RESMİ KALKINMA YARDIMLARININ ÖLÇÜMÜNE İLİŞKİN BİR DEĞERLENDİRME: BELİRSİZLİKLER VE TUTARSIZLIKLAR

AN ASSESSMENT OF THE MEASUREMENT OF OFFICIAL DEVELOPMENT AID: UNCERTAINTIES AND INCONSISTENCIES

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ABSTRACT

The official development assistance (ODA) has an internationally agreed definition and its measurement has been based on a standard methodology for more than 50 years. However, work on aid terminology, and the debate on the appropriateness and credibility of the concept still continue. The size of development aid provided by donor countries is calculated based on various definitions. These definitions, especially the definition of official development assistance (ODA), have immense significance for the assessment and measurement of aid figures and performances. This study critically examines the origins and the evolution of the concept of official development assistance (ODA) to demonstrate how the vagueness of its definition and the inconsistencies in its measurement contribute to the manipulation and exaggeration of aid figures and performances by the OECD-DAC donor countries.

Keywords: Official Development Assistance, OECD-DAC, Other Official Flows (OOF), concessional loan, foreign aid, grant

ÖZET

Resmi Kalkınma Yardımı (RKY) 50 yıldan fazla bir süredir uluslararası kabul görmüş bir tanıma ve standart bir ölçüm yöntemine sahiptir. Bununla birlikte, yardım terminolojisi üzerine çalışmalar ve kavramın uygunluğu ve güvenilirliği konusundaki tartışmalar hala devam etmektedir. Donör ülkeler tarafından sağlanan kalkınma yardımlarının miktarı çeşitli tanımlara dayanarak hesaplanmaktadır. Bu tanımlar, özellikle Resmi Kalkınma Yardımının tanımı, dış yardım rakamlarının ve performanslarının değerlendirilmesi ve ölçülmesi açısından büyük öneme sahiptir. Bu çalışma, Resmi Kalkınma Yardımı tanımındaki belirsizliklerin ve ölçümündeki tutarsızlıkların OECD Kalkınma Yardımları Komitesi üyesi donör ülkelerin yardım rakamlarının ve performanslarının manipülasyonuna ve olduğundan fazla gösterilmesine nasıl katkıda bulunduğunu göstermek amacıyla kavramın kökenlerini ve gelişimini eleştirel olarak incelemektedir.

Anahtar Kelimeler: Resmi Kalkınma Yardımı, OECD-DAC, Diğer Resmi Akımlar, imtiyazlı kredi, dış yardım, hibe

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Introduction

The definition of official development assistance (ODA) and the related concepts are largely donor-driven; they are based on consensus reached by the like-minded donor countries. These definitions have not been contested by the recipient countries and it has always been the donor countries that have decided how development aid should be defined, how much aid should be given and the form in which it is to be given.[1] The most comprehensive work undertaken to develop definitions of what constitutes foreign aid (what counts as aid and what does not) has been led by the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD). The OECD originated as the Organization for European Economic Cooperation (OEEC), which was formed in 1948 to administer American aid under the Marshall Plan for the reconstruction of Europe after the Second World War. The OEEC was reorganized into the OECD in 1961. Established from very early on under the OECD's umbrella was the Development Assistance Committee (DAC), which was a forum for donors on aid-related issues. Originally conceived as the Development Assistance Group[2] in 1960, the Committee has played a very important role in aid-related institutional developments, which have laid the foundation for the current aid system. The DAC currently has 30 members[3] that commit to use the DAC guidelines and reference documents in formulating development cooperation policies. The OECD-DAC does not provide aid but seeks to harmonize development aid policies of its members. Its actions have focused on monitoring, assessing and reporting the provision of official development assistance. Even though the United Nation's specialized agencies, the International Monetary Fund and the World Bank are also engaged in this work, the DAC has been the primary forum in building consensus among donors about basic definitions and statistical norms of development assistance.

1 Roger Riddell, *Does Foreign Aid Really Work?* (Oxford: Oxford University Press, 2008), p.18.

2 DAG members in 1960 were Belgium, Canada, France, Germany, Italy, Portugal, the United Kingdom, the United States, the Commission of the European Economic Community, Japan, and the Netherlands.

3 Australia, Austria, Belgium, Canada, Czech Republic, Denmark, European Union, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, and the United States. Members of the OECD that are not members of the DAC, but have full observer status and participate in DAC meetings are Chile, Estonia, Israel, Latvia, Mexico, and Turkey. The World Bank, IMF, UNDP, the African Development Bank, and the Inter-American Development Bank participate as observers in the OECD-DAC meetings.

Despite the fact that the official development assistance is based on an internationally agreed definition, the debate on the scope and content of the concept still continues. The aim of this study is to examine the origins and the evolution of the concept of official development assistance (ODA) to demonstrate how the vagueness of its definition and the inconsistencies in its measurement contribute to the manipulation and inflation of aid figures and performances by the OECD-DAC donor countries.

This study proceeds as follows. The first section provides a brief historical overview of aid research and literature. The second section focuses on the origins and evolution of the concept of ODA; and assesses its shortcomings and limitations. The third section examines how aid figures are inflated and misreported by the OECD-DAC donor countries in various ways. The fourth section questions the relevance and usefulness of the Total Official Support for Sustainable Development (TOSSD) as a new measurement framework. The *concluding section* underlines the insufficiency of the current quantitative aid research in dealing with the limitations in assessing the impact and effectiveness of aid; and highlights the significance of qualitative analysis.

I. Literature Review

Recent years have witnessed a growing public interest in development and humanitarian aid. There has been no shortage of publications that reinvigorate the decades-long debates on how the amount and effectiveness of aid could be measured more precisely. Before assessing in detail the shortcomings and limitations of aid measurement methods, it might be useful to provide a historical overview of aid research and literature.

The institutionalization of development aid as part of foreign policy can be traced to the aftermath of the Second World War. In the immediate postwar period, development was narrowly defined in terms of economic growth in the Western countries with little, if any, attention to social and cultural aspects of development.[4] The mainstream development economists' toolkit in 1950s contained theories and concepts such as the "big push," "balanced growth," "take-off into sustained growth," "critical minimum effort thesis."[5] What all these theories and concepts had in common was equating economic growth with development. It

4 Robert O'Brien and Marc Williams, *Global Political Economy: Evolution & Dynamics* (Basingstoke, Hampshire: Macmillan Education, 2010), p.311.

5 Erik Thorbecke, "The Evolution of the Development Doctrine and the Role of Foreign Aid, 1950-2000," in *Foreign Aid and Development: Lessons Learnt and Directions for the Future*, eds. Finn Tarp and Peter Hjertholm, (London: Routledge, 2000), p.20.

was thought that what separated the less developed countries from the developed ones was the lack of savings and investments that were necessary for economic growth. In a context where development was simply defined as economic growth, theoretical and empirical studies on development assistance mostly focused on the effectiveness of aid in promoting growth, measured in terms of gross domestic product. Other economic and social objectives of aid were considered as complementary to economic growth. As a matter of fact, the search for a formula for economic growth has been a constant in the development aid literature, thought the path to growth has often changed over time.[6] In this regard, economic growth, as one of the most important targets of aid, has always played a prominent role in the assessment and measurement of aid figures and performances.

The largest part of the quantitative aid research has focused on the impact of aid on economic growth over the last sixty years, with inconclusive results. Hansen and Tarp identify three "generations" of aid-growth literature that were framed by the prevalent methodologies and datasets available at the time of publication. The first generation refers to the 1960s and early 1970s, when research was based on the assumption that aid would contribute to economic growth by increasing savings and investment in recipient countries. The second-generation studies, in the 1980s and early 1990s, focused on the investigation of aid's impact on growth via investment while in the third generation, as from the mid-1990s, researchers started to use new data and methodologies, taking into account factors such as institutions and policies.[7]

Foreign aid was initially discussed within the framework of these Keynesian-inspired growth models in the early postwar years. The most influential of these was the so-called Harrod–Domar model. This model assumed that savings and investment were the key factors determining growth. This model simply tried to calculate investment requirements for a targeted growth rate through a few simple equations. The simplicity and ease of use of these "magic growth equations" to determine the amount of foreign aid required to achieve a certain growth rate made them very attractive for scholars and policy makers during the 1960s and the 1970s.

Conditionality emerged as a prominent theme in the aid literature from the early 1980s with the advent of structural adjustment programs. In this period, aid-growth literature continued to debate the impact of aid and the research did

6 Louis A. Picard and Robert Groelsema, "U.S. Foreign Aid Priorities: Goals for the Twenty-First Century," in *Foreign Aid and Foreign Policy: Lessons for the Next Half-Century*, eds. Louis A. Picard, Robert Groelsema, and Terry F. Buss (Armonk, NY: M.E. Sharpe, 2008), p.10.

7 Henrik Hansen and Finn Tarp, "Aid Effectiveness Disputed" in *Foreign Aid and Development: Lessons Learnt and Directions for the Future,* eds. Finn Tarp and Peter Hjertholm (London: Routledge, 2000), pp.104-115.

not seem to go beyond simplistic aid-growth regression analyses carried out during the 1960s and the 1970s. Like their predecessors, these studies were trying to assess the correlation between aid and growth. However, various structural adjustment policy variables were incorporated into these aid-growth analyses.

In line with the emphasis on structural adjustment conditionality during the 1980s and 1990s, the debates on whether aid worked or not were added a new perspective that began to focus on the good policy environment that would make aid more effective. In other words, aid would promote growth to the extent that the recipient countries created "good policy environment" by fulfilling structural adjustment requirements. Aid literature, during this period, started to prescribe what kind of policies and institutions aid recipient countries had to have so as to use aid flows in an effective way. In general, Stockemer identifies this literature as "conditionality literature" with three separate arguments 1)"the good policy model" - aid works if the recipient government pursues good policies; 2)"the medicine model" - aid works in the correct dosage but is ineffective if too high or too low; 3)"institutions model" - aid works beneficially if the right governmental institutions are in place.[8]

As a matter of fact, this so-called "conditionality literature" corresponds to what Hansen and Tarp call "third-generation of aid-growth literature" that was mentioned above. Their method of analysis did not differ from the previous "generations." They mainly examined whether aid-growth relationship was conditional on certain policies and institutions. Durbarry et al., for example, used growth regressions with policy variables for 68 developing countries over the period 1970-1993 and concluded that aid has a positive impact on economic growth, conditional on a stable macroeconomic policy in the recipient countries.[9] In a more prominent example of "conditionality literature," Burnside and Dollars conclude that aid only works where there are good fiscal, monetary and trade policies (e.g. low inflation, fiscal balance, a liberalized trade regime), but has little effect in the presence of poor economic policies.[10] Contrary to Burnside and Dollars, Guillaumont and Chauvet suggest that aid's effects are more positive when a country faces a bad environment: the worse the environment, the greater the need for aid and the higher its productivity.[11] According

8 Daniel Stockemer, Bernadette Lamontagne, and Jason Charrette, "Panacea, Placebo, or Poison? The Impact of Development Aid on Growth," *Canadian Journal of Development Studies* 32/1 (2011), p.5.

9 Ramesh Durbarry, Norman Gemmell, and David Greenaway, *New Evidence on the Impact of Foreign Aid on Economic Growth*, working paper: 8/98 (Centre for Research in Economic Development and International Trade, University of Nottingham, 1998).

10 Craig Burnside and David Dollar, "Aid, Policies, and Growth," *American Economic Review* 90/4 (2000).

11 P. Guillaumont and L. Chauvet, "Aid and Performance: A Reassessment," *Journal of Development Studies* 37/ 6 (2001).

to Jensen and Paldam, on the other hand, the impact of aid on growth depends more on the correct dosage than the policy environment and it helps the recipient countries only up to a certain point after which it turns harmful.[12] Some others argue that the aid effectiveness is conditional on geographic location and climate-related circumstances. For example, Dalgaard et al. argue that aid has a strong positive impact on growth outside the tropical region, while the impact is smaller in the tropics.[13]

Since the early postwar years, aid research has mostly focused on the relationship between aid and economic growth. The early generations of aid-growth literature simply assumed that private investments and trade would qualify as well as aid. In fact, any financial flows from the developed countries to the developing countries, including commercial loans and private investments, were all considered as aid, as long as they served the ultimate goal of providing economic growth.

In 1969, OECD-DAC adopted the concept of "Official Development Assistance" separating it from other financial flows (commercial and military) and identifying as ODA those official transactions which are made with the main objective of promoting the economic and social development of developing countries. Establishment of an internationally agreed definition and standardization of measurement methods provided some degree of solution to the confusion of aid with other types of financial transfers. However, despite the fact that official development aid has an internationally agreed definition since 1969, the uncertainty over what constitutes ODA have increasingly continued to this day. As will be discussed in the following, the blurred distinction between development aid and other types of financial flows still continues both in contemporary political discourse and academic literature.

II. Official Development Assistance: Conceptual and Methodological Problems

2. 1. Official Development Assistance and Commercial Flows

The OECD-DAC has been measuring financial flows from its members to developing countries since 1961. The first comprehensive survey of flows of financial resources to developing countries, titled as *The Flow of Financial Resources to Countries in Course of Economic Development*, was published in March 1961, and

12 Peter S. Jensen and Martin Paldam, "Can the Two New Aid-Growth Models Be Replicated?," *Public Choice* 127/1-2 (2006).

13 Carl-Johan Dalgaard, Henrik Hansen, and Finn Tarp, "On The Empirics of Foreign Aid and Growth," *The Economic Journal* 114/496 (2004).

covered the period 1956-59.[14] It was followed by annual reports and time series were collected from 1961 onward for aggregate flows and from 1973 for country level activities.[15] Initially, the OECD-DAC member states (donors) simply reported any financial flow or physical flow (goods and services) to developing countries as aid, which seemed to be based on the understanding that whatever comes from them must always be useful for the development efforts of the poor countries. Almost any flows from the developed countries to the developing countries, including grants, loans, export credits, private investments and other sources of private finance were all considered as aid without distinction. The OECD-DAC defined in 1962 that aid should cover[16]:

- All loans and investments by the private sector, for a period longer than 1 year
- Loans by the public sector, for a period longer than 1 year
- Grants by the public sector
- War compensation payments
- Loan consolidations
- Export credits
- Net contributions to multilateral organizations

The OECD-DAC's equation of development aid with all kinds of flows, including the non-developmental commercial loans, had its critics as early as 1960s. For example, Myrdal criticized the OECD's aid recordings in the 1960s, pointing at the regularly and systematically blurred distinction between official development assistance and commercial flows in the official OECD-DAC statistics. He stated that the DAC's aid statistics included private flows to the developing countries, which are indeed business transactions that would have never been considered as aid when made between developed countries.[17] He examined the aid figures and statistics published by the DAC during 1960s and suggested that they suffer from a definitional ambiguity that can be misleading for the researchers:

14 Helmut Führer, A History of the Development Assistance Committee and the Development Cooperation Directorate in dates, names and figures (Paris: Organisation for Economic Cooperation and Development, 1996), p.9.

15 Philippe Le Houreou, Akihiko Nishio, and Gaiv Tata, "Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows," World Bank, May 1, 2008, accessed December 21, 2017, http://documents.worldbank.org/curated/en/688091468134712330/Aid-architecture-an-overview-of-the-main-trends-in-official-development-assistance-flows.

16 Gerard Van Bilzen, *The Development of Aid* (Newcastle upon Tyne: Cambridge Scholars Publishing, 2015), p.2.

17 Gunnar Myrdal, The Challenge of World Poverty: A World Anti-Poverty Program in Outline (London: Penguin Books, 1970), p.317.

> The first thing to note is that in the table headings DAC secretariat uses the terms "the flows of financial resources." It is legitimate to assume that this term is chosen in order not to have to exclude items that have no aid element, particularly private investments and credits. The fine point that DAC statistics record all sorts of "flows," whether having the character of aid or not, is regularly and systematically forgotten by persons the world over when they make use of the figures.[18]

Criticizing the widespread practice of equating commercial flows with development aid by economists, politicians, journalists and international organizations, Myrdal pointed out that the OECD-DAC did "little or nothing to prevent this opportunistic misuse of the figures."[19] He argued that the ambiguity surrounding the definition of aid was created and maintained on purpose by the OECD-DAC to make the amount of aid seem more than it really was.

2. 2. The ODA Concept of "Grant Element" and Concessionality

In the face of such criticisms, one of the first challenges of the OECD-DAC was to produce agreement on requirements for financial flows to be considered as foreign aid. In 1968, the DAC established an *Ad Hoc Group on Statistical Problems* to elaborate the concept of official development assistance and to define the official concessional element of resource flows for development.[20] By 1969 the standardization of terminology was almost complete, including a qualitative and quantitative definition of official development assistance. The definition was further elaborated in 1972, adding a clearer definition of "grant element" and replacing the previous term "social development" with "welfare." Finally, ODA was defined as grants or loans to countries on *the DAC List of ODA Recipients* and to multilateral institutions undertaken by the official sector, administered with the promotion of economic development and welfare of developing countries as the main objective, and are concessional in character having a grant element of at least 25 per cent (calculated at a rate of discount of 10 percent).[21]

This definition has remained valid to date and ODA has become the measure used in all assessments of aid performances. The OECD-DAC's definition includes both

18 *Ibid*., p.316.
19 Ibid.
20 OECD, Measuring Aid: 50 Years of DAC Statistics, booklet, April 2011, accessed March 24, 2016, https://www.oecd.org/dac/stats/documentupload/MeasuringAid50yearsDACStats.pdf
21 OECD, OECD Glossary of Statistical Terms (Paris: OECD, 2007).

qualitative and quantitative components. A flow must fulfill the following four criteria to be considered as ODA: 1) it must be provided by the official sector; 2) the recipient country must be on the OECD-DAC's list, 3) it must have the purpose of promoting economic development, 4) it must be concessional with a minimum 25 percent grant element.[22] In addition to being provided by an official source and having a grant element, "intention" seems to be an important component of the definition of ODA. The OECD-DAC considers a grant or loan as development assistance if the promotion of welfare and development is its "main objective." According to the OECD definition, then, a donor's declared intention of promoting development is enough to define an activity or financial flow as development aid, even if it fails to increase the welfare or inflicts damage to a recipient country. The OECD-DAC's official aid figures simply reflect the amount of aid provided by the donors with the intention of promoting development, but they do not say much about its impact on the recipient country. Indeed, the success or failure of aid does not seem to matter at all, the declared intention suffices. Riddell attracts attention to the problems arising from this purpose-based criterion:

> A key problem with purpose-based definitions is that purpose is a very slippery concept, the meaning of which is open to a wide variety of interpretations. Who is to judge whether a particular form or type of aid is intended to contribute to development, and what criteria should be used to judge whether the purpose-based criteria are met? If aid is provided in part to contribute to development and human welfare and in part to achieve other purposes-political, strategic or commercial-then how should these mixed-purpose transfers be treated?[23]

Riddell seems to have a point, given the fact that there is a wide disagreement on what economic development means, and there is more disagreement on how it can be achieved - even among those like-minded donor countries of the OECD-DAC. Besides, if all resource flows, which were provided with the intention of promoting economic development, are counted and reported as ODA then the implication would be that aid always fulfills its developmental objectives and never fails. For example, quantitative aid data might include construction of a hospital worth millions of USD in an African country. However, it does not tell whether it operates effectively, or it has sufficient medical equipment and qualified doctors. In fact, it does not even tell whether hospital is operational or not.

By contrast, compared to having development "as the main objective," the minimum grant element seems like a more objective criterion at first glance. However, this criterion is also problematic. Most ODA is provided in the form

22 Ibid.
23 Riddell, Does Foreign Aid Really Work, p.20.

of grants. Nonetheless, concessional loans – loans provided on favorable terms to developing countries – also occupy an important space in aid statistics. A concessional loan has a lower interest rate than the market rates, a relatively long maturity and an initial grace period during which no repayments are made. According to the OECD definition, a loan from the official sector is counted as ODA if the grant element is at least 25 per cent. In the ODA figures, any loans with a grant element of over 25 per cent are fully reported in the ODA figures in their entirety and the repayments on loans in the following years are subtracted from ODA.[24] All concessional loans meeting the minimum 25 percent grant element requirement – whether it is 26 percent or 99 percent – are treated equally in the current reporting system and the full loan amount is reported as ODA. One might argue that these figures are consequently corrected when the repayments on loans in the following years are subtracted from ODA. Principal repayments are subtracted from gross ODA loans once they are made by the recipients. However, this measure, according to current OECD directives, does not consider the interest repayments, which are not subtracted from net ODA. This means that, in practice, a significant amount of money paid from the developing countries to the donors in the form of interest payments on ODA loans is ignored in the ODA statistics. The fact that interest repayments are not deducted from gross ODA loans overstates the net value of ODA resources transferred to recipient countries. According to a study carried out in 2013 by an independent research group, "if interest repayments are considered, the net resource flows associated with global ODA are approximately $ 5 billion per annum lower than the reported total net ODA figure suggests."[25]

Another important problem related to the grant element is the 10 percent discount rate that is used to calculate it. To assess the grant element of a loan, the present value of a loan provided, as aid must be compared with the present value of a loan with 10 percent interest rate. This 10 percent is a conventional figure used as an approximation of the donor's opportunity cost of lending the money rather than investing it. The difference between the two present values must be at least 25 percent for the loan to qualify as ODA. However, discount rate of 10 percent, which was set in the 1970s at a time of higher market interest rates,

24 The OECD -DAC has only recently changed these rules on how donor lending is counted as aid. Since 2018, only the grant element rather than full value of the loan has been counted as official development assistance and repayments is no longer be subtracted from donors' ODA. In addition, there are new thresholds for lower- and middle-income countries to determine which loans count as ODA.

25 Rob Tew, "ODA Loans: ITEP Discussion Paper," April 2013, accessed April 14, 2016, http://devinit.org/wp-content/uploads/2013/08/ODA-loans-discussion-paper-v1.0-2.pdf.

no longer reflects a donor's real opportunity cost of lending in an environment characterized by much lower interest rates since the 2000s, especially in the aftermath of the global financial crisis in 2008. In real market conditions characterized by lower interest rates, 10 percent discount rate enables a donor to report the loans made from market-raised funds, on which a profit could be made, as ODA. In the low interest rate environment of the early 2000s, a donor could easily borrow a long-term loan at very low interest rates, re-lend to the recipient countries at several percent higher rate, and made profit while still meeting a grant element exceeding 25 percent when discounting at 10 percent per year.[26] In face of criticisms against an arbitrary 10 percent discount rate, which was too high in a global low interest environment, the chair of the OECD-DAC suggested revising the discount rate in 2003 and 2004 annual High Level Meeting of the DAC. This proposal did not reach a consensus and was rejected by the donor countries. The discussion disappeared for a while as interest rates rose again but came back on the agenda in 2008 when rates fell sharply due to the financial crisis. In this period, the concessionality definition of the OECD-DAC was again unable to prevent mixed lending practices from donors that reported profitable loans as ODA. In 2013, the OECD stated that three DAC members -European Union, Germany and France- included in their ODA reporting vast amounts of profitable loans that should not have been considered as concessional.[27] Moreover, it was noted that these loans were mainly used by middle-income countries to which the World Bank provides loans only on non-concessional loans. Through this practice a major inconsistency has been introduced in DAC statistics, since loans provided by multilateral and bilateral donors at similar terms to the same recipient country were treated differently.

From a discussion between the DAC Secretariat and the above-mentioned donor countries (France, Germany and the EU), the debate broadened in 2012 to include all DAC members.[28] There were different views on the interpretation of concessionality and the consensus was not reached on how to revise the discount rate. Consequently, members asked the DAC Secretariat to facilitate the debate and to "establish, as soon as possible, and at the latest by 2015, a clear, quantitative definition of concessional in

26 David Roodman, "Straightening the Measuring Stick: A 14-Point Plan for Reforming the Definition of Official Development Assistance (ODA). CGD Policy Paper 44," June 2014, accessed October 2016, http://www.cgdev.org/publication/straightening-measuring-stick-14-point-plan-reforming-definition-official-development.

27 OECD, "Note on the treatment of loan concessionality in DAC statistics," OECD, accessed November 19, 2017, http://www.oecd.org/dac/stats/concessionality-note.htm.

28 Stephanie Colin, "A Matter of High Interest," January 2014, accessed November 19, 2017, http://www.eurodad.org/amatterofhighinterest.

character, in line with prevailing market conditions."[29] In the meantime, the donors reached a transitional compromise until the revised definition of concessionality is agreed upon by 2015. In this compromise, the DAC Secretariat, rather than imposing a uniform standard, acknowledged differences of interpretations among members about "concessional in character" and allowed different donors' aid practices being assessed by different standards that were defined by the donors themselves. This led to another inconsistency, where the same loan could be reported as aid when provided by Germany and not aid when provided by France.

As a response to the donors' request, the OECD-DAC secretariat proposed a system for calculating grant element in 2014. According to the new system, only the grant element rather than full value of the loan is counted as official development assistance. In addition, 10 percent discount rate used in the calculation of grant element is replaced by three discount rates, differentiated according to the recipient country's income category.[30] The new system was in force starting with 2018 aid flows. It means that as of 2018 loans has been reported according to the new rules, but this will not have an impact on figures until then. The DAC claims that the changes brought by the new system "conveys a fairer picture of provider effort" and "strengthen the integrity of DAC statistics and the transparency of development cooperation."[31] However, one should keep in mind that these changes were made after it was noted that France, Germany and the European Union had reported huge amounts of "concessional" loans at interest rates above their own borrowing costs.[32]

So far, the OECD-DAC has allowed large volumes of loans to be reported as ODA even though they did not meet the requirements of the existing definition of ODA. Besides, it has also allowed donors to use different practices in reporting their loans, instead of providing a uniform standard. Then, it came up with a new

29 OECD, "Options on Concessionality," May 27, 2014, accessed November 12, 2016, http://www.oecd.org/dac/stats/documentupload/DCD-DAC%282014%2929-ENG.pdf.

30 As already noted, the threshold for ODA eligibility was set at a grant element of 25 percent. But, under the new system that has been in full force since 2018, loans to the least developed countries (LDCs) and other low income countries (LICs) must reach a grant element of at least 45 percent to be reportable as ODA, while lower middle-income countries (LMICs) require only a minimum 15 percent grant element and upper middle-income countries (UMICs) a minimum 10 percent grant element. Besides, the discount rate is determined by the donors' financing terms, as measured by the reference rate applied in the IMF debt sustainability and debt limits, plus a risk premium set in accordance with the recipient country's category: 1 percent for UMICs, 2 percent for LMICs, and 4 percent for LDCs and LICs.

31 OECD, "Why Modernise Official Development Assistance? - OECD," July 2015, accessed September 10,2016, http://www.oecd.org/dac/financing-sustainable development/Addis%20flyer%20-%20ODA.pdf.

32 OECD, "Note on the treatment of loan concessionality in DAC statistics."

system of grant element calculation, claiming that it will provide a fairer picture of aid efforts. At this point, a question arises as to what prevented the OECD-DAC from providing a "fair picture" of donor efforts in the first place. The DAC is silent as to why the current reporting system was allowed to provide a "less fair" picture of donor effort for so long. As a matter of fact, the DAC avoids taking responsibility for allowing the inconsistent reporting practices across donors in the current system, simply stating that the revised system will provide solution to these inconsistencies in the current system. In other words, The OECD-DAC presents itself as part of the solution to the problems it has created over the years by allowing the inconsistent ODA reporting practices of the different donors. Despite these recent attempts to make improvements in the reporting system, the practice of reporting profitable commercial loans as ODA widely continues.

To clarify the ambiguities associated with the activities to be considered as ODA, the OECD-DAC has established ODA reporting guidelines that defines in detail what qualifies as ODA and what does not. It is a set of reporting directives against which all the OECD-DAC members report annually. According to the OECD-DAC statistical reporting directives, the DAC members have agreed to the following limits on ODA reporting to reduce the scope for subjective interpretations and promote comparable reporting[33]:

> -Provision of weapons and military equipment including the forgiveness of debts arising from military purposes, are not reportable as ODA.
>
> -In line with the exclusion of military costs, expenses related to peacekeeping operations are not reportable as ODA. However, expenses for some developmental activities within the framework of peacekeeping operations are counted as ODA.
>
> -Financial and in-kind support to the recipient's police force, paramilitary operations or intelligence service operations are not reportable as ODA. However, expenditure on police training is reportable as ODA.
>
> -Assistance to refugees in developing countries is counted as ODA. Assistance to refugees in donor countries coming from developing countries is only reportable as ODA during the first 12 months of their stay.
>
> -Scientific research, which is directly related to the problems of developing countries, is counted as ODA.

Although these limitations were meant to prevent subjective interpretations of ODA, the OECD have repeatedly admitted in recent years that "while the

33 OECD, "Is It ODA?-Fact Sheet," November 2008, accessed February 01, 2016, https://www.oecd.org/dac/stats/34086975.pdf.

definition of official development assistance (ODA) has not changed since 1972, some changes in interpretation have tended to broaden the scope of the concept."[34] The OECD-DAC members have constantly sought to broaden the definition of ODA after the establishment of the internationally agreed definition. Since 1972, the OECD-DAC members have agreed to include the following expenditures as ODA in their reporting to the DAC[35]:

- administrative costs of managing aid flows (since 1979)
- implicit subsidies of tuition costs of students from developing countries studying in donor countries (since 1984)
- assistance provided to refugees during the first year after their arrival in the donor country (eligible to be reported as of the early 1980s but widely used since 1991)
- the ODA-eligible component of bilateral contributions to peacekeeping (since 1994)
- six defined items of expenditure in the fields of conflict, peace and security (since 2004)
- 6 percent of DAC members' multilateral contributions to UN peacekeeping (since 2007)

Even though the establishment of limitations on the internationally agreed definition and standardization of reporting methods seemed to provide a solution to the confusion of aid with other types of financial transfers, the uncertainty over what constitutes ODA have increasingly continued to this day. In 1990, the World Bank stated, "many 'aid' programs in donor countries cover an assortment of activities (including commercial and strategic initiatives) which often have, at best, a tenuous connection with development."[36] It also noted that the definition of ODA excludes military assistance but "the borderline is sometimes blurred; the definition used by the country of origin usually prevails."[37]

2. 3. Official Development Assistance and Security-Related Aid

The distinction between development aid and military aid has always been vague since the early postwar period. Furthermore, as development aid has become

34 OECD, Development Cooperation Report 2016: The Sustainable Development Goals as Business Opportunities (Paris: OECD Publishing, 2016), p.305.

35 Ibid.

36 World Bank, *World Development Report 1990: Poverty* (New York: Published for the World Bank, Oxford University Press, 1990), p.127.

37 *Ibid*., p.253.

more integrated into military initiatives, it has become harder to determine what counts as development or military aid. Before the DAC defined the terms of aid more precisely, the supply of military equipment and services had been widely reported as ODA. Japan, for example, regarded the war reparation payments to some Southeastern countries as the beginning of its aid program in the 1950s.[38] But even though the internationally agreed definition clearly excluded military aid, the practice of reporting military aid as ODA continued even afterwards. For example, the USA included substantial amounts of military debt cancellations in its ODA statistics in 1990.[39] From 1990 to 1992, military debt forgiveness remained reportable as ODA by the donor countries but was excluded from the OECD-DAC total. However, the OECD's annual Development Cooperation Report, which was published in 1992, declared that military debt forgiveness would be excluded from the ODA reports in the following years, while the forgiveness of other non-ODA loans (mainly export credits) would continue to be recorded as ODA. The report also stated that the DAC members considered forgiveness of military debt and of export credits as equally important in terms of their economic effects and contribution to development, but they decided not to report military debt cancellations as ODA "in deference to concerns expressed over public opinion impacts."[40] In other words, the DAC members recognized military debt cancellation as ODA, but agreed not to include them in ODA figures due to public opinion concerns. While the DAC excludes the military aid from the definition of ODA, its approach to the issue of military debt forgiveness is illustrative of the blurred distinction between military and development aid.

The problem of distinguishing development aid from military aid is further complicated by the issue of fungibility. Aid fungibility can be defined as the reallocation of aid funds provided for a specific purpose to other projects and programs, whether they are development-related or not. The inflow of development aid funds may provide the recipient with the opportunity to switch its own resources to a range of non-developmental projects and activities, including the ones for military purposes. For example, a recipient government may ask a donor to finance health or education sector to free up its own resources to buy military equipment. As a result, what counts as development aid may indirectly

38 Ministry of Foreign Affairs of Japan's website suggests that the historical background of Japan's financial assistance starting as providing reparations and economic cooperation in tandem therewith to Asian countries. For details, see Ministry of Foreign Affairs of Japan, Japan's ODA: Accomplishment and Progress of 50 Years, accessed November 20, 2016, http://www.mofa.go.jp/policy/oda/cooperation/anniv50/pamphlet/progress1.html.

39 Kunibert Raffer and Hans Wolfgang Singer, *The Economic North-South Divide: Six Decades of Unequal Development* (Cheltenham: Elgar, 2001), p.91.

40 Ibid.

contribute to the provision of military equipment and services. Similarly, providing military aid may also provide the recipient with the opportunity to divert its resources to the other sectors. Fungibility has always been an important aspect of postwar aid architecture since the early postwar period.

The attempts to merge military and development aid increasingly continue. Most recently, in the OECD Development Assistance Committee High-Level Meeting in February 2016, the OECD-DAC members agreed to include more military and security-related costs as ODA. In the Communique that was published after the meeting, it was stated that "development, human rights, and peace and security are indivisible and interrelated" and the OECD-DAC members agreed to "update and modernize" the ODA reporting directives regarding activities involving the military and the police as well as activities preventing violent extremism.[41] The activities that can be reported as ODA include capacity building for security institutions for the prevention of extremist or terrorist threats, training of partner country military personnel with a developmental purpose, financing to support non-routine civil policing functions such as training in the safety, security and storage of lethal weapons. The Communique suggests that when assessing the ODA eligibility of security-related activities, their purpose must be considered. Accordingly, military and security-related aid can be reported as ODA if "their primary purpose is developmental."[42] Here, the OECD-DAC once more uses a purpose-based definition to distinguish the ODA eligible component of military aid from the non-ODA eligible component. Military aid is assessed, not in terms of its impact, but in terms of a donor's intention. The Communique repeatedly notes that military aid is excluded from ODA and only a limited number of military and security-related activities that contribute to development services and benefit civilians will be ODA-eligible. However, there are no mechanisms to oversee whether the military aid really benefits civilians and carried out for developmental purposes. For example, there are no mechanisms to ensure that security forces of a recipient government, which are provided by a donor country with military equipment and training for preventing violent extremism, will not use these equipment and skills against non-violent civil opposition groups in their country. As a matter of fact, given the OECD criteria, there is no logical reason not to consider military activities as ODA-eligible if security forces shoot or kill with the intention of promoting development.[43]

41 OECD, "OECD DAC High Level Meeting Communique 2016," accessed April 20, 2017, https://www.oecd.org/dac/DAC-HLM-Communique-2016.pdf.

42 Ibid.

43 Kunibert Raffer, Debt Management for Development: Protection of the Poor and the Millennium Development Goals (Cheltenham: Edward Elgar, 2010), p.245.

III. The Manipulation and Inflation of Aid Figures and Performances

So far, it has been argued that the borderline between the other types of aid (military and commercial) and ODA has always been blurred from the very beginning. Besides, the broadening of the scope of the internationally agreed definition of ODA has allowed various activities and expenditures to be subsumed under ODA in the following years, although their contribution to economic development is dubious. By blurring the distinction between diverse types of aid and labeling more and more field of activity as ODA, donor countries have reported higher amount of ODA than they have provided under the internationally agreed definition. The OECD recognizes that changes in the interpretation have broadened the scope of ODA substantially but refuses to specify the quantitative impact of broadening quoting the difficulties with data collection and coverage as an excuse:

> Precise quantification of the effects of these changes [in the interpretation of ODA] is difficult because changes in data collection methodology and coverage are often not directly apparent from members' statistical returns. The amounts involved can, however, be substantial.[44]

The explanation that the DAC provides for its failure to track and quantify "substantial" amounts of money is the inadequate quality of the statistical returns from the donor countries. This casts severe doubts on the quality and the consistency of the aid figures published by the OECD-DAC. At this point, it is difficult to understand why the OECD-DAC regularly collects and publishes the aid figures that the donor countries provide if the quality of the statistical returns from the donors were so poor. Broadening has obviously and increasingly inflated ODA even though the OECD-DAC refuses to specify the quantitative impacts of broadening. For example, according to Raffer's calculations, ODA flows between 1992 and 1994 would have been more than 40 percent lower if the internationally agreed definition of ODA had been strictly applied by the OECD-DAC.[45]

As already indicated, The OECD-DAC members have boosted aid statistics by expanding the coverage of ODA with the activities that have doubtful or no noticeable developmental impact. But even more problematic is the fact that many donor countries are misreporting ODA that they provide by including costs and transfers that should not be counted as ODA under the existing OECD

44 OECD, Development Cooperation Report 2016: The sustainable development goals as business opportunities (Paris: OECD Publishing, 2016), p.305.

45 Kunibert Raffer and Hans Wolfgang Singer, The Economic North-South Divide: Six Decades of Unequal Development (Cheltenham: Elgar, 2001, 91), pp.86-87.

guidelines. While the OECD aid statistics have been inflated due to broadening of the scope of the concept, it is further inflated due to misreporting. A recent study by Concorde, the European NGO Confederation for Relief and Development, documents that some of the expenditures EU countries report as aid do not translate into a transfer of resources to developing countries.[46] In fact, some of these activities that are reported as ODA could be considered as inhumane, let alone being developmental. For instance, Spain reports as ODA the costs of supporting and equipping security forces in transit countries to keep the refugees away from its borders.[47] The Spanish aid is spent on helping transit countries patrol their land borders and forming barriers to the routes of migration in Africa.[48] The police forces in the transit countries such as Morocco, Mauritania and Senegal are provided with equipment and training to detect and stop migrants before they reach European countries.[49] In a similar manner, Malta has reported as ODA the money that it spent to build migrant detention centers, where the migrants are held under bad conditions.[50] These expenditures on security precautions against refugees should not have been reported as ODA according to the OECD directives on reporting refugee costs, which clearly states that "policing and border patrol at entry points, transit routes or accommodation centers" are non-ODA eligible.[51] The practice of reporting the security related expenditures as ODA leads to further subordination of development aid to security and military objectives, while inflating the amount of aid provided by the donors. According to Concorde's calculations, which are based on the figures in the OECD database, the EU member states and the European institutions inflated their aid flows €7.1 billion in 2014 and almost €10.5 billion in 2015.[52]

46 Javier Pereira and Dorota Sienkiewicz, *Concord Aidwatch 2015,* November 25, 2015, accessed March 20, 2016, http://library.concordeurope.org/record/1567/files/DEEEP-REPORT-2015-086.pdf; Rebekah Webb, Karen Hoehn, and Sibylle Keonig, *Concorde Aidwatch Report 2016,* October 26, 2016, accessed November 30, 2016, http://concordeurope.org/wpcontent/uploads/2016/10/CONCORD_AidWatch_Report_2016

47 Pereira and Sienkiewicz, *Concord Aidwatch 2015,* p.18.

48 The Economist, "How Spain Deals with Migrants - Forward Defence," *The Economist*, October 15, 2015, accessed February 12, 2016, https://www.economist.com/news/europe/21674726-what-other-europeans-can-learn-spanish-efforts-limit-illegal-migration-forward-defence

49 Ibid.

50 Pereira and Sienkiewicz, *Concord Aidwatch 2015,* p.19.

51 OECD, "Clarifications to the Statistical Reporting Directives on In-Donor Refugee Costs," October 31, 2017, accessed November 11, 2017, http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC(2017)35/FINAL&docLanguage=En.

52 Pereira and Sienkiewicz, *Concord Aidwatch 2015,* 15; Webb, Hoehn, and Keonig, *Concord Aidwatch Report 2016,* 12.

IV. Total Official Support for Sustainable Development (TOSSD)

The concept of official development assistance has been further eroded when the OECD proposed a new concept to measure development aid in support of the 2030 Agenda for Sustainable Development, which replaced the Millennium Development Goals in September 2015.[53] This new international statistical measure that is currently being developed by the OECD is called Total Official Support for Sustainable Development (TOSSD). The stated purpose of TOSSD is to measure flows and activities that could be considered developmental but are not currently captured in official development assistance. In 2014, OECD-DAC ministers agreed that the measure of total official support for sustainable development would "potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions, regardless of the types of instruments used and associated terms, including both concessional and non-concessional financing provided through various instruments." TOSSD seeks to capture both concessional and non-concessional resources and thus includes both ODA and the private resource flows. In the discussions on the proposed measure of TOSSD, official development assistance has been questioned with respect to whether it properly reflects the full measure of resources provided by the donors for development efforts in the developing countries. While the debates on the relevance and credibility of ODA in measuring developmental efforts continue, surprisingly, the harshest criticism to the concept of official development assistance has come from the OECD-DAC itself. The recent OECD-DAC publications repeatedly state that the current definition of official development assistance fails to provide us with the full picture of resources available to developing countries in the post-2015 development agenda.[54] In a very ironic manner, the OECD-DAC has been undermining the ODA concept, which was defined and updated by the DAC itself, by implying that it is inadequate to provide us with a complete picture of developmental efforts. On the other hand, TOSSD measure is showcased by the OECD as a mechanism, which will provide us with a full picture of the donor efforts in supporting the development of the poor countries. Even though the DAC argues that the TOSSD measure will complement and not replace ODA measure, it underlines that there are various activities

53 The Sustainable Development Goals (SDGs), officially known as The 2030 Agenda for Sustainable Development, is a set of 17 global goals with 169 targets that were launched by the United Nations in September 2015 to replace the Millennium Development Goals.

54 OECD. "Public Consultation on TOSSD Compendium." Public Consultation on TOSSD Compendium - OECD. June 24, 2016. Accessed November 21, 2017. http://www.oecd.org/dac/financing-sustainable-development

and flows, which are developmental, but are not included in ODA.[55] By doing this, the OECD implies that, compared to TOSSD, ODA is limited in capturing the whole financial and material flows that are assumed to benefit development in the poor countries.

Indeed, the OECD-DAC already has a measure for the official flows that are not captured in ODA. This measure, which is called Other Official Flows (OOF), is defined as transactions by the official sector, which does not meet the conditions for eligibility as ODA, either because they are not primarily aimed at development, or because they are not sufficiently concessional. At this point a question arises as to why "fuller picture of resources available to developing countries" [56] necessitates the introduction of a new measure like TOSSD, rather than clarification and better measurement of ODA and OOF that already exist. After all, TOSSD does not offer a better statistical measure. By recognizing private resource flows as developmental and combining them with ODA, it simply blurs the distinction between aid flows and commercially motivated flows - a distinction that was embodied in the difference between ODA and OOF.

According to the OECD-DAC's definition of ODA, a grant or loan is categorized as development assistance if its main objective is promotion of economic development. As already indicated, in the early years of the OECD DAC, before the emergence of the internationally agreed definition in 1969, the donors simply reported any financial and material flow to the poor countries as aid without considering whether it is made for commercial or developmental purposes. This approach seems to enjoy a revival within the donor community nowadays, as the development of the TOSSD framework has again started to blur the distinction between commercial flows and aid flows. Unlike ODA, the TOSSD measure does not consider "having economic development as the main objective" as a necessary criterion for considering a grant or loan as developmental. According to the OECD-DAC, profit-seeking, commercially motivated and self-interested activities and flows would equally qualify as developmental in the TOSSD framework:

> The TOSSD concept aims to cover a broader range of activities that support sustainable development in developing countries, not necessarily with development as their primary objective. This means it will be better aligned with the principle of mutual benefit. Accordingly, a TOSSD project could serve equally the interests of other countries involved – instead of

55 *Ibid.*, p.21.
56 *Ibid.*, p.10.

> principally focusing on the development of one of the countries involved. These interests may be developmental, but could also be of a commercial, cultural or political nature.[57]

As this statement clearly shows, the OECD-DAC has recently gone back to its old habit of labeling any financial or material flow from developed countries to poor ones as developmental, even if they are of commercial or political nature. As a matter of fact, throughout the evolution of development theory and policy, private flows have always been considered as a major vehicle of development cooperation contributing to poverty reduction by creating jobs, building infrastructure and supplying goods and services. The emphasis on commercially-motivated activities as an instrument or tool of development cooperation is not new. What has been different and distinctive about the TOSSD measure is the increasing emphasis on private resource flows, not just as a vehicle of development but as its primary instrument. In this regard, ODA has increasingly been considered as complementary to privately-financed development efforts rather than in and of itself funding development. For example, the OECD-DAC has recently defined ODA as "a drop in the bucket compared to other international financial flows."[58] In this respect, rather being simply considered as a new metric to capture resource flows including and extending beyond ODA, the TOSSD measure might be evaluated in the context of a reorientation of ODA around a focus on private resource flows as the primary source of development finance.

Conclusion

As Raffer suggests, "the history of ODA recording is, in fact, a history of tinkering and cooking data."[59] The OECD has broadened the scope of ODA over time by including activities and flows that have a tenuous or no relationship with development. Moreover, it is relying on an obsolete, 48-year reference rate of 10 percent to determine whether a loan qualifies as ODA. As already argued, this reference rate may have made sense in 1972, when it was adopted, but it does not make sense in today's international environment of low interest rates. The problem of distorted and miscounted aid figures, however, is not simply a matter of methodology. The donors are much more eager to change the aid measuring rules when it moves their aid figures upwards rather than downwards. Moreover, aid figures produced by each donor, which form the basis of the OECD's aid

57 *Ibid.,* p.15.

58 OECD, "Why Modernise Official Development Assistance? ," Financing Sustainable Development, July 2015, accessed September 10, 2016, https://www.oecd.org/dac/financing-sustainable-development/Addis%20flyer%20-%20ODA.pdf.

59 Kunibert Raffer, Debt Management for Development, p.246.

statistics, are never reviewed and checked by the recipient countries or independent institutions. ODA figures produced by each member state are only reviewed by other DAC members by means of a process called "peer review."[60] The OECD-DAC double monopoly on data production and performance evaluation casts severe doubts on the reliability of the OECD's aid statistics. The above-mentioned inconsistencies in aid reporting and widespread distortion of aid figures by the donors confirm these suspicions.

This study has shown that aid figures have been inflated and misreported by the donors in numerous ways. However, even if all quantitative aid data were accurately calculated according to the OECD-DAC standards, they still would not provide us with an accurate picture of the impact of aid. Quantitative aid figures based on the OECD-DAC's ODA definition and measurement methodology are insufficient for assessing developmental impact of aid to developing countries since they are based on inputs rather than on results. In other words, ODA is measured by the quantity of material and financial flows to the recipient countries (as reported by the donors), not by their developmental impact or quality. ODA measure does not tell us anything about the outputs and impacts that are reached through the projects and programs financed by the donors. According to the OECD-DAC figures, the total amount of official development aid provided by donors was all time high in 2016 (142,6 billion USD). Several quantitative studies on the OECD aid figures, which simply focused on the surface appearances, considered the 2016 official development aid amounts as a historical success. But, the very same year, the aid to the countries most in need (labeled by the UN as the least developed countries) fell by 3.9 percent in real terms from 2015 and aid to Africa fell 0.5 percent even though the overall aid was increasing.[61]

Similarly, ODA figures reflect how much aid is provided to the health sector in the developing countries, but they do not tell us how much of it getting through to the people in need or how effective and successful these aid projects have been in terms of objectives. For example, despite global aid totaled USD 131.6 billion in 2015, World Health Organization (WHO) reported 5.6 million early child deaths for the same year, more than half of which were due to conditions that could be prevented with access to simple and affordable interventions.[62] Besides,

60 *Ibid.,* p.240.

61 OECD, "Development aid rises again in 2016 but flows to the poorest countries dip," OECD Newsroom, April 11, 2016, accessed August 4, 2016, https://www.oecd.org/newsroom/ development-aid-rises-again-in-2016-but- flows-to-the-poorest-countries-dip.htm.

62 World Health Organization, "Children: Reducing Mortality," WHO Media Centre, October 2017, accessed November 12, 2017, http://www.who.int/mediacentre/factsheets/fs178/en/.

when total development aid reached a new peak of 142.6 billion in 2016, most of this amount was spent within the boundaries of the donor countries to cover the costs of the refugee crisis.[63] The analyses simply focusing on quantitative data have interpreted these huge increases in aid money as a sign of the donors' generosity and commitment. It is understandable that a huge increase in the amount of aid may be considered as a positive development. However, a pure quantitative assessment of development aid obscures something quite important - that the increase in aid is not reaching to the poorest people, meaning the impact of aid on poverty reduction and development efforts is not what it might appear from the quantitative aid data.

All these are not to deny, or play down, the significance of quantitative aid studies. Quantitative aid studies are helpful. However, as our analysis has shown, they are ultimately insufficient for measuring the impact and effectiveness of development aid. Therefore, it is vital to complement quantitative studies with a qualitative critique. A quantitative analysis provides us with the information on how much aid was given to which countries. But it requires a qualitative analysis to determine, for example, what lies beneath the fact that donors have preferred to provide less aid to the least developed countries while providing more for the recipients that are relatively doing better.

Another significant problem with the official development assistance is that not only does it not really reflect the real impact of the development assistance in the recipient countries, but it also fails to reflect what leaves the recipient country due to aid in the form of repayments on credits. Moreover, ODA does not capture and subtract the externalities that come along with the development aid projects, such as environmental problems and resource degradation. The introduction of a new measurement framework, the TOSSD, might seem like an attempt to resolve these deficiencies. However, rather than solving these ambiguities related to the definition and measurement of ODA, the TOSSD measure makes things more complicated by blurring the distinction between commercial flows and development resource flows.

63 OECD, "ODA 2016 Detailed Summary," April 11, 2017, accessed April 21, 2017, https://www.oecd.org/dac/financing-sustainable-development/development-finance-data/ODA-2016-detailed-summary.pdf.

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