) webpage, Reports: UK aid spent by departments other than DFID, How DFID works with Multilateral Agencies to Achieve Impact.

¹¹ The UKs Comptroller and Auditor General (C&AG) annually audits DFID's financial statements at 31 March in line with the Government Resources and Accounts Act 2000. The C&AG published the conclusions of his 2014/15 audit within the Report and Certificate shown on pages 99 and 100 of DFID's annual report.

¹² See <http://www.statisticsauthority.gov.uk/assessment/monitoring/administrative-data-and-official-statistics/index.html>

12. Spending teams entering project data into ARIES follow a process set out in DFID's [SMART rules](#), which begins with the approval of a business case for project funds and ends with a mandatory review of the project following completion. The rules also include guidance on financial management, transparency of data and assurance checks applied to ARIES data through internal audit procedures, which help to ensure data quality. See paragraphs 14 to 15 for more details.

Communication with spending teams

13. FPID statisticians give advice throughout the year to spending teams on issues regarding the coding of project data, and more broadly they advise teams in DFID and Other Government Departments (OGDs) on whether the project and spending can be regarded as ODA as defined by the OECD DAC rules (ODA eligibility). By carrying out regular checks on the data FPID statisticians are able to feed back to teams on data quality issues. Communication with OGDs often involves meetings, where FPID statisticians are able to better understand the nature and extent of OGDs' project spend and explain the ODA rules and the reporting requirements to their OGD counterparts.

Quality Assurance standards and checks by spending teams

14. Project and financial data entered into ARIES are subject to supervisory checks by line management, confirming they have reviewed the information entered on the system. Within ARIES the financial data entered have to be signed off by a quality assurer and a senior responsible owner before being posted to the system. As the input data are published on the open government website and via DFID's Development tracker, they are also reviewed for completeness, accuracy and accessibility – i.e. the checking will look at the accuracy and clarity of the project description, sector and financial information in particular to ensure that they meet international transparency standards¹³.
15. The financial transaction and project data in ARIES are also subject to challenge through an internal assurance process, led by DFID's internal audit team twice a year (autumn and spring). Spending teams are requested to complete statements of assurance to confirm they have received audited statements for project spend; funds have been paid to intended recipient and used for the agreed purposes, and payments have not been made in advance of need. These statements of assurance, which are prepared by the spending team's financial accountant/manager and signed off by the head of the spending team, provide a level of assurance that the spending in ARIES is accounted for.
16. Some spending teams in DFID have statisticians within them and, through their understanding of ODA statistics and the reporting requirements, they help improve the quality of the input data on site. However, the data within ARIES are subject to input error from spending teams. The risk of error is considered to be relatively low for data by country, region and project spend; and relatively higher for disaggregated data by sector (where there are around 180 statistical codes to choose from and there is sometimes ambiguity about the right code, especially for projects that cut across several sectors) and by funding channel. To minimise these kinds of input errors FPID statisticians carry out further checks centrally on the data.

¹³ DFID's data complies with the International Aid Transparency Initiative (IATI) standards for open publishing of information on aid activities (see <http://iatistandard.org/201/introduction/>)

Quality assurance Investigations and Documentation by FPID statisticians and OECD DAC

17. The overall approach taken by FPID statisticians to quality assurance of the data involve the following:

- In depth review exercises
- Data investigations (to improve the quality of MI data)
- Analytical checks for internal data consistency
- Trend and coverage analysis
- Basic rule checks on OGD supplied data
- External validation of the data by OECD DAC.

In depth review exercises

18. FPID statisticians carry out periodic in depth review exercises, which will look at the quality processes and procedures of several areas of the national statistics. The last review was carried out in 2013, and covered ODA eligibility; arrangements for estimating ODA expenditure by other government departments, methods used to estimate European Commission ODA attributable to the UK and Gift Aid, ARIES data capture and extraction, and documentation. The results of the last review are attached as Annex A. FPID statisticians plan to carry out further review exercises and update our stakeholders of the findings through DFID's statistics webpage.

Data investigations (to improve the quality of MI)

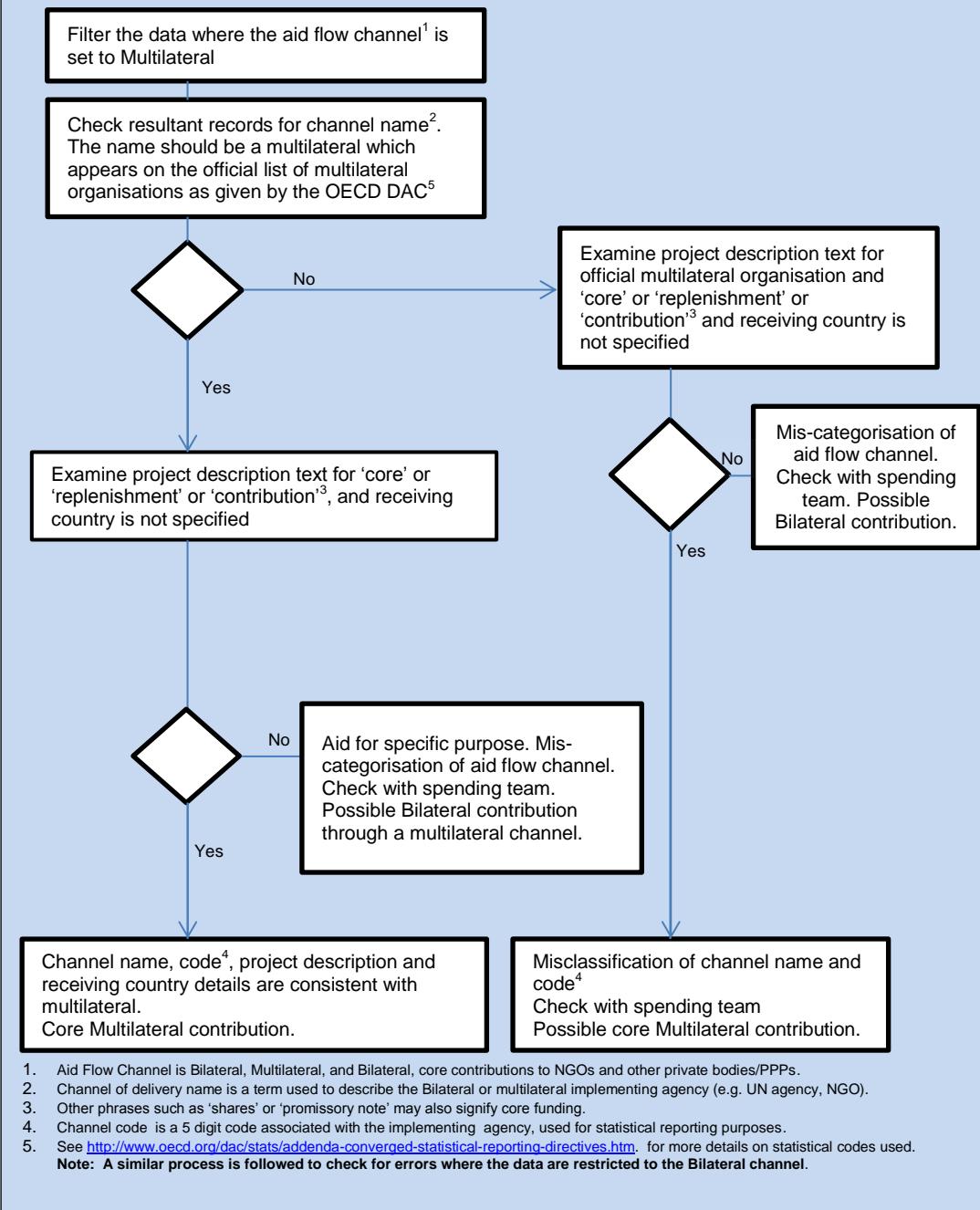
19. Through the development of analytical tools for ARIES, such as the Aid Management Platform (AMP), inconsistencies in the data before they are published have been easier to spot. A dedicated team within FPID has been working with spending teams to clean live data used for MI and other reporting purposes, such as the ODA statistics and the Development Tracker. The team plan to carry out an ARIES 'input sector code amnesty' in 2016, during which spending teams will be encouraged to review their existing sectoral markers and flag any required changes.

20. A further development of the AMP is also planned in 2016 to help spending teams enter the right data on ARIES first time by building in 'smart' guidance within the system. The idea of the guidance is to offer the user a shorter pick list of possible sector descriptions based on the type of project activity and therefore further reduce the risk of input error.

Analytical checks for internal data consistency

21. FPID statisticians have developed analytical checks, which have been documented, to validate the data. The checks examine the internal consistency of the data based on the input information. An example of the validation performed is shown as a flow diagram in Box 1 below. This example looks at the consistency of the information for core multilateral funding. It shows the data are judged to be assigned correctly to the multilateral funding channel only when the name of the organisation and associated code, project and country descriptions comply with the definition of core multilateral funding, otherwise the data are returned to the spending team for checking. Similar analytical checks are also performed on other funding channel codes.

Box 1: Example of the validation process carried out for funding channel- core funding to Multilateral Organisations



Trend and coverage analysis

22. FPID statisticians carry out trend and coverage analysis during data processing, looking at annual percentage changes of spend with the back series to judge if particular data is out of kilter with historical trends and checking that the large spending projects have been correctly included in the data set. Results of this check have shown some incorrect coding of spend between bilateral and multilateral funding channels and among extending agencies. These errors have been corrected during processing.

Basic rule checks on OGD supplied data

23. Non-DFID data from other government departments have a number of validation checks built in to ensure information is captured in a consistent format – i.e., some fields (sector, aid flow channel, expenditure) are mandatory and have OECD DAC values /categories within specific given ranges. Any errors found are fed back to the spending teams for further investigation.

External validation of the data by OECD DAC

24. FPID statisticians submit a return to the DAC prior to the releases of the national statistics, who then carry out further external quality assurance checks on UK ODA data and that of other OECD DAC statistics providers. For example, the DAC secretariat assesses the quality of the UK's ODA data by verifying its coverage (completeness) and its conformity of reporting with definitions (so as to ensure the comparability of data with other donors). Any discrepancies in the data are reported back to FPID statisticians, who then do further investigations and make corrections as necessary.

Producing statistical outputs

25. Once the data are cleaned and checked, FPID statisticians apply a restriction to the data to compile ODA statistics, in line with OECD DAC rules. This ensures that countries and financing eligible for ODA is used in the statistical outputs. It captures ODA data on projects funded to ODA eligible countries as grants, loans at low rates of interest (concessionary lending), deposits to multilateral organisations delivering development and humanitarian aid, debt forgiveness/conversion and other types of development investment (e.g. equity acquisitions and interest subsidies)¹⁴
26. FPID statisticians also produce separate estimates of Gross Public Expenditure on Development (GPEX) applying a different restriction to the ARIES data. GPEX captures gross official expenditure on aid to ODA eligible countries and some other countries and is produced on a financial year basis rather than calendar year (as the case for Net ODA). Information about GPEX can be found [here](#).
27. The main statistical tables in SID are produced using SPSS syntax, which enables a complete audit of the processing steps from input data sources through to statistical outputs. Using syntax avoids the risks of errors associated with carrying out calculations and processing using spreadsheets. The syntax also enables clearer validation and audit of the statistical outputs internally than would be the case with spreadsheet processing.

Estimates of Gross National Income (ONS)

28. Estimates of GNI used in the calculation of the ODA/GNI ratio are supplied by the Office for National Statistics. The strength of the GNI measure is it is produced according to international standards for compiling National Accounts¹⁵ and has been adopted by the OECD as the standard measure for comparing aid across countries. GNI estimates are subject to the ONS quality assurance and revision processes as described [here](#). The releases of the ODA:GNI ratio use GNI estimates for the 1st Quarter of the year for provisional, and for the Blue Book for final.

¹⁴ For more information on the countries and types of finance eligible for ODA see [http://www.oecd.org/dac/stats/documentupload/DCD-DAC\(2013\)15-FINAL-ENG.pdf](http://www.oecd.org/dac/stats/documentupload/DCD-DAC(2013)15-FINAL-ENG.pdf)

¹⁵ See <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/national-accounts/articles/index.html> for more information.

An assessment of assurance of the administrative data used

29. The following section uses the approach in line with the UKSA's [Standard for the Quality Assurance of Administrative Data](#) to assure the quality of the administrative data and the processes used in deriving our National Statistics. The approach considers the public interest in our National Statistics (low, medium and high) and then the level of assurance and documentation needed to keep users informed about the quality assurance arrangements in place for the administrative data from which the statistics are sourced. There are four levels of assurance, where the need for investigation and documentation increases with each:

- A0: No assurance – the operational context and administrative data collection not investigated, managed or documented.
- A1: Basic assurance – the statistical producer has reviewed and published a summary of the administrative data QA arrangements
- A2: Enhanced assurance – the statistical producer has evaluated the administrative data QA arrangements and published a fuller description of the assurance
- A3: Comprehensive assurance – the statistical producer has investigated the administrative data QA arrangements, identified the results of independent audit, and published detailed documentation about the assurance and audit

Public interest profile

30. As mentioned in the introduction (paragraph 6), the UK has introduced legislation in 2015 which commits the UK Government to investing 0.7 per cent of GNI on ODA in 2015, and years after 2015. The United Nations General Assembly agreed on an international target of 0.7 per cent for the ODA:GNI ratio in 1970. In 2013, the UK achieved the ODA/GNI ratio target of 0.7 per cent for the first time, following a commitment by the UK Government to increase ODA to 0.7 per cent of GNI by 2013 in the 2010 Spending Review.

31. We assess public interest in the ODA:GNI ratio and overall levels of UK ODA spending as medium. There is medium/lower public interest for Statistics on International Development which contains the final release of the ODA/GNI ratio, and more detailed ODA information, and lower interest for the detailed disaggregated spending data - as much of this information is accessible through the open government website and the DevTracker portal.

Level of quality concerns

32. Our assessment of the level of assurance required for ARIES data and data from OGDs is based on current arrangements for quality assurance carried out by the data collectors (the spending teams), the quality of the input data, the quality assurance arrangements and processes carried out centrally in FPID and by the OECD DAC, and how investigation, management and communication of the data is handled between the stakeholders involved. Paragraphs 13 – 28 describe these arrangements.

33. The key strength of the ODA statistics is it is sourced from ARIES, and is consistent with DFID's financial management system. There is no sampling error involved as a 100% extract of the database is taken to produce the statistical outputs. All the relevant variables needed to produce the statistical outputs are contained in ARIES. The ARIES system is underpinned by well-established operational rules, understood by staff, for quality assuring financial transaction and project level data. The financial data is assured by spending teams through an internal audit process,

and is also used to produce DFID's Resource Accounts which is independently audited by the National Audit Office.

34. The ARIES data are subject, however, to input error (particularly at a disaggregated sector and funding channel level), and FPID statisticians carry out a number of quality control activities to minimise the risk of errors entering the statistical outputs, described in paragraphs 17-24. This work has revealed the need to continually assess the quality of the data during processing and do more to help spending teams enter correct data first time. It has also highlighted the need to document the checks used by FPID and communicate these to spending teams.
35. An increasing share of UK ODA spend comes from OGDs, and FPID statisticians work with spending teams in OGDs to assess the ODA-eligibility of their spend. This will be a continuing growing feature of our work as the Government's [new UK aid strategy](#) sets out a cross-government approach to development assistance.
36. We judge the level of assurance as enhanced based on the current arrangements, but will continue to assess the risk of quality issues and develop plans as indicated in paragraphs 34 and 35 to mitigate these. The plans to review data quality of the ODA statistics will be placed on our statistics webpage.

Annex A: Review of DFID's National Statistics and actions undertaken.

Recommendation	Planned Action	Progress
(a) Review whether CDC's equity investments fall within the official definition of ODA	<p>It would be appropriate to carry out a short review to consider (i) how the existing guidance for ODA and for OOF apply to CDC's equity investments; (ii) how UK practice compares with international practice; and (iii) whether any statistical benefits from making an immediate change to the UK treatment are likely to outweigh the expected statistical benefits from maintaining continuity, until the DAC has completed its work on possible improvements to the ODA treatment of Development Finance Institutions (DFIs).</p> <p>The review should start in August and should aim to reach provisional conclusions by the end of September. Depending on the findings, it may be appropriate to consult users before taking any final decision. If the final decision is to change the UK approach, then it would still be appropriate to consult the DAC prior to implementation. Every effort should be made to complete this full process before the end of 2013. This would allow any changes to be incorporated in the National Statistics publication due in spring 2014, reporting a provisional estimate of UK ODA for 2013.</p>	<p>DFID conducted a short review considering the issues described in (i), (ii) and (iii). The findings of the review were published in December 2014 and the review recommended that from 2015 onwards DFID should report capital flows from the UK Government to CDC as ODA. It also requested that, prior to the release of the provisional ODA statistics for 2016 DFID publishes a short paper which sets out the impact of this change on the historic data series.</p>
(b) Strengthen the arrangements for estimating ODA expenditure by other government departments; with particular reference to planned spend on (i) refugees (ii) peace and security (iii) research	<p>The statistics team in FPID should review the current arrangements of other government departments for reporting their ODA spend to DFID for National Statistics purposes. This should consider any concerns about the ODA eligibility of the spending; the arrangements for quality assuring the estimates; and the systems that are in place for reporting the estimates. The review should be carried out on a proportionate basis. The greater the current and planned level of ODA reporting by a department, the more the review should seek to understand the underlying data systems and quality assurance arrangements.</p> <p>The review should start after summer 2013 and should scope out an expected timetable for completion.</p>	<p>FPID statisticians reviewed the current arrangements of other government departments for reporting their ODA spend to DFID for National Statistics purposes and took forward work to strengthen the arrangements for estimating ODA expenditure by other government departments; with particular reference to planned spending on (i) refugees</p> <p>The statistical review of the Home Office's (HO) ODA reporting in relation to refugees included an examination of the OECD DAC guidelines for reporting spending on refugees and HO activity for compatibility with ODA definitions.</p> <p>The review concluded that refugee support associated with the costs of asylum seekers for the first 12 months of stay in the UK was ODA eligible, irrespective of whether the asylum seeker is eventually granted refugee status. This was in line with OECD DAC directives and practice carried out by other DAC members. This spend is now included in the ODA statistics. The HO has also identified new areas of ODA from their better understanding of the ODA definition, such as the costs of identification of refugees overseas who are brought to the UK is ODA eligible.</p>

		<p>(ii) peace and security The review of ODA activities involved the HO and MOD. The MoD ODA reporting team have implemented a new system to report their ODA to DFID, which provides more detailed information and has improved the quality of their data.</p> <p>DFID is leading discussions about how Peace and Security should be considered in a modernised ODA definition through the International Network on Conflict and Fragility task team, managed by the OECD.</p> <p>(iii) research DFID statisticians worked with the Department of Business, Innovation and Skills (BIS) in different fora to help them ensure new planned ODA spend of £375m (over 5 years) is classified as ODA eligible. The activities undertaken included capacity building workshops with BIS and the Research Councils to ensure research activity is in line with ODA, and an 'in-day' at DFID where BIS staff presented their ODA activities. FPID statisticians continue to provide support BIS staff relating to ODA eligibility and reporting. In 2014, the Research council invested nearly £75 million in research projects in developing countries.</p>
(c) Consider proposals to change the methods used to estimate (i) EC ODA attributable to the UK and (ii) Gift Aid	<p>DFID officials have been working closely with Treasury officials to develop improved methods for estimating ODA in two areas. No formal process exists for signing off recommendations that come out of exercises of this nature.</p> <p>New governance arrangements should be put in place that will allow DFID's Chief Statistician to consider the findings from reviews of this type; and to initiate additional reviews from time to time, as considered necessary to maintain the quality of DFID's National Statistics.</p> <p>The governance arrangements should ensure that the views of data suppliers and key users (within DFID, in other government departments and externally), are taken into account before any changes to methods are approved. New governance arrangements should be in place as soon as possible.</p>	<p>Governance arrangements have been improved and the role of the Chief Statistician is now clearer amongst the production team in FPID. We have also agreed a clear role for the Chief Statistician in the ODA eligibility process. Since the quality review we have consulted users through formal consultations and through user engagement (seminar at the RSS) to ensure that the National Statistics publications and any changes in methodology are in line with the view of users of these statistics.</p> <p>A revised Gift Aid methodology has been adopted following updated survey information from a sample of charities. The approach to Gift Aid in the ODA statistics is briefly described here</p> <p>(ii) The method for apportioning the UK's contribution to the EU budget for external assistance (EU Attribution) has been improved by the DFID Europe Department and HM Treasury. The new methodology gives a more representative share of the contribution to departments other than DFID. The method is described in Annex 2 to Statistics on International Development.</p>
(d) Investigate the ARIES data entry	There is a risk that the ARIES data entry arrangements may be	

<p>arrangements and whether these will produce estimates of ODA by sector that are of sufficient quality to meet users' needs</p>	<p>producing inaccurate estimates of ODA by sector.</p> <p>In the first instance, this should be addressed through an exercise to document the arrangements for entering data into ARIES. This should cover the training and guidance that is provided to those responsible for inputting data; and should look at existing arrangements for quality assuring the data to ensure that information on ODA by sector is being captured accurately.</p> <p>The documentation should be completed by no later than the end of 2013. This will provide a basis for judging the quality of the data entered into ARIES, and the implications this has for the accuracy of the National Statistics estimates of ODA by sector.</p>	<p>DFID statisticians have investigated ARIES coding in more detail and took forward a number of key pieces of work with support from the Business Innovation (BI) team.</p> <ul style="list-style-type: none"> • A new post leads on QA of live MI data from the ARIES system and related statistical information. Investigation of the live financial data has led to a cleaner dataset for compiling the National Statistics. • Specific analytical work is now part of the data processing before statistical outputs are produced. For example, validation of the multilateral/bilateral channel split now takes place by the statistician working in the multilateral effectiveness team. Their knowledge of the multilateral data has improved the quality of the funding channel information. • Specific analytical work is also being undertaken to improve sector information, involving quality assurance by policy departments to ensure sector statistics align with spending departments' expectations. • Separately the BI team are taking forward more detailed analysis to understand better the risks of input error; for example a sector code amnesty.
<p>e) Implement the plans that have been developed to improve the system that is used to extract from ARIES the data that are needed to produce ODA National Statistics</p>	<p>FPID has agreed to prioritise the implementation of this work (known as Project Datamart) and it is due to be completed by no later than December 2013.</p>	<p>A new system has been developed to extract ARIES data to produce the National Statistics. This project was undertaken with DFID IT Specialists and a consultant. DFID can now provide more accurate ODA data, and have brought the skills and expertise in-house, so we are more able to upkeep our systems. The FPID Statistics team can now extract these data themselves, which has increased efficiency considerably.</p> <p>FPID has bi-monthly meetings with DFID IT Specialists to ensure the smooth running of this system.</p>
<p>(f) strengthen the documentation of the processes used to produce, manage and disseminate ODA National Statistics</p>	<p>FPID has agreed that sufficient resources will be made available to update the desk instructions for producing the ODA statistics over a 12 month period. This will allow the documentation to be updated as part of each stage of the annual production process; to be completed by summer 2014.</p>	<p>The FPID Statistics team strengthened the documentation process used to produce, manage and disseminate ODA National Statistics. We have updated our desk notes and aligned them to the global standard of the Generic Statistical Business Process Model developed by UNECE, Eurostat and the OECD.</p>