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Achievements, Criticisms and a Way Forward

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The Evolution of Official Development Assistance: Achievements, Criticisms and a Way Forward

William Hynes and Simon Scott¹

Abstract

The definition of Official Development Assistance (ODA) has for 40 years been the global standard for measuring donor efforts in supporting development co-operation objectives. It has provided the yardstick for documenting the volume and the terms of the concessional resources provided, assessing donor performance against their aid pledges and enabling partner countries, civil society and others to hold donors to account. Yet for all its value, the ODA definition has always reflected a compromise between political expediency and statistical reality. It is based on interpretation and consensus and therefore allows for flexibility. It has evolved over the decades, while preserving the original concepts of a definition based on principal developmental motivation, official character and a degree of concessionality. While agreement on the ODA concept was a major achievement, discussion of the appropriateness of this measure has never ended. The paper documents the evolution of the ODA concept and proposes a possible new approach to measuring aid effort.

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1.) Introduction

Given the diversity of interests and objectives at play in the field of development co-operation, the need for basic qualitative norms and common disciplines has long been recognised (Wood, 1994). The OECD Development Assistance Committee (DAC) has been the primary forum in forging consensus among development agencies about basic definitions and statistical norms. The development, preservation and careful adaptation of an agreed definition of Official Development Assistance (ODA) represents one of the major achievements of the DAC (OECD, 1992). The definition has provided transparency to improve policies and enabled donors to set targets for increasing their aid effort.² While the definition of ODA has not changed since its introduction in 1972, it is deliberately open to interpretation, although mostly in marginal cases. Consequently, there has always been a debate about the appropriateness and credibility of the ODA. This debate has recently intensified and the concept of ODA measurement has been questioned with respect to development intention and budgetary effort. The issues associated with this debate are both “highly technical and highly political” (Lomøy, 2011:4).

This paper examines the origins and evolution of the ODA concept. Since 1972, the context in which ODA operates has of course changed dramatically. ODA was the main source of external financing in terms of net flows for developing countries 40 years ago. Now it plays a relatively minor role in relation to other sources of finance (Sagasti, 2005) for better off developing countries, although it remains an essential source for many low income countries.

Based on archival resources, the thoughts, ideas and recollections of key OECD staff, past and present, and the statistics from the Creditor Reporting System, this paper provides an extensive review of the past and

² Studies argue that this form of target setting has helped increase overall levels of ODA (Kharas, 2010).

points towards a possible adjustment of the ODA concept to ensure its continued relevance³. We accept some of the valid criticisms of ODA. But we feel that rather than diluting the concept, its associated statistical measurement and concomitant policy commitments, ODA merely requires adaptation. ODA has never been a perfect concept. Nor has it been a monolithic one. It has evolved over time to take account of new global objectives and emerging sources of concessional development finance. ODA has a deep resonance and has rightfully been treated in a rather conservative way. Dramatic moves to quite different concepts and criteria could have far reaching and unintended consequences for the conduct of international development co-operation.

We propose a new measure of Official Development Effort (ODE) which would exclude domestic expenditures on in-donor refugees, overseas students, and “development awareness” programmes. In considering loans, ODE would include only the subsidy element involved, taking into account the risk presented by the borrower. We propose this concept partly as a contribution to deliberations on how to modernise the ODA concept. The intention of this paper however is not to “officially strive to keep alive” a dying intellectual idea (Houston to Führer, 1972), but to offer a new proposal which retains the virtue of ODA, while adapting it to the post-2015 development agenda. Such a “cleaned-up” version of ODA could then be complemented with a broader measure of development finance or total official support for development.

³ This paper primarily relies on the official papers of key Secretariat staff including Helmut Führer, Jack Stone, Bevan Stein and Brian Hammond. **Helmut Führer** was Director of the Development Co-operation Directorate from 1975 to 1993. **Jack Stone**, head of the Financial Policies Division from 1967 to 1971, played a major role in perfecting the definition of official development assistance and promoted the Expanded Reporting System (see page 4) as the first international database on loans to developing countries. Mr Stone’s successor as head of the new Reporting Systems Division (RSD) was **Bevan Stein**, who held the post for 25 years until his retirement in 1996. Mr. Stein oversaw the refinement of the ODA concept through DAC decisions on the counting of administrative costs, aid to NGOs, and forgiveness of military credits. In 1996, **Brian Hammond** succeeded Mr. Stein as head of what became the Statistics and Monitoring Division and held the position till 2007 (OECD, 2011).

2.) The origins and nature of the ODA concept

The DAC's collection of statistics on resource flows to developing countries has its origins in US-inspired attempts to share the burden of development assistance. The Common Aid Effort agreed by the members of the Development Assistance Group in 1961 set the stage by recognizing the need to help the less-developed countries help themselves through increasing economic, financial and technical assistance and by adapting this assistance to the requirements of the recipient countries (OEEC, 1961). This cause was taken up the Development Assistance Committee in the newly formed OECD in 1962 with the aim to expand the flow of resources to less developed countries, to improve the terms and conditions of aid, and to increase its developmental effectiveness (OECD, 1985).

“Resource flows” covered a multitude of sources of finance including grants, loans, export credits, mixed credits, associated finance, and private investment. Over time, the disparate nature of these flows came to be increasingly recognised. Calls for a more concessional measure came from DAC Members, particularly those who provided a large share of grants in their overall flows. What started out as a revision of the 1965 Recommendation on Financial Terms and Conditions⁴ evolved into a search for a new measure of development assistance. Developing countries were pressing for increased concessional financing. At the first ministerial meeting of the G-77, at Algiers in 1967, they called for “a separate minimum target... for the official component of aid flows” (OECD, 2011). An agreed statement on “Improving the Terms and Conditions of Aid” emerged from UNCTAD II in New Delhi in 1968⁵. Public pressure for softer terms was also building. There were political factors but also a recognition that the terms needed to be better adapted

⁴ The first DAC Recommendation on Financial Terms and Conditions was agreed in 1963. Like all its successors it set targets for the “softness” of total assistance provided to developing countries. This was calculated by reference to the grant element of total assistance, taking account of both grants and the “grant element” of loans, calculated according to a formula that took into account the loans’ interest rates, grace periods, and maturities. While the Terms Recommendations did not operate at the level of individual transactions, the application of grant element calculations and the need to define the boundary of what would enter them effectively introduced measures for defining what is considered aid.

⁵ Controversy on the question of terms was avoided at the UNCTAD meeting with OECD countries pointing to the review of the Terms Recommendation under way in the DAC.

to the requirements of less-developed countries especially in view of the growing seriousness of their indebtedness.⁶ All DAC members now agreed that they should strive for softer terms taking into account the urgent needs of those less developed countries with the severest economic and debt-servicing problems.⁷ They also agreed to better harmonise aid terms directed towards particular groups of developing countries in different debt servicing situations (OECD, 1968a)⁸. Members were to soften terms so as to avoid future debt crises and the “awkward problem of rescheduling which is likely to follow with its high administrative cost, loss of faith in contractual agreements and threat of serious interruption of future financing flows, the distortion of donor control over aid allocation and the disruption of orderly development planning” (OECD, 1969a). Thus more concessional aid was ultimately about aid effectiveness. The starting point was a recognition that official support was the only part of the overall resource flows that was subject to direct government control. Furthermore, it was acknowledged that the efforts required to produce an outflow of private capital were of a very different character from those resulting in the disbursements of official resources (DAC, 1970:134).

Donors had made progress on softening terms of their official support such that by 1968 “virtually all members [were] able to provide at least some of their aid at terms with a substantial concessional element”.⁹ All parties recognised the difficulties of introducing a clear definition of aid. More so-called

⁶ The developmental needs for softer terms were recognised for a substantial number, but by no means all developing countries. It was felt that not all countries needed IDA-like terms, and the supply of funds at such soft terms was very limited, so that the claims of the “most needy or deserving countries should receive some priority in the allocation of funds” (OECD, 1968a). In the so-called “long haul” cases, high interest rates would simply result in a substantial future charge against what might at best be only a limited possibility for slow growth and development. The poorest developing countries were likely to be those with the least ability to save and to raise taxes (OECD, 1969a:13).

⁷ The 1965 Terms stated that DAC countries should relate the terms of aid on a case by case basis to the circumstances of each less developed country or group of countries (DAC, 1965).

⁸ The DAC Working Party on Financial Aspects discussed categorising countries according to the need for concessional finance considering the amount and terms of existing debt, probable duration and level of future assistance requirements, relative per capita income, relative resource endowments and other growth prospects and finally performance. However, data problems made such a categorisation difficult and responding to self-help efforts posed a problem – should strong performers receive harder terms? The solution was that the only rational way to take self-help into account was through volumes not the terms of aid (OECD, 1968b). Furthermore, the “need” factors should provide the basis for a common judgement on the terms, including the possibility of a mix of hard and soft aid, as appropriate to each less-developed country or group of countries (DAC, 1965).

⁹ Yet only 11 of the 16 members of the DAC had or were close to reaching the objectives proposed in the 1965 Terms and Conditions which suggested general standards for the financial terms applicable to its members’ aid programmes.

liberal objectives, i.e. a focus on concessional flows, raised technical problems which would take time to resolve. But more limited coverage of official flows would have the advantage of “focusing more completely on the problem of the terms of real development assistance” (OECD, 1968c).

A difficulty in realising softer overall terms for resource flows to developing countries was the use of official funds provided by export credit agencies lending at close to commercial terms. This evidently hardened the overall terms of official flows (OECD, 1968a). A crucial breakthrough emerged when the German delegation stated that it would only be able to accept the new terms recommendation if it were clearly understood that export credits fell outside the applicability of targets. They argued that governments exercised no control over these transactions that were largely financed through borrowing from the capital market and should, therefore, be regarded as private transactions (OECD, 1969b)¹⁰. The United States and Canada agreed in the interests of consistent treatment that if German export credits were excluded this should also apply to the Exim Bank and ECIC transactions. However, others considered that the exclusion would be unfortunate as such contributions, while technically export credits, constituted an essential part of their development assistance effort.¹¹ To resolve the matter the committee instructed the Ad Hoc Group on Statistical Problems to arrive at a definition and identification of Official Development Assistance.¹²

While the exclusion of export credits was a major step forward¹³, there was little consensus on a level of concessionality to be applied to development assistance. The grant element was perceived to be the most well known and simplest technique for combining in a single measure the impact of the key loan

¹⁰ The Pearson Commission report in 1969 also took a generally dim view of export credits and urged donors to avoid excessive use of them for projects of low priority.

¹¹ Edgar Krollier of the Development Co-operation Directorate questioned why “Our hearts seem suddenly to harden when we look at export credits. Their subsidised softness does not make us feel better because they are “trade-oriented”... and still, our export credit friends claim a number of reasons which assure that their flows are particularly development-oriented” (Krollier, 1985).

¹² The use of the term assistance signalled a move away from the more neutral terminology of resource flows.

¹³ Recommendations by the Ad Hoc Group were accepted apart from the fact that the United Kingdom reserved its position on the proposal to exclude military export credits, largely because of a reference to their not contributing to development, although the UK recognised the need for complete credibility of DAC statistics.

parameters of interest rate, grace period and maturity. While the Secretariat with the support of some members pressed for a high grant element, perhaps even as high as 60%, the need for a consensus quickly reduced this considerably to 20%.¹⁴ Relatively new providers of assistance, such as Germany, Japan and Austria negotiated for a low level of concessionality. Australia, Denmark, the Netherlands and Sweden argued that Members could not justify relatively harder terms by referring to their relatively lower per capita income or financial and structural difficulties. In their view, these factors might justify smaller volumes of aid, but did not warrant harder terms, though Austria countered that lower per capita income could justify both smaller volume and harder terms (OECD, 1969b). One contentious point was whether the test of a concessionality threshold should apply to all ODA. The United Kingdom objected to the establishment of such a test that would rule out all hard lending. It claimed that even loans provided at market rates become concessional if extended to certain borrowers (OECD, 1969c). This argument foreshadows much more recent arguments in favour of assessing concessionality based on recipient benefit. In the late 1960s the line of reasoning was not accepted by the DAC.

2.1 The ODA concept of concessionality

After much debate, a consensus was reached in the Ad Hoc Group to clearly separate total official and private flows into the categories Official Development Assistance, Other Official Flows and Private Flows. This resulted in a significant improvement in the organization of statistics and provided a clear and unambiguous recording of the major types of financial flows with developing countries (OECD, 1969d). Separating ODA from "Other Official Flows" (OOF) allowed identification of those official transactions designed to promote the economic and social development of developing countries at financial terms "intended to be concessional in character".¹⁵ While in most cases this was a straightforward separation,

¹⁴ Sweden was willing to accept a proposal wherein ODA would only be made up of grants. It accepted that this position was unrealistic as a DAC standard.

¹⁵ In some cases the line between ODA and OOF was clear. Both excluded military transactions, and rediscounting of trade instruments by central monetary authorities was excluded from consideration as an official flow. OOF included transactions that were either not concessional or not developmental. Loans extended by official agencies to nationals

classification of some transactions remained ambiguous.¹⁶ The "grant element" concept was used as a measure of concessionality. However, among some members of the Committee there remained a feeling that the agreed terms were not useful for presentational purposes and that the amended 1969 Terms were relatively burdensome. Quantifying what constituted "concessional" proved difficult and consensus eventually converged around a threshold of concessionality.¹⁷ As noted above, this had been negotiated down to 20% but most delegations now considered this too low, though one delegation (Austria) considered it too high and two others (France and Switzerland) did not favour the concept at all. The result was that if a threshold was to be fixed it had to be relatively low (OECD, 1970a). For the countries most affected by the fixing of a threshold – those with the lowest per capita income levels and generally facing higher borrowing costs – a transitional threshold of 15% was considered while the other countries would face a threshold of 25%. Finally in 1972, agreement on a 25% grant element for all countries was reached. As this was a minimum requirement, it was still expected that every country would endeavour to provide significantly larger grant elements¹⁸.

Reaching agreement on the definition of the minimum grant element of 25% was a major achievement and took years to negotiate. However "the discussion on the appropriateness of this measure has never ended" (OECD, 1992:3). Some felt that the threshold was subjective and regretted that even an ultra development-oriented loan with a 24.99% grant element would not be permitted to "enter the aid Olympus in order not to mar the purity of those already present there" (Kroller, 1985). This concern was amplified by the fact that the flow-based measurement method meant that the whole loan was either in or out of ODA based on

of the donor country in support of transactions with developing countries were also recorded as OOF. Finally equity investments in a developing country by an official agency could be recorded as ODA (OECD 1969e).

¹⁶ This included rediscounting of guaranteed private export credits by the Italian Mediocredito and rediscounting of guaranteed private export credits by the Austrian Kontrollbank using ERP funds. In addition Swiss "mixed credits" moved from private into ODA and Japanese Export-Import Bank suppliers' credits moved from private to OOF.

¹⁷ A concern members had about a threshold was the potential that it would reduce the overall volume of ODA as certain transactions failing to meet the appropriate level of concessionality would be excluded. However Secretariat calculations indicated that there was little effect on the position of member countries vis a vis the 1969 Terms with a threshold between 15 and 50% grant element, for the most part meeting the 1969 Terms on overall grant elements (70%), percentage of loans and grants with overall grant element of 61% in ODA (standard was 81%) and average grant element in ODA (standard, 85%).

¹⁸ Another option, subsequently rejected, was to include loans to national exporters, mixed credits or refinancing loans (OECD, 1970a).

whether its grant element was over or under 25% – there was no provision for counting the grant element itself and thus differentiating in a graduated fashion between more and less concessional loans. Recently ECPDM (2012) has again noticed this somewhat arbitrary aspect of the DAC definition, and proposed a concept of ‘sliding concessionality’ instead.

Somewhat ironically, a model already exists for measuring the concessional element itself in ODA, rather than applying a concessionality test that puts the whole loan in or out of ODA. This model is provided in the rules for reporting “Associated Financing”. In the mid-80s there was increasing controversy over the delineation between official development assistance and concessional export financing, including mixed credits and interest subsidies. In 1983, concerns had been expressed that the ODA concept was being watered down by an “overly liberal interpretation of the definition”. In response DAC developed an agreed concept of “Associated Financing”, which is a combination of ODA (which may take the form of a soft loan, but is more usually a grant) and/or OOF and/or export credit or other transactions. Only the grant or soft loan qualifies as ODA (Scott, 1993).¹⁹ The Guidelines on Associated Financing (OECD, 1983a) helped to ensure that where Official Development Assistance was used as part of other transactions, the necessary safeguards existed to secure their development orientation (OECD, 1983b). But they also provided a hint on how to incorporate into ODA the concessional element only of financing packages.

Another element of controversy concerning the grant element calculation has been the use of a 10% discount rate. This allowed for comparing the donor effort (opportunity cost of capital) and also reflected (but did not measure) the benefit to the recipient. The test for “concessionality in character” was to be made with reference to “market terms”. There were however and remain difficulties in specifying and measuring market terms, although the DAC’s 1970 annual report spelt out that terms would need to be

¹⁹ Several instruments or flows of resources to promote the private sector were excluded. Guarantees as such are not a flow of resources. Since they do not enter the statistics the question of classifying them did not arise, though a recent paper has identified a category of Guarantees for Development (OECD, 2013a). Transactions by the private sector on its own initiative and without recourse to official funds also did not enter the Associated Financing definition.

“significantly softer than the terms available for commercial transactions with less-developed countries such as guaranteed private export credits” (OECD, 1970).

In 1989, in order to compare the terms of offers expressed in different currencies, differentiated discount rates (DDRs) were adopted in the OECD “Arrangement on Guidelines for Officially Supported Export Credits”. At the time it was suggested that the DAC should also review the 10% discount rate but this proposal was ultimately rejected on the grounds that differentiation raised conceptual difficulties and that computational complexities would be costly in resources (OECD, 1992:3). A differentiated discount rate based on the cost of capital (i.e. government bonds with an added margin) has been suggested periodically in the twenty years since. In 2002, the possibility of changing the 10% discount rate was again discussed. Views ranged from retaining the status quo, through a lower fixed rate, to flexible rates related either to domestic interest rates in the currency concerned, or the likely rates that the borrower might otherwise pay (OECD, 2002). Some members considered the use of the DDR to be cumbersome and feared that the public would find it difficult to accept – the same loan could be ODA-eligible at one time but not another, or ODA eligible in one country but not another.²⁰ However, whenever global interest rates have fallen, the inappropriateness of a numerical test based on a fixed discount rate of 10% has again come to the fore. The 2003 and 2004 DAC Senior Level Meetings briefly considered the option of adding a simple interest rate ceiling of 75% of the DDR, and as we shall see later, in 2012 four members proposed an additional grant element test using a discount rate based on the DDR with margins added for the cost of raising funds and the risk involved in lending them. However, so far none of these proposals has found a consensus in the DAC.

²⁰ In the 1980s, the DAC Secretariat was reluctant to adopt the DDR as “the 10% now in use offers comparability over time and across countries. The counter-argument that different interest rates prevail in different countries, and that the 10% figure does not reflect the situation in capital markets is illusory; the interest rates in a country (or for a currency) are as much subject to the “fiat” of the central bank as they are to the impact of market forces”. (Kroller, 1986).

The debate on an appropriate measure of concessionality also turns largely on whether donor effort, or recipient benefit, or both, should serve as criteria. Combining these perspectives would require multiple layers of differentiation in establishing discount rates, e.g. between the capital markets of lending countries, the credit-worthiness of borrowing countries, and the types of commercial transactions that might be used for reference purposes. In addition, ruling market conditions are subject to change over time. Even at the outset, however, it was clear that as a rule grant elements should substantially exceed the minimum threshold, and a safeguard was introduced to scrutinise questionable loans in aid reviews with particular attention to the reasons why these loans would be justified for classification as ODA (OECD, 1971a:8).

As seen by a donor country, terms could be considered as concessional if they are significantly softer than the market rate ruling in the donor country, which itself varies considerably from country to country. From a recipient's point of view terms are concessional if they are significantly softer than the market terms on which the recipient country might otherwise borrow. Some delegations had difficulty in accepting the donor-oriented approach to concessionality, on the grounds that "effective concessionality is not properly represented merely by the sacrifice of the donor." (OECD, 1970b:2). However it was recognised that tailoring a definition to individual recipients would involve setting up a benchmark for each, since lending that is concessional for one borrower may not be concessional for another. (OECD, 1970b:2).²¹ To this day, the issue of concessionality has not been fully resolved. The original intention was that "terms [be] significantly softer than the market terms prevailing in the donor country" (OECD, 1969e). The DAC also encouraged members to provide assistance at softer terms than the established threshold of 25% and sought to strengthen the terms disciplines over time. In 1978 the DAC further strengthened the Recommendation on Terms and Conditions of Aid, increasing the average grant element target for each Member's ODA

²¹ The DAC's Group on Statistical Problems examined possible criteria for appraising the concessionality of transactions for the definition of ODA. It was found that there was no single criterion which could serve as a unique benchmark for this purpose (OECD, 1971a).

programme from 84% (set in 1972) to 86%, with higher terms sub-targets for the Least Developed Countries (Führer, 1996).

2.2. The ODA concept of developmental intention

The most difficult element of the ODA definition involves the judgmental/motivational determination of the purpose of “economic development and welfare”. The archival records are replete with requests from members for rulings on the ODA eligibility of expenditures as diverse as aid to resistance movements in Angola²², pensions for former colonial officers²³, and compensation for the expropriation of assets through nationalisation. The rulings were essentially advisory, and often surprisingly generous. However, there are several substantial areas in which reporting rules took considerable time to coalesce, or where there is still controversy about developmental motivation.

Administrative costs

It is clear that the “flow of resources to developing countries” has an affinity with balance of payments recording. This had long been stressed in DAC documents, both internal and published. Administrative costs are included in the balance of payments but it was noted early on that there were difficulties of a reporting nature and policy implications arising from their inclusion. DAC Members confirmed their agreement in principle in 1971 that the administrative costs of operating aid programmes should be

²² These expenses reported by Norway for 1972 in Portuguese Guinea and Angola were accepted. The precedent of Sweden’s contributions to hospital building in North Vietnam suggested that non-recognition of the political standing of a recipient by countries other than the donor does not destroy aid intention (Stein, 1972a). The primary concern of the Secretariat was that if the matter of eligibility were raised in the DAC, they could be sure of a vigorous reaction from Portugal.

²³ Pension payments only concerned the United Kingdom and they amounted to USD 40 million in 1972. Stein had no hesitation in considering these flows development oriented. A payment by “the United Kingdom government of the pension to a retired colonel in respect of service in Nigeria, resident in Brighton.” From DAC’s point of view, this was ODA (Stein, 1972b).

recorded, and further decisions were taken in 1974 and 1979, but it was not until 1982 and after the completion of a methodological review of the recording of administrative costs, that reporting was stabilised. Thus while they were considered a legitimate expense because “they are development motivated and are part of the official aid effort”, it took time to ensure adequate reliability and comparability of coverage on this item (OECD, 1982). Indeed the data under the specific reporting line provided will never be comparable, since they relate to a residual of administrative costs “not already included under other ODA items as an integral part of the costs of delivering or implementing the aid provided”, and therefore vary in scope depending on the degree to which each donor has separated out the administrative elements within the total spent on each of its activities.

Imputed Student costs

Imputed costs to the education budget of foreign students in the donor country were originally dismissed. Moreover, the Secretariat was unequivocal, that on the basis of the tests for ODA, “these costs should not be reportable as a DAC flow”.²⁴ The reasoning was that the imputed (as distinct from direct) costs of training visiting students could not, for the vast majority of educational establishments, be claimed to be development motivated. Since any development benefit would depend on the student returning home, it is difficult to claim that the development impact is certain. DAC's reluctance was overcome only after significant pressure from countries concerned. Furthermore, the Secretariat view was that for most if not all countries, the intake of students from developing countries was a response to general political considerations or policies related to the educational system, rather than a specific concern to foster development (Stein, 1991). In spite of the apparently weak case for it, in 1984, on the proposal of Australia, the inclusion of imputed costs of students from developing countries in ODA was accepted as a

²⁴ In the early 1970's, Belgium, Austria and Germany submitted proposals to the Working Party on Statistical Problems under which their imputed costs for developing country university students could be recorded as ODA. The Working Party rejected these proposals because imputation was involved (Stein, 1982). Stein in his files stated that it seemed “that this topic will be with us for some time and will not go away.”

principle, and rules were agreed for inclusion in next round of statistical reporting directives, eventually issued in 1988.

In-donor Refugee Costs

These costs (for sheltering and training refugees arriving in the donor country), although humanitarian in motivation, do not have a development orientation and several proposals have been made, including by the Secretariat Director, to exclude them.²⁵ Refugee costs in developing countries were accepted without question as legitimate ODA e.g. “funds for refugees for camps in Thailand” or expenses on nourishing “boat people” while they are at sea (Stein, 1980).²⁶ But the eligibility of expenditures for refugees on the donor's territory is more difficult to justify. In 1980 while it was considered praiseworthy from a humanitarian point of view, this was not considered to be aid in the sense of ODA.²⁷ In spite of the strong case made against it, in 1988 rules were agreed on the reporting as ODA of the first-year costs of sustaining developing country refugees who arrive in donor countries. Discussions on a redefinition of ODA in the early 1990s involved little desire to revisit this issue.

²⁵ Donors either did not always report or attempt to report such expenditures or did not challenge the refusal of the DAC Secretariat to include them e.g. In the late 1960s, Switzerland accepted a Secretariat determination that funds spent by the Swiss government to settle Tibetan refugees in Switzerland should not be recorded as ODA (Stein, 1980).

²⁶ The definition of “refugees” corresponds to asylum seekers and in principle does not include people who leave their country of origin for economic reasons. However, in practice such persons often claim refugee status or request humanitarian protection. This may entitle them to support while their cases are heard, and most donors are inclined to count this support as ODA. See declassified OECD documents DCD/DAC/STAT(2005)13 and DCD/DAC/STAT(2006)13 for a detailed history, and reporting rules and practices.

²⁷ The reasoning was based on a lack of developmental motivation. A somewhat analogous case occurred during the Gulf War. Ireland and Sweden claimed humanitarian activities connected with the war in Iraq were eligible for inclusion in ODA, citing the example of a field hospital for wounded soldiers. These expenditures would be in a developing country, for the benefit of developing country nationals. Taking the ODA definition literally, it is hard to see how they could not be recorded as ODA. However, there is a specific exemption for assistance to the military forces of developing countries. For further information on the ODA boundary in this field, see the ODA Casebook on Conflict, Peace and Security Activities, OECD document DCD/DAC(2007)20/REV1, <http://www.oecd.org/dac/incaf/39967978.pdf>.

“Developmental awareness”

After agreement on the 0.7% ODA/GNI target at the UN in 1970, there was a surge of interest in promoting aid, especially in Nordic countries, and later in the Anglosphere. The job of raising consciousness among the civilian population was largely devolved to aid agencies themselves, several of which were legislatively obliged to restrict their spending to ODA-eligible items. Pressure thus grew to count the costs of aid propaganda as ODA, and this was agreed in 1979. However the expenditure is clearly domestic and does not have any effect on developing countries, except in as much as it conditions the public to accept higher levels of aid spending. It is thus included in ODA but excluded from Country Programmable Aid, which measures resources actually available to developing countries.²⁸

3.) Beyond ODA

It will be observed that in most of the controversies outlined so far, the argument has been about whether the ODA rules have been drawn too generously. Most proposals on concessionality have been designed to counter the impression that flows are being included that involve little or no fiscal effort, and on the other items mentioned the argument is over whether they should be dropped as they fail the test of developmental intention or cross-border flow.

There has, however, always been a counter-movement in favour of a more inclusive approach, either by bringing more items within ODA, or by setting up a new measure that would have broader coverage. To the extent that the proposals explicitly adopt different parameters from ODA, by substituting other tests for the ODA requirements of concessionality or development intention, these proposals lie largely outside the

²⁸ Country Programmable Aid (CPA) is the portion of aid donors programme for individual countries, and over which partner countries could have a significant say. Developed in 2007 in close collaboration with OECD DAC members, CPA is “much closer to capturing the flows of aid that go to the partner countries than the concept of Official Development Assistance (ODA)”. For more details: <http://www.oecd.org/dac/aid-architecture/cpa.htm>

scope of this paper. However, it is essential to review them briefly in order to appreciate the full context in which ODA reform proposals need to be viewed. The sections below deal with discussions about possible measures broader than ODA. These started in the 1980s in the DAC Secretariat and among members, but they have multiplied over the last 15 years with extensive proposals from academics, NGOs, and officials in aid or development finance agencies. The discussion below is necessarily selective.

Total official development support

In the early 1980s, the Secretariat considered development motivation to be of such centrality as to suggest downgrading the distinction between concessional and non-concessional support, and emphasizing instead the total flow of development-oriented resources. They discussed the concept of Official Development Financing (ODF), which combined DAC Members' ODA, on whose concessionality the Secretariat continued to insist, with all development flows from multilateral agencies that are development oriented, but not particularly concessional.²⁹ At the same time, some of what was recorded as aid – food aid, emergency and distress relief – could be regarded as humanitarian (“charity” was used at the time) and more appropriately called Official Development Aid. The rest was intended to promote development by providing the recipient country with the wherewithall to progress, either in terms of economic growth or social betterment: this could be termed Concessional ODF. Other Official Flows could then be broken down to non-concessional ODF and Other Official Financing (predominantly export credits). Combining concessional and non-concessional ODF had obvious merits for clear analysis of the focus of Members' aid and aid-related programmes e.g., relative emphasis on resources for "charity" and "growth", for budgetary planning, and perhaps in the longer term, for the creation of another, more realistic target than the 0.7% of

²⁹ Stein also proposed Official Development Funding in 1980 measured as the sum of ODA and official loan moneys or subsidies blended with ODA (in any form - and Members would be *invited* to report which) and discounted at 15%. Analysis would then be of additional resources secured, the geographical distribution of grant element (for commitments), and gross disbursements of ODF. The longer term policy use of the total would be to examine terms differentiation at *ODF* level – which Stein suggested *is* the right level if one considers that the clientele for ODA should be essentially restricted to the poorest countries; while other MIC's needs should be met essentially by ODA-style projects at less-than ODA concessionality (Stein, 1981).

GNP target (Stein, 1985)³⁰. The concept proposed by Stein had some merit but came perhaps before its time. Some Secretariat officials had misgivings about essentially treating non-concessional loans from multilaterals in a similar fashion to ODA just because it was developmentally motivated. There was, however, significant acceptance of the rationale to separate charity from growth-oriented aid (Kroller, 1985).

Security

The rapid proliferation of peacekeeping activities in the early 90s led some of its members to suggest that the DAC would marginalise itself by narrowly focusing on primary development motivation. In particular, the United States argued that the Committee's attention instead should be "global, focusing on aid requirements that maximise security as well as economic development and welfare, while also addressing humanitarian cases" (OECD, 1992). A few years later, in the post 9/11 world, security became an even more pressing issue with acceptance of notion that development, conflict, security and peace are interdependent. The DAC reporting directives were amended to allow as ODA technical co-operation and civilian support to security system reform and several other defined items of expenditure in the fields of conflict, peace and security. Moreover in 2006, there was agreement that 6% of DAC member' multilateral contributions to UN peacekeeping would score as ODA (OECD, 2011:6). The ODA coefficient for the UN Department of Peacekeeping Operations (UNDPKO) was reviewed recently with Germany pointing out that "Quick-Impact Projects" (QIPs) had not been considered, and stated that including them would boost the coefficient from 6 to 7 per cent (OECD, 2013b). Nevertheless, the bulk of peacekeeping expenditure, however, remained outside ODA.

³⁰ Stein felt that the credibility of the 0.7% target was eroded further with every new year that passed with actual performance irremediably stuck at about half the target.

Early DAC discussions of a measure “beyond ODA”

The end of the Cold War also provoked soul-searching in the development community about the basic rationale of aid. This also provided an opportunity to reconsider the ODA definition. Finland suggested adding to the existing ODA concept a broader concept of concessional resource flows for development, humanitarian and environmental purposes. Stein once again suggested a new concept for dealing with this challenge to ODA. While tightening up the ODA definition, he suggested it could be complemented with capturing Official Concessional Assistance (OCA) of each donor country to developing countries. OCA would be the sum of ODA which would now be more rigorously defined and Additional Concessional contributions (ACC). ACC would cover contributions that do not involve an actual flow of resources to developing countries and the cost of various advantages provided to developing countries which fall outside the ambit of development co-operation policies as such, although they are clearly of benefit to developing countries (examples were the Global Environment Facility and the First Account of the Common Fund) (Stein, 1991)³¹. This concept is reminiscent of Severino and Ray’s much later concept of Global Policy Finance. Some of the new issues proposed for inclusions were adopted in the early 1990s revisions of ODA including assistance for democratic development, for demobilisation efforts and for development-oriented contributions to combating narcotics (OECD, 1993). However members insisted, for the most part, on retaining ODA and it was then to remain more or less unchanged for the next twenty years. A system of annual reviews of ODA-eligible organisations was however introduced in 2000. This limited the number of new organisations contributions to which qualified as ODA, and tended to entrench existing ODA boundaries, although there has recently been some pressure towards more generous treatment of human rights NGOs.

³¹ The Secretariat also proposed retaining the pure ODA concept and a new additional concept they called “Aid for Global Environment, Peacekeeping and Countries in Transition” consisting of aid to those CEEC/NIS countries. The concept would also include contributions for global environment and UN peacekeeping operations. (OECD, 1993).

ODA and the changing face of development finance

Recent changes in the development landscape have increased calls for new measures of development finance. To some extent these echo the DAC discussions in the late 80s and early 90s of broader measures than ODA, but they are generally cast in more radical terms. Severino and Ray (2009) claim that a triple revolution in goals, stakeholders and instruments has made an understanding of ‘ODA’ increasingly irrelevant as a tool. Furthermore they assert that it measures at the same time too much, too little and the wrong types of things (Severino and Ray, 2009:17). Nevertheless they call for the concept to be retained but supplemented by a broader measure, Global Policy Finance – a concept actually quite close to the Official Concessional Assistance proposed in the DAC in the early 1990s. They do insist on the point that ODA measures “elements that do not contribute to financing development” concluding that “it is in desperate need of brushing up” (Severino and Ray, 2009:18).

Other commentators reject ODA as a “donor performance measure” on the ground that it is too selective a measure of “generosity” abroad. Carol Adelman of the Hudson Institute has instead proposed a focus on total net country effort, including private flows.³² A very similar “Whole of Country Approach” was promoted by Italy at meetings at the 2009 G8 meeting in l’Aquila. Some DAC members had long suggested emphasizing measures that expand or go beyond ODA in order for aid agencies to preserve their relevance and secure continued public support for aid to developing countries (OECD, 1993:6). Especially if a relatively “pure” concept were retained, then an undifferentiated, unnuanced resource flow concept of

³² Looking at data for 2003, Adelman claimed that ODA represented just 14% of total US economic engagement or US ‘international giving’ and that remittances, private capital flows, aid provided by foundations and churches etc dwarfed ODA. Some have objected that such a measure conflates too many radically different types of flows, and would have questionable effects as a measure to guide policy. Particular objection was made to including workers’ remittances as part of philanthropic flows, and Adelman responded by changing the name of her annual report to separate the two. Despite the critiques, the DAC itself is currently committed to defining a measure of total official support for development. For more on Adelman’s concepts, see <http://www.hudson.org/files/documents/2011%20Index%20of%20Global%20Philanthropy%20and%20Remittances%20downloadable%20version.pdf>, page 14.

development finance could be an appropriate complement, and be more meaningful to middle income countries.

The Puritan revival

Nevertheless the majority of DAC members have always favoured retention of the key limits on ODA scoring – concessionality and developmental intention – and if anything the pressure to become more restrictive has increased in recent years. In this respect, new arguments have been advanced based on the move towards greater developing country ownership of aid. ODA has, for example, been criticized because it includes budgetary efforts that may not necessarily translate into funds available for development projects and programmes (Kharas, 2007). Names for such items as the in-donor refugee and student costs mentioned above have included “phantom aid” and even “masqueraid”.

Specific quantified alternatives have been proposed. “Real Aid” adjusts ODA for perceived levels of recipient benefit from a broad range of different aid modalities.³³ “Net aid transfers” remove interest and debt relief from ODA.³⁴ Renard and Cassimon (2001) suggest that only the share of debt relief that would have been effectively paid back should count as ODA. This is designed to keep statistics in line with the opportunity cost approach to the donor and the acquisition value approach to the beneficiary. Each of these issues merits careful consideration.

The issue of concessionality has recently been a particular focus of concern. It has arisen again because of the world-wide low interest rate environment following the global financial crisis in 2008. If donor countries can borrow at very low interest rates, and then re-lend to developing countries at higher rates, they can make money by extending assistance and still meet the grant element test of ODA if loan

³³ See, e.g. ActionAid’s “Real Aid”, explained at http://www.actionaid.org.uk/doc_lib/real_aid_3.pdf, p. 43f.

³⁴ See the Center for Global Development’s “Net Aid Transfers” at http://www.actionaid.org.uk/doc_lib/real_aid_3.pdf.

maturities and grace periods are sufficiently long. As noted above, this is essentially because of the loans are being measured against an arbitrary 10% discount rate. A former DAC Chair, Richard Manning, has severely criticised the OECD for accepting loans as ODA which if they run to term will make a profit and which he therefore regards as not being concessional in character.³⁵ A related criticism of the ODA figures is that the treatment of interest payments means that they overstate the true value of ODA loans when viewed from the perspective of the recipient (Development Initiatives, 2013). On this basis there have long been calls to only consider the grant element of loans as ODA (Burnside and Dollar, 2000 and Chang et al, 1998).

The debate reopened

On the basis of these critiques and given the change in the development landscape which has gathered pace of late, Lomøy (2013) concluded that there was a need to open up the ODA definition for discussion. Duncan Green of Oxfam has responded with the concern that opening up a discussion on definitions at the moment, when ODA budgets under pressure, “is only going to lead to dilution” (Green, 2013).

As we have seen, the last major rethink of the ODA after the end of the cold war took place under similar conditions of falling ODA budgets and a rapidly changing development context. The increasing relevance of global issues for development had to be reflected in ODA and there were various attempts to include a range of flows, not traditionally assessed as developmental. These included activities related to the environment, narcotics control and peacekeeping activities. Though some elements were included, for the most part DAC members resisted the expansion of ODA to include these issues – the focus remained on development motivation. The general approach taken was that the definition of ODA should remain unchanged, but that new circumstances led to inclusion of some new forms of support for developing

³⁵ See Manning’s strongly worded letter to the Financial Times on 11 April 2013, <http://www.devinit.org/ex-dac-chair-claims-oecd-is-ignoring-its-own-definition-of-overseas-aid>.

countries. Some of this support fell in full or in part within the definition. Some support outside the definition was made reportable, but not as ODA, for presentation in relevant Secretariat documents (Stein, 1992).

A countervailing fear is that discussion of broader measures may open up a Pandora's Box where all sorts of spending could be counted as aid. Such a measure could reduce the pressure to provide real support for the poor (Barder, 2009). However, the case for opening up the ODA definition appears to us to be stronger than that in favour of keeping it closed. As an aid measure, the ODA concept has been losing effectiveness and credibility in two dimensions: development intention and budgetary effort.

Defining the areas for ODA reform

Development intention is fundamental to ODA, which is defined as having “the economic development and welfare of developing countries” as its “main objective”. In principle, therefore, it should not include expenditures under domestic programmes. Yet it does now include domestic welfare expenditures on newly-arrived refugees, the share of the universities budget attributable to students who are nationals of developing countries, and cost of public information programmes to promote aid. The combined total of these items may exceed 20% of some donors' reported annual ODA.

There are also significant ODA-eligible items that do not correspond to budgetary effort. These involve loans and their cancellation. First, several donors are now reporting as ODA loans that they view as concessional in character even though they represent funds borrowed on the market and then re-lent at higher rates. This might be justified on the basis of default risk, but in that case it seems incongruous that the rules also allow reporting of loan cancellation (debt forgiveness) in the full nominal value of the debt relieved. This current treatment of all materialized loan risks is in fact exceptionally generous. In the case of a loan made by a private bank, for example, the real cost to the official sector would be the amount it

paid to purchase the debt or to indemnify the bank, less any fee the bank paid the official sector to insure the loan. But the amount forgiven, and reportable as ODA, would normally be much higher. It would include interest accrued after acquisition of the loan by the official sector and penalties including penalty interest. Nor is any deduction made in ODA accounting for the official sector's receipts of insurance premia.

All in all we consider there is a strong case to consider a "cleaned up" version of ODA, emphasizing the traditional criteria of concessionality and developmental intention. This is without prejudice the case for a broader measure of development finance, which may in fact be more appropriate for many purposes, including for measuring flows to middle income countries.

4.) From ODA to ODE

Before considering how to reform ODA, one must reflect on one of its fundamental characteristics that may limit its future acceptance as a measure of aid effort. This is the fact that it is measured on a cash basis, not an accruals basis. Cash accounting measures actual transactions when they occur. Accruals accounting measures economic events when they occur, regardless of the timing of cash transactions. There is a global trend towards accruals accounting – in business, government budgeting, national accounting, and balance of payments data. It provides a truer picture than cash accounting of the financial position of economic agents. Now it is unlikely, and may be undesirable, to re-cast ODA on an accruals basis. Actual cash transactions are of vital interest to developing countries in managing aid activities. Statistics on other official and private resource flows that contribute to development are also compiled on a cash basis, and changing ODA to an accruals basis would render it incommensurable with the data on these other flows. It would also be impracticable to recompile earlier ODA data on an accruals basis, so switching would introduce a break in statistical series.

Official Development Effort

Given the obstacles to re-casting ODA on an accruals basis, we propose a new measure of Official Development Effort (ODE). This would record, on an accruals basis, the budgetary expenditure of countries made with the prime objective of promoting the development and welfare of other countries. It would consist of:

- Grants for development purposes; and
- The concessional element of loans for development purposes, measured at signature of the loan agreement.³⁶

ODE would thus exclude all grants made under domestic programmes, including those on in-donor refugees, students who are developing country nationals, and “development awareness” schemes.

The concessional element of loans could in principle be measured in two ways, depending on whether default risk were accounted for *ex-ante* or *ex-post*. An *ex-ante* calculation would use a discount rate that reflected default risk. With the risk of default built in to the original accounting of the loan, no grant would be recorded in the event of default. An *ex-post* calculation would use a risk-free discount rate, such as the OECD’s Differentiated Discount Rates. Since risk would not be taken into account at the time of the loan agreement, a new ODE grant would be recorded for the actual cost of cancelling the loan in the event of default.³⁷ The *ex-ante* calculation might be considered more consonant with accruals accounting principles, since it incorporates the likelihood of repayment into the financial position of the lender from

³⁶ Equity investments are excluded from ODE. Since the asset purchased should be worth the price paid, acquisition does not affect the government’s net financial position and so constitutes no budgetary effort.

³⁷ There has been intense controversy about debt forgiveness and in particular the recording of cancellation of non-ODA debt, especially military debt. Controversially in the 1990s it was agreed that cancellation of non-military export credit claims could qualify as ODA under certain conditions. Kharas (2007) is particularly critical of debt forgiveness on non-concessional flows and their treatment as aid, even though these loans may never have been expected to be repaid. The value of these flows may also be inflated as debt forgiveness includes amounts associated with notional interest and penalty payments that can be exorbitant (Kharas, 2007:6).

the outset. To assess the practicability of implementing the ODE concept, we therefore attempt below to estimate ODE using an *ex-ante* approach.

Estimates of ODE for 2011 are shown in Table 1, and full details of the calculation will be available as Supplementary Information. For ODE grants, the calculation is straightforward: these are simply ODA grants minus amounts for domestic expenditures on in-donor refugees, overseas students, and “development awareness” programmes. For ODE loans, the amount shown is a calculation of the subsidy involved, taking into account the risk presented by the borrower. The method was developed in a joint paper by four DAC members. This first establishes a benchmark interest rate that the borrower could have expected to pay in a commercial transaction, given its level of creditworthiness. It then uses this benchmark rate to establish the grant equivalent of the loan, taking account of its actual interest rate, as well as its tenor (duration or maturity) and any grace period (interest holiday).

Overall, ODE is only 3.3% lower than net ODA for DAC members in 2011, and the difference is less than 5% for many of the 24 DAC member countries (Table 1 and Figure 1). However, for a few countries the differences are much more pronounced. Japan’s ODE is 62% higher than its net ODA in 2011, making it the second largest donor, not the fifth (Table 2 and Figure 2). Korea’s ODE is also substantially higher than its net ODA. The reason is that Japan and Korea have loan programmes that have reached their “cruising speed”, where repayments roughly balance new disbursements. This means that their net ODA loan figures are close to zero, and may be negative. But this underestimates their current aid effort. They are making substantial new loans with very long maturities (30-40 years) at very low interest rates (0-2%). These involve a sacrifice by taxpayers, which may eventually include writing off some of the loans. ODE makes a realistic estimate of the long-term cost to taxpayers of current development lending, synthesizing into a single measure of effort both the terms of the loans, and the risks involved. By contrast, ODE in 2011 from Austria, France, Greece, Italy and Switzerland is 17-31% lower than net ODA. The reasons vary. Austria and Greece report large expenditures on domestic programmes for students and refugees,

which are excluded from ODE. France makes loans with little or no budgetary costs, and also happened to extend significant debt relief in 2011. Italy reported substantial expenditures on domestic refugees, and on debt relief. Switzerland reported a large amount of domestic refugee costs. These results too are expected and defensible in a measure focusing on budgetary effort directed to development.

The ODE treatment of loans has a further advantage in terms of assessing aid volume trends. Since it assesses effort upfront, including the risk of default, ODE will tend to remain fairly constant over time for a donor that extends a steady volume of loans at soft terms. The constancy arises partly from the fact that ODE will always be positive for a loan likely to cost taxpayers money, either through soft terms or a high risk of default. By contrast, even with a constant volume of new lending, net loan ODA can swing from positive to negative depending on the volume of repayments on old loans which happen to fall due in a given year.

ODE would also eliminate fluctuations due to unpredictable debt relief operations. In 2005 and 2006, net ODA surged with massive debt relief for Iraq and Nigeria (Figure 3), and presentations of figures around these years had to net out the effects to assess the underlying ODA trend.³⁸ Yet many of these loans, especially those made by banks, were in default. Their market values had fallen accordingly, and the cost to taxpayers of acquiring title to the loans was far lower than the nominal balance eventually forgiven and counted as ODA. By bringing all likely costs to book when the loan is originally extended, ODE avoids the need to count debt relief altogether, and thus avoids the volatility inherent in counting debt relief at face value at the point of forgiveness. Calculating ODE for 2005 (Figures 4 and 5 and Table 3) illustrates that ODE would be considerably lower than ODA in a year of high debt forgiveness. Instead of the USD 108 billion in ODA in that year, ODE would be USD 86 billion. Debt relief makes up the majority of the

³⁸ See the OECD press releases at:

[http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=PAC/COM/NEWS\(2006\)9&docLanguage=En](http://search.oecd.org/officialdocuments/displaydocumentpdf/?cote=PAC/COM/NEWS(2006)9&docLanguage=En) and <http://www.oecd.org/general/developmentaidfromoecdcountriesfell51in2006.htm>. Debt relief accounted for roughly 20% of total net ODA over these two years.

difference (almost USD 24 billion). All donors were affected with the result that the ranking of the top five donors for 2005 does not change (Table 4).

A possible objection to ODE is that it involves *estimation* of the budgetary effort in loans. This is true, but it is no less true that ODA itself already involves extensive estimation, especially for domestic expenditures, and that methodologies for assessing these also vary substantially, particularly for refugees.³⁹

Overall, we consider that ODE meets many of the criticisms and solves at least some of the problems that have increasingly come to notice with ODA. In particular, it deals effectively with the objections to “phantom aid” by focusing only on spending with a genuine development vocation. It also aims to resolve the concessionality impasse by valuing risk upfront. The inclusion of default risk in the concessionality calculation also disposes of the need to count debt forgiveness as ODA, thus avoiding the vexed arguments over the valuation of this item. Exclusion of debt forgiveness offers the side benefit of eliminating artificial spikes in net ODA levels corresponding to large Paris Club debt reorganisations. While the final design of ODE including the exact parameters for assessing concessionality may well need refinement, we present the general idea now in the hope that it can stimulate thinking towards a more robust measure of donor effort for the post-2015 period when most current ODA pledges expire.

5.) Conclusions

Many discussions on ODA are not sufficiently rooted in the historical development and the political realities of the measure. ODA is a measure based on consensus of the members of the DAC. Its original definition was a compromise – for some members it was insufficiently concessional, while for others it

³⁹ See OECD document DCD/DAC/STAT(2006)13.
[http://www.google.fr/url?sa=t&rct=j&q=dcd%2Fdac%2Fstat\(2005\)13&source=web&cd=9&ved=0CGkQFjAI&url=http%3A%2F%2Fwww.rorg.no%2Fnoop%2Ffile.php%3Fid%3D2481&ei=Ic-MUdSuNsOdHqfLIIGYDQ&usg=AFQjCNHQcSOSCpg4h1CuQzd-q87x8VpI5w&bvm=bv.46340616,d.ZG4](http://www.google.fr/url?sa=t&rct=j&q=dcd%2Fdac%2Fstat(2005)13&source=web&cd=9&ved=0CGkQFjAI&url=http%3A%2F%2Fwww.rorg.no%2Fnoop%2Ffile.php%3Fid%3D2481&ei=Ic-MUdSuNsOdHqfLIIGYDQ&usg=AFQjCNHQcSOSCpg4h1CuQzd-q87x8VpI5w&bvm=bv.46340616,d.ZG4)

excluded support that played a significant role in their aid programmes. Over the years the Development Assistance Committee and its Working Parties have discussed refinements and mostly marginal revisions. We now feel the time is right to consider a new measure of official donor financial effort solely or mainly directed to promoting the development or welfare of developing countries. Furthermore, sharpening the focus on concessional, developmental flows through the use of ODE would avoid confusion with the broader development finance agenda. In so doing it could help clarify an important dimension of development finance in the post-2015 development agenda. The authors would welcome comments and criticisms with a view to improving the design of ODE for this purpose.⁴⁰

⁴⁰ At this stage, comments are invited on the general principle put forward; its technical aspects could be developed later; noting however that ODE as proposed here involves little or no extra statistical reporting by Members.

Table 1. Official Development Effort¹ by DAC donors in 2011

Net disbursements in USD millions, bilateral and multilateral aid

	Grant effort	Loan effort ²	Total ODE	Total net ODA	ODE as % of total ODA	Memo: Equities	Memo: Net debt relief	Memo: Imputed student costs	Memo: Refugees in donor countries	Memo: Development awareness
	a	b	a+b							
Australia	4,905	53	4,958	4,983	99.5%	-	13		0	3
Austria	924	-	924	1,111	83.2%	1	43	93	42	9
Belgium	2,677	6	2,683	2,807	95.6%	-	136	52	127	15
Canada	4,962	-	4,962	5,459	90.9%	-	4	190	338	9
Denmark	2,790	-	2,790	2,931	95.2%	19	1		121	7
Finland	1,337	0	1,338	1,406	95.1%	23			35	11
France	7,698	1,226	8,924	12,997	68.7%	-	1,251	979	545	6
Germany	11,534	1,225	12,758	14,093	90.5%	324	276	925	86	65
Greece	333	-	333	425	78.5%	-		66	25	
Iceland	25	-	25	26	98.1%	-	0		0	0
Ireland	910	-	910	914	99.6%	-		0	0	3
Italy	3,334	0	3,334	4,326	77.1%	-	648		525	1
Japan	12,352	5,245	17,598	10,831	162.5%	-1	98		1	4
Korea	886	939	1,825	1,325	137.8%	-		3		21
Luxembourg	406	-	406	409	99.2%	-				3
Netherlands	5,777	-	5,777	6,344	91.1%	-	121		481	14
New Zealand	410	-	410	424	96.7%	-			14	0
Norway	4,159	-	4,159	4,756	87.4%	286	22		263	26
Portugal	378	220	598	708	84.4%	-	0	15	0	2
Spain	3,865	25	3,889	4,173	93.2%	150	30		35	71
Sweden	4,908	-	4,908	5,603	87.6%	46	186		489	17
Switzerland	2,376	-	2,376	3,051	77.9%	48	78		537	16
United Kingdom	13,478	-	13,478	13,832	97.4%	127	182		31	15
United States	30,079	-	30,079	30,783	97.7%	-	1,077		836	
Total DAC	120,504	8,939	129,443	133,716	96.8%	1,024	4,166	2,321	4,533	318

1. Excludes equities, imputed student costs, debt relief, refugees in donor countries and development awareness.

2. Loan effort amounts are expressed in commitments. They use government bond yields by maturity dates and risk premium by credit rating class for recipients, in place of the 10% discount rate used to calculate the grant element of ODA loans.

Note: As some loan conditions were missing, or declassified, they are not taken into account in the calculation. The missing ODA amounts are: USD 330 million for France and USD 128 million for Italy.

Table 2. Largest donors of ODA / ODE in 2011
In USD millions

ODE rank	Donor	Total ODE	Total net ODA	ODA rank
1	United States	30,079	30,783	1
2	Japan	17,598	10,831	5
3	United Kingdom	13,478	13,832	3
4	Germany	12,758	14,093	2
5	France	8,924	12,997	4

Table 3. Official Development Effort¹ by DAC donors in 2005
Net disbursements in USD millions, bilateral and multilateral aid

	Grant effort	Loan effort ²	Total ODE	Total net ODA	ODE as % of total ODA	Memo: Equities	Memo: Net debt relief	Memo: Imputed student costs	Memo: Refugees in donor countries	Memo: Development awareness
	a	b	a+b							
Australia	1,582		1,582	1,680	94.2%		20		75	2
Austria	550		550	1,573	35.0%		904	61	62	8
Belgium	1,424	17	1,441	1,963	73.4%		472		58	30
Canada	3,076		3,076	3,756	81.9%		455	68	175	3
Denmark	2,059		2,059	2,109	97.7%	-24	30		70	7
Finland	720		720	902	79.8%	6	150		17	9
France	5,553	488	6,041	10,026	60.3%		3,364	953	585	
Germany	6,438	528	6,966	10,082	69.1%	70	3,482	925	17	19
Greece	374		374	384	97.4%				9	2
Ireland	708		708	719	98.5%		0	3	2	5
Italy	3,352	276	3,628	5,091	71.3%	1	1,680		0	2
Japan	7,445	4,281	11,726	13,126	89.3%		4,469			1
Korea	603		603	752	80.1%		4	4		2
Luxembourg	247		247	256	96.3%			0	7	2
Netherlands	4,632		4,632	5,115	90.6%		345		94	58
New Zealand	261		261	274	95.6%		0		11	1
Norway	2,636		2,636	2,794	94.3%	72	2		68	16
Portugal	323	15	338	377	89.6%		3	32	0	1
Spain	2,457	123	2,580	3,018	85.5%		624	38	20	37
Sweden	3,129		3,129	3,362	93.1%		53		143	27
Switzerland	1,387		1,387	1,772	78.3%	26	224	1	129	10
United Kingdom	7,354		7,354	10,772	68.3%	-83	3,530			16
United States	24,081	7	24,088	27,935	86.2%		4,101		525	0
Total DAC	80,390	5,736	86,126	107,838	79.9%	67	23,912	2,087	2,069	258

1. Excludes equities, imputed student costs, debt relief, refugees in donor countries and development awareness

2. Loan effort amounts are expressed in commitments. They use government bond yields by maturity dates and risk premium by credit rating class for recipients, in place of the 10% discount rate used to calculate the grant element of ODA loans.

Note: As some loan conditions were missing, or declassified, they are not taken into account in the calculation. The missing amounts are: USD 315 for Korea, USD 258 million for France, USD 158 million for Spain, USD 87 million for the Netherlands and USD 9 million for Sweden.

Table 4. Largest donors of ODA / ODE in 2005
In USD millions

ODE rank	Donor	Total ODE	Total net ODA	ODA rank
1	United States	24,088	27,935	1
2	Japan	11,726	13,126	2
3	United Kingdom	7,270	10,772	3
4	Germany	7,036	10,082	4
5	France	6,041	10,026	5

Figure 1. ODA and ODE as % of GNI in 2011

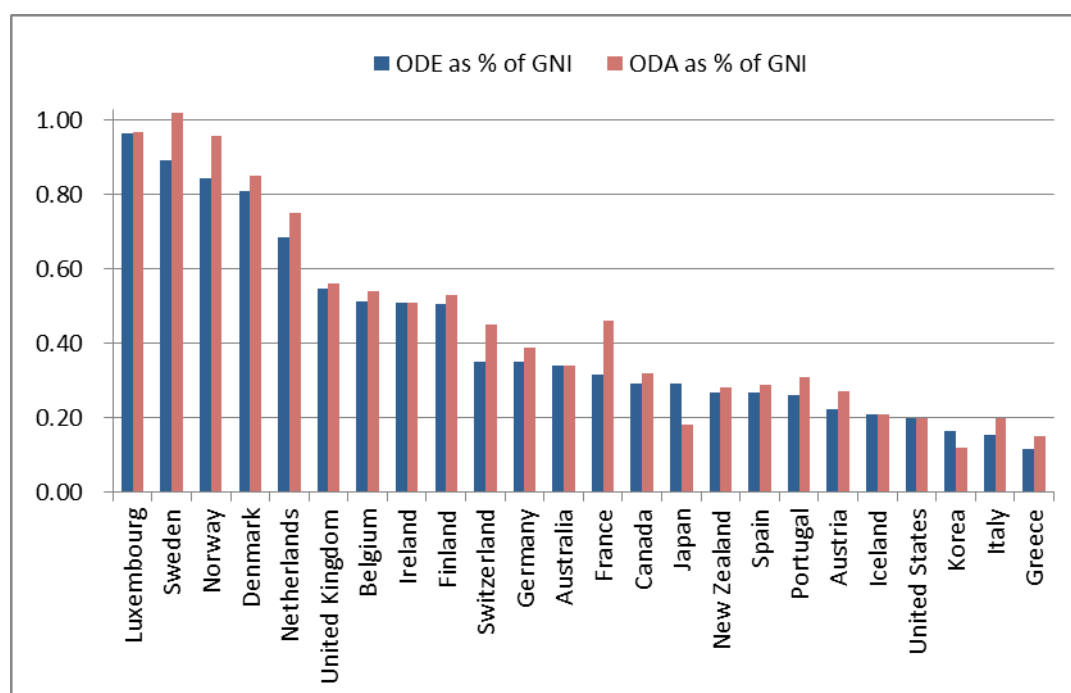


Figure 2. Largest differences between ODA and ODE
Total ODE as % of total net ODA

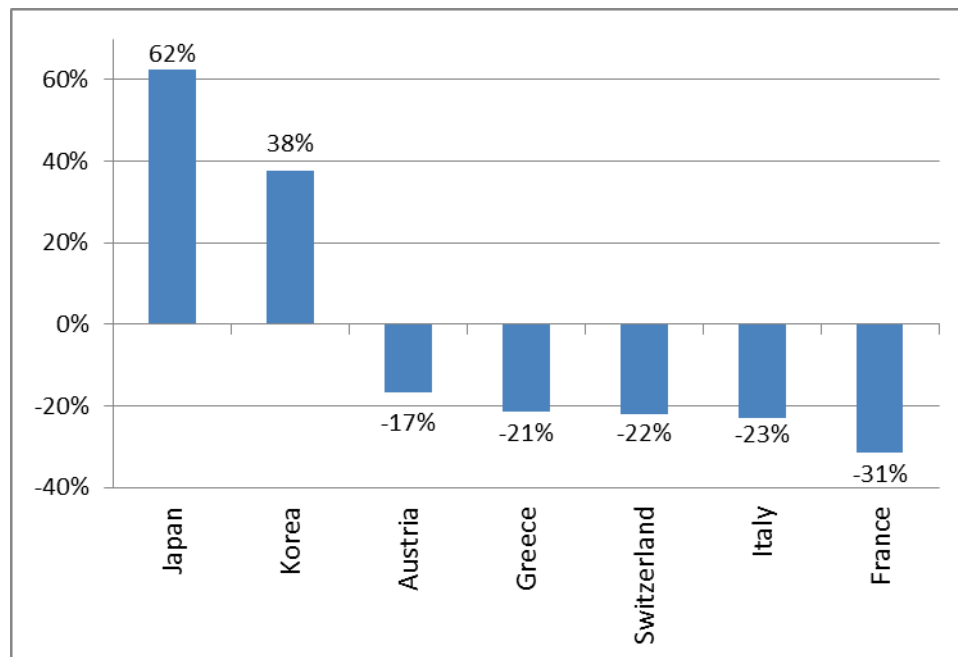


Figure 3. Components of DAC donors' ODA

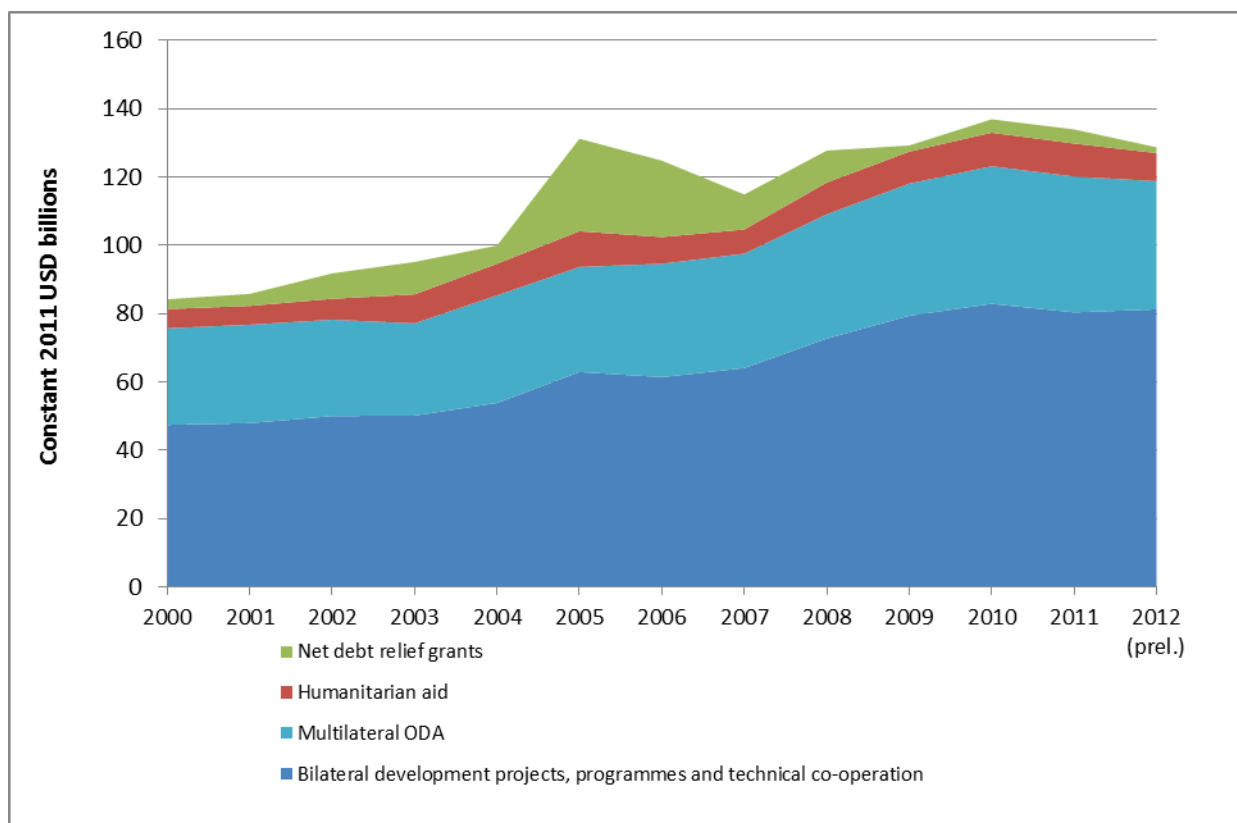


Figure 4. ODA and ODE as % of GNI in 2005

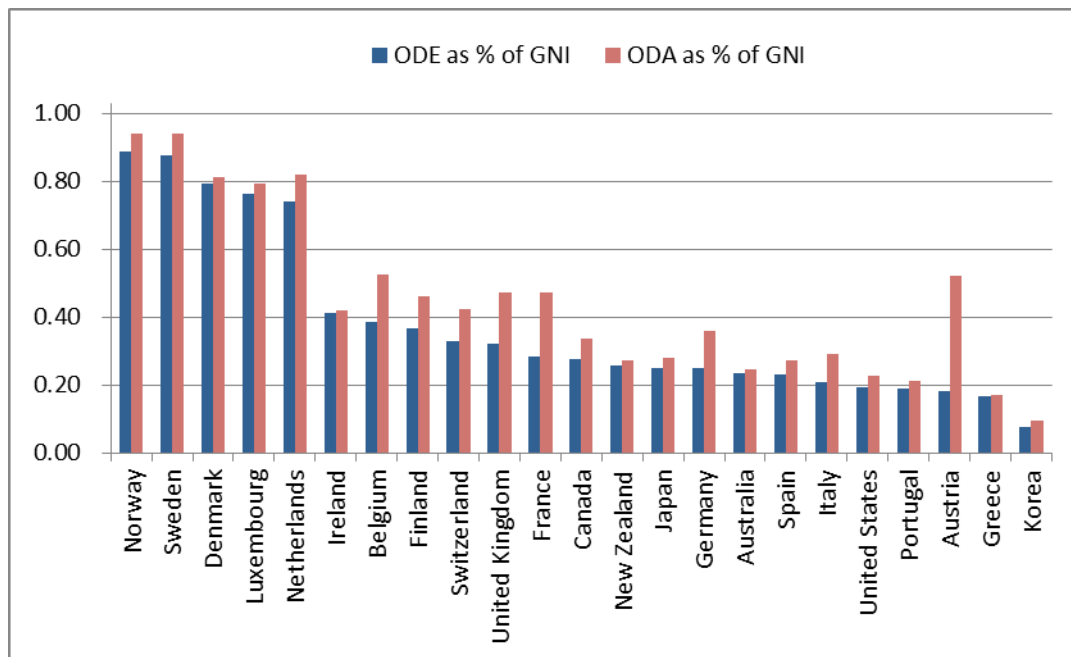
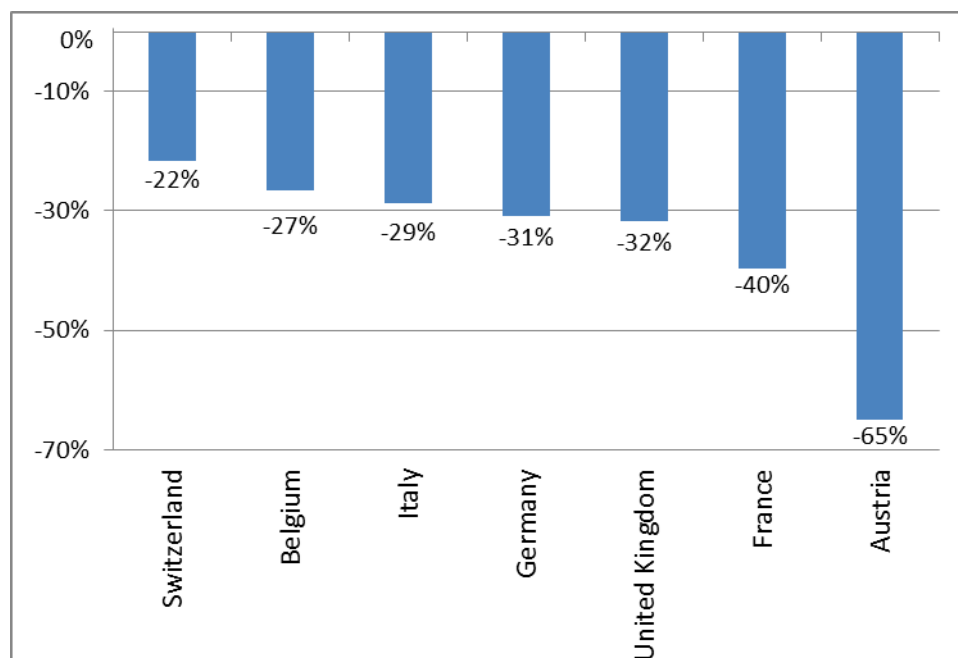


Figure 5. Largest differences between ODA and ODE in 2005
Total ODE as % of total net ODA



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