

Unclassified

DCD/DAC(2010)16

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

15-Mar-2010

English - Or. English

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

DCD/DAC(2010)16
Unclassified

**Implementing the 2001 DAC Recommendation on Untying Aid
2010 Review**

DAC Meeting 29 March 2010

*This document is submitted for COMMENT to the 29 March 2010 informal meeting of the DAC.
It will then be revised as appropriate and submitted for APPROVAL under written procedure. Next, the note will
be tabled for INFORMATION to the 14-15 April DAC Senior Level Meeting.*

Contact:

Frans Lammersen - Tel.: +33(0)1 45 24 89 88 - Email: frans.lammersen@oecd.org

Ann Gordon - Tel.: +33(0)1 45 24 90 28 - Email: ann.gordon@oecd.org

JT03280028

Document complet disponible sur OLIS dans son format d'origine
Complete document available on OLIS in its original format

English - Or. English

TABLE OF CONTENTS

IMPLEMENTING THE 2001 DAC RECOMMENDATION ON UNTYING AID 2010 REVIEW	3
I Background and highlights	3
II Review of the implementation of the 2001 DAC Recommendation	3
i) Aid untying	3
ii) Effort sharing	4
iii) Ex ante notifications	4
iv) Reporting on contract awards	4
v) Extending the reach.....	5
III DAC Members individual plans to untie aid to the maximum extent	5
IV The independent evaluation of the outcomes and impacts of untied aid	6
i) Key findings.....	7
ii) The way forward.....	8
iii) Next steps.....	8
 ANNEX 1 STATISTICAL TABLES	 9
Table 1. Tying status of DAC Members' bilateral ODA, 2008.....	9
Table 2. Tying status of DAC members' bilateral ODA, 2006-08 average	10
Table 3. DAC Members' positions in respect of the reference indicators matrix	11
Table 4. Ex ante notifications, 2002-2009	12
Table 5. Ex-post contracts awarded (volume and number)	13
Table 6. Geographical distribution of contracts awarded	14
 ANNEX II MEMBERS' PLANS TO UNTIE AID TO THE MAXIMUM EXTENT.....	 15
I. Members whose aid is almost fully untied and/or where there is a clear plan to untie remaining tied aid	15
II. Members with sizeable shares of tied aid and without a clear plan to untie a significant share of the remaining tied aid	20
III. Unresolved cases	21

IMPLEMENTING THE 2001 DAC RECOMMENDATION ON UNTYING AID 2010 REVIEW

I Background and highlights

1. The annual reviews of the implementation of the 2001 DAC Recommendation on Untying Aid assess Members' performance in respect of their commitments (*e.g.* untying agreed forms of aid, effort sharing and transparency provisions) as well as the extent to which the Recommendation is delivering its objectives.

2. The present, 2010, review will, in addition, focus on the following two areas: (i) DAC Members individual plans to implement the Accra Agenda for Action to untie aid to the maximum extent, and (ii) the main conclusions and recommendation emanating from the independent evaluation of the outcomes and impacts of aid untying (see: *'Aid untying: is it working?'*, ODI (2010) and [DCD/DAC(2010)3]).

3. The key findings arising from this review can be summarised as follows:

- The trend towards untying remains encouraging. In 2008, 81% of all bilateral ODA (excluding administrative costs) is reported as untied, 16% as tied and the tying status of 4% is not reported. Improved performance on meeting the transparency provisions of the Recommendation is required, while the geographic distribution of contract awards remains a cause for concern [section II];
- Good progress is being made in developing individual plans to untie aid to the maximum extent in line with AAA commitment. Most, but not all, Members have action-oriented strategies (including targets and timelines) to significantly increase the share of their aid that will be provided untied [section III];
- The independent evaluation of untying concluded that: *"There has been much progress (on untying) by most DAC Members, but some have done little more than nominally untying their aid in a legal or regulatory sense. So there is much scope for further untying in practical ways (...)"* The report concludes with a number of suggestions for improving the development results of untied aid [section IV].

II Review of the implementation of the 2001 DAC Recommendation

i) Aid untying

4. As reported in earlier progress reports, all donors have fully met the commitments in the Recommendation to untie their aid to the Least Developed Countries (LDCs) and Highly Indebted Poor Countries (HIPC).¹ In addition, Members reported to the OECD Creditor Reporting System (CRS) that, in 2008, 81% of their aid was untied, 16% was tied, while they did not report the tying status of the remaining 4% of their bilateral aid [Annex I, table 1].

5. As noted before, this presents good progress, not only in the growing share of aid that is provided untied, but also in the declining share of aid for which the tying status is not reported. These

1. Food aid and technical cooperation are excluded from the coverage of the Recommendation.

averages mask, of course, variations among Members. For instance, in the case of Greece, a below average share of untied aid is mirrored by an above average share of aid for which the tying status is not reported. The Secretariat is providing Greece and other Members assistance to improve the comprehensiveness of their reporting.

6. Earlier progress reports highlighted in this section the untying plans of individual DAC Members. Following the Accra Agenda for Action, all DAC Members are now committed to develop plans to untie their aid to the maximum extent. These plans have been summarised in section III and are reproduced in Annex II.

ii) Effort sharing

7. One of the objectives of the Recommendation is to improve effort sharing among Members. Progress in this area is assessed against two reference indicators. In 2008, the DAC average LDC ODA untying ratio reached 0.86² which is significantly above the 0.54 benchmark, while the effort-sharing composite indicator stood at 0.10 compared to the 0.04 benchmark [Annex 1, table 3]. Thus, in the aggregate, both indicators are well above the benchmark values, showing that improvements in effort sharing have been significant and sustained.

8. Interpreting positions of individual Members vis-a-vis the benchmark needs to be done with care as these can fluctuate because of changes in any of the variables included in the formulae. For instance, the decline in Japan's effort sharing indicator, which now equals the benchmark, is caused by a USD 600 million reduction in total aid to the LDCs combined with a shift towards multilateral delivery channels.

iii) Ex ante notifications

9. The Recommendation sets out strict provision for the *ex ante* notifications of untied aid offers. In 2008, 213 untied aid offers were notified with a total volume of USD 3.7 billion. Although these numbers are in line with earlier years, it remains disappointing that only 9 Members adhere to the transparency provisions and consistently notify their untied aid offers. Consequently, there is an important and persistent reporting gap [Annex 1, table 4].

10. This disappointing performance has been discussed on several occasions and different approaches have been put forward, with little success however. Consequently, unless Members adhere to their commitments to improve transparency as for instance reconfirmed in the AAA and recommended in the independent evaluation, little improvement can be expected.

iv) Reporting on contract awards

11. On 1 July 2006 the coverage threshold of SDR 700 000 (and SDR 130 000 for investment related technical cooperation) was eliminated from the Recommendation. Reporting on contracts awarded to these small projects commenced in 2007. This has resulted in a significant increase in the number of contracts reported from 624 in 2006 to 3 503 in 2007 and 3 442 in 2008; although the combined total annual volume of these projects was less than USD 300 million [Annex 1, table 5].

12. Australia, Canada, France, Greece, New Zealand, Portugal, Sweden and the United Kingdom reported most of the small contracts awarded. Standardising for this, reporting on contacts above

² This refers to the LDC untying ratio. The statistics in paragraphs 3 and 4 above cover all developing countries.

SDR 700 000 climbed back to 689 in 2008; a level similar to that of 2006. Nevertheless, and as is the case for *ex ante* notifications there is persistent and considerable underreporting on contract awards.

13. In 2008, the share of contracts awarded to companies located in developing countries increased to more than 50% from 37% in 2007. However, in volume terms only slightly more than USD 1 billion or 25% of the total value was procured from companies located in developing countries [Annex I, table 6]. This constitutes a decline compared to 2007 when 42% of the total value went to suppliers in developing countries.

14. While there are important annual fluctuations concerning the geographic distribution of contract awards it is a constant concern that the majority of the untied aid financed goods, services and works is procured from companies within the donor country or other OECD countries. The independent evaluation of the developmental benefits of untying also highlights this issue and suggests that much remains to be done to eliminate *de facto* impediments to untying [section IV].

v) *Extending the reach*

15. Both the Recommendation and the AAA highlight that aid untying has a broader applicability beyond DAC Members and should be a reference for all other countries providing aid to developing countries. This also applies to the provisions concerning responsible procurement, which should promote respect from suppliers with agreed international standards of corporate social responsibility and environmental behaviour. Accordingly, non-DAC donors are invited to consider the provisions concerning untied aid developed by the DAC and to take them into the fullest account possible in their aid relations with developing countries.

16. The DAC engages with non DAC donors through a number of dialogues such as the Global Forum on Development, the WP EFF Task Team on South-South Cooperation and the DAC-China Study Group. Furthermore, the OECD through the process of enhanced engagement is forging a more structured and coherent partnership with Brazil, China, India, Indonesia and South-Africa (the BRICS). Members are invited to identify opportunities and suggest entry points to raise the issue of the development benefits of aid untying and the issue of responsible procurement at opportune moments during these various dialogues.

III DAC Members individual plans to untie aid to the maximum extent

17. The Accra Agenda for Action (paragraph 18) commits DAC Members to “*elaborate individual plans to further untie their aid to the maximum extent.*” Consequently, the DAC Chair asked Members to provide the Secretariat with their individual plans [ED(2009)63]. Based on these plans [DCD/DAC(2009)47, and corrigenda 1 and 2, reproduced in Annex II], as well as the informal DAC discussion on 27 November 2009 [DCD/DAC(2009)50] and 18 February 2010 [DCD/DAC(2010)15], the Secretariat has categorised Members’ plans to untie aid to the maximum.

18. It should be emphasised that this assessment is based on the extent to which a Member’s aid is already untied [Annex 1, table 2], the technical (but not political) complexity of untying certain forms of aid and the details of the targets and timelines to untie remaining tied aid. The assessment does not take into account approaches related to promoting greater local/regional procurement or local purchases. While these are positive moves in their own right, they are complementary, but not alternatives to untied aid, nor do they necessarily result in more untied aid (as defined by the DAC).

19. To illustrate the methodology of the assessment, two examples at different ‘ends of the scale’ are presented. Australia, which untied an average 94% of its bilateral aid during 2006-08, has a clear plan and timeline to untie all remaining tied aid. Australia therefore figures in the category where most

aid is already untied and where there is also a clear plan and timetable to untie remaining tied aid (in its case, fully). At the other end of the scale, Greece only reported 18% of its aid as untied (2006-08 average) and has not submitted a plan to untie more³.

20. On that basis, Members' individual plans are categorised as follows:

- i. *Members whose aid is already fully or almost fully untied and/or where there is a clear plan (i.e. with targets and timelines) to totally or significantly untie remaining tied aid* -- Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Korea, Luxembourg, New Zealand, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
- ii. *Members with sizeable shares of tied aid in their programmes and without a clear plan (i.e. with targets and timelines) to untie a significant share of the remaining tied aid* – Austria, Greece, and Italy. Austria (77% untied) notes in its plan that it, “cannot report any new commitments towards untying aid.” Greece (18% untied) has not yet submitted a plan. Italy (67% untied) has set out an approach focusing on increasing local purchases and states, “the level of untying reached so far is already at its maximum extent.”
- iii. *Unresolved cases* –For the time being it is not possible to categorise the situations concerning two Members – Japan and the United States. These Members consider that the AAA commitment only addresses aid covered by the untying Recommendation (United States), or does not require untying beyond the Recommendation (Japan). Since the United States and Japan already implement the Recommendation and have gone beyond it, they consider that they have nothing additional to untie to meet the AAA commitment. Accordingly, they consider that they should be grouped under (i) above. The Secretariat, however, considers that the AAA applies to all aid, otherwise it would be an empty commitment [DCD/DIR(2009)16]. After all, if the commitment would only apply to aid already covered by the Recommendation all DAC Members would have fulfilled this commitment for quite some time. Consequently, from the Secretariat perspective Japan (81% untied) and the United States (63% untied) should be grouped under ii) above. The DAC and the WP-EFF will be invited to discuss this issue.

21. During various meetings on untying, some delegates noted that the statement ‘fully untied’ required further clarification. In some cases it is impossible to untie aid (*e.g.* administrative costs and imputed costs for refugees), in other cases partner countries ask for in-kind assistance (*i.e.* training of the police force). Delegates noted that there is a need for informal guidance on how to report the tying status of certain aid categories such as imputed student costs and NGO support, where it seems that Members report their tying status in different ways. A discussion of these issues is planned for the next meeting of the Working Party on Statistics in June 2010.

IV The independent evaluation of the outcomes and impacts of untied aid

22. The DAC in collaboration with the Working Party on Aid Effectiveness commissioned an independent evaluation of the outcomes and impacts of untied aid. The study re-examined efforts towards untying, complemented by a review of donor policies and practices through a survey of five donors (*i.e.* Australia, Canada, Denmark, Norway and Switzerland). The widespread perception that

3. In respect of untying, the EC represents a ‘hybrid’ situation, where the definitions and thus methodology do not easily apply. The EC budget is largely untied and goes beyond the Untying Recommendation. In respect of the EDF, substantial progress has been already made to further untie assistance and further plans are being developed in the framework of a revision of the Cotonou Agreement.

untying increases aid efficiency and effectiveness has been re-examined through a literature review on the economics of tying and untying practices, followed by an investigation into untying practices in six partner countries (*i.e.* South Africa, Zambia, Burkina Faso, Ghana, Vietnam and Lao PDR). Twenty-one development projects in these countries, supported individually or jointly by fourteen DAC Members as well as the World Bank (IDA), and reported as fully untied or with untied components, were examined in detail. Most projects are in the water and sanitation sector, which combines both infrastructure and social development objectives.

i) Key findings

23. DAC donors have made considerable progress in the *formal* untying of their aid, removing legal and regulatory impediments to the procurement of goods and services outside the donor's own market. The proportion of fully untied bilateral aid rose progressively from 46% in 1999-2001 to 81% in 2008, and for LDCs it has increased from 57% to 86%. The changes over the past 10 years indicate that the 2001 Recommendation, together with other international agreements such as the Paris Declaration, have had an overall positive impact on further untying aid. But there are important qualifications.

24. The study places these overall positive findings into the context of recipient perspectives and findings about the actual or *de facto* practice of aid delivery in partner countries. Although changes in policy and regulations may allow the sourcing of goods and services outside of the donor country, the country study evidence suggests that the obstacles to untying are now most related to removing intended and unintended tying practices.

25. In fact, there are systematic differences in the revealed preferences of donors about aid uses in the countries surveyed. Genuine untying was typically found when convincingly linked to programmatic and pooling modalities, combined with efforts to use and strengthen partner capacities in financial management and procurement. However, project-type aid is still the dominant modality in all surveyed countries. Furthermore, many formally untied projects were found to be *de facto* tied or to have only some untied components.

26. *Value for money*: the near general conclusion in economic theory and the limited evidence-based literature conclude that untied aid is likely to be *cost-effective*, and this is broadly confirmed by the study. In most cases procurement costs were competitive with local and international market prices. Occasionally costs were higher, reflecting small-scale tendering processes and social networks.

27. *Ownership and alignment*: the country studies found that a positive approach to the use of untied funds, including program modalities such as general budgetary support, sectoral basket funding and joint pooling by donors, as well as using country systems for procurement, were promoting ownership and facilitating alignment with partner country priorities. In other words, untying aid helps to promote the aid effectiveness agenda.

28. *Developmental impacts*: the country case studies are cautiously positive, finding evidence of direct employment and income generation. By untying, the balance of sourcing goods and services is shifted towards local suppliers, thereby promoting local business development. In addition, capacity building and knowledge transfer appear to be more likely where local and regional firms of medium capacity undertake project investment activities. However, the linkage effects are limited due to the low development of many local markets. Further expanding untying therefore must go in line with local market development and with strengthening the ability of local SMEs to effectively compete for untied aid funded contracts.

29. Overall, successful untying emerges from the country studies as a critically important contributory factor towards achieving greater aid effectiveness. Consequently, efforts to further untying can be justified on the basis aid effectiveness and not only on grounds of cost-efficiency.

ii) The way forward

30. Donors and their partners can do much more to complete the process of untying and to exploit the opportunities offered by untying to increase aid effectiveness and its development impacts. These actions need to be set clearly within the changing global context of aid, which includes a better understanding of the growing role of concessional and largely tied development funding provided by emerging non-DAC donors; new vertical funding mechanisms that could be at odds with aid effectiveness principles; and new forms of financing that seem likely to be required to address the challenges posed both by the global financial crisis in the short-term and climate change in the longer term.

31. Against that background, key recommendations of the study suggest that donors:

- Remove or obtain general exemptions from procurement restrictions on the disbursement of public funds, if these still apply;
- Improve the comprehensiveness of their reporting on the tying status of their aid;
- Make greater use of country procurement systems;
- Encourage local and regional firms to participate in aid funded procurement;
- Consider adding, to the annual progress reports on untying, a country partner focused review of progress in untying;
- Monitor and rigorously evaluate both their progress in untying and in making use of the capacities within partner countries.

iii) Next steps

32. Most Members welcomed the evaluation, although Japan expressed its disappointment with the quality of the study. The DAC will specifically address the recommendations to exploit the opportunities offered by untying to increase aid effectiveness and development impacts. Finally, a communication strategy will be developed to disseminate the findings to a wider audience in donor and recipient countries.

ANNEX 1
STATISTICAL TABLES

Table 1. Tying status of DAC Members' bilateral ODA, 2008
(excluding Administrative costs to donors)

	Total ODA				of which: Technical Co-operation				Share of Technical Co-operation in total ODA %
	Total USD million	Untied %	Tied %	Not reported %	Total USD million	Untied %	Tied %	Not reported %	
Australia	4 595	94	6	..	1 417	89	11	..	31
Austria	1 268	73	27	..	206	26	74	..	16
Belgium	1 711	96	4	..	828	100	..	..	48
Canada	3 454	72	20	8	1 185	53	42	5	34
Denmark	1 436	99	1	..	74	100	..	..	5
Finland	843	93	6	..	257	97	3	..	31
France	9 463	82	15	2	2 475	89	10	..	26
Germany	12 308	77	23	..	4 521	41	59	..	37
Greece	289	13	1	86	191	1	1	98	66
Ireland	880	100	..	..	19	100	..	..	2
Italy	2 282	73	25	2	124	67	31	2	5
Japan	15 960	84	3	13	1 956	..	..	100	12
Luxembourg	258	100	..	..	7	100	..	..	3
Netherlands	5 305	94	6	..	368	84	16	..	7
New Zealand	329	81	18	1	78	38	57	4	24
Norway	3 572	100	..	..	601	100	..	..	17
Portugal (1)	958	..	..	..	155	..	..	..	16
Spain	4 363	56	44	..	1 099	1	99	..	25
Sweden	2 427	81	1	18	137	40	19	41	6
Switzerland	1 571	98	2	..	109	100	..	..	7
United Kingdom	7 884	100	..	..	1 917	100	..	..	24
United States	30 003	73	27	..	774	7	93	..	3
Total	111 159	81	16	4	18 497	57	31	12	17

Source: Creditor Reporting System, (commitments data).

(1) Tying status is not available on Portugal's 2008 commitments. Reporting is expected to commence as from 2009 flows.

Table 2. Tying status of DAC members' bilateral ODA, 2006-08 average
(excluding Administrative costs to donors)

	Total ODA				of which: Technical Co-operation				Share of Technical Co-operation in total ODA %
	Total USD million	Untied %	Tied %	Not reported %	Total USD million	Untied %	Tied %	Not reported %	
Australia	2 802	94	6	..	1 159	92	8	..	41
Austria	1 221	77	23	..	190	29	71	..	16
Belgium	1 578	95	5	..	722	100	..	..	46
Canada	2 926	70	22	8	1 049	61	37	2	36
Denmark	1 387	97	3	..	73	99	1	..	5
Finland	671	91	9	..	216	92	8	..	32
France	8 816	86	11	3	2 390	88	12	..	27
Germany	10 314	76	20	..	3 721	35	51	..	36
Greece	230	18	4	77	139	11	1	87	60
Ireland	756	100	..	..	13	100	..	..	2
Italy	2 043	67	26	7	155	18	8	74	8
Japan	13 594	81	4	15	1 907	..	..	100	14
Luxembourg	225	100	..	..	2	100	..	..	1
Netherlands	6 698	94	6	..	445	85	15	..	7
New Zealand	287	83	17	..	81	57	42	1	28
Norway	2 924	100	..	..	543	100	..	..	19
Portugal (1)	384	51	7	43	135	100	..	..	35
Spain	3 535	46	35	19	831	29	51	20	24
Sweden	2 516	92	1	7	116	28	25	48	5
Switzerland	1 395	91	3	..	141	70	..	..	10
United Kingdom	8 006	100	..	..	2 367	100	..	..	30
United States	25 495	63	37	..	4 159	25	75	..	16
Total	97 804	79	17	5	20 554	54	32	14	21

Source: Creditor Reporting System, (commitments data).

(1) Tying status information is not available on Portugal's 2008 commitments. The data shown are based on the two-year average 2006-07.

Table 3. DAC Members' positions in respect of the reference indicators matrix

	Bilateral LDC ODA Untying Ratio (1)		Effort-sharing Composite Indicator (2)	
	Base (99-01 ave.)	2008	Base (99-01 ave.)	2008
Australia	0.42	1.00	0.05	0.10
Austria	0.35	0.73	0.04	0.07
Belgium (3)	0.49	1.00	0.08	0.21
Canada	0.39	0.79	0.03	0.12
Denmark	0.77	0.97	0.28	0.29
Finland	0.69	1.00	0.08	0.18
France	0.54	0.92	0.06	0.12
Germany (4)	0.43	0.82	0.04	0.10
Greece (5)	..	0.13	..	0.04
Ireland (6)	0.84	1.00	0.14	0.29
Italy	0.29	0.73	0.03	0.07
Japan (7)	0.76	0.75	0.05	0.04
Luxembourg (8)	..	1.00	..	0.36
Netherlands (9)	0.86	0.99	0.22	0.27
New Zealand (10)	..	0.72	..	0.09
Norway	0.99	1.00	0.30	0.39
Portugal (4) (11)	0.41	..	0.10	..
Spain	0.25	0.58	0.02	0.07
Sweden	0.69	0.97	0.18	0.26
Switzerland	0.84	0.93	0.09	0.11
United Kingdom	0.62	1.00	0.07	0.15
United States (12)	..	0.81	..	0.07
Total DAC	0.54	0.86	0.04	0.10

Source: OECD (DAC and CRS)

- (1) The Bilateral LDC ODA untying ratio represents: Untied bilateral LDC ODA divided by total bilateral LDC ODA (commitments basis).
- (2) The Effort-sharing composite indicator represents: (bilateral LDC ODA/GNI times the bilateral LDC ODA untying ratio) + multilateral LDC ODA/GNI. Following the DAC convention, multilateral ODA is treated as untied.
- (3) Belgium extended CRS reporting of tying status to include their grant programme as from 2000. The 1999-2001 average figures shown are thus based on a two-year average (2000-2001).
- (4) Germany and Portugal commenced the reporting of technical co-operation tying status as from 2003.
- (5) Greece commenced reporting to the CRS as from 2002. Tying status for 2008 is incomplete.
- (6) Ireland commenced reporting to the CRS in 2000. The 1999-2001 average figures shown are thus based on a two-year average (2000-2001).
- (7) Japan does not report the tying status of free standing technical co-operation (FTC).
- (8) Luxembourg commenced the reporting of tying status as from 2003.
- (9) Netherlands extended CRS reporting of tying status to include FTC as from 2000. The 1999-2001 figures shown are thus based on a two-year average (2000-2001).
- (10) New Zealand commenced reporting to the CRS as from 2002.
- (11) Tying status is not available on Portugal's 2008 commitments.
- (12) The United States did not report tying status to the CRS for period 1999-2001.

Note: The above table is based on the group of least developed countries shown on the DAC List of ODA Recipients effective from September 2009 for reporting on 2008 flows.

Table 4. Ex ante notifications posted to the DAC Bulletin Board, 2002-2009 (1)
Least Developed Countries and Non-LDC Heavily Indebted Poor Countries (2)

	Volume (USD million)								Number of Notifications							
	2002	2003	2004	2005	2006	2007	2008	2009 (3)	2002	2003	2004	2005	2006	2007	2008	2009 (3)
Australia (4)	..	..	68	34	83	52	20	35	..	..	3	4	5	6	4	4
Austria	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Belgium	..	3	3	559	907	376	759	134	..	2	2	8	18	40	34	28
Canada	..	31	..	19	3	16	..	..	..	3	..	2	1	1	..	..
Denmark	113	15	..	..	0	3	10	10	25	7	..	..	1	1	7	6
Finland	8	..	..	..	..	..	4	62	3	..	..	..	..	..	2	9
France	37	132	234	107	244	186	188	139	7	20	30	13	24	14	8	6
Germany	217	192	507	563	270	464	78	179	24	25	34	49	30	38	7	13
Greece	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	150	..	531	..	..	..	..	..	15	..	3	..	..	..	..	..
Japan	41	330	338	732	334	1 172	730	215	5	47	60	88	59	87	76	24
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Netherlands (4)	27	314	3	0	..	0	..	..	6	19	2	1	..	1	..	..
New Zealand (4)	0	..	0	..	..	..	..	..	1	..	2	..	..	..	..	..
Norway	8	93	..	25	6	..	..	..	2	13	..	2	3	..	..	..
Portugal	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Spain	12	..	..	10	30	..	..	..	1	..	..	2	3	..	..	..
Sweden (4)	..	0	..	..	..	..	..	0	..	1	..	..	..	..	..	1
Switzerland	13	16	76	13	..	..	..	..	3	1	10	1	..	..	..	..
United Kingdom (4)	8	91	385	555	318	..	0	0	1	22	13	23	21	..	15	6
United States (4)	40	..	2 197	3 198	2 239	328	1 882	1 905	1	..	18	40	45	37	60	65
Total LDCs	674	1 218	4 342	5 814	4 433	2 597	3 671	2 679	94	160	177	233	210	225	213	162
<i>For memo:</i>																
Total Notifications (5)	968	1 656	5 028	9 539	8 470	19 842	5 265	4 346	102	186	211	311	346	328	330	259
Other recipients	294	438	686	3 725	4 037	17 244	1 594	1 667	8	26	34	78	136	103	117	97

Source : OECD-DAC Untied *ex ante* database.

- (1) Data in the table have been revised to take account of the graduation of Cape Verde from the list of least developed countries.
- (2) Coverage of the Recommendation was extended to include non-LDC HIPCs as from 2009.
- (3) Includes non-LDC HIPCs (Bolivia, Cameroon, Côte d'Ivoire, Ghana, Guyana, Honduras, Nicaragua and the Republic of Congo).
- (4) In an effort to ensure competitiveness, some members have submitted notifications for which the project amount has not been made available.
- (5) The total for the United States in 2007 includes an untied grant for USD 15 billion for a 5 year HIV/AIDS plan in South Africa.

Note: The notation ".." indicates no data available.

Table 5. Summary of ex-post contracts awarded (1)
Volume and Number: 2003-2008

	USD million (2)						Number of contracts (2)						USD million	Number of contracts
	2003	2004	2005	2006	2007	2008	2003	2004	2005	2006	2007	2008	2008 (3)	
Australia	..	..	47.8	52.7	152.0	171.4	..	..	31	9	500	399	140.9	77
Austria (4)	..	..	3.4	1.6	..	..	..	..	3	2	..	..	..	..
Belgium	..	29.7	7.0	7.4	39.5	54.3	..	36	15	25	121	115	51.2	106
Canada (5)	28.3	..	18.1	..	16.2	21.1	3	..	4	..	4	307	..	..
Denmark	..	..	..	2.2	11.1	32.0	..	..	..	4	18	13	30.7	10
Finland	21.6	..	..	..	13.3	14.8	2	..	..	..	90	58	9.9	5
France	117.0	68.9	73.6	398.7	1 091.3	1 396.9	10	11	16	291	1140	1570	1 261.2	200
Germany	57.6	94.0	394.7	332.5	183.0	240.7	47	66	130	120	94	161	240.7	161
Greece	0.4	0.5	0.0	0.3	3.0	10.9	1	2	1	7	36	54	2.9	2
Ireland (4)	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	..	..	..	27.4	..	..	..	..	..	1	..	..	..	..
Japan (4)	221.8	..	n.a.	2.7	0.0	..	33	..	28	21	23	..	..	..
Luxembourg (4)	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Netherlands (4)	214.0	15.9	..	..	4.0	..	8	2	..	..	1	..	..	..
New Zealand	..	..	..	..	31.0	14.9	..	..	..	..	385	281	1.4	1
Norway	..	..	..	..	6.0	16.3	..	..	..	..	1	1	16.3	1
Portugal	..	..	..	..	16.9	2.8	..	..	..	..	49	50	1.8	1
Spain (5)	..	3.6	46.5	..	0.1	..	..	1	8	..	4	..	..	..
Sweden (5)	7.9	6.4	..	..	11.6	3.2	2	2	..	..	16	26	..	..
Switzerland (4)	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	12.9	0.8	32.3	..	368.6	749.7	3	9	19	..	841	306	701.9	24
United States	0.7	107.5	280.4	1 809.9	1 946.3	1 230.5	1	17	73	144	180	101	1 230.5	101
Total	682.1	327.4	903.7	2 635.4	3 893.8	3 959.6	110	146	328	624	3503	3442	3 689.3	689

Source: Contract Awards Questionnaires.

- (1) Updates and revisions to previous years' data are included in the table.
- (2) As from 2007, data include information on small contracts (i.e. below previous thresholds of SDRs 700 000 and SDRs 130 000 for investment related technical co-operation).
- (3) 2008 data excluding small contracts.
- (4) No information provided on 2008 contract awards.
- (5) Canada, Spain and Sweden completed no untied contract awards in 2008 above the SDR 700 000 threshold. No small contracts were reported by Spain.

Table 6. DAC 2001 Recommendation on Untying
Distribution of total contracts awarded in 2008 (1)

	Total Contracts Awarded		within donor country		Other OECD and non_DAC countries		Developing countries (excl. LDCs)		LDCs	
	No. of contracts	US\$ mn.	No. of contracts	US\$ mn.	No. of contracts	US\$ mn.	No. of contracts	US\$ mn.	No. of contracts	US\$ mn.
Australia	399	171.4	312	165.5	55	4.6	15	0.8	17	0.5
Austria (2)	..	..	..	..	..	..	..	..	..	..
Belgium	115	54.3	12	1.5	12	19.8	23	15.1	68	18.0
Canada	307	21.1	292	20.1	9	0.3	4	0.6	2	0.2
Denmark	13	32.0	11	28.5	2	3.5	0	0.0	0	0.0
Finland	58	14.8	43	13.9	9	0.8	1	0.0	5	0.1
France	1570	1 396.9	220	650.5	37	66.3	888	613.9	425	66.2
Germany	161	240.7	62	92.6	23	26.2	17	16.9	59	105.0
Greece	54	10.9	0	0.0	0	0.0	0	0.0	54	10.9
Ireland (2)	..	..	..	..	..	..	..	..	..	..
Italy (3)	..	..	..	..	..	..	..	..	..	..
Japan (2)	..	..	..	..	..	..	..	..	..	..
Luxembourg (2)	..	..	..	..	..	..	..	..	..	..
Netherlands (2)	..	..	..	..	..	..	..	..	..	..
New Zealand	281	14.9	188	9.4	37	4.1	36	1.0	20	0.5
Norway	1	16.3	0	0.0	0	0.0	1	16.3	0	0.0
Portugal	50	2.8	35	0.7	0	0.0	0	0.0	15	2.2
Spain (3)	..	..	..	..	..	..	..	..	..	..
Sweden	26	3.2	23	2.9	2	0.3	1	0.0	0	0.0
Switzerland (2)	..	..	..	..	..	..	..	..	..	..
United Kingdom	306	749.7	131	469.9	28	245.3	68	22.0	79	12.5
United States	101	1 230.5	76	1 004.0	6	100.6	11	18.9	8	107.0
Total DAC	3 442	3 959.6	1 405	2 459.4	220	471.7	1 065	705.5	752	323.0
% Distribution of contracts awarded since 2003 (4)										
2008 % of total	100	100	41	62	6	12	31	18	22	8
2007 % of total	100	100	56	52	6	6	23	35	14	7
2006 % of total	100	100	38	74	7	7	15	11	40	8
2005 % of total	100	100	60	61	11	18	6	6	23	16
2004 % of total	100	100	39	47	20	11	16	16	25	26
2003 % of total	100	100	27	10	35	36	10	21	28	32

Source: 2009 Contract Awards Questionnaire

- (1) Includes aggregate reporting on small contracts.
(2) No contract award information provided.
(3) Canada, Italy and Spain completed no untied contract awards in 2008 above the thresholds. Small contracts data were not provided by Italy and Spain.
(4) Aggregate reporting on small contracts included as from 2007.

Note: Breakdown information may not add up to totals due to lack of information.

ANNEX II
MEMBERS' PLANS TO UNTIE AID TO THE MAXIMUM EXTENT

I. Members whose aid is already almost fully untied and/or where there is a clear plan (i.e. with targets and timeline) to totally or significantly untie remaining tied aid

Australia (94% untied 2006-08 average)
The tied component relates to the procurement restrictions in place for projects under the Australia Indonesia Partnership for Reconstruction and Development (AIPRD) activities. These activities constitute a legacy arrangement that preceded the decision to untie the Australian aid program in April 2006. As of 1 July 2010, all remaining disbursements under AIPRD will be in the form of loans to the Indonesian Government. This will effectively complete the formal untying process of Australian ODA.
Belgium (95% untied 2006-08 average)
From January 1st, 2011, all Belgian aid to HIPCs and LDCs will be untied. Belgium complies with the notification obligations as agreed in the DAC recommendation on untying to LDCs because Belgium is convinced that the complete transparency (by all) on the untied aid is fundamental. An evaluation of the relevant Belgian instruments in support of foreign trade (ODA-FINEXPO) is currently made by an independent firm and will be finished in June 2010. Belgium considers that the extended coverage should be reviewed prior to the end of the initial five-year coverage period to assess the impact of the untied export credit supports.
Canada (70% untied 2006-08 average)
In 2008, the Minister of International Cooperation announced the untying of Canadian aid, effective immediately for food aid in response to the 2008 food crisis, and by 2013 for the remainder. Work is underway to review all CIDA policies, guides and tools to ensure alignment with untying. Major guiding documents and tools for project design, coding and contracting are being developed or revised as necessary. The Agency also expects to provide guidance to other departments by determining to what extent their aid is tied and advising on the required changes to their programming in order to ensure that all Canadian assistance is 100% untied by the end of fiscal year 2012-13.
Denmark (97% untied 2006-08 average)
Danish ODA is already untied to the maximum extent. Plans for further untying of ODA will therefore not be pursued.
Finland (91% untied 2006-08 average)
Finland's tied aid primarily consists of guarantees and concessions to export credits and seed funding for companies interested in setting up business operations in partner countries. Allowing Finnish businesses to contribute to development cooperation in their own special fields, these aid instruments represent an important complementary element to Finland's bilateral and multilateral efforts to create an enabling environment for the private sector in our partner countries, ultimately aiming to generate sustainable economic growth in our partner countries. To ensure genuine support to productive cooperation and

participation by companies in the partner countries, Finland reviewed its private sector instrument portfolio last spring and the instrument selection was considered both suitable and functional. In line with the 2008 DAC High Level Meeting and the pursuant Accra Agenda for Action, Finland is on track to extend the coverage of the 2001 Untying Recommendation to cover remaining non-LDC HIPC. To support sustainable debt recovery of these countries, Finland is reviewing guidelines regarding concessional credits to non-LDC HIPC.

In terms of food aid, Finland's entire contribution to the World Food Programme in 2008 was provided as untied cash support. In 2009, Finland is planning to top up its cash support with an extra € 1 million of in-kind support. Upon realisation, the commodity procurement will follow open tendering procedures as stipulated by the EU. As it stands now, Finland's potential tied element of food aid represents a minimal share compared to Finland's total food aid contribution in 2009, amounting to roughly € 13.7 million (including the prospective in-kind contribution). Additionally, Finland's core contribution to WFP was €6 million both in 2008 and 2009. Finland will review the need for tied elements in its food aid for the WFP contribution 2010.

In addition to the above mentioned activities, ODA-financed engagement of Finnish NGOs in partner countries, public awareness programmes and outreach on development issues as well as twinning-type cooperation between Finnish and partner country universities and public institutions represent a minor share of Finland's tied aid. These activities are instrumental in engaging all Finnish resources available to eradicate poverty in line with the Millennium Development Goals. In view of the high overall ratio of Finland's untied aid, these activities claim their place in Finland's development cooperation as essential in fully utilising the development potential of all sectors to achieve global development objectives.

In line with the above, Finland is planning to extend the coverage of the 2001 Untying Recommendation to cover remaining non-LDC HIPC and will review the need for tied elements in its food aid in the future. Within the given selection of aid instruments, Finland will seek to maintain its level of tied aid at a minimum and continue providing the great majority of its bilateral aid as untied. Guidelines regarding concessional credits to non-LDC HIPC are estimated to be finalised during the first half of 2010. Tied elements in food aid will be reviewed in connection with preparing Finland's 2010 contribution to WFP, estimated timeline 2010.

France (86% untied 2006-08 average)

France has been applying all DAC decisions regarding the untying of aid and has gone even farther: the aid granted by the central French ODA operator, *Agence Française de Développement*, has been untied for all geographic areas and for all sectors since 2002.

France's actions have been in line with the commitments set forth in the Accra Agenda for Action (paragraph 18), and they include:

- Effective extension of the DAC recommendation to non-LDC HIPC (eight countries), with emphasis on the prerequisites of (i) a call for adherence to the principle of socially and environmentally responsible procurement and ii) an appeal to non-DAC members that they too should untie their aid to LDCs and non-LDC HIPC.
- France supports extending the scope of the 2001 DAC Recommendation on food aid. With regard to technical co-operation, a change in the French position is still contingent on clarification, by the DAC, of this instrument and its various components.
- Lastly, France supports implementation of the recommendation on socially responsible procurement, which should be coupled with environmental responsibility.

Germany (76% untied 2006-08 average)

Financial Cooperation is untied to almost 100%. Our future endeavours will therefore focus on the categories Technical Cooperation and Food / Humanitarian Aid.

Though free-standing **technical cooperation (TC)** is officially excluded from the 2001 DAC Recommendations on Untying Aid of Aid to LDCs, German technical cooperation is, based on the current DAC definition untied to a certain extent and has been reported as such. A large amount of TC, provided by different German TC agencies (GTZ, InWent, German Development Service/DED) is, e.g., procured through open competitive bidding and locally in partner countries, either as local staff, or goods and services or provided as direct financial contributions to partner institutions. We regard these TC services as untied and endeavour to further increase the proportion channelled through local procurement mechanisms. This objective applies to the different German TC agencies to varying degrees.

The activities/aid categories to be untied:

- **Free-standing technical cooperation:** further increase the amounts that are openly procured, channelled through local procurement or as direct financial contributions to partners from currently 48% on average to 60% until 2012; this percentage covers services provided through GTZ, InWent and German Development Service (DED). It therefore does not apply to the figure on technical cooperation in total, mentioned above (37% of total ODA), as this figure also includes student costs, administrative costs or development awareness programmes in-country. However, free-standing technical cooperation covers the largest part of German TC.
- **Food aid** – currently almost 100% untied.
- **Humanitarian Aid** – currently, 77 % of German humanitarian aid is untied. Germany intends to review to what extent the remaining 23% could be further untied in future without endangering existing, well-functioning quick response mechanisms that proved to be effective instruments over many years. An evaluation, planned for 2010, will feed into this review process.

Korea

Overall, the Korean government has established a road map to untie 75% of its ODA by 2015. All Korean grants will be untied by 2015, while 50% of Korean loans, the Economic Development Cooperation Fund (EDCF), will be untied by the target year. Korea will prioritize untying to least developed countries (LDCs) and other heavily indebted poor countries (HIPCs), in line with the DAC recommendation, setting the target of 90% of untying by 2015.

In particular, KOICA, the key implementing agency of grants, will fully introduce the International Competitive Bidding (ICB) at KOICA Headquarters and overseas offices by 2015. Also, it will gradually increase the utilization of procurement systems of partner countries --the survey is being conducted to examine the feasibility of using the procurement system of partner countries.

In order to implement the road map, the Korean government intends to gradually increase the untying ratio of Korea's ODA up to 80% by 2012, setting the target of 75% for grants and 40% for loans. (excluding technical cooperation) At the same time, 80% of Korea's ODA to LDCs and HIPCs will be untied by 2012. The discussion on establishing a year-to-year plan is now underway and the Korean government will determine the yearly schedule, in close consultation with relevant ministries and authorities in due course.

Implementation timeline for grant aid is as follows:

Phase 1('09-'12)

Attaining the target of 100% untying aid to LDCs and HIPC by 2012
 Implementing ICB in partner countries and streamlining the untying system
 Implementing ICB using e-procurement system

Phase 2('13-'15)

Expanding untied aid to 100% to all partner countries by 2015
 Increasing untied ratio by introducing local procurement & using partner countries' procurement system

New Zealand (83% untied 2006-08 average)

There are three main elements to the portion of New Zealand's bilateral ODA that are currently reported as tied:

- Scholarships in New Zealand, which accounted for 35% of the bilateral ODA reported as tied in 2007. Funding for scholarships in New Zealand totalled just under \$NZ 29 million in the 2008/09 financial year. The provision of scholarships in New Zealand will remain a key part of NZAID's education strategy in years to come, but we can anticipate a slight reduction as a percentage of bilateral ODA over time.
- Refugees in New Zealand (CRS code 93010), which accounted for another 35% of the bilateral ODA reported as tied in 2007. New Zealand has been reporting the costs of first year refugees in New Zealand as tied since we began to include these costs in our ODA reporting some years ago. We are of the view that this category is in effect tied (to New Zealand goods and services), but we feel there would be merit in removing the category from any statistical analysis of the tying status of bilateral ODA.
- New Zealand Police - Regional Assistance Mission to the Solomon Islands (RAMSI) Participating Police Force. ODA-eligible portion of the costs of New Zealand Police in Solomon Islands accounted for 23% of the bilateral ODA reported as tied in 2007. Current commitments for New Zealand Police in the Solomon Islands goes through to 2010/11, but includes a reduction of some \$NZ 4 million in 2010/11. Any funding beyond 2010/11 is unclear.

If scholarships remained at a similar level through to 2011/12, and RAMSI funding dropped to a level of \$NZ 1.4 million after 2009/10, the proportion of untied-tied aid would move to approximately **89%-11% in 2011**. If the costs of Refugees in New Zealand are removed from this, the proportion would be 93% untied, 7% tied.

As mentioned above, and without changing any current reporting practise, New Zealand aims to be at a level of 90% (of bilateral ODA) untied by 2012. At that time, further efforts to reduce the tied proportion would need to concentrate on Scholarships in New Zealand and Refugees in New Zealand. Learning from the experience and practise of other Members attempting to untie these types of categories would be valuable.

Netherlands (94% untied 2006-08 average)

Dutch aid is untied to the maximum extent. Progress has been made since 2007 by further untying the development relevant export transactions programme (ORET) and redeveloping it into a programme with focus on infrastructure development (ORIO). In the future very few components of the aid portfolio remain tied. These components are mainly scholarship programmes (NUFFIC) and a programme which makes capacity of retired Dutch managers available to developing countries (PUM).

The tied component of Dutch aid tends to fluctuate quite dramatically as reports prepared by the OECD/DAC are based on commitment data. In 2007 large multi year commitments were made to the

now discontinued ORET programme and the NUFFIC programme. This caused an increase of the tied component of Dutch aid by more than 10 percentage points.

The Netherlands is of the opinion that reporting on tying status should be based on expenditure data only, as this gives a more accurate picture of actual implementation of our programmes. We will raise this in the upcoming WP-STAT meetings. From the perspective of actual expenditures we estimate that the percentage of bilateral aid that is untied will range between 96% and 99%.

Portugal (51% untied 2006-07 average)

Portugal has been preparing an update of its Aid Effectiveness Action Plan. The Plan foresees the following actions regarding aid untying:

- Revise the status (tied/untied) of each cooperation project/programme (namely in the case of investment project aid).
- Work to strengthen procurement capacities (and thus the procurement regime/systems) of developing countries so that they can take even further responsibilities for procurement.
- To continue to promote the procurement of goods and services through regional sources.
- Make greater use of untied forms of aid such as general budget support and sectoral budget support.
- Make better use of OECD untied aid tenders through the Bulletin Board: Prior to the opening of the bidding period to notify ex-ante the OECD and others through the Untied Bulletin Board, and to notify ex-post about the company that has been awarded the contract as well.

Spain (46% untied 2006-08 average)

Spain is thinking about a three ways approach in order to untie its Aid:

- A legislative process to reform a Fund which nowadays represents tied ODA. It has been presented to our Parliament a Law project in order to reform the actual loans that are tied by its regulation. The present Law projects reinforce the feasibility to approve untied concessional loans to developing countries and break the traditional inclusion of export concessional credits as ODA.
- Increasing the transparency through ex-ante and contract award information. Spain is improving its human and technical resources in order to make possible to report ODA to CAD on time and form, as well as ex-ante and contract award information on untied aid.
- Improving free financial facilities to recipient countries (freedom to choose the procurement to choose the organization to carry out the project and try to choose the organization through open procurements where organizations from all countries have access).

Please include the activities/aid categories to be untied, and the extent to which they will be untied (e.g. fully, in part).

1. 2010 ODA a LDCs + HIPC – Humanitarian Aid – Technical Cooperation untied
 ←→ All actors
2. 2011 ODA to A+B (Master Plan 2009-2012) countries + Humanitarian Aid + Technical Cooperation untied ←→ Spanish Agency for International Cooperation and Development
3. 2013 – 2015 ODA to A+B (Master Plan 2009-2012) countries ←→ Ministry of Trade + Ministry of Economy + Local Governments (all actors)
4. 2015 all ODA untied ←→ All actors

Sweden (92% untied 2006-08 average)
The overview of Sweden's ODA will take place in the beginning of 2010. Consequently, Sweden will be able to report on their tying status and possible plans after the mapping exercise has been finished.
Switzerland (91% untied 2006-08 average)
Switzerland only maintains a small program of tied aid (in milk products) and has no plans for further untying.

II. Members with sizeable shares of tied aid in their programmes but where there is no clear plan (i.e. with targets and timeline) to untie a significant share of the remaining tied aid

Austria (77% untied 2006-08 average)
<p>Austrian Development Cooperation (ADC) cannot report any new commitments towards untying aid. The fluctuations of the untying statistics (2007/2008) demonstrate our "instable" situation which dependent on the share of debt relief. In a reporting year (<i>e.g.</i> 2003) where the share of debt relief is down to about 3% of bilateral ODA, the untying ratio naturally drops accordingly, in this case to roughly 50%.</p> <p>In view of ADC's comparatively small core bilateral programme (about 10% of bilateral ODA in a reporting year with a high share of debt relief), any measures to further untie aid in this area have little leverage on the overall untying ratio. As for ODA from other financing sources, there is very limited scope for political action, as the most significant components are either tied or untied by nature (<i>e.g.</i> debt relief, refugees in Austria, AF grants etc.) and not subject to applying any policy towards untying. The fact that we also will continue with scholarship programmes or development personnel programmes which are tied by their very nature will result in a certain share of ADC/ADA managed funds remaining tied also in future. The MFA, despite the negative outlook on the ODA figures in the upcoming year, will politically strive further for budget increase for programmable aid which would then significantly leverage the untying ratio.</p>
Greece (18% untied 2006-08 average)
No reply
Italy (67% untied 2006-08 average)
<p>The Italian Development Cooperation has approved, last July, the National Action Plan for Aid Effectiveness. The Plan has dedicated one of its 12 sections to the untying aid issue defined as "<i>Untied aid and support for good and service purchases made locally</i>". The Plan takes into account that the Paris Declaration and the Accra Agenda for Action engage the donor countries to elaborate national plans which promote further untying of development aid, as well as to favour purchase of local goods and services. Moreover, it also considers that the EU approach towards aid effectiveness engages EU members to guarantee untying also for food aid.</p> <p>On this basis, the Plan has established 2 actions to be achieved by December 2009: first, elaborate proposals for options to further untie loans; second, to envisage proposals for the expansion – in percentage and towards other sectors - of purchases made locally. For those countries where the OECD/DAC recommendations on untying of ODA cannot be applied, the Italian Cooperation has further increased, in line with Accra commitments, the percentage of loans addressed to purchases</p>

made locally or, in a cumulative way, in other neighbouring countries and/or OECD countries. Nonetheless, a ratio of each loan still remains tied to provisions and goods of Italian origin. In these situations, the objective is to aim at enhancing mostly local purchases. As far as the grants category is concerned, Italy believes that the level of untying reached so far is already at its maximum extent.

III. Unresolved cases

Japan (81% untied 2006-08 average)

Japan is untying its aid according to the DAC Recommendation on untying ODA and continues to do so.

United States (63% untied 2006-08 average)

The United States is in the process of preparing a narrative plan that fulfils its commitment to the AAA. We would like to take the opportunity to point out that the letter of October 2, 2009 exceeds the 2001 Recommendation on Untying and the terms of both the Paris Declaration and the Accra Agenda for Action, which deepens the Paris Declaration commitments. Therefore, we believe that the 2001 Recommendation on Untying serves as the basis for the entirety of Paragraph 18. The U.S. is precluded by law and policy from making forward projections beyond annually appropriated funding levels. Therefore, we are unable to complete the table that accompanied your letter. We anticipate making the report available later in November in time to be distributed for the DAC Delegates' meeting.