



## Valuing technical co-operation in TOSSD<sup>1</sup>

*TOSSD Task Force Issues Paper – Agenda item 8.a*

*24-25 January 2018*

### I. INTRODUCTION

1. The issue of how to measure in-kind technical co-operation was discussed at the first and second meetings of the Task Force. There was a general agreement that when international experts are contracted externally and internationally, the price of the contract in the international currency should be the one recorded in TOSSD. Therefore, it was agreed that some wording will be proposed on the definition of external and international hiring to be included in the TOSSD reporting instructions.

2. At the second Task Force meeting, two options were proposed to estimate the monetary value of in-kind technical co-operation so that data can be compared across countries: i) applying the purchasing power parity (PPP) methodology and ii) using a standard salary table. There was no consensus on which of the proposed methodologies should be used, and it was agreed that the Secretariat will look at case studies to illustrate the challenges and difficulties (technical and political) that some emerging providers have experienced in measuring the cost of technical co-operation and capturing its value-added. Moreover, some participants expressed concerns about using the United Nations (UN) salary table as a standard, since salaries of UN staff are higher than those of public officials in most countries.

3. There was also some discussion about whether in-kind technical co-operation should be part of the cross-border resource flow pillar of TOSSD since it is not a financial flow. The Secretariat looked at this question further, checking the treatment of such resources in the System of National Accounts, the Balance of Payments and, importantly, the Addis Ababa Agenda for Action. All of them recognise both financial and non-financial (e.g. technical) resources within their respective frameworks, so there is no reason for excluding in-kind technical co-operation from the TOSSD framework, and wording has been included in the emerging excerpts of Reporting Instructions to this effect. Also, as highlighted during the 2<sup>nd</sup> Task Force meeting, the inclusion of this support within the scope of the cross-border resource flows pillar is important for ensuring broad international acceptance of TOSSD, especially from Southern providers.

4. Finally, during the 2<sup>nd</sup> Task Force meeting several indicators were proposed to capture the value-added of technical co-operation. Some Task Force members favoured the inclusion of qualitative indicators in the TOSSD framework while others cautioned that capturing impact might be too complex for a statistical measure. Following the meeting the indicators have been reviewed in light of comments received from SESRIC (Statistical, Economic, Social Research and Training Centre for Islamic Countries), SEGIB (Ibero-American General Secretariat) and a paper produced by

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the NeST (Network of Southern Think Tanks) on monitoring and evaluating South-South (including technical) co-operation<sup>2</sup>.

5. This paper develops the abovementioned items as follows: The second section proposes wording for TOSSD Reporting Instructions regarding technical co-operation delivered through experts contracted in the international market. The third section provides some case studies to illustrate challenges and difficulties of emerging providers in measuring technical co-operation. It also identifies the main advantages and disadvantages of using the two proposed options for measuring in-kind technical co-operation and provides examples of alternative salary tables that could be used in option two. Finally, the fourth section presents an updated list of possible indicators to capture the value-added of providing technical co-operation. The objective of the Task Force discussion will be to come to agreement on the inclusion of in-kind resources in the TOSSD framework and how they will be valued.

## **II. TOSSD REPORTING INSTRUCTIONS FOR TECHNICAL CO-OPERATION PROVIDED THROUGH EXPERTS CONTRACTED IN THE INTERNATIONAL MARKET**

6. The implementation of technical co-operation activities may involve hiring experts or consultants in the international markets or deploying public officials of provider countries. In the first case TOSSD records the costs incurred by the provider because those costs are already internationally comparable in monetary terms; in the second case a specific methodology is used to estimate the costs in an internationally comparable manner.

### **Experts contracted in the international market**

7. Proposed wording for TOSSD Reporting Instructions:

*If experts are hired in the international market and paid in international currencies (e.g. USD or Euro), the price of the contract will be recorded in TOSSD, regardless of the country of residence of the expert.*

*For experts hired in the international market but paid in local currency of the provider or the recipient country<sup>3</sup>, technical co-operation is measured applying the same rules as for public officials.*

### **Issues for discussion**

*Do Task Force members agree with the proposed wording for the TOSSD Reporting Instructions?*

## **III. THE TWO OPTIONS FOR MEASURING IN-KIND TECHNICAL CO-OPERATION AND THE VIEWS OF EMERGING PROVIDERS**

8. This section illustrates the political and technical challenges of measuring in-kind technical co-operation by Southern providers, based on consultations and studies by providers in Latin

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<sup>2</sup> A monitoring & evaluation framework for South-South co-operation, Outcome Document of NeST Technical Workshop in Mexico City, Draft Working Document, November 2016.

<sup>3</sup> If local currency of the provider or recipient country is an international currency such as the USD, the rules applicable to public officials should still be applied.

America.<sup>4</sup> It also presents the advantages and disadvantages of using option one (PPP methodology) and option two (standard salary table) for measuring in-kind technical co-operation. Finally, some alternative proposals of standard salary tables are presented to address some members' concerns on the use of the UN professional staff salary table.

#### **a) How do Southern providers measure technical co-operation? Case studies**

9. Following the 2<sup>nd</sup> Task Force meeting, Mexico and Costa Rica provided information on their respective methodologies to measure and value technical co-operation as follows.

#### **Mexico's updated methodology for measuring technical co-operation**

10. Mexico measures its technical co-operation as part of its broader international co-operation. It has a platform called RENCID (Registro Nacional de Cooperación Internacional para el Desarrollo or National Registry of International Development Co-operation in English) where it records information on, among other elements, technical co-operation.

*The Technical Cooperation that Mexico offers through the Public Federal Administration is based on the exchange of civil servants who share their experience in implementing public policy, institutional models, technical management, or technologies developed or improved in Mexico. Mexico has developed a methodology to give a monetary value to the time and opportunity cost of sending their national experts to other countries.*

*In 2010, Mexico developed its first valuation formula which integrated many variables such as level of skills, academic degree, days invested, use of assistants and administrative expenses. In 2013, the formula was reviewed and the methodology adjusted. As per the adjusted methodology, the monetary value integrates a time variable and an average daily wage.*

*The time variable is defined as the number of days dedicated by the employee in the development of the action in the field, plus two days for preparation and reports. The average daily wage is calculated based on the salary level of each Mexican expert/official, according to the Revenue Manual of Public Servants for the agencies and entities of the foreign affairs. Since salaries differ across regions, the table is an average of the salaries for officials with the same level of expertise. Then, PPP factors are applied to the opportunity costs, and the mobility costs (travel and flight expenses) are added. [Mexico's methodology is thus a mixture of proposed option one (PPP) and option two (standard salary table) discussed at the 2<sup>nd</sup> Task Force meeting.]*

*The main weaknesses of the above methodology, as identified by the Mexican Agency for International Development Cooperation (AMEXCID), are:*

- *Time invested by the experts on preparation and research is a rough estimate.*
- *It does not inform on the real impact of the co-operation.*
- *The salary component is an estimation, reflecting differences in salary levels across various regions in Mexico.*
- *National salaries are lower than those of private consultants or richer economies.*

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<sup>4</sup> Providers in other regions could not be covered because of time constraints.

- Volatility of exchange rate of Mexican Peso.

*Mexico's preference for valuing technical co-operation would be option two i.e. establishing a standard salary table.*

### **Costa Rica's tracking of development co-operation**

11. Costa Rica has a dual role of recipient and provider of development co-operation. It has currently a system to register non-reimbursable financial co-operation and technical co-operation called SIGECI (Sistema de la Gestión de Cooperación Internacional or "International Cooperation Management System" in English).

*The technical co-operation Costa Rica offers is based on the exchange of civil servants who share their experience in implementing public policy, institutional models and technical management, among others. The current methodology to measure technical co-operation incorporates the following variables: administrative expenses, level of skills, years of experience, degree and position. It integrates the days dedicated by the public servant in the development of the action multiplied by the daily wage according to the Civil Service table or Budgetary Authority table. Some public officials are part of the civil service regime and others, politically appointed are part of the budgetary authority regime.*

*Other expenses are also added such as travel and flight expenses, accommodation, per diem and insurance. No PPP factors are put in place, and Costa Rican's salary table is not standardized to other global salary tables.*

*The Ministry of Planning and Economic Policy and the Ministry of Foreign Affairs are currently working on a new methodology for technical co-operation to improve and consider not only the cost but also the value aspect of technical co-operation.*

*Costa Rica's preference to measure technical co-operation in TOSSD is to incorporate both option one (PPP factors) and option two (global standard table).*

### **"Quantification of South-South cooperation and its implications to the foreign policy of developing countries"**<sup>5</sup>

12. The extracts from the above-mentioned paper describe the challenges of measuring south-south co-operation as follows (with **bolding** added by the Secretariat):

*"South-South cooperation is referred to in the SDG 17 as one of the means of implementation of the 2030 Agenda (...) there seems to be no controversy amongst developing countries as to the importance of highlighting its contribution to the Agenda 2030". However, "limiting the conceptual scope of South-South cooperation only to its financial dimension- Southern providers warn- would render non-financial modalities statistically negligible."*

*The paper highlights some problems associated with measurement methodologies of South-South co-operation that **only take into account operational costs**: "since the majority of experts in South-South technical cooperation are civil servants, it is not possible to apply a market value to the skills and knowledge that they make available for project implementation. There are difficulties in equating the work of public sector experts with the*

<sup>5</sup> By Márcio Lopes Corrêa, Coordinator-General of Multilateral Technical Cooperation, Brazilian Cooperation Agency (ABC) published by the South Centre. Available at <https://www.southcentre.int/policy-brief-41-july-2017/>.

work of private consultants especially that of international professionals”. The main reason is the wide differences in their remuneration.

The paper proposes an innovative model to measure South-South co-operation which includes the following elements: “(i) appraisal of inputs compatible with monetization; (ii) quantifying the volumes of all types of in-kind resources mobilized by South-South partner countries, regardless of their position as providers or receivers, and for which monetization is not the best indicator; (iii) assessment of the connection between financial and non-financial inputs and outputs; and (iv) evaluation of the results attributable to these initiatives and to their respective beneficiaries”. The paper further suggests that: “monetary quantification of non-financial South-South cooperation modalities would be optional” and “**both financial and non-financial data will be indispensable** to evaluate the efficacy of the contributions mobilized through South-South cooperation in producing socio-economic results”.

Finally, the paper recommends that governments of developing countries implement a measurement framework. However, some challenges are identified, such as the disparities in countries’ capacities, the lack of political will and the fact that “developing countries do not have a common forum or organization with the mandate to facilitate this process in the way that the OECD Development Assistance Committee does for North-South cooperation”.

13. Using PPP factors or a standard salary table (or both), as proposed by the Secretariat, would address some of the abovementioned concerns. It would make technical co-operation by Southern providers statistically relevant and would account for wide differences in salaries across countries and between private and public sector experts. Moreover, the TOSSD Task Force (or the governance body of the TOSSD system) could become a forum where Southern providers could discuss together with partner countries and other providers the establishment of a common, internationally comparable, method for measuring technical co-operation.

**b) Advantages and disadvantages of the two options for measuring technical co-operation**

Option	Pros	Cons
<b>PPP methodology</b>	<ul style="list-style-type: none"> <li>✓ Closer to the actual cost of delivering technical co-operation.</li> <li>✓ Technically easy to implement by the organisation compiling the data. PPP factors are available for most countries.</li> </ul>	<ul style="list-style-type: none"> <li>✗ Not available for all countries that deliver technical co-operation e.g. Timor Leste.</li> <li>✗ Experts from the private sector and from richer economies are more expensive than public servants, so PPP-adjusted technical co-operation figures will still differ across providers.</li> <li>✗ Might be difficult to understand by the general public.</li> </ul>
<b>Standard salary table</b>	<ul style="list-style-type: none"> <li>✓ Technically easier to implement for reporters.</li> <li>✓ Would count the same amount of money for the same resource, regardless of the country sending the experts (could get more buy-in from Southern providers).</li> </ul>	<ul style="list-style-type: none"> <li>✗ Does not reflect the real cost of delivering technical co-operation.</li> <li>✗ Does not encourage building capacity in the countries providing technical co-operation to track the real cost.</li> </ul>

**c) Alternatives to the UN professional staff salary table**

14. To address some Task Force members' concerns about using the UN professional staff salary table on a gross basis, several alternatives are proposed below:

i) Using the UN salary table on a net basis<sup>6</sup>, which could take into account the following elements:

- **Staff assessment:** An internal tax collected from the UN system staff by the UN system organisations. Rates are derived from income tax rates applicable at the eight headquarters cities of the organizations (Geneva, London, Madrid, Montreal, New York, Paris, Rome, and Vienna) in the common system; and
- **Post-Adjustment:** One of two main elements (base salary and post adjustment) comprising the salary of staff in the Professional and higher categories that are assigned to a duty station for one year or more. It compensates differences in the cost of living across duty stations.

Level	Min number of years of experience	Daily salary (USD) Net basis		Post-Adjustment NY		Total	
		Annual salary/365	Annual salary/240	Annual salary/365	Annual salary/240	Annual salary/365	Annual salary/240
D-2	More than 15 years	320	486	211	322	531	808
D-1	15 years	296	450	196	298	492	748
P-5	10 years	258	393	171	260	429	652
P-4	7 years	219	333	145	220	363	553
P-3	5 years	184	280	122	185	305	465
P-2	2 years	147	224	97	148	244	371
P-1	Young professionals	116	177	77	117	193	294

<sup>6</sup> The UN professional staff salary table on a net basis and with the post-adjustment factor is available at [http://www.un.org/depts/OHRM/salaries\\_allowances/allowances/postadjustment/pa02-2017.xls](http://www.un.org/depts/OHRM/salaries_allowances/allowances/postadjustment/pa02-2017.xls)

ii) Using the International Monetary Fund (IMF) table for long-term experts contracted to deliver technical assistance<sup>7</sup>:

Level	Illustrative position titles	Grade average annual salary (USD)	Daily salary (USD)	
			Annual salary/365	Annual salary/240
A09	Librarian, Translator, Research Officer, Information Management Officer, Human Resources Officer, External Relations Officer	89,730	246	374
A10	Accountant, Research Officer, Information Management Officer, Human Resources Officer, External Relations Officer	103,930	285	433
A11	Economist (Ph.D. entry-level), Counsel, Specialists (e.g., Accounting, Information Technology Officer, Human Resources Officer, External Relations Officer, Sr. Information Management Officer)s	118,850	326	495
A12	Economist, Counsel, Specialists (e.g., Accounting, Information Technology Officer, Human Resources Officer, External Relations Officer	135,835	372	566
A13	Economist, Resident Representative, Counsel, Specialists (e.g., Accounting, Sr. Information Technology, Sr. Human Resources Officer, Sr. External Relations Officer)	155,785	427	649
A14	Deputy Division Chief, Sr. Economist, Resident Representative, Assistant to the Director, Sr. Accountant	185,340	508	772
A15	Division Chief, Deputy Division Chief, Advisor, Resident Representative/Sr. Resident Representative, Assistant to the Director	213,205	584	888

<sup>7</sup> The table is available at <https://www.imf.org/external/pubs/ft/ar/2017/eng/assets/ar17-web-table-3-4.pdf>.

iii) Using the World Bank salary table<sup>8</sup>:

Level	Illustrative position titles	Grade average annual salary (USD)	Daily salary (USD)	
			Annual salary/365	Annual salary/240
GA	Office Assistant	43,697	120	182
GB	Team Assistant, Information Technician	46,154	126	192
GC	Program Assistant, Information Assistant	56,852	156	237
GD	Senior Program Assistant, Information Specialist, Budget Assistant	70,422	193	293
GE	Analyst	80,679	221	336
GF	Professional	105,275	288	439
GG	Senior Professional	146,140	400	609
GH	Manager, Lead Professional	204,110	559	850

#### Issues for discussion

*What is your preferred option (PPP or standard salary table) for estimating the monetary cost of providing in-kind technical co-operation?*

*Could reporting be based on both options with the view to collecting complementary information?*

*If option two is to be used, which of the proposed salary tables could be used as a reference?*

#### IV. NON-MONETARY ASPECTS OF TECHNICAL CO-OPERATION

15. Capturing the value-added of technical co-operation using indicators beyond the monetary value could address some of the concerns expressed by Southern providers and therefore help obtaining their buy-in for TOSSD.

16. During a workshop: “Towards the establishment of a reference methodology to value South-South co-operation in Ibero-America”, organised in Mexico City in May 2017 by the Ibero-American program for Strengthening South-South co-operation, the following elements required for a methodology to value technical co-operation were identified<sup>9</sup>:

- **Inputs that can be translated into costs (direct or indirect costs).** Examples of direct costs are flights or transportation costs, per-diem, accommodation, purchase of goods and services and travel insurance. Examples of indirect costs are more general costs that contribute to the implementation of the activity such as the use of infrastructure or administrative support. *[As per the methodology proposed in this issues paper, those costs would be directly imputed to the amount of the technical co-operation provided in TOSSD.]*

<sup>8</sup> See the World Bank Annual report 2016 Organizational Information, staff salary structure, Washington DC, page 19. Available at <http://pubdocs.worldbank.org/en/559991474295474257/5-Organizational-Information-FY16.pdf>.

<sup>9</sup> See Report on South-South Cooperation in Ibero-America 2017 available at <http://segib.org/en/documento/informe-de-cooperacion-sur-sur-en-iberoamerica-2017/>

- **Inputs that are necessary for the implementation of the activity but do not imply economic outlay**, therefore being more difficult to measure. Worthy of note among these is the knowledge provided by experts that work for public administration of the countries and do not receive additional salary for the exchanges in which they participate. There is no methodological clarity regarding the most optimal way to compute this, although the common method used in past regional experiences (Brazil, Chile and Mexico) appears to take account of the technical hours provided and weight its value by wage levels, academic qualifications, years of experience or opportunity costs, among others.
- **Elements that are intrinsic to South-South co-operation** such as certain criteria or principles (e.g. horizontality) and that contribute to results and value-added. *[This element would not be included in TOSSD since the TOSSD framework aims to include a wide range of stakeholders including not only Southern but also traditional development providers. However, some of the indicators proposed below could capture the value-added of technical co-operation for all providers.]*
- **Results obtained and potentially positive side effects**. Examples of these would be values, strengthened capacity, strengthened public policies or learning networks, among others. *[These could be captured through the revised indicators proposed below.]*

17. As stated in the introduction, the proposed qualitative indicators have been reviewed as per the comments received from SESRIC and SEGIB, also taking into account ideas in the paper by the NeST on monitoring and evaluating South-South co-operation. The revised list of potential indicators is shown below:

***Indicators on outcomes and/or impact:***

- How many professionals were trained (if any)?
- What outputs/outcomes were foreseen in the log-frame or the documentation of the TC activity?
- Were the outputs generated by the TC (technical co-operation) used to:
  - inform new government policy or programme?
  - inform new legislation or regulation?
  - create, change or improve institutions?
  - support design or implementation of development cooperation projects?
  - other (specify)?

***Indicators for ownership:***

- Who initiated/requested this TC activity?
- Was the beneficiary agency actively involved throughout the implementation of the TC activity?
- Was/were the topics of intervention identified as development constraints or opportunities, or as national priorities in the country strategies (whether at national, regional or local level)?

### ***Indicators for horizontality***

- Shared decisions and resources:
  - Was the TC activity co-financed by the beneficiary? If YES; what was the type of co-financing?
  - Are there any mechanisms for regular joint decision-making? If YES, please explain those mechanisms.

### ***Indicators for sustainability:***

- How are the results of the TC expected to be sustained after its completion?
- Capacity building: have any changes been made in behaviour, institutional and policy practices, as a result of knowledge gained through the TC intervention? If YES, please explain.
- Has the recipient been engaged with other developing countries to transfer/share the know-how gained from the TC activity?
- Has the TC activity made use of local financial management and procurement systems (local or national)?

### ***Indicators for accountability and transparency:***

- Data management & reporting: do partners involved in the TC activity possess institutional frameworks, capacity and political will to collect, analyse, simplify and publish data on a regular basis?
- Are there any review mechanisms that ensure reciprocal accountability? If YES, please explain those mechanisms.

### **Issues for discussion**

*Can Task Force members agree on 2-3 indicators that could be part of the TOSSD framework for valuing in-kind technical co-operation? Should they be applied to other TOSSD modalities too?*

*In case there is no agreement, what further work would be necessary to select some key qualitative indicators?*