

Annex 1.

What is Official Development Assistance (ODA)?

(And what is probably not?)

Successive Danish Governments have confirmed Denmark's commitment to grant 0.7% of its GNI for Official Development Assistance (ODA). Each year, the activities are reported to the OECD and hence that the commitment has been made as promised.

Denmark follows the OECD/DAC (DAC-Development Assistance Committee) system determining if an activity is development assistance or not. The OECD/DAC system ensures that data from all countries is comparable and that the activities comply with the common agreement on what development assistance is.

This means that development assistance is activities that we can report to the OECD as ODA.

OECD/DAC maintains the detailed regulation that governs the reporting. That is why we often talk about "DAC-reporting" although, in reality, we mean "ODA-reporting".

Most activities in Danish development co-operation are easily defined as being ODA. The following gives a brief and general introduction to areas where it is necessary to be particularly vigilant. Within these policy areas, there is a substantial demand to carry out activities. However, some of them cannot be reported as ODA.

The most important requirement for activities to count as ODA is: *The main objective of the activity must be to promote the economic and social development in a developing country.*

Consequently, the following activities are not ODA:

- *Activities carried out in developing countries, where the main objective is to promote Denmark's trade or security interests.*
- *Activities to promote the global efforts to achieve the Sustainable Development Goals (SDGs). These are considered 'global public good'.*

All budget frames calculated under the Finance Act, paragraph 06.03 contribute to meeting the 0.7% target. It is therefore crucial that responsible units, early in the formulation of the programmes and projects, address the question regarding ODA-eligibility. This can help eliminate doubts regarding the objective of the activity or the recipient of the funds. In many cases, the design of the activity can eliminate doubts. Early consultations with TQS can prevent problems later on.

Example:

The fight against piracy in the African waters is not ODA. However, there are many ODA-eligible activities helping to reduce piracy, e.g. increased livelihood in the fishing communities from where the pirates recruit, or it could be activities to fight corruption in institutions and within authorities in the ports used by pirates.

In this example, it is important that the objective of the activities is designed according to the ODA-regulation. If not, it is too late to change the design if the final Development Engagement Document (DED) has already been made. The link between the objectives has to be short and concise. We are all convinced that if piracy is eliminated, the economic development of the region will be improved. However, that is not enough to make the activity ODA-eligible.

The Head of Department or Head of Mission must ensure that funds allocated under Finance Act Paragraph 06.03 finance only ODA-eligible activities. If in doubt, do not hesitate to contact TQS for advice.