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Organisation de Coopération et de Développement Economiques
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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

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**DAC UNTIES MORE AID TO PROMOTE LOCAL AND REGIONAL PROCUREMENT IN
DEVELOPING COUNTRIES**

15 March 2006

Subject to DAC approval of note DCD/DAC(2006)25 concerning ex post reporting of small contracts, the attached information note would be posted on the DAC website for public information.

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DAC UNTIES MORE AID TO PROMOTE LOCAL AND REGIONAL PROCUREMENT IN DEVELOPING COUNTRIES

1. Hardly a major international development event goes by without calls for more aid to be untied. In response, the DAC had agreed in 2001 on a Recommendation on Untying ODA to the Least Developed Countries. While the Recommendation provided for exceptions concerning small contracts, (i.e. less than SDR 700 000 or USD 1 million), the DAC has now decided to lift this exception. In doing so, it agreed on an approach to reporting contract awards that provides the required degree of transparency, while minimising reporting burdens.
2. This will mean that an additional USD 440 million of aid that will be untied. Focusing on small projects, this initiative will make it easier for developing country enterprises to access aid supported procurement offers and, thus, deliver benefits to the local and regional economy. This will promote one of the objectives of the Recommendation – to support local and regional procurement by firms in developing countries.
3. This initiative is part of broader efforts in the DAC to increase aid effectiveness. Reviews of experience with the 2001 Recommendation show that it is being successfully implemented, but that its impact on aid effectiveness is restricted by its limited geographic and activity coverage. In that connection, the DAC is exploring possible ways and means to further expand the coverage of the Recommendation.
4. The share of aid that is untied is an important development indicator. It is one of the indicators associated with measuring progress on the MDGs as well as on the Paris Declaration on Aid Effectiveness. The share of total ODA that is presently untied is estimated at 42%.