Working Party on Financial Aspects of Development Assistance

SUMMARY RECORD OF THE 133RD MEETING

held in Paris on 17 November, 2000.

Untying ODA to the Least Developed Countries: Possible approaches to promote effort-sharing

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WORKING PARTY ON FINANCIAL ASPECTS OF DEVELOPMENT ASSISTANCE

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HELD IN PARIS ON 17 NOVEMBER 2000

I. Adoption of the Agenda

1. The Agenda [DCD/DAC/FA(2000)3] was adopted. Japan indicated that it wished, under Other Business, to raise the issue of the proposal made in the Participants group to extend the tied aid disciplines to untied aid.

II. Approval of the Summary Record

2. The Summary Record of the October 2000 meeting [DCD/DAC/FA/M(2000)2] was approved, subject to a Corrigendum being issued to address points raised by a number of Members. Japan indicated that it needed more time to study that Summary Record. Subsequent to the meeting, Japan informed the Secretariat that it could approve it.

III. Untying ODA to the Least Developed Countries: Possible approaches to promote effort-sharing

3. The Chairman noted that the objective of the meeting was to permit him to report to the December 2000 SLM on the outlook for reaching agreement on an effort-sharing mechanism to complete discussions on the Recommendation. He therefore invited Members to exchange views on the various proposals [set out in DCD/DAC/FA(2000)9], including that tabled by France at the meeting [see Room Document No.1].

a) Exchange of views concerning the proposals for effort-sharing mechanisms

4. Japan recalled the main points concerning untying from the Okinawa G8 Communiqué. Japan further stated that untying should be the central focus of an effort-sharing mechanism, that all Members should fully implement the coverage clause of the Recommendation, and that those below a certain threshold should engage in additional efforts to promote effort-sharing. These should be set out in a statement with a plan to reach target levels within a given timeframe, as Japan feels that traditional OECD peer pressure approaches by themselves would not be sufficient to achieve the desired progress.

5. France, in introducing its proposal, indicated that it was not in favour of approaches that brought the basic Recommendation into question. As a first step, all Members should, therefore, fully implement its coverage provisions. Its own suggestion combined the different perspectives on effort-sharing and provided the maximum scope for Members to undertake actions to promote effort-sharing. France further
emphasised that the target level for its composite indicator and the timeframe for actions should be agreed among Members on a consensual basis.

6. A number of Members appreciated that France had brought a proposal to the table. They would need time to further study the proposal and assess its implications, while indicating that it should be further explored. Several Members welcomed that key aspects of the proposal were to be agreed on a consensual basis and that the approach offered the maximum scope for additional actions to promote effort-sharing. Some Members raised various issues concerning the proposal by France:

- It was unclear at present whether the proposal would be supplementary to the one or the other broad approaches (“full implementation plus” or “differentiated implementation”) or whether it was independent of/alternative to them. In this connection, it was again stated that approaches requiring Members to undertake additional actions beyond implementing the coverage clause of the Recommendation risked reopening the coverage debate. Additional actions beyond the scope of the coverage clause would be very difficult to accept, unless set in a best endeavours approach.

- Broader issues concerning LLDC ODA volume, or the allocation of a Member’s total ODA between multilateral and bilateral components are, and should, remain unrelated to the objectives of the Recommendation and the needs of some Members for an effort-sharing mechanism.

- Some Members were in favour of including multilateral ODA in the indicator. Others were not, because the Recommendation addresses bilateral ODA. The question of including EU ODA in the indicator was also raised in the context that it does not meet the DAC definition of untied aid.

- It was not immediately apparent to some Members that the French proposal would result in higher levels of untying, which in the minds of some Members should be the objective of the mechanism.

7. More generally, and with reference to the different proposals under discussion, the following points were made by various Members:

- “Full implementation, plus” approaches in general, but particularly when associated with “targets”, are likely to be in practice undeliverable for some Members. They also risk reopening the coverage debate. Turning “targets” into “reference points” or indicators for setting expectations and monitoring performance should, therefore, be considered.

- “Differentiated implementation” approaches are not supported by some Members, who feel that they would not ensure sufficient improvements in effort-sharing. While not their first preference, other Members indicated they might be prepared to consider this type of approach, either to deal with their concerns, to avoid other approaches they consider untenable, or if helpful to a consensus agreement.

- Indicators or targets based on GNP ratios are problematical for a number of Members in any event and, more generally, they have little connection with the untying objectives of the Recommendation.

- ODA volume and allocations to country groups, including the LLDCs, are determined by broader and overriding policy objectives, and thus unlikely to be influenced by the desire to
improve effort-sharing. Some Members thus indicated it would be difficult to enter into commitments on ODA volume.

- A number of Members felt that we should not lose sight of the main objective of the Recommendation, which is best promoted by all Members fully implementing its coverage clause. Further improvements in effort-sharing beyond that achieved by the coverage provisions of the Recommendation should be based on best endeavours and peer review pressure on those Members that should undertake additional actions to promote better effort-sharing. Such approaches should realistically consider what Members are able to do to improve effort-sharing beyond implementing the coverage provisions, and should seek to offer them the maximum encouragement and flexibility to identify and untie additional ODA.

8. In respect of the implications of the different approaches for partner countries, it was noted that this aspect should be looked at alongside their implications for Members. It was pointed out that the greater are the benefits to partner countries from effort-sharing mechanisms, the greater will also be the difficulties created for some Members, and thus for reaching a consensus outcome. This trade-off should be kept in mind and addressed explicitly in assessing the different proposals.

b) Chairman’s comments on the discussion

9. The Chairman commented that the exchange of views on the different proposals was helpful in identifying their respective pros and cons and the difficulties that would have to be addressed if the one or the other was to provide a basis for an eventual consensus agreement. At present, however, there was no obvious preference among DAC Members for a particular approach.

10. The discussion suggested to the Chairman that most Members wished for an outcome whereby, as a minimum, all Members fully implemented the coverage clause of the Recommendation. This, in itself, would improve effort-sharing, even if not as far as some Members would like. The question was then what could be added to that base, and what form should it take, to satisfy the requirements of some Members and be feasible for others?

11. In this latter connection, he felt that the discussion had outlined the framework for a third broad approach. The main elements of this were that all Members would fully implement the coverage clause of the Recommendation and, in addition, would seek to maximise additional untangling beyond that, pursuant to paragraph 5 of the draft Recommendation, linked to performance indicators and peer pressure rather than targets. The language of paragraph 5 could be strengthened as well as directed more particularly towards the need to promote effort-sharing. An approach along these lines recognises the need for and value of untangling beyond the provisions of the coverage clause, but also that a number of Members could not subscribe to framing this in terms of “targets”. A consensus along these lines would maximise not only the untangling that results from the coverage provisions of the Recommendation, but also the more “voluntary” component beyond that. Even if less than some Members desire, this sort of approach would still put some Members on a lower “platform”, from which expectations would be set and monitored in order to promote effort-sharing. The Chairman recognised, however, that a proposal along these lines did not meet with the initial points of departure of some Members.

12. The Chairman concluded that the SLM could be invited to provide guidance on the direction to pursue with the objective of reaching a positive conclusion. In that connection, he felt that key questions concerned which of the broad approaches were most likely to provide a basis for consensus and, within
this, whether an approach based on “targets” or one based on “indicators” and peer pressure would provide the better rallying point.

IV. Other business

13. Japan raised the matter of a proposal by the United States in the Participants group to extend the Helsinki tied aid disciplines to untied aid, and the possible implications for such a discipline on aid volume and on policy coherence between the aid and trade communities. Japan suggested that the DAC should discuss the pros and cons of that proposal.

14. Germany indicated that it was still considering that proposal and invited other Members also to do so, particularly in conjunction with their colleagues in capitals who follow trade and export credit matters.

15. The Chairman invited the Secretariat to discuss this matter with the Trade Directorate, including the preparation of the paper to be prepared for the next discussion in the Participants group. He further suggested that if the proposal being discussed in the Participants group had implications for aid policy and aid management, it would be important for the DAC to be involved in that discussion.
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