DAC Member Plans to Further Untie Aid to the Maximum Extent, in line with AAA Commitments
Informal discussion of DAC Members, Friday 27 November 2009

Discussion Summary
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DISCUSSION SUMMARY

I. Introduction

1. Based on the note DCD/DAC(2009)47 and Corrigenda 1 and 2, DAC Members discussed individual donor plans to further untie aid to the maximum extent, in line with commitments agreed in the Accra Action for Agenda (AAA, paragraph 18b).

2. The secretariat suggested limiting the discussion specifically to this provision of the AAA. Other aspects included in the AAA and connected with untying, e.g. review of implementation of the 2001 Untying Recommendation, improving reporting, promoting the use of local and regional procurement and respecting international agreements on corporate social responsibility, will be discussed by the DAC early in 2010. The secretariat therefore invited Members to focus the discussion on untying (procurement via open, international competition), leaving other procedures (strengthening partner country procurement systems, increasing local/regional purchases) out of the discussion for the time being as they are outside the provisions of AAA paragraph 18b, and should not be regarded as alternatives to untying, even although they bring benefits to partner countries.

II. Review of Members’ plans

3. The discussion was organised according to the four categories of Members (in respect of the share of their aid that is untied) as set out in paragraph 6 of the note:

a) Members that report their aid as fully untied (Ireland, Luxemburg, Norway, United Kingdom)

4. There was no discussion of these Members as their aid is reported as fully untied.

b) Members who report 90% or more of their aid as untied (Australia, Belgium, Denmark, Finland, France, Sweden, Switzerland)

5. Comments by such Members included that they were getting very close to fully untied programmes (Australia), or that remaining small amounts of tied aid are associated with either export credits (Denmark, Finland, Belgium) or forms of technical co-operation (France) for which there is little prospect of untying for the time being. Sweden mentioned its commitment to improve on its present (2007) level of 95% untied.

6. The Chair’s conclusion for this group of countries was to congratulate them on a high untying performance, to encourage them to keep up this high performance, recognising the difficulties that might be associated with untying remaining small amounts of tied aid.
c) **Members whose shares of untied aid are reported as between 75% (the 2005-7 DAC average) and 90% (Germany, Japan, Netherlands*, New Zealand)**

7. Germany and New Zealand outlined their respective plans to further untie aid in line with the AAA commitment. Germany noted that its financial co-operation and food aid are almost fully untied, and that remaining efforts will focus on technical co-operation and humanitarian aid, and that following a review, Germany expects to have fully implemented its plan by 2012. New Zealand aims to be at the level of 90% untied by 2012.

8. Japan (84% untied) reported that it is untying its aid according to the DAC Recommendation on untying ODA and continues to do so. The Netherlands (82% untied) noted in its written statement its progress in untying and that its aid is now untied to the maximum extent, with the remainder in programmes (e.g. scholarships, managerial assistance) difficult to untie.

9. The Chair’s conclusion for this group was to note the already high levels of untying, the difficulties some might face in further untying and an encouragement to improve untying performance where possible.

d) **Members whose shares of untied aid are less than 75% (Austria*, Canada*, Greece, Italy, Portugal, Spain, United States*)**

10. The meeting noted and welcomed the plans and schedules by Canada (2012/13) and Spain (2015) to fully untie their aid and that of Korea, which has recently become a DAC Member, to untie 75% of its aid by 2015.

11. Italy, now (2008) at 70% untied, noted the progress it has made in untying, but indicated that no further progress was likely for the time being. Similarly, Austria (73% untied), in its written statement, cannot report any new commitments to untying aid, viewing that much of its tied aid is in programmes difficult to untie (e.g. refugees, associated financing).

12. Greece and Portugal have low levels of untying (14% and 22% respectively), but the tying status of a large proportion of their aid is not reported (75% and 77% respectively). Portugal reported on its plan to review the tying status of its projects/programmes and noted a number of statistical issues to be reviewed with the Secretariat. Greece has not yet submitted a plan to further untie its aid to the maximum extent.

13. The United States, in its written statement, set out its view that the country and activity coverage of the 2001 Recommendation (applying only to LDCs and HIPCs, and excluding technical co-operation and food aid) serves as the basis for this (and other) provisions of paragraph 18 of the AAA.

14. The Chair welcomed the plans and schedules of some Members to fully untie their aid or to significantly increase the share that will be untied. Others were encouraged to continue to review their situation and set out or strengthen present plans. The DAC 2009 HLM Action Plan was recalled, with reference to the provision to resist pressures to retie aid as a result of the crisis and it was proposed that Members keep up their efforts to resist any such pressures.

* Not present at the meeting
III. Issues raised

a) Definition and reporting issues: Some Members have different reporting practices for the same aid activities (e.g. scholarships, refugees) and it would be appropriate for the WP-STAT to investigate these matters to see if they should continue to be included in the calculation of untying ratios at all, or to reach an agreed view on what the tying status should be.

b) Procurement agencies: A number of Members highlighted how they undertake and organised procurement, some for example via state monopolies. The secretariat noted that it is the procurement regime (how open/international/competitive or otherwise) that determines the tying status of aid and not the institutional arrangements in countries. If a state monopoly is required to procure on the basis of open international competition, the goods and services thereby provided are untied. If the implementation agency or agent restricts (de jure or de facto) procurement to domestic suppliers, that aid is tied.

c) ‘Incentives’ to accept tied aid: An issue was raised concerning the Japanese approach of offering softer loans for tied aid (outside the LDCs) compared to less soft terms for untied aid loans.

d) Country and activity coverage of the AAA commitment to further untie aid to the maximum extent: As noted earlier, the United States takes the position that the country and activity coverage of the 2001 Recommendation serves as the basis for this (and other) provisions of paragraph 18 of the AAA. Japan takes a similar view. Other countries present at the meeting (Finland, Germany, New Zealand, Portugal, Sweden) take the view that the provision of paragraph 18b of the AAA applies to all developing countries and all aid activities (even if there are political/technical difficulties in untying certain types of aid). This issue, which concerns the possible scope for further untying, will need to be taken up by the WP-EFF and the DAC.

IV. Next steps

15. A report on the meeting will be made to the WP-EFF and DAC meetings in December. With a view to preparing a note for discussion in the DAC in March 2010 (and then on to the SLM), another informal meeting of DAC Members will be held in February 2010 (date to be communicated). That meeting should seek to finalise the plans and draft report being transmitted to the DAC, including plans by countries that have not yet responded or efforts, following the present discussion, to improve initial plans. The DAC meeting itself would also consider other dimensions of the broader untying agenda as set out in paragraph 18 of the AAA.
Participants list for DAC - Informal DAC meeting on Untying/Liste des participants pour CAD - Réunion informelle CAD sur le déliement de l'aide


Chairperson/Président(e)
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Australia/Australie
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Belgium/Belgique
Mme Isabelle WITTOEK  Attaché de la Coopération  Délégation Permanente

Denmark/Danemark
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Finland/Finlande
Ms. Sari LEHTIRANTA  Counsellor  Permanent Delegation

France/Canada
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