

Official Development Assistance (ODA)

April 2018

WHAT IS ODA?

Official development assistance (ODA) is defined by the OECD Development Assistance Committee (DAC) as government aid that promotes and specifically targets the economic development and welfare of developing countries. The DAC adopted ODA as the “gold standard” of foreign aid in 1969 and it remains the main source of financing for development aid.

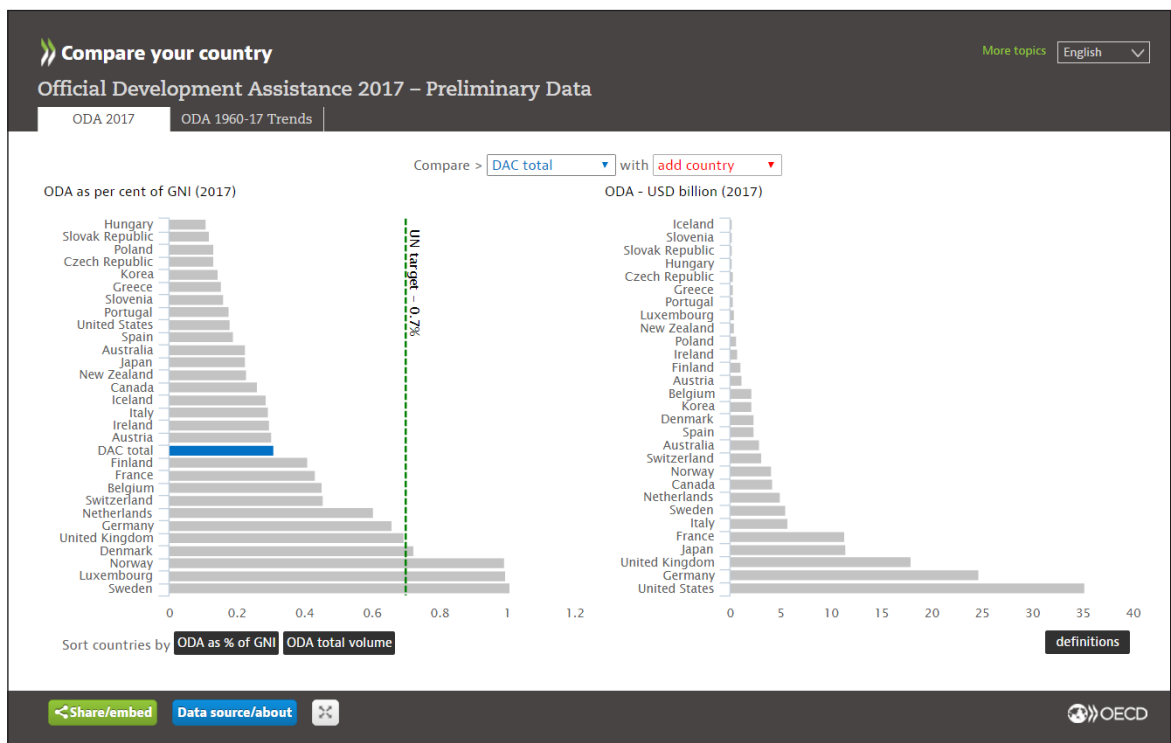
ODA is the resource flows to countries and territories on the *DAC List of ODA Recipients* (<http://oe.cd/dac-list>) and to multilateral development institutions that are:

- i. Provided by official agencies, including state and local governments, or by their executive agencies; and
- ii. Concessional (i.e. grants and soft loans) and administered with the promotion of the economic development and welfare of developing countries as the main objective.

WHAT IS NOT ODA?

- Military aid and promotion of donor’s security interests
- Primarily commercial objectives e.g. export credits
- Check the on-line database on ODA-eligibility: <http://oe.cd/oda-eligibility-database>

The DAC list of countries eligible to receive ODA is updated every three years and is based on per capita income. ODA data is collected, verified and made publicly available by the OECD at <http://oe.cd/fsd-data>.



www.compareyourcountry.org/oda

In addition to data from DAC members, DAC statistics also include data from a growing number of other provider countries (e.g. Arab donors), multilateral organisations and private philanthropies (e.g. the Bill & Melinda Gates Foundation, United Postcode Lotteries).

ODA MODERNISATION

In 2012, the DAC began working to modernise its statistical system in order to improve its accuracy while taking account of the changes in the development sector, such as the growing importance of non-DAC countries and philanthropic foundations as donors, the diversification of financial instruments for development, and the increasing overlap of development policy objectives with those of other sectors such as migration and security.

The DAC took a series of decisions at its High Level Meetings in 2014, 2016 and 2017 with regard to the measurement of concessional loans to the public sector, private sector instruments, peace and security expenditures, and in-donor refugee costs.

✓ READ MORE: <http://oe.cd/modernisationDACstatisticalsystem>

Grant equivalents – a fairer method to record ODA

Until recently, the definition of what made a loan “concessional in character” – which in turn determines the extent to which a loan can be reported as ODA – was open to interpretation. This resulted in inconsistent reporting across DAC members. At the 2014 High Level Meeting, DAC members reached a historic agreement to provide a fairer picture of provider effort by changing how the grant element is calculated.

Whereas in the past the face value of both grants and loans was counted as ODA, they agreed that only grants and the “grant portion” of concessional loans would be considered.

This provides :

- A more realistic comparison of loans and grants
- Stronger incentives to use grants and highly concessional loans, which will continue to play a key role in mobilising resources to support the Sustainable Development Goals (SDGs).

Peace and security, refugees - clarifying the reporting rules

Ambiguities in reporting rules led to inconsistent interpretation and reporting by DAC members on both peace and security-related expenditures, and on in-donor refugee costs.

Peace and security efforts

In 2016, the DAC agreed on updated rules for the eligibility of peace and security expenditures. This was to better recognise the marginal, but actual developmental role that military actors sometimes play, notably in conflict situations, while clearly delineating it from their main peace and security function.

The changes clarify ambiguities to ensure uniform, consistent statistical reporting, but also to approve the ODA-eligibility of development-related training for partner country military staff in limited topics.

Since then, the DAC has:

- Implemented those updated ODA rules on peace and security in the reporting,
- Issued a revised ODA Casebook on Conflict, Peace and Security Activities, and
- Complemented the technical review of the ODA coefficient applied to UN peacekeeping operations.

In-donor refugee costs

In 2017, the DAC agreed to clarify the reporting directives for assessing what may be included or not in ODA – and provide its members with a blueprint to use when accounting for the costs of assisting refugees in donor countries.

There are five clarifications, with supporting explanatory notes:

i. Rationale for counting in-donor costs as ODA	Underlines that refugee protection is a legal obligation and that providing assistance to refugees may be considered a form of humanitarian assistance.
ii. Eligible categories of refugees	States that categories must be based on international legal definitions. Asylum seekers and recognised refugees are covered.
iii. The “12-month rule”	Reaffirms that beyond 12 months, expenditures are outside the scope of statistics on international flows.
iv. Eligibility of specific cost items	Explains what cost items may or not be included in reporting, e.g. temporary sustenance (food, shelter, training) is eligible but not costs for integrating refugees into the economy of the donor country.
v. Methodology for assessing costs	Emphasises the need for a conservative approach that is accurate and transparent.

The changes are aimed to improve the consistency, comparability, and transparency of DAC members reporting of ODA-eligible in-donor refugee costs.

✓ READ MORE: www.oecd.org/dac/DAC-HLM-2017-Communique.pdf

Why do these changes matter?

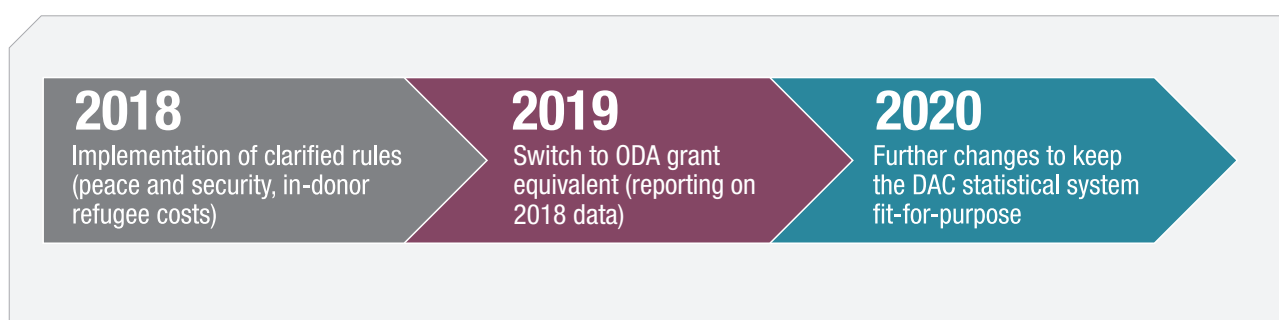
The new statistical framework

- Measures ODA loans more accurately and credibly, ensuring comparability of data across providers.
- Encourages more and better allocation of concessional resources to implement the SDGs.
- Promotes greater transparency and heightened accountability, helping to ensure that ODA goes where it is most needed and has the greatest development impact.

When will these changes take effect?

At the time of issuing this note (April 2018), ODA is still based on a cash-flow system. The grant equivalent system will become the standard for measuring ODA from 2018 onwards. The first time ODA headline figures will be published applying this new standard will be early 2019, when the preliminary 2018 ODA statistics are released. Data on actual disbursements will continue to be collected and published to ensure transparency.

The *clarifications of eligibility rules* become effective immediately.



What remains to be done?

- When it changed the ODA measurement system from net flows to grant equivalents, the DAC agreed this will also change the basis on which *debt relief* of ODA loans is reported. The DAC will conclude this reform by the end of 2018.
- In 2016, the DAC adopted some principles to encourage efforts by the development assistance community to deploy *private sector instruments* (such as developmental guarantees) and reflect them in ODA. Work on the implementation details is not finalised and the DAC is committed to reach a consensus on this topic.
- The DAC will continue to adjust its statistical systems to new realities and needs. Work is ongoing in relation to the methodology for updating the *DAC List of ODA Recipients* (e.g. on reinstating countries or territories on the List in case of catastrophic humanitarian crises) and the methods for *measuring the SDG focus* of development co-operation (purpose codes, policy markers) in view of keeping the statistical classifications relevant and fit-for-purpose with the 2030 Agenda for Sustainable Development.

BEYOND ODA: TOTAL OFFICIAL SUPPORT FOR SUSTAINABLE DEVELOPMENT

A new measurement, Total official support for sustainable development (TOSSD), is currently being developed to promote greater transparency about the full array of officially supported development finance provided in support of the 2030 Agenda— including resources provided through South-South co-operation, triangular co-operation, multilateral institutions and emerging and traditional donors.

TOSSD will complement ODA by increasing transparency and monitoring important new trends that are shaping the development finance landscape. Work on TOSSD is carried out in an open, inclusive and transparent manner.

✓ READ MORE: <http://oe.cd/tossd>

MORE RESOURCES:

- International Development Statistics online databases: <http://oe.cd/ids-online>
- Calendar for ODA updates: <http://oe.cd/oda-data-cycle>
- Contacts: dac.contact@oecd.org