

## PDE Guidance Note/ February 3, 2010

### What is “Aid” in the Paris Declaration and the Evaluation?

#### Purpose

The Paris Declaration and the Accra Agenda for Action (AAA) are all about aid effectiveness, but they do not specifically lay out the boundaries of the “aid” that is to be covered by the commitments to good practice. This note is to help participants in the Evaluation understand and manage some of the more blurred lines of coverage, but also to establish some firm boundaries where it is possible and desirable to do so. This note avoids getting into some of the complex technical definitions and distinctions involved in current international reporting, but tries to distil the most relevant guidance for the particular purposes of this Evaluation. It can be expanded or refined if required.

#### Why no simple definition?

The following are probably among the main explanations for the lack of specific definitions of “aid” in the Paris and Accra documents:

- a. The generic principles and commitments that the Declaration sets out for making aid more effective can be safely assumed to apply to most forms of foreign aid, and it is important to encourage putting them into practice across the board;
- b. Both the Paris Declaration and AAA are explicitly concerned with encouraging the flows of effective development assistance from many different sources, to complement the most effective use of domestic resources for development. Even more than in the past, the sources of aid now go well beyond the traditional official “donors” whose aid flows have been the most fully defined, reported and scrutinized in the past;
- c. As political commitments, the Paris and Accra statements were not intended to get into the technical issues around precisely defining and measuring aid, and nor should the Evaluation do so any more than is necessary to be rigorous and consistent about what is covered and in what ways.

#### What is the problem?

International development aid is clearly the focus of the Paris Declaration’s commitments on “aid.” Ever since such aid really began to flow some 60 years ago, there have been questions and controversies about what should be included as “development aid,” how its volume should be expanded and counted, and its quality assured. In fact the DAC was first established for these precise purposes some 50 years ago, and has continued working on them ever since.

To illustrate the boundary issues, substantial flows of military assistance and commercial credits have always been provided, but the members of the original community of official donors developed a clear agreed definition of “Official Development Assistance” (ODA) in 1969. This definition set the boundaries of official development aid flows by their source, recipient, developmental and welfare purpose, and “concessionality” (grant or “soft-loan” element). Thus most military assistance and export credits have not been included in ODA, while humanitarian and emergency assistance has.

With certain updating and refinements, the basic definition of ODA remains in place today.<sup>1</sup> The DAC also tracks and reports on “official development finance” and “other official flows” which either

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<sup>1</sup> “Grants or loans to countries and territories on the [DAC List of ODA Recipients](#) (developing countries) and to [multilateral agencies](#) which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms (if a [loan](#), having a [grant element](#) of at least 25 per cent). In addition to financial flows, [technical co-operation](#) is included in aid. Grants, loans and credits for military purposes are excluded. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.” Source: DAC Glossary of Key Terms and Concepts, [www.oecd.org/dac/glossary](http://www.oecd.org/dac/glossary)

have a lower grant element than ODA or do not primarily have a development purpose. Beyond official finance, the DAC system also tracks private flows at market terms to developing countries, private grants and, to the extent possible, flows to developing countries from governments not represented in and reporting to the DAC.

### **Planned coverage in the Evaluation (See also Table 1 below)**

Because the Paris Declaration is clearly directed at the effectiveness of development aid, and its primary endorsers are governments and official agencies, the primary focus in the Evaluation must be on Official Development Assistance. This will include humanitarian and emergency assistance, and other aid in fragile situations - the general principles of the Declaration are expected to apply to these forms of aid, with some special requirements for adaptation in “challenging and complex situations.” (See AAA para. 7) It should also include the “vertical funds” that combine several types of donors (bilateral, multilateral, private, corporations, etc.) such as GAVI, which has actually endorsed the Declaration.

At the same time, the Paris Declaration and AAA are also explicitly and repeatedly concerned with “other development resources” and their inter-relations with the aid flows most targeted by the Declaration. In relation to implementing the principles of Mutual Accountability and Managing for Development Results in particular, the Declaration and AAA make very explicit linkages, for example with the transparency and integrity of public financial management.

The Evaluation design aims to place aid in its proper context. For this reason, the substantial domestic and external resources available for development other than ODA will be given major attention in the contextual analysis. As one example, in some countries very large flows of overseas remittances to families must be properly taken into account as development resources, but they are not part of aid effectiveness reforms. In another important area, military and security assistance will only be included in the contextual analysis, and not assessed for effects of the Paris Declaration, except in some quite limited forms of developmental assistance provided by militaries (which are carefully specified in the current DAC criteria for ODA.)

Beyond their contextual importance, moreover, the Evaluation approach recognizes that other providers of development aid and finance are concerned with ensuring and improving the effectiveness of their own contributions. Even if they have not been so directly targeted by the Declaration, they have nevertheless been participating or taking account of global reform initiatives. — Civil society development organizations are the most prominent example, having invested increasingly in the Paris/Accra processes and now working on their own concerted aid effectiveness agenda. Non-DAC official providers of development assistance – including “South-South” and “triangular” cooperation – are thinking about their own approaches to effectiveness, and will have a strong interest in the Evaluation results. Private sector actors are now responding to rising standards and expectations of corporate social responsibility, both in their direct business dealings and in their growing activities in community and development support,

For all these reasons, aid flows from other sources (private grantors and non-DAC official donors), private flows at market terms (investment, export credits, etc.) and domestic development resources will be integrated into the analysis wherever relevant, even if they are not the direct focus of assessments of results of the Paris Declaration –. The Evaluation will indicate specifically in each case of what actions and resources are being included.

**Table: Coverage of Different Resources in the Evaluation**

Source of resources	Type or category of resources	Coverage in the evaluation
Assistance providers endorsing the Paris Declaration	Official Development Assistance (ODA) through bilateral, multilateral and other channels. ODA-like assistance (i.e. with development purpose, meeting the grant element threshold)	<b>Full assessment</b> for effects of the Paris Declaration/Accra Agenda
Assistance providers not yet endorsing the Paris Declaration	ODA-like assistance (i.e. with development purpose, meeting the grant element threshold). E.g. Private grantors, non-DAC official providers of development assistance – including “South-South” and “triangular” cooperation	<b>To the extent that information permits, full assessment for aid effectiveness measures</b> , including possible effects of the Paris Declaration/Accra Agenda
Assistance providers endorsing the Paris Declaration	Assistance falling outside the boundaries of ODA (e.g. military, commercial, “hard” loans, etc.)	<b>In the contextual analysis</b> , these flows will be given attention commensurate with their importance, with a view to overall coherence with the intent of Paris/Accra
Assistance providers not yet endorsing the Paris Declaration	Assistance that is not ODA-like (e.g. military, commercial, “hard” loans, etc.)	<b>In the contextual analysis</b> , these flows will be given attention, to the extent that information permits, commensurate with their importance, and with a view to overall coherence with the intent of Paris/Accra
Sources of “non-aid” development resources	Private flows at market terms (investment, export credits, etc.) and domestic development resources	<b>In the contextual analysis</b> , these flows will be given attention, to the extent that information permits, commensurate with their importance, and with a view to overall coherence with the intent of Paris/Accra

**Note:** As part of the Evaluation, a special global study is being commissioned on “**Development Resources beyond the Current Reach of the Paris Declaration.**” This is expected to provide a useful overview for purposes of the Evaluation Synthesis and may also help provide guidance for analysing these questions in country evaluations. Any such helpful guidance will be posted on the Extranet site, as it is generated.

For questions or comments on this note, please visit the [What is “Aid” in the Paris Declaration and the Evaluation forum](#).