

TWENTY NINE DONORS & THE EU AGREE ON AID TREATMENT OF DEBT RELIEF

AS OFFICIAL DEVELOPMENT ASSISTANCE OECD

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USPA NEWS - Members of the OECD Development Assistance Committee (DAC), comprised of 29 donor countries and the EU, have agreed on a method for reporting debt relief as official development assistance (ODA). The agreement follows calls by developing countries and civil society for expanded international debt relief efforts. Creditors within the Paris Club, a forum of official creditors for negotiating debt restructuring, had asked as well for the system to encourage the forgiveness and rescheduling of debt. The new agreement paves the way for more resolute action to relieve developing countries of the burden of debt as they struggle with the economic and social consequences of the COVID-19 pandemic. Under the new terms, donors are allowed to count the rescheduled or forgiven amounts as ODA, with the amount reported capped to the nominal value of the original loan: this means that the value of a dollar of a loan and its subsequent debt treatment in OECD ODA statistics would never be equal to or more than the value of a dollar that had been granted (given rather than lent). This aims to encourage donors to reschedule or cancel poor countries' debt when they are not able to repay, while applying

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"To achieve the Sustainable Development Goals, we need a mixture of financing: grants, concessional and non-concessional loans, more private investment, more effective domestic resource mobilisation, as well as debt relief", said DAC Chair Susanna Moorehead. "During the current crisis, poor countries are asking for debt relief. This collective decision by the DAC will generate much-needed support and development impact, and help ensure that ODA goes where partner countries need it most". "The agreement should make it easier for DAC Member creditors to implement debt relief initiatives", said Jorge Moreira da Silva, OECD Director of Development Co-operation. "At the same time, by including a hard ceiling equal to the nominal value of the original loan for debt relief of ODA claims, it preserves the integrity of ODA".-----

The agreement is an important step towards completing the modernisation of ODA statistics started in 2014 by DAC members. As part of this initiative, they implemented last year a new approach to measuring ODA: the grant-equivalent replaced the cash-flow method, in order to better reflect the actual efforts of donors. In 2014, they also committed to agreeing how to report debt relief according to this new grant-equivalent method. The OECD's DAC is a forum for donor countries to agree on international principles, rules and other standards for international development co-operation. The DAC also publishes data and analysis on official aid flows, carries out Peer Reviews of DAC members' performance in delivering development assistance and prepares policy guidance through its networks and partnerships. Source: OECD

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