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ODA: What counts as aid?

By Matthew Morris
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The recent post on scholarships stimulated some interesting discussion on whether or not they should be classified as aid. Markus Mannhiem made the case that, if the development benefits cannot be demonstrated, then scholarships should not be counted as aid.

This kind of debate on what counts as aid is important–especially because the bipartisan consensus to increase 'ODA' to 0.5% of GNI by 2015. But is there bipartisan consensus on what counts as Overseas Development Assistance?

Unsurprisingly, the aid accountants at the OECD's Development Assistance Committee, a peak body for official aid, spend a lot of time providing guidance to help donors to decide what's aid and what's not?

Here's the official definition:

> Official development assistance is defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:
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> 1. provided by official agencies, including state and local governments, or by their executive agencies; and
> 2. each transaction of which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).

Obviously this definition leaves a lot of wiggle room for what gets counted and what doesn't. That's why the DAC elaborates further and stresses the centrality of 'intention' in classifying aid. So, for example, if the intention of a scholarships program is to promote economic

development and welfare of developing countries then it counts as ODA. Here's a list, from the DAC, that gives some other examples of the limits in ODA reporting.

- ***Exclusion of military aid*** *– The supply of military equipment and services, and the forgiveness of debts incurred for military purposes, are not reportable as ODA. On the other hand, additional costs incurred for the use of the donor's military forces to deliver humanitarian aid or perform development services are ODA-eligible.*

- ***Peacekeeping*** *– The enforcement aspects of peacekeeping are not reportable as ODA. However, ODA does include the net bilateral costs to donors of carrying out the following activities within UN-administered or UN-approved peace operations: human rights, election monitoring, rehabilitation of demobilised soldiers and of national infrastructure, monitoring and training of administrators, including customs and police officers, advice on economic stabilisation, repatriation and demobilisation of soldiers, weapons disposal and mine removal. (Net bilateral costs means the extra costs of assigning personnel to these activities, net of the costs of stationing them at home, and of any compensation received from the UN.) Similar activities conducted for developmental reasons outside UN peace operations are also reportable as ODA, but not recorded against the peacekeeping code. Activities carried out for non-developmental reasons, e.g. mine clearance to allow military training, are not reportable as ODA.*

- ***Civil police work*** *– Expenditure on police training is reportable as ODA, unless the training relates to paramilitary functions such as counter-insurgency work or intelligence gathering on terrorism. The supply of the donor's police services to control civil disobedience is not reportable.*

- ***Social and cultural programmes*** *– As with police work, a distinction is drawn between building developing countries' capacity (ODA-eligible) and one-off interventions (not ODA-eligible). Thus, the promotion of museums, libraries, art and music schools, and sports training facilities and venues counts as ODA, whereas sponsoring concert tours or athletes' travel costs does not. Cultural programmes in developing countries whose main purpose is to promote the culture or values of the donor are not reportable as ODA.*

- ***Assistance to refugees*** *– Assistance to refugees in developing countries is reportable as ODA. Temporary assistance to refugees from developing countries arriving in donor countries is reportable as ODA during the first 12 months of*

stay, and all costs associated with eventual repatriation to the developing country of origin are also reportable.

- *Nuclear energy – The peaceful use of nuclear energy, including construction of nuclear power plants, nuclear safety and the medical use of radioisotopes, is ODA-eligible. Military applications of nuclear energy and nuclear non-proliferation activities are not.*

- *Research – Only research directly and primarily relevant to the problems of developing countries may be counted as ODA. This includes research into tropical diseases and developing crops designed for developing country conditions. The costs may still be counted as ODA if the research is carried out in a developed country.*

- *Anti-Terrorism – Activities combatting terrorism are not reportable as ODA, as they generally target perceived threats to donor, as much as to recipient countries, rather than focusing on the economic and social development of the recipient.*

Defining what counts as ODA is open to debate. What seems to be most important though is the intention of the aid, rather than it's effectiveness. So to understand what should be classified as aid we need to determine the real motives for that aid. That's not always easy, and that's why this is a debate that we should have more often.

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