

Unclassified

DCD/DAC/RD(2010)2/RD6

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

04-Feb-2010

English text only

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

DCD/DAC/RD(2010)2/RD6
Unclassified

DAC CHAIR FINANCING AND REFORM

Room Document 6

DAC Meeting, 12 February 2010

This Room Document is submitted for DISCUSSION under Item 8 of the Draft Annotated DAC Agenda [DCD/DAC/A(2010)2] by the Belgian and UK Delegations, coordinated by the DAC Vice Chair, Mr. Bert van Geel.

This document poses on the following questions:

- (1) Which of the two options do you prefer?*
- (2) Would you be prepared to join a consensus about the other option?*

Contact: Bert van Geel, DAC Vice Chair, Delegation of the Netherlands to the OECD,
Tel: +33 1 45 24 99 33, E-mail: Lpm-van.geel@minbuza.nl

JT03278067

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

English text only

DAC Chair financing

Background

1. In the summary of the DAC SLM of December 2008, the following is stated:
 - That the preference of financing modalities from Part I or equal or weighted [voluntary] contributions varied, while Japan wanted to maintain the status quo for financing (attached: summary table of the results of the 2 surveys);
 - The suggestion by the DAC Chair to talk to the Ambassador of Japan and that once there is a consensus to carry out a reform, detailed proposals could be worked out by a small group.
2. The results of this dialogue between the DAC Chair and the Japanese Ambassador have been communicated to the DAC members by a letter from the DAC Chair on 29 May. In this letter it is stated:
 - That Japan was prepared to lift the general objection against reform and clarified the position on which Japan is prepared to resume discussion.
 - In the letter from the Japanese DAC delegate attached to the letter of the DAC Chair, Japan states that it was “ready to accept the Secretariat’s proposal of mandatory [100%] equal shares” and a series of other points.
3. In the following months, the DAC Bureau members approached all the DAC members inviting them to join the Japanese proposal. In line with the DAC SLM summary that states that detailed proposals could be worked out, a second proposal was launched, namely 30% equal shares and 70% weighted shares. Both proposals, the ‘30/70%’ shares and the 100% equal shares are presented hereunder.

I. ‘30/70%’ proposal

4. This financing modality is based on a principle currently in use for the whole of OECD Part I contributions and financial year 2009. It is composed of (i) a base fee resulting from the equal sharing among all members of 30% of the Part I budget to be financed by assessed contributions, and (ii) a ‘principal contribution’ for the remaining 70% according to capacity to pay. [see BC(2009)2 of January 2009 (attached) : p.4 provides the scale of proportions applied for calculating the principal contributions for the 70% weighted contributions]
5. Hundred percent equal shares, although used sometimes for specific OECD activities, and by the proponents of the equal shares proposal hereunder, further deteriorates already existing differences in VCs for the DAC PWB where several smaller DAC members take sizeable proportions of the financing. As a general principle, 100% equal shares put smaller countries in an uncomfortable situation.
6. This ‘30/70%’ proposal combines equal and weighted voluntary contributions and may therefore, be considered as a compromise proposal.
7. Computing the 30% and 70% is simple using the above scale of proportions, but leaving out OECD members who are not DAC members, and recomputing the proportions of the DAC members in order to add up to 100. Assuming that contributions are received from all the members and an annual budget of 500.000 for financing the DAC chair^{1,2}, **Figure 1** hereunder results in fifteen DAC members

1 500.000 Euro is a round figure of the estimated annual cost of the DAC Chair presented in DCD/DAC(2008)56/REV1.

contributing between 8.000 and 16.000 Euro; three between 20.000 and 30.000 Euro; another three between 30.000 and 40.000 Euro; one member 58.000 Euro, and one member 96.000 Euro. In comparison: in the proposal of 100% equal shares, each DAC member would contribute annually about 22.000 Euro.

8. In **Figure 2**, the expected contributions for DAC Chair financing under the ‘30/70’ proposal are added to the reported voluntary contributions of the DAC members for the current PWB (DCD/DAC/RD(2009)8/RD2 presented at the DAC Meeting of 12 May 2009) divided by two to obtain an average annual contribution. The results are the following: at the exception of only one DAC member, the main contributors with more than 500.000 Euro each are not amongst the eight DAC members that contribute the most to the DAC chair financing under the 30/70 proposal.

9. In the Mid-term Orientation Survey documentation on the 2009 budget for the DAC (heading ‘Contribute to the Development of Non-Member Economies’) the relative importance of Part I financing and voluntary contributions to the DAC budget is stated: the share of VCs to Part I budget equals 207,3%, i.e. there are more than twice as much voluntary contributions compared to Part I funding; in absolute terms 6,186 KEUR Part I budget (or 32,5%) and 12,825 KEUR voluntary contributions (or 68,5%).

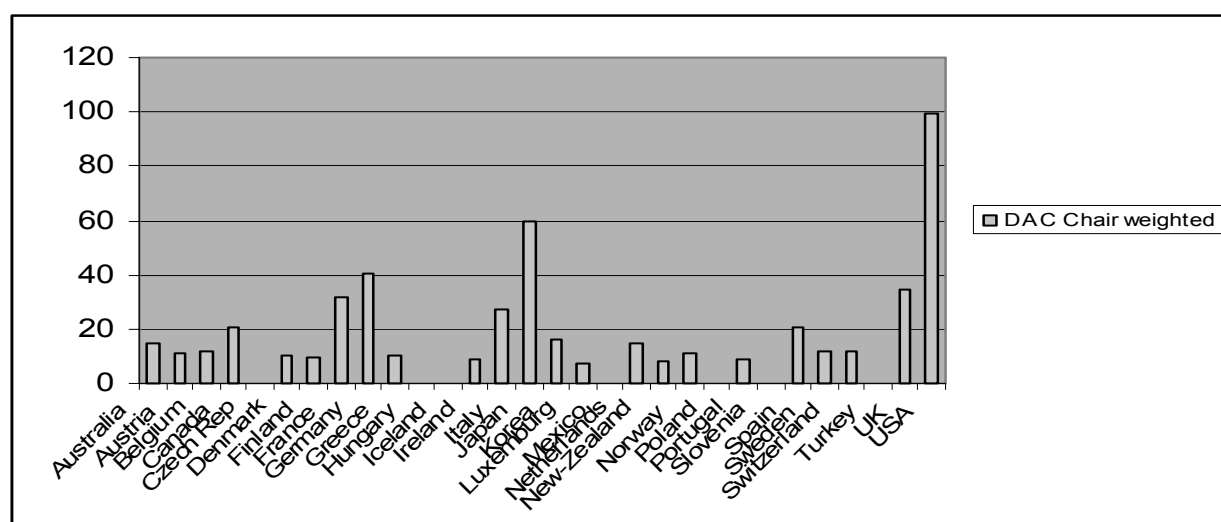


Figure 1 – Simulation of annual DAC Chair financing by DAC member under the ‘30/70’ proposal for DAC Chair financing

2 The order of the DAC members in both figures is alphabetically including OECD DAC observers as in the table on p.4 of BC(2009)2.

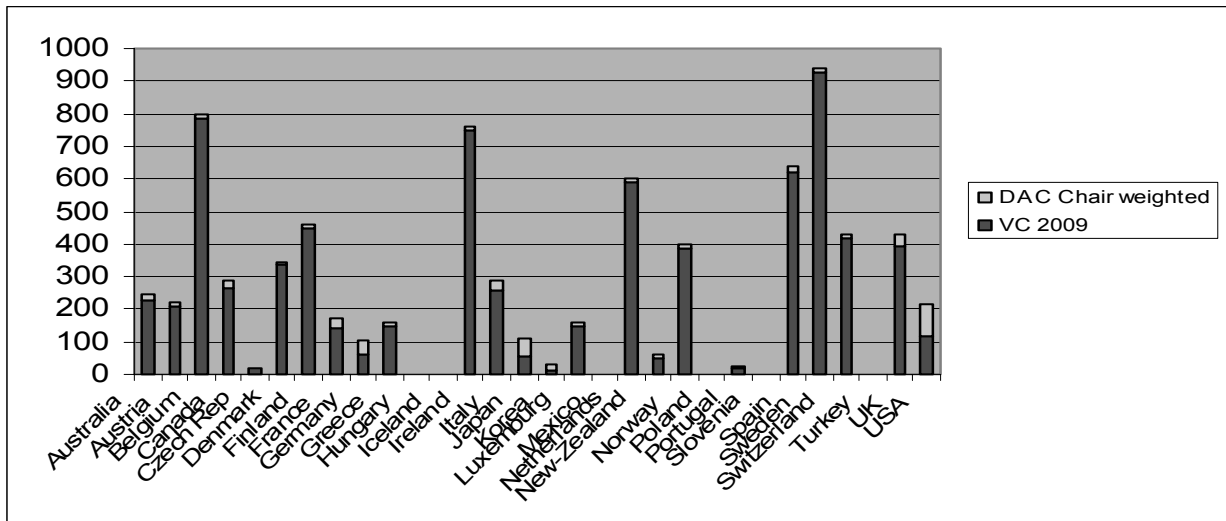


Figure 2 – Simulation of total annual voluntary contributions by DAC member (for DAC activities and DAC Chair financing under the '30/70%' proposal)

II. Equal shares proposal

10. The alternative to the proposal described above is to use a one hundred percent equal shares basis (see above), which as noted is used sometimes for specific OECD activities, also to apportion the DAC Chair costs. Apportioning DAC Chair costs on an equal basis has the advantage of simplicity and reflects the equal benefits derived by DAC members from the post of DAC Chair.

11. Doing so does not significantly alter the ranking of total member contributions to the DAC (voluntary (estimated as above) plus Part 1) shown in **Figures 3 and 4** (the DAC budget receives some 6.7 per cent (data supplied to Delegations for the MTO survey, as referenced above refers) of that element of Part 1 contributions allocated to operational programmes within the OECD (estimated at 54.3 per cent of the total: see BC(2009)2 of January 2009 (attached) for total Part 1 contributions 2009).

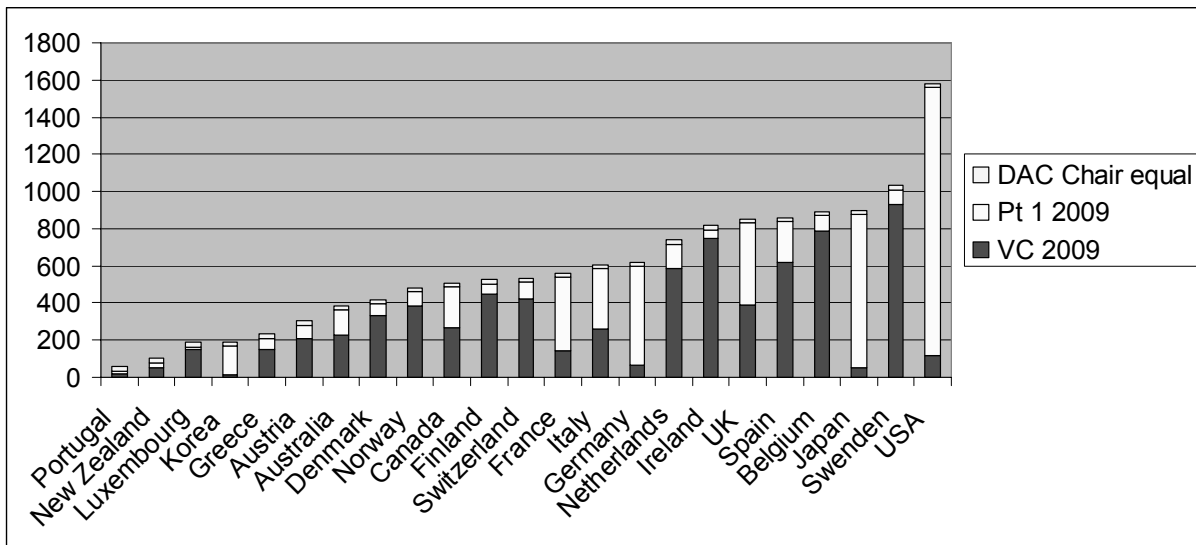


Figure 3 – Simulation of annual DAC financing by members under equal shares proposal for DAC Chair financing when added to other VC and Pt 1 funding for 2009 DAC activities

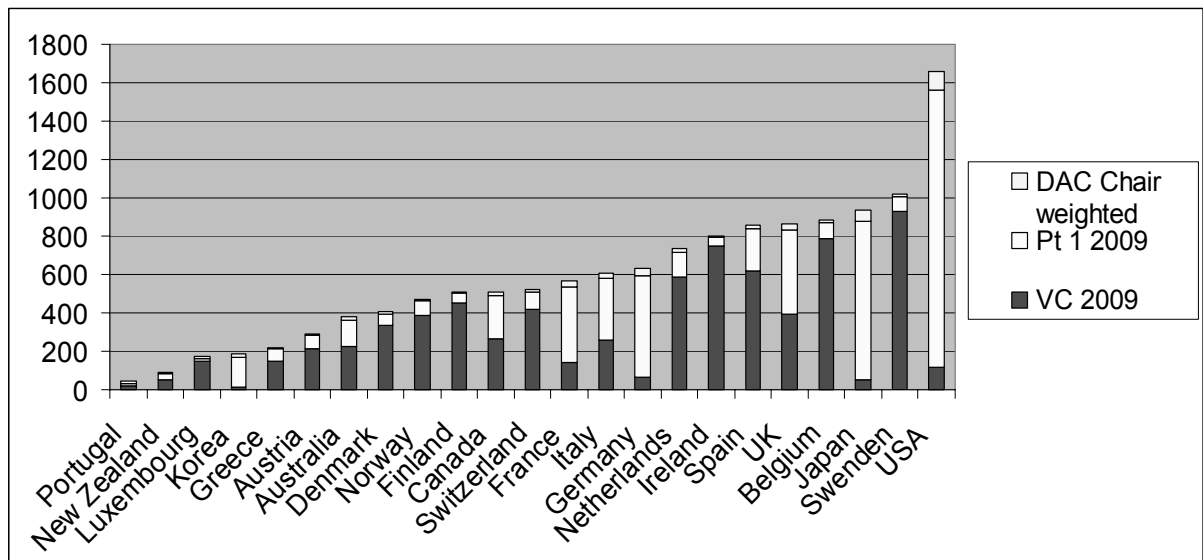


Figure 4 – Simulation of annual DAC financing by members under the '30/70' proposal for DAC Chair financing when added to other VC and Pt 1 funding for 2009 DAC activities

NB: Some members make non-financial contributions in support of DAC work in addition to the figures used above.

III. Questions for the DAC

1. Which of the two options do you prefer?
2. Would you be prepared to join a consensus about the other option?