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**IMPLEMENTING THE 2001 DAC RECOMMENDATION ON UNTYNG AID: 2010-2011 REVIEW**

*This document is submitted to the DAC for APPROVAL under the written procedure. If no objections are received by 28 March 2011, the document will be considered approved (and issued as FINAL).*

*Following approval the findings of the review will feed into the progress report being prepared for Busan HLF4 by the WP-EFF which will report on implementing the Paris Declaration and the AAA.*

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## IMPLEMENTING THE 2001 DAC RECOMMENDATION ON UNTYING AID 2010-2011 REVIEW

### I Background and highlights

1. This review of the implementation of the 2001 DAC Recommendation on Untying Aid covers the period 2010-2011. Exceptionally, these two years are combined, as the 2010 Review has not yet been approved by the DAC and as more recent data (*i.e.* 2009) are now also available. Combining these two years will also permit the report, once approved by DAC, to be made available in time for the SLM, as foreseen in the procedures governing the Recommendation. Accordingly, and in comparison to the draft 2010 review [see DCD/DAC(2010)16/REV3], changes concern essentially an updating of section II.

2. This review assesses Members' performance in respect of their commitments under the 2001 DAC Recommendation on Untying Aid (*e.g.* untying agreed forms of aid, effort sharing and transparency provisions). This is the principal subject of this report, and its findings are set out in section II.

3. As the Untying Recommendation does not cover the entirety of DAC ODA (*e.g.* it excludes technical co-operation and food aid, and applies only to the LDC and HIPC groups of countries), the report, as with previous versions, also looks at the broader picture of untying aid beyond the coverage of the Recommendation. In this connection, the report focuses on two areas: (i) DAC Members' individual plans to further untie their aid to the maximum extent, in connection with paragraph 18a of the Accra Agenda for Action (section III), and (ii) the main conclusions and recommendations emanating from the independent evaluation of the outcomes and impacts of aid untying [section IV; see also: '*Aid untying: is it working?*', ODI (2010) and DCD/DAC(2010)3].

4. The key findings arising from this review are summarised as follows:

- With a few exceptions worthy of further exploration, donors fully meet their untying commitments related to the Recommendation, and have done so for some time now. However, much improved performance on meeting the transparency provisions of the Recommendation (*ex ante* notifications of untied aid offers and reporting on contract awards) is needed to verify this position and confirm that aid that is *de jure* untied is also untied in practice. The present pattern of contract awards (with often large shares going back to suppliers in certain donor countries) remains a cause for concern [section II].
- The statistical trend towards untying all ODA (*i.e.* above and beyond what is covered by the Recommendation) remains encouraging. In 2009, 79% of all bilateral ODA was reported as untied, 17% as tied and the tying status of 5% was not reported. Good progress is being made in developing individual plans to further untie their aid to the maximum extent in line with the AAA. Most, but not all Members have action-oriented strategies (including targets and timelines) which will significantly increase the share of their aid that will be 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 outcomes of untied aid [section IV].

## II Review of the implementation of the 2001 DAC Recommendation

### i) Aid untying

- Aid covered by the Recommendation (Table 1)

4. As reported in earlier progress reports, almost all donors have fully met the commitments in the Recommendation to untie their aid to the Least Developed Countries (LDCs)<sup>1</sup>. Overall, in 2007-09, 94% of the ODA that should be untied under the Recommendation was reported as untied. However, a few notable exceptions exist over this period:

- Portugal untied 70% of what it should untie, with the gap relating essentially to a number of infrastructure projects and support to Portuguese schools and media.
- Spain untied 77% of what it should untie. Aid activities that remain tied although covered by the Recommendation relate to some credit lines/loans (fishing, solar energy) and a large number of small transactions concerning aid extended by regions/municipalities.
- Italy untied 80% of what it should untie, with most of the gap relating to a large number of small projects which are still tied.
- In other cases where some of the aid that should be untied according to the Recommendation is still tied, the situation varies among countries *e.g.* remnants of associated finance programmes (Belgium, Denmark), projects related to government and civil society (*e.g.* Canada) or bilateral participation in peace/policing/law enforcement operations (Austria, New Zealand and the United States). Korea became a DAC Member in 2010 and, on the basis of 2009 data, has a considerable distance to travel to meet the terms of the Recommendation. However, Korea has committed to an ambitious untying programme under the Accra Agenda for Action (see Annex II).

5. Members are reminded that none of the activities cited in the previous paragraph are explicitly or formally excluded from the coverage of the Recommendation and that the goods and services thereby funded should be procured on an untied basis. In connection with some of the above areas, it is recalled that there is an ongoing technical level discussion in the WP-STAT concerning how to record the tying status of some activities. Notwithstanding this, Members who still tie aid that should be untied under the Recommendation should take all actions necessary to untie it and are invited to report back to the DAC on progress in one year's time.

- Aid untying more generally (Tables 2 and 3)

6. Looking beyond aid that is covered by the Recommendation to the totality of programmes (*i.e.* all aid, all recipients), Members' reporting to the OECD Creditor Reporting System (CRS) shows that, in 2007-2009, 79% of their aid was untied<sup>2</sup>, 16% was tied, while they did not report the tying status of the remaining 4% of their bilateral aid. On a yearly basis, there was some slippage in 2009 (79% untied) compared to 2008 (82% untied). Nevertheless, there has been strong overall performance in untying aid beyond what is covered in the Recommendation. Members' plans to further untie their aid, in connection with the Accra Agenda for Action, are reported in section III and Annex II.

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<sup>1</sup>. Food aid and technical cooperation are excluded from the coverage of the Recommendation. As of 2009, non-LDC HIPC are included in the coverage of the Recommendation.

<sup>2</sup> Administrative costs are, by convention, excluded from the calculation of tying status.

7. There has also been good progress in reporting on the tying status of aid. For 2007-2009, the share of aid for which the tying status is not reported averaged 4%. This average masks, of course, variations among Members and over time. For instance, in 2009 Greece reported on the tying status of all of its aid (compared to only half of it in 2008), while countries such as Japan and Sweden still have sizeable amounts not reported. The Secretariat is available to assist all Members to improve the comprehensiveness of their reporting.

**ii) Effort sharing (Table 4)**

8. One of the objectives of the Recommendation is to improve effort sharing among Members. Progress in this area is assessed against two reference indicators<sup>3</sup>. In 2009, the DAC average LDC untying ratio reached 0.87 which is significantly above the 0.6 benchmark in the Recommendation and the 1999-2001 baseline level of 0.55. The effort-sharing composite indicator stood at 0.12 in 2009 compared to the 0.04 benchmark. Thus, in the aggregate, both indicators continue to remain well above the benchmark values, showing that improvements in effort sharing have been significant and sustained.

9. Interpreting positions of individual Members *vis-à-vis* the benchmarks needs to be done with care as positions can fluctuate because of changes in any of the variables included in the formula. For instance, and in respect of the composite indicator, a decline in a country's effort sharing indicator can arise from, *e.g.* a reduction in total aid to the LDCs combined with, *e.g.* a shift towards multilateral delivery channels.

**iii) Ex ante notifications (Table 5)**

10. The Recommendation requires the *ex ante* notifications of untied aid offers. The objectives of this provision are to provide transparency, promote competition for untied aid offers and build confidence that aid offers are untied *de facto* as well as *de jure*. In 2010, 150 untied aid offers relating to aid covered by the Recommendation were notified, with a total volume of USD 4.9 billion. However, 95% of the latter were notified by one DAC member alone – the United States.

11. Only a small number of DAC Members regularly make untied aid notifications, a number make no notifications at all, and this situation has generally been deteriorating over the past few years. In some cases the donor may be providing aid in forms with no direct or immediate procurement associated with the untied aid (*e.g.* general budget support). For 2010, the migration of the website platform to a new system may also have complicated the reporting of *ex ante* notifications for some donors, although any such difficulties have now been resolved. Nevertheless, comparing over time the amount of LDC untied aid with the volume of notifications clearly indicates a significant and persistent reporting gap, indicative of poor performance on this transparency provision.

12. This disappointing performance has been discussed on several occasions and different approaches have been put forward, including requests from the DAC Chair, 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 (see section III), little improvement can be expected and doubts as to how untied the aid really is will persist, particularly when seen in association with the shares of untied aid contracts awarded to suppliers from some donor countries (see section II iv below).

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<sup>3</sup> The 2009 effort sharing indicators now include non-LDC HIPC countries in the calculations following the inclusion of these countries in the coverage of the Recommendation, effective as of 2009.

**iv) Contract awards**

- Meeting reporting obligations (Table 6)

13. The number and volume of notifications on contract awards increased significantly in 2009 compared to 2007-2008, amounting to USD 8.6 billion, related to 4488 contracts. Most of this was due to renewed Japanese reporting in 2009 and a large increase in US reporting compared to previous years. A number of countries (e.g. Austria, Canada, Ireland, Italy, Norway, Spain, Switzerland) provided no or little contract award information in 2009. While in some cases this might be linked to forms of aid (e.g. general budget support) with no direct procurement link, there still appears to be persistent and sizeable underreporting on contract awards, even despite some improvements in 2009 (e.g. Japan, Luxembourg). As for poor reporting on *ex ante* notifications, poor reporting performance on contract awards has been discussed on several occasions and different approaches have been put forward, but again with little success.

- Contract award patterns (Table 7)

14. In 2009, 51% (in value terms) of contracts were awarded to suppliers from the donor's country (46% in terms of numbers of contracts), with a further 7% (9%) to suppliers from other DAC and OECD countries. Companies from the group of countries covered by the recommendation (LDCs and HIPC) won only 4% of contract value (19% in terms of numbers of contracts). This reflects, *inter alia*, difficulties that companies from these countries have in winning contracts (see section IV below), particularly larger ones. Overall, the share of contracts won by enterprises from donor countries and from the poorest countries has been falling, to the benefit of companies from other developing countries.

15. Behind these aggregates, two groups of donors emerge. In one group (Australia, Denmark, Finland, New Zealand, Portugal, Sweden, UK, US), a large share of contracts (in terms of volume and/or numbers) was awarded to suppliers from their country. In a second group (Belgium, France, Germany, Japan, Luxembourg) there is a more even pattern of awards across the different country groups. Obviously we cannot categorise those donors that did not report on contract awards (Austria, Canada, Ireland, Italy, Netherlands, Norway, Spain, Switzerland).

16. While there are important annual fluctuations concerning the geographic distribution of contract awards, it is of ongoing concern that large shares of the untied aid financed goods, services and works are procured from companies within the donor country or other OECD countries. The concern is twofold – that aid is *de facto* less untied than might appear, and that suppliers from LDCs and HIPC are unable to win such contracts. The independent evaluation of the developmental benefits of untying also highlights these issues and suggests that much remains to be done to eliminate *de facto* impediments to untying and to improve the competitiveness of suppliers from these groups of countries [section IV].

**v) Extending the reach**

17. Both the Recommendation and the AAA highlight that aid untying has a broader applicability beyond DAC Members to other aid providers and should be a reference for them in providing aid to developing countries. This also applies to the provisions concerning responsible procurement, which should promote respect by suppliers with agreed international standards of corporate social responsibility, probity 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.

18. 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 China-DAC 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. 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 further untie their aid to the maximum extent

19. 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 extent.

20. It should be emphasised that this assessment is based on the extent to which a Member's aid is already untied [Table 3], 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). In this section we simply report on Members' efforts to deliver on commitments *to further untie their aid to the maximum extent* made at Accra

21. To illustrate the methodology of the assessment, two examples are presented. Australia, which untied an average 96% of its bilateral aid during 2007-09, 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). By comparison, Greece only reported 20% of its aid as untied (2007-09 average) and its statement does not contain a clear plan to untie more aid.

22. On the basis of the plans submitted by Members, and with reference to Table 3, Members' individual plans are categorised as follows<sup>4</sup>:

- 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 (70% untied) notes in its plan that it "cannot report any new commitments towards untying aid." Greece (20% untied) has submitted a statement but with, as yet, no clear plan or

<sup>4</sup> 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 been made to further untie assistance and further plans are being developed in the framework of a revision of the Cotonou Agreement.

timetable to significantly untie more aid. Italy (63% untied) has set out an approach focusing essentially on increasing local purchases. In respect of loans, a part of each loan will remain tied (which by DAC definitions makes the whole loan tied), while, in respect of grants, “the level of untying reached so far is already at its maximum extent”.

- iii. *Other Members* –Japan considers that the AAA commitment could apply to all aid but does not necessarily require all member countries to untie aid beyond the Recommendation and requires member countries to develop individual plans for further untying of aid based on their individual situations. The United States considers that the AAA commitment only addresses aid covered by the Recommendation.

**i) Next steps**

23. Once approved by the DAC, the findings of the review will feed into the progress report being prepared for Busan by the WP-EFF which will report on implementing the Paris Declaration and the AAA.

24. During various meetings on untying, and including in the WP-STAT, some delegates noted that the statement ‘fully untied’ required further clarification. In some cases it is impossible to untie aid (*e.g.* in-donor refugee costs); 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 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 underway in the WP-STAT.

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

25. 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 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**

26. 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. According to the statistics used in that report, the proportion of untied bilateral aid rose progressively from 46% in 1999-2001 to 82% in 2008, and for LDCs it has increased from 54% to 87%. 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.

27. 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.



28. 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.

29. *Value for money*: the near general conclusion in economic theory and the limited evidence-based literature is that untied aid is likely to be more *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.

30. *Ownership and alignment*: the country studies found that a positive approach to the use of untied funds, including programme 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.

31. *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 tandem with local market development and with strengthening the ability of local SMEs to effectively compete for untied aid funded contracts.

32. 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***

33. 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.

34. 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*

35. Most Members welcomed the evaluation, although Japan expressed its disappointment with the quality of the study, while Germany suggested that further evidence is needed on the costs and benefits of further untying. The DAC will specifically address the recommendations to exploit the opportunities offered by untying to increase aid effectiveness and development impacts. In this context, further discussion is needed on how project financing can use country procurement systems.

**ANNEX 1**  
**STATISTICAL TABLES**

**Table 1. Tying status of DAC members' bilateral LDC ODA, 2007-09 average (1)**  
**covered by the Untying Recommendation**

	Total	Untied	Tied	Not reported	Share Untied (%)	<i>USD million</i>	
						<i>For reference:</i>	
						Total Bilateral LDC ODA (1)	of which: Untied (%)
Australia	205	204	0	..	99.8	630	99.1
Austria	39	37	1	..	96.9	87	72.5
Belgium	241	239	2	..	99.2	732	99.8
Canada	516	483	32	0.3	93.7	1 403	86.2
Denmark	526	493	32	..	93.8	665	95.1
Finland	195	194	1	..	99.5	347	99.4
France	767	762	5	..	99.3	1 420	89.1
Germany	834	832	2	..	99.8	1 733	81.0
Greece	4	4	0	0.1	95.9	27	46.4
Ireland	335	335	..	..	100.0	450	100.0
Italy	307	246	51	10	80.1	410	73.7
Japan	1 425	1 425	..	..	100.0	2 168	83.0
Korea (2)	405	147	258	..	36.3	435	34.2
Luxembourg	80	79	..	0.4	99.5	105	99.1
Netherlands	1 074	1 066	8	..	99.3	1 429	99.4
New Zealand	56	54	1	..	97.7	105	79.2
Norway	752	752	..	..	100.0	1 075	100.0
Portugal	58	41	17	..	69.9	142	87.3
Spain	301	231	64	6	76.8	607	71.5
Sweden	506	499	..	7	98.7	787	96.3
Switzerland	257	257	..	..	100.0	358	96.1
United Kingdom	1 873	1 873	..	..	100.0	2 820	100.0
United States	6 217	5 643	573	..	90.8	9 195	77.9
<b>Total</b>	<b>16 969</b>	<b>15 897</b>	<b>1 049</b>	<b>24</b>	<b>93.5</b>	<b>27 129</b>	<b>85.9</b>

Source: OECD (DAC and Creditor Reporting System)

- (1) To allow for comparability 2009 data exclude non-LDC HIPC's.  
(2) Korea joined the DAC on 1<sup>st</sup> January 2010. Reporting on DAC untying policies will commence as from 2011 reporting on 2010 flows. The data shown for Korea relate only to 2009 flows.

**Table 2. Tying status of DAC Members' bilateral ODA, 2009**

(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 % (1)	
Australia	3 267	99	1	..	1 646	100	..	..	50
Austria	497	46	54	..	215	33	67	..	43
Belgium	1 836	97	3	..	756	100	..	..	41
Canada	3 510	83	7	11	2 373	84	9	7	68
Denmark	1 791	97	3	..	110	100	..	..	6
Finland	1 190	89	11	..	434	88	12	..	37
France	8 558	89	11	..	2 615	89	11	..	31
Germany	9 160	73	27	..	4 715	49	51	..	51
Greece	274	33	67	..	190	26	74	..	69
Ireland	652	100	..	..	13	100	..	..	2
Italy	1 081	50	38	12	120	57	41	2	11
Japan	13 927	78	4	17	2 327	..	..	100	17
Korea (2)	1 422	44	50	6	152	4	40	56	11
Luxembourg	247	97	..	3	7	..	..	100	3
Netherlands	4 957	82	18	..	256	99	1	..	5
New Zealand	242	82	18	..	68	58	42	..	28
Norway	3 777	100	..	..	427	100	..	..	11
Portugal	333	61	39	..	151	100	..	..	45
Spain	4 341	75	25	..	757	63	37	..	17
Sweden	3 055	83	1	16	135	2	25	73	4
Switzerland	1 599	99	1	..	193	100	..	..	12
United Kingdom	10 021	100	..	..	1 123	100	..	..	11
United States	28 253	68	32	..	775	14	86	..	3
<b>Total</b>	<b>103 988</b>	<b>79</b>	<b>17</b>	<b>5</b>	<b>19 556</b>	<b>64</b>	<b>22</b>	<b>14</b>	<b>19</b>

Source: Creditor Reporting System (commitments data)

- (1) The share of technical co-operation not reported represents 54% of total bilateral ODA not reported.  
(2) Korea joined the DAC on 1<sup>st</sup> January 2010. Reporting on DAC unttying policies will commence as from 2011 reporting on 2010 flows. The data shown for Korea relate only to 2009 flows.

**Table 3. Tying status of DAC members' bilateral ODA, 2007-09 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	2 920	96	4	..	1 407	95	5	..	48
Austria	1 015	70	30	..	209	31	69	..	21
Belgium	1 687	96	4	..	764	100	..	..	45
Canada	3 355	77	15	8	1 653	74	21	4	49
Denmark	1 528	97	3	..	91	99	1	..	6
Finland	879	91	9	..	307	92	8	..	35
France	8 631	88	12	..	2 662	90	10	..	31
Germany	10 284	75	23	2	4 246	43	52	5	41
Greece	262	20	40	40	173	14	41	44	66
Ireland	774	100	..	..	17	100	..	..	2
Italy	1 583	63	30	7	131	39	22	39	8
Japan	13 349	80	4	16	2 034	..	..	100	15
Korea (1)	1 422	44	50	6	152	4	40	56	11
Luxembourg	247	99	0	1	5	51	..	49	2
Netherlands	4 932	86	14	..	327	92	8	..	7
New Zealand	277	82	17	..	71	51	47	2	26
Norway	3 351	100	..	..	537	100	..	..	16
Portugal	288	76	24	..	156	99	1	..	54
Spain	4 120	71	26	3	938	73	24	3	23
Sweden	2 533	85	1	14	127	15	16	69	5
Switzerland	1 526	98	2	..	163	100	..	..	11
United Kingdom	7 802	100	..	..	1 483	100	..	..	19
United States	27 048	69	31	..	765	10	90	..	3
<b>Total</b>	<b>99 812</b>	<b>79</b>	<b>16</b>	<b>4</b>	<b>18 420</b>	<b>62</b>	<b>23</b>	<b>15</b>	<b>18</b>

Source: Creditor Reporting System (commitments data)

- (1) Korea joined the DAC on 1st January 2010. Reporting on DAC untying policies will commence as from 2011 reporting on 2010 flows. The data shown for Korea relate only to 2009 flows.

**Table 4. DAC Members' positions: Reference Indicator Matrix (Bilateral LDC and non-LDC HIPCs ODA)**

	Untying Ratio (1)		Effort-sharing Composite Indicator (2)	
	<i>Base (99-01 ave.)</i>	<i>2009</i>	<i>Base (99-01 ave.)</i>	<i>2009</i>
Australia	0.42	0.99	0.05	0.07
Austria	0.66	0.73	0.09	0.10
Belgium (3)	0.53	0.99	0.11	0.28
Canada	0.42	0.93	0.05	0.15
Denmark	0.78	0.95	0.35	0.37
Finland	0.72	0.97	0.10	0.28
France	0.59	0.95	0.10	0.20
Germany (4)	0.45	0.78	0.06	0.10
Greece (5)	0.00	0.38	0.00	0.03
Ireland (6)	0.85	1.00	0.15	0.28
Italy	0.40	0.75	0.05	0.06
Japan (7)	0.77	0.84	0.06	0.07
Korea (8)	..	0.97	..	0.41
Luxembourg (9)	..	1.00	..	0.27
Netherlands (10)	0.85	0.84	0.28	0.11
New Zealand (11)	..	1.00	..	0.36
Norway	0.99	0.72	0.34	0.09
Portugal (4)	0.41	0.79	0.11	0.12
Spain	0.46	0.96	0.06	0.45
Sweden	0.57	0.99	0.25	0.14
Switzerland	0.84	1.00	0.11	0.27
United Kingdom	0.63	0.77	0.10	0.07
United States (12)	..	0.87	..	0.12
<b>Total DAC</b>	<b>0.55</b>	<b>0.87</b>	<b>0.05</b>	<b>0.12</b>

Source: OECD (DAC and CRS)

- (1) The Bilateral LDC ODA untying ratio represents: Untied bilateral LDC-HIPC ODA divided by total bilateral LDC-HIPC ODA (commitments basis).
- (2) The Effort-sharing composite indicator represents: (bilateral LDC-HIPC ODA/GNI times the bilateral LDC-HIPC ODA untying ratio) + multilateral LDC-HIPC 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) Korea joined the DAC on 1st January 2010. Reporting on DAC untying policies will commence as from 2010 flows.
- (9) Luxembourg commenced the reporting of tying status as from 2003.
- (10) 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).
- (11) New Zealand commenced reporting to the CRS as from 2002.
- (12) The United States did not report tying status to the CRS for period 1999-2001.

**Note:** The table is based on the DAC List of ODA Recipients effective from 2010 reporting on 2009 flows.

**Table 5. Ex ante notifications posted to the DAC Bulletin Board, 2002-2010 (1)**  
Least Developed Countries and Non-LDC Heavily Indebted Poor Countries

	Volume (USD million)										Number of Notifications								
	2002	2003	2004	2005	2006	2007	2008	2009 (2)	2010	2002	2003	2004	2005	2006	2007	2008	2009 (2)	2010	
Australia (3)	..	..	68	34	83	52	20	35	0	..	..	3	4	5	6	4	4	8	
Austria	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
Belgium	..	3	3	559	907	376	759	138	100	..	2	2	8	18	40	34	28	31	
Canada	..	31	..	19	3	16	..	..	..	..	3	..	2	1	1	..	..	..	
Denmark	113	15	..	..	0	3	10	13	10	25	7	..	..	1	1	7	9	10	
Finland	8	..	..	..	..	..	4	51	34	3	..	..	..	..	..	2	8	5	
France	37	132	234	107	244	186	188	329	99	7	20	30	13	24	14	8	8	10	
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	..	
Korea	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
Luxembourg	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
Netherlands (3)	27	314	3	0	..	0	..	..	..	6	19	2	1	..	1	..	..	..	
New Zealand (3)	0	..	0	..	..	..	..	..	..	1	..	2	..	..	..	..	..	..	
Norway	8	93	..	25	6	..	..	..	..	2	13	..	2	3	..	..	..	..	
Portugal	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	
Spain	12	..	..	10	30	..	..	..	..	1	..	..	2	3	..	..	..	..	
Sweden (3)	..	0	..	..	..	..	..	0	..	..	1	..	..	..	..	..	1	..	
Switzerland	13	16	76	13	..	..	..	..	..	3	1	10	1	..	..	..	..	..	
United Kingdom (3)	8	91	385	555	318	..	0	0	..	1	22	13	23	21	..	15	6	..	
United States (3)	40	..	2 197	3 198	2 239	328	1 882	1 992	4 693	1	..	18	40	45	37	60	73	86	
<b>Total LDCs</b>	<b>674</b>	<b>1 218</b>	<b>4 342</b>	<b>5 814</b>	<b>4 433</b>	<b>2 597</b>	<b>3 671</b>	<b>2 951</b>	<b>4 935</b>	<b>94</b>	<b>160</b>	<b>177</b>	<b>233</b>	<b>210</b>	<b>225</b>	<b>213</b>	<b>174</b>	<b>150</b>	
<i>For memo:</i>																			
<b>Total Notifications (4)</b>	968	1 656	5 028	9 539	8 470	19 842	5 265	4 343	6 678	102	186	211	311	346	328	330	258	234	
<b>Other recipients</b>	294	438	686	3 725	4 037	17 244	1 594	1 392	1 743	8	26	34	78	136	103	117	84	84	

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 HICPs as from 2009.
- (3) In an effort to ensure competitiveness, some members have submitted notifications for which the project amount has not been made available.
- (4) 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 6. Summary of ex-post contracts awarded (1)**  
Volume and number: 2003-09

	USD million (2)							Number of contracts (2)						
	2003	2004	2005	2006	2007	2008	2009 (3)	2003	2004	2005	2006	2007	2008	2009 (3)
Australia	..	..	47.8	52.7	152.0	171.4	318.3	..	..	31	9	500	399	1 144
Austria	..	..	3.4	1.6	..	..	..	..	..	3	2	..	..	..
Belgium	..	29.7	7.0	7.4	39.5	54.3	21.8	..	36	15	25	121	115	36
Canada	28.3	..	18.1	..	16.2	21.1	..	3	..	4	..	4	307	..
Denmark	..	..	..	2.2	11.1	32.0	47.4	..	..	..	4	18	13	388
Finland	21.6	..	..	..	13.3	14.8	86.9	2	..	..	..	90	58	115
France	117.0	68.9	73.6	398.7	1 091.3	1 396.9	654.2	10	11	16	291	1 140	1 570	1 700
Germany	57.6	94.0	394.7	332.5	183.0	240.7	188.2	47	66	130	120	94	161	210
Greece	0.4	0.5	0.0	0.3	3.0	10.9	6.2	1	2	1	7	36	54	26
Ireland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Italy	..	..	..	27.4	..	..	..	..	..	..	1	..	..	..
Japan	221.8	..	n.a.	2.7	0.0	..	3 897.9	33	..	28	21	23	..	166
Korea	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Luxembourg	..	..	..	..	..	..	29.2	..	..	..	..	..	..	94
Netherlands	214.0	15.9	..	..	4.0	..	..	8	2	..	..	1	..	..
New Zealand	..	..	..	..	31.0	14.9	21.2	..	..	..	..	385	281	208
Norway	..	..	..	..	6.0	16.3	..	..	..	..	..	1	1	..
Portugal	..	..	..	..	16.9	2.8	2.4	..	..	..	..	49	50	34
Spain	..	3.6	46.5	..	0.1	..	..	..	1	8	..	4	..	..
Sweden	7.9	6.4	..	..	11.6	3.2	3.2	2	2	..	..	16	26	19
Switzerland	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	12.9	0.8	32.3	..	368.6	749.7	592.3	3	9	19	..	841	306	174
United States	0.7	107.5	280.4	1 809.9	1 946.3	1 230.5	2 771.5	1	17	73	144	180	101	174
<b>Total</b>	<b>682.1</b>	<b>327.4</b>	<b>903.7</b>	<b>2 635.4</b>	<b>3 893.8</b>	<b>3 959.6</b>	<b>8 640.6</b>	<b>110</b>	<b>146</b>	<b>328</b>	<b>624</b>	<b>3 503</b>	<b>3 442</b>	<b>4 488</b>

Source: Contract Award 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) See Table 7 for footnotes relating to 2009 data.

(4) Contracts awards in 2009 excluding data on small contracts.



Table 7. Distribution of contracts awarded in 2009 (1)

	Total Contracts Awarded		within donor country		Other OECD and non_DAC countries		Developing countries (excl. LDCs and non-LDC HIPCs)		LDCs and non_LDC HIPCs	
	No. of contracts	USD million	No. of contracts	USD million	No. of contracts	USD million	No. of contracts	USD million	No. of contracts	USD million
Australia	1144	318.3	837	292.5	151	10.0	110	7.2	46	8.7
Austria (2)	..	..	..	..	..	..	..	..	..	..
Belgium	36	21.8	1	0.3	2	1.9	3	1.5	30	18.1
Canada (2)	..	..	..	..	..	..	..	..	..	..
Denmark	388	47.4	325	36.0	59	11.1	3	0.2	1	0.0
Finland	115	86.9	88	84.8	13	1.9	12	0.2	2	0.0
France	1700	654.2	286	152.7	63	34.1	741	372.4	610	95.0
Germany	210	188.2	97	70.1	23	49.3	18	9.2	72	59.6
Greece	26	6.2	..	..	..	..	5	0.1	21	6.1
Ireland (2)	..	..	..	..	..	..	..	..	..	..
Italy (3)	..	..	..	..	..	..	..	..	..	..
Japan	166	3 897.9	32	880.5	15	329.0	117	2 681.9	2	6.4
Korea (4)	..	..	..	..	..	..	..	..	..	..
Luxembourg	94	29.2	4	2.6	16	5.2	51	14.6	23	6.9
Netherlands (3)	..	..	..	..	..	..	..	..	..	..
New Zealand	208	21.2	126	17.0	33	2.3	26	1.0	23	0.8
Norway (2)	..	..	..	..	..	..	..	..	..	..
Portugal	34	2.4	19	0.6	..	..	5	0.6	10	1.1
Spain (3)	..	..	..	..	..	..	..	..	..	..
Sweden	19	3.2	11	2.0	8	1.2	..	..	..	..
Switzerland (2)	..	..	..	..	..	..	..	..	..	..
United Kingdom	174	592.3	157	387.7	11	24.7	4	179.8	2	0.2
United States	174	2 771.5	102	2 474.0	9	103.3	41	28.7	22	165.5
<b>Total DAC</b>	<b>4 488</b>	<b>8 640.6</b>	<b>2 085</b>	<b>4 400.9</b>	<b>403</b>	<b>573.9</b>	<b>1 136</b>	<b>3 297.4</b>	<b>864</b>	<b>368.4</b>
<b>% Distribution of contracts awarded since 2003 (4)</b>										
2009 % of total	100	100	46	51	9	7	25	38	19	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) No contracts completed under the coverage of the Recommendation.
- (4) Aggregate reporting on small contracts included as from 2007.
- (5) Korea joined the DAC on 1st January 2010. Information on contract awards data will commence as from 2011 reporting on 2010 contract.

Note: Due to a lack of available information the breakdown data may not add up to totals.

**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<sup>5</sup>**

<b>Australia</b>
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 programme 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.
<b>Belgium</b>
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.
<b>Canada</b>
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.
<b>Denmark</b>
Danish ODA is already untied to the maximum extent. Plans for further untying of ODA will therefore not be pursued.
<b>Finland</b>
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

<sup>5</sup> Note: Ireland, Norway and UK report 100% of their aid was untied in 2007-2009; accordingly these countries do not figure in this Annex.

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 has extended the coverage of the 2001 Untying Recommendation to cover remaining non-LDC HIPC and made the decision to no longer supply concessional credits to this group of countries.

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). Finland intends to allocate € 6 million in cash as multilateral assistance to the WFP for the year 2010. Eventual commodity procurement may be added due to the deteriorating food and climate crises, if Finland receives a specific request for an "in kind" contribution from WFP.

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

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 LDC 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

**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's 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**

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**

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

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

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's – 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

<p>3. 2013 – 2015 ODA to A+B (Master Plan 2009-2012) countries ←→ Ministry of Trade + Ministry of Economy + Local Governments (all actors)</p> <p>4. 2015 all ODA untied ←→ All actors</p>
<b>Sweden</b>
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.
<b>Switzerland</b>
Switzerland only maintains a small programme 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

<b>Austria</b>
<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>
<b>Greece</b>
<p>Greece has fully met the commitments in the DAC Recommendation to untie aid to Least Developed Countries (LDCs) and Highly Indebted Poor Countries (HIPC)s and will do its best to progressively further untie its aid grants. In the mean time, it will be reporting the tying status of all its aid, including technical co-operation and administrative costs, as from 2010, for resource flows of 2009.</p> <p>Although Greece was not able to fulfill its quantitative commitments as regards ODA grants, it remains strongly dedicated to the achievement of quality parameters of its development assistance in the framework of the Monterrey Consensus, the Paris Declaration, the European Consensus on Development, and the Accra Agenda for Action. Furthermore, Greece remains strongly dedicated to the achievement of its quantitative international commitments, as soon as this becomes feasible, under the current circumstances.</p>

**Italy**

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 “*Untied aid and support for good and service purchases made locally*”. 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.

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 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. Other Members****Japan**

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

**United States**

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.