

10th July, 2020

CSO letter to the DAC ahead of the next meeting of the DAC Committee



With this letter, the undersigned 24 organisations wish to share their perspective on the ongoing discussions and negotiations at OECD Development Assistance Committee (DAC) on reporting debt relief as ODA. This important issue has been left unresolved ever since the [DAC decided](#) to switch to a grant equivalent system for reporting loans in 2014.

At the 2014 High Level DAC Meeting members of the DAC agreed to change the way loans were reported following the switch to a [grant equivalent system](#). DAC Members would no longer count the full amount of the loan as ODA and would not subtract repayments when they occur. Instead, starting from 2018, only the grant equivalent of an ODA loan is reported which takes the risk for non-repayment into account as soon as the loan is granted. The greater the risk profile of the loan, the more ODA that can be reported.

We are made to understand that the current rules are not satisfactory for some members of the DAC who argue that they would not fully capture the financial effort related to ODA loans and they would 'disincentivise' debt relief from happening in the very first place. As a consequence, a set of additional rules are being discussed in order to allow the reporting of additional ODA for debt relief, should these loans default. As we expressed in the past¹, we firmly believe more generous rules related to counting debt relief as ODA would unequivocally lead to double counting and the inflation of ODA statistics. CSO groups have long advocated for the removal of debt relief from ODA eligibility. The switch to the grant equivalent system further makes the case for its removal. The current discussion is an opportunity to make this change and correct an historical mistake that has led to aid inflation and damaged the credibility of the ODA reporting system.

So far, since no major debt restructurings have occurred in recent years, the risk for double counting and aid inflation has been minor. Yet, as the response to Covid-19 is adding to the huge pressure caused by unsustainable debt that many developing countries were already facing before this crisis, we can expect to see more debt relief granted in the near future. Without properly fixing the rules, these much-needed relief operations risk inflating aid levels as they did in the past. Yet, what developing countries need is new resources to deal with the Covid-19 crisis.

No official documents have been made publicly available, even though commitments were made in Addis Ababa (2015) to hold 'open, transparent and inclusive' discussions on ODA modernisation. Given the high degree of secrecy in which this debate is taking place, it is difficult for stakeholders, including CSOs, to assess the impact of the different proposals on the table. These include different options regarding time values to calculate additional grant equivalents of debt operations; ceilings to limit the additional ODA to be reported for debt relief; and the treatment of loans committed before 2018. Furthermore, any solution risks creating additional complication and inconsistencies in ODA reporting, as DAC members have not worked out how the grant equivalent system would apply to loans to the private sector.

We count on DAC members to maintain the credibility and integrity of ODA. The risk of default is already included in the discount rates used to determine what is reported as ODA under the grant equivalent methodology for loans after 2018. Thus, debt relief should not be counted as ODA for past and future ODA loans².

We are aware of the pressure to reach an agreement in the short term. Now is the time to get things right and to protect the unique and precious character of ODA, as well as its credibility as a measure of donor countries' efforts to support the most vulnerable. While all other sources of development

¹ Online DAC-CSO Dialogue of 4th June 2020.

² For further details on related demands, please refer to the letter sent on 14th May 2020.

finance are drying up in developing countries in the wake of Covid-19, aid remains among the only stable resources. The next DAC High Level Meeting will take place in November 2020, which gives time to further explore the implications of the options on the table. There is no need to rush a decision that will have considerable impacts on the integrity and credibility of ODA in the coming weeks.

Going forward and in the spirit of the “[dialogue framework with CSOs](#)” the undersigned CSOs reiterate the request for a consultation where we can contribute to the ongoing discussions before an agreement is made, as well as access to the proposals currently under evaluation.

We are looking forward to discussing these issues further, and remain at your disposal should you have any questions.

Wishing you the best for the busy days ahead.

With kind regards,

1. ActionAid International
2. Africa Development Interchange Network (ADIN)
3. Aid Watch Canada
4. Ambrela – Slovak Platform of Development Organizations
5. Association pour l’Intégration et le Développement Durable au Burundi (AIDB)
6. Austrian Platform for Development and Humanitarian Aid
7. Bond – The International Development Network
8. Canadian Council for International Co-operation (CCIC)
9. Caritas Europa
10. Coordinadora de la Mujer – Bolivia
11. Coordination Sud
12. European Network on Debt and Development (Eurodad)
13. Global Policy Forum
14. Ibon International
15. Indigenous Peoples Global Forum for Sustainable Development (IPGFforSD)
16. Fundación SES
17. Finnish Development NGOs – Fingo
18. Investment Watch (I-Watch)
19. Oxfam International
20. Society for International Development
21. Slovenian NGO platform for development (SLOGA)
22. Reality of Aid – Asia-Pacific
23. 11.11.11
24. Wemos