

Dear Tone,

My colleagues Simon Scott and Julia Benn have kept me informed of the discussions with the Ministry as regards ODA reporting of Norway's contributions to the Amazon Fund. The information that you have provided through correspondence and during the visit of your colleagues to the Secretariat last November have helped us to gain a good understanding of the mechanism, with the supplementary information included in your message dated 7 January enabling us to draw conclusions.

The Amazon Fund is an innovative approach to support sustainable development and combat deforestation – we find it particularly interesting as it emphasises the need to demonstrate the results of aid. At the same time the mechanism poses challenges in terms of ODA reporting within the cash-based DAC statistical reporting system, especially considering the fact that DAC reports on Norway's ODA should ideally correspond to those prepared by the Ministry for the purpose of monitoring ODA budget execution. It has taken us some time to address all the issues since the current Reporting Directives contain no explicit guidance on results-based aid; we hope this has not caused too much inconvenience to you.

Our recommendation is that Norway reports its contributions to the Amazon Fund following a 2-step approach consisting of i) reporting as an ODA commitment the placement of the funds in the National Bank of Norway in form of promissory notes to Brazilian Development Bank (BNDES); and ii) reporting as ODA disbursements the actual payments to Brazil as and when they arise. In our view the issuance of promissory notes cannot be considered as a disbursement (defined in DAC statistics as the placement of funds at the recipient's disposal) for the following reasons:

- Brazil does not have full drawing rights on the funds at the point at which they are set aside as promissory notes. The payment of funds to Brazil is subject to a written request by the BNDES and an explicit authorisation by the Ministry.
- It may happen that not all of the money set aside as promissory notes is paid to Brazil. Drawings on the promissory notes are based on projections of spending requirements submitted by BNDES. The Ministry can withhold its agreement to disbursement if the projected spending is not in accordance with the specified purposes of the Fund. While this case is highly unlikely (the conditionality on the use of the funds is rather limited, the only requirement being that projects are consistent with the action plan to combat deforestation; no examination is carried out on the specific projects for which the disbursement is requested), it is nevertheless an eventuality.
- The two above points imply that the Amazon Fund promissory notes cannot be considered as “encashable unconditionally at sight at the discretion of the recipient”, which is the criterion given in the Directives (and the balance of payments) for reporting a promissory note as a disbursement on deposit of the note. (The terms and modalities of disbursement from the Amazon Fund promissory notes are thus different from the terms and modalities of Norway's disbursements from its promissory notes for example to the World Bank.) Promissory notes not satisfying this criterion give no rise to financial assets in BOP reporting until the funds are actually advanced and according to the BOP manual should not be reported. They are rather assimilated to commitments (*“assuring that funds will be made available when certain documents specified by contract are presented”*). The BOP recording explained in your message seems to differ from the guidance in the BOP manual. We will contact the IMF to make sure we have correct understanding of this point.

Based on the above we would kindly ask you to reconsider your reporting on the contributions to the Amazon Fund and if possible revise your 2010 and 2011 ODA disbursement data so that they reflect the actual payments to Brazil instead of the deposit of the promissory notes. We understand this may generate controversy by decreasing Norway's ODA/GNI ratios for the two years in question and possibly also 2012. Should you need our help in explaining the decrease, we are available to respond to questions or clarify the reasons of the revision, including why it takes place with a delay.

Sincerely,

Jon



2, rue André Pascal - 75775 Paris Cedex 16
Tel: +33 1 45 24 90 00 - Fax: +33 1 44 30 63 54
jon.lomoy@oecd.org || www.oecd.org

Follow us on:

