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**Development Co-operation Directorate
Development Assistance Committee****DAC Working Party on Development Finance Statistics****Proposals to modernise the implementation and reporting framework of the DAC
Recommendation on Untying ODA**

This document presented proposals to modernise the implementation and reporting framework of the DAC Recommendation on Untying ODA, as part of the review of this legal instrument. A REV2 was presented for APPROVAL to the WP-STAT at its meeting of 11-13 September 2024, under item 4.b of the Draft Annotated Agenda [DCD/DAC/STAT/A(2024)3].

Based on the comments made during the meeting and [in writing](#):

- Items 1.1, 1.2, 1.3, 2.1, 2.3, 3.1 and 3.2 were approved. Item 1.4 was not approved.
- Item 2.1 was approved with the following edits: clarifications on the scope of reporting and on the voluntary nature of the new field on procurement type.
- Item 3.1 was approved with the following edit: removal of the footnote on Public-Private Partnerships (PPPs).

This document reflects the edits requested by members and is issued as final and unclassified.

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Proposals to modernise the implementation and reporting framework of the DAC Recommendation on Untying ODA

1. The Development Assistance Committee (DAC) decided to launch in 2023 a review of the DAC Recommendation on Untying ODA [[OECD/LEGAL/5015](#)] (hereafter the “DAC Recommendation” and the “Review”) as set out in the terms of reference for the Review¹. It further decided that the Review be conducted under the auspices of the DAC Working Party on Development Finance Statistics (WP-STAT) with participation of DAC delegates and procurement experts from DAC capitals as needed. The Review is scheduled to conclude in November 2024 with the presentation of the draft revised DAC Recommendation for final adoption by the DAC.
2. Table 1 lists the WP-STAT meetings and sessions in which the Review questions were addressed.

Table 1. List of WP-STAT meetings and sessions addressing the Review questions

	Are the principles of open, fair, and transparent procurement markets that underpin the DAC Recommendation currently undermined by the practices of other development co-operation models?	Should the DAC tools to support and report on the implementation of the DAC Recommendation be modernised?	Can, and should, the DAC Recommendation promote greater procurement by and from local businesses and organisations as policy levers to advance developing countries’ sustainable development and ownership?
WP-STAT session 26 April 2023	X		
WP-STAT sessions 7-8 December 2023		X	
WP-STAT session 29 January 2024	X		X
WP-STAT meeting 13-15 March 2024		X	
WP-STAT sessions 12-13 June 2024	X		X
WP-STAT meeting 11-13 September 2024	X	X	X
DAC November meeting	Final adoption of the draft revised DAC Recommendation		

3. Questions related to the implementation and reporting framework were first discussed at the WP-STAT sessions held on 7 and 8 December 2023 based on the following three discussion documents:
 - Reviewing the Implementation Framework of the DAC Recommendation on Untying ODA, **Metrics and reporting on *de jure* untying** [DCD/DAC/STAT(2023)38].
 - Reviewing the Implementation Framework of the DAC Recommendation on Untying ODA, **Metrics and reporting on *de facto* untying: the transparency provisions** [DCD/DAC/STAT(2023)39].
 - Reviewing the Implementation Framework of the DAC Recommendation on Untying ODA, **Private Sector Instruments** [DCD/DAC/STAT(2023)42].

¹ The Terms of reference on the Review of the DAC Recommendation on Untying ODA [DCD/DAC(2022)59] were approved by the DAC at its meeting on 7 December 2022 [DCD/DAC/A(2022)18].

4. The proposals on modernising the implementation and reporting framework of the DAC Recommendation [DCD/DAC/STAT(2024)4] were first presented at the WP-STAT meeting of 12-13 March 2024.² Based on the comments received from members, both at the meeting³ and in writing,⁴ a REV1 version [DCD/DAC/STAT(2024)4/REV1] of the proposals was circulated on 3 July 2024 for written comments by members. Based on the comments received, a REV2 version was presented at the WP-STAT meeting of 11-13 September 2024.⁵ This FINAL version of the document reflects the comments made by members both at the meeting⁶ and in writing,⁷

5. Table 2 summarises the items that have been discussed by the WP-STAT to modernise the implementation and reporting framework of the DAC Recommendation. **It shows which items (1.1., 1.2., 1.3., 2.1., 2.3, 3.1. and 3.2) have been approved by members, and which others (1.4) have not been approved.** In addition, it presents some items (1.5., 2.2., 2.4. and 2.5.) that were discussed during the review but eventually not presented for approval. These items will be further explored as part of a follow-up work by the Secretariat, in collaboration with interested members and experts.

Table 2. Summary of the items discussed by the WP-STAT to modernise the implementation and reporting framework of the DAC Recommendation on Untying ODA

	For inclusion in the DAC Recommendation	For inclusion in the Reporting Directives/Contract awards guidelines	To be further explored (not for approval) *
<i>De jure untying (tying status)</i>			
1.1. Excluding some tied-by-definition modalities from the tying status reporting		Approved	
1.2 Clarifying that humanitarian aid is excluded from the coverage of the Recommendation	Approved		
1.3 Classifying certain ODA categories as untied by definition		Approved	
1.4 Tracking in-kind aid		Not approved	
1.5 Testing new metrics on untying			Follow-up work
<i>De facto untying (transparency provision)</i>			
2.1. Providing additional information on contracts to classify them in comparable categories		Approved	
2.2. Testing methods to capture data on			Follow-up work

² See item 8 of the Draft Annotated Agenda [DCD/DAC/STAT/A(2024)1/REV2].

³ See the Summary record of WP-STAT meeting of 13-15 March 2024 [DCD/DAC/STAT/M(2024)1/FINAL].

⁴ See the written comments shared by members in the WP-STAT [community space](#).

⁵ See item 4.b of the Draft Annotated Agenda [DCD/DAC/STAT/A(2024)3].

⁶ See the Draft Summary record of WP-STAT meeting of 11-13 September 2024 [DCD/DAC/STAT/M(2024)3].

⁷ See the written comments shared by members in the WP-STAT [community space](#).

sub-contracts with interested members			
2.3. Providing public access to contract award data		Approved	
2.4. Testing methods to capture information on the ultimate parent company			Follow-up work
2.5. Testing alternative methods to assess procurement openness			Follow-up work
<i>Private Sector Instruments</i>			
3.1 Clarifying the tying status of outflows from ODA-eligible PSI vehicles		Approved	
3.2 Clarifying the use of channel of delivery of PSI ODA to monitor the DAC Recommendation		Approved	

Note: (*) These items have not been presented to the WP-STAT for approval as they require further analysis. They will be part of follow-up work by the Secretariat and possibly discussed again by the WP-STAT in the future.

6. The proposals discussed in this document all follow the same structure, summarising the issue being addressed, the proposal by the Secretariat, and the expected benefits and impact on reporting burden (the need for more clarity on costs/benefits associated with the proposals was a demand made by several members). For a more in-depth analysis on the transparency and statistical issues that led to these proposals, members should refer to the initial documents mentioned in paragraph 3.

7. The document is organised as follows:

- Section 1 addresses the metrics and reporting used for the monitoring of *de jure* untying (tying status of ODA).
- Section 2 addressed the metrics and reporting on *de facto* untying: the transparency provisions.
- Section 3 looks at the issue of private sector instruments.

1. Metrics used and reporting on *de jure* untying (tying status of ODA)

8. The proposals presented in this section build on those made by the Secretariat in the document *Reviewing the Implementation Framework of the DAC Recommendation on Untying ODA, Metrics and reporting on de jure untying* [DCD/DAC/STAT(2023)38].

9. Untied aid is defined as loans and grants whose proceeds are fully and freely available to finance procurement from all OECD countries and substantially all developing countries. *De jure* untying is tracked based on the tying status data reported by DAC donors in the Creditor Reporting System (CRS) for all new bilateral ODA commitments. There are two basic metrics for measuring progress in untying:

- Share of untied bilateral ODA based on the Recommendation coverage: untied ODA commitments (numerator) / total ODA commitments covered by the Recommendation (denominator).
- Share of untied bilateral ODA based on all ODA: untied ODA commitments (numerator) / total ODA commitments for which the tying status is reportable (denominator).

1.1. Excluding some tied-by-definition modalities from the tying status reporting

10. **What is the issue?** The tying status is currently reportable on all bilateral ODA except for administrative costs and in-donor refugee costs. The inclusion of some tied-by-definition modalities (activities that take place in the donor country) in the tying status statistics for all ODA (denominator) has been challenged by some members, leading to reporting that is inconsistent with the DAC Statistical Directives. This undermines the comparability of the tying status statistics.

11. To address the issue, the Secretariat recommended members to collectively review which tied-by-definition modalities should be covered by the tying status reporting and to harmonise the reporting in compliance with the agreed DAC Statistical Directives. To further improve comparability, the Secretariat also recommended making the currently optional reporting on the tying status of free-standing technical co-operation (FTC) a requirement. The vast majority of members already provide these data. Members generally welcomed the proposal to exclude from the tying status reporting in-donor expenditures that are tied by definition, except for the modality *donor country personnel*. However, they did not support making the tying status reporting of FTC a requirement.

12. The Secretariat proposes excluding imputed student costs, scholarships, and development awareness in donor countries from the tying status reporting (see Figure 1). This would require the following amendments to the DAC Statistical Reporting Directives [DCD/DAC(2024)40/FINAL] (new text underlined, ~~text to be removed strikethrough~~):

- Amendments of paragraphs 230 and 459:
 - 230: *Tying status is reportable in respect of bilateral aid commitments, with the exception of administrative costs and costs of refugees, students and development awareness in donor countries...*
 - 459: *Certain co-operation modalities are tied or untied by nature (see Annex 11). The fields on tying status should not be completed for administrative costs, ~~and~~ in-donor refugee costs, student costs in the donor country and development awareness in the donor country (activities with co-operation modalities G01, ~~and~~ H02-H06, E01-E02 and H01 respectively). Transactions are reportable as tied unless the donor has, at the time of the aid offer, clearly specified a range of countries eligible for procurement which meets the definitions of untied or partially untied aid (see Chapter 4, section VI). For activities for which the tying status is reported, the sum of the amounts reported as untied, partially untied and tied should equal the total amount of these activities.*
- Amendment of Annex 11 - Co-operation modality and tying status [DCD/DAC(2024)40/ADD1/FINAL]:
 - Guidance for Scholarships and student costs in donor countries:⁸ *~~Falls under the definition of TC. Reporting on the tying status of this co-operation modality is not mandatory. Given that makes use of the donor's own goods and services, tied by nature. The tying status is not reportable for student costs in the donor country. Tied by nature (makes use of the donor's own goods and services) and cannot be untied.~~*

⁸ The same instructions will apply to scholarships/training in the donor country (E01) and imputed student costs (E02).

- Guidance for development awareness: *The tying status is not reportable for development awareness in donor countries. Tied by nature (makes use of goods and services in the donor country) and cannot be untied.*

13. **What are the expected benefits and impact on reporting burden?** The benefits include more harmonised and comparable tying status data across members, and more informed policy discussions focussed on the ODA categories that actually matter for untying. Members' reporting burden will also be reduced since they will be required to provide less data.

1.2. Clarifying the ODA categories covered in the Recommendation

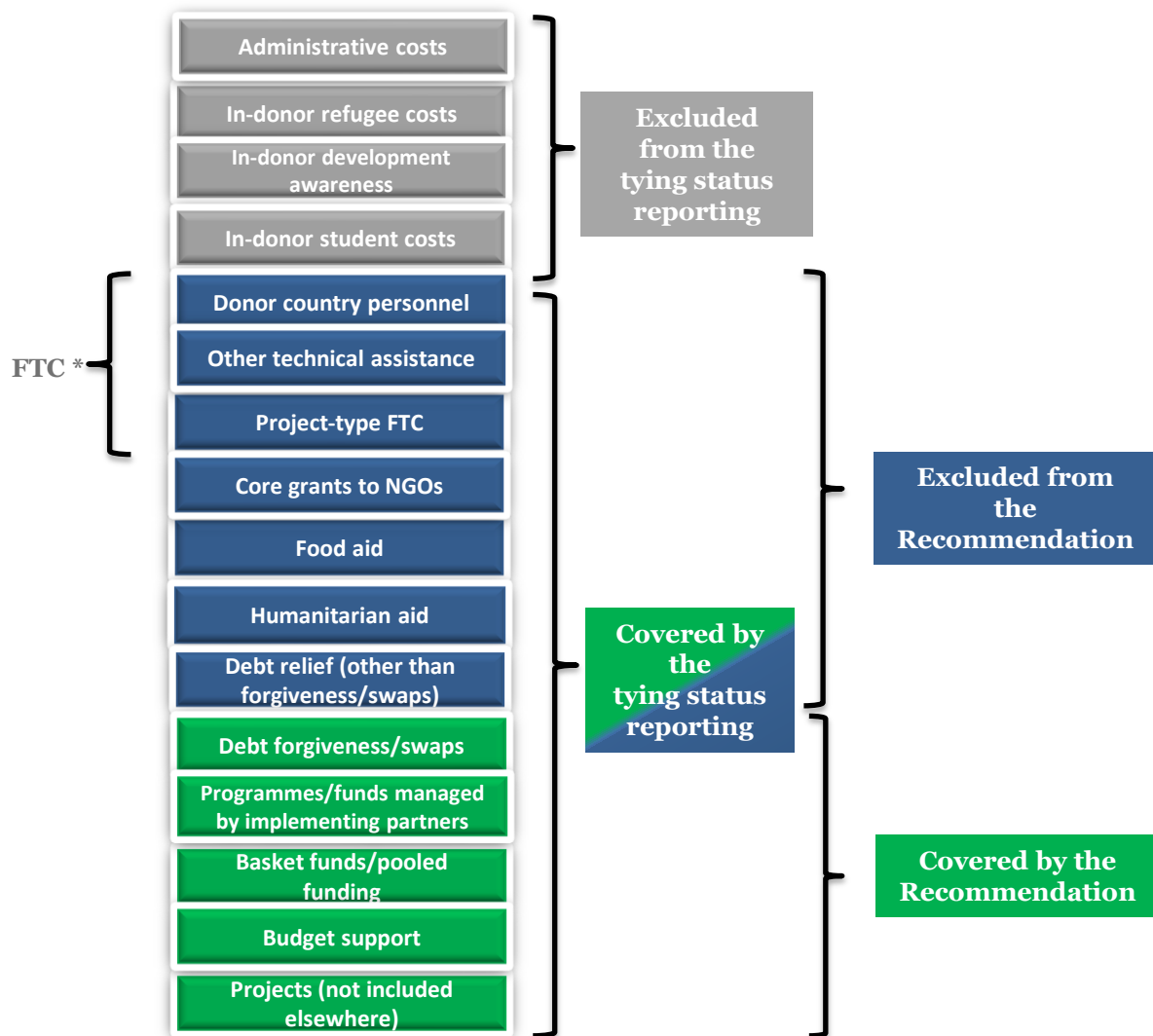
14. **What is the issue?** Some ODA categories are not explicitly excluded from the DAC Recommendation but have been excluded in practice when preparing the tying status statistics: humanitarian aid and debt relief. In the case of debt relief, the Recommendation explicitly states that debt forgiveness (a sub-category of debt relief) is included. To provide clarity and transparency on how the DAC Recommendation is monitored (i.e., how the statistics are computed) the Secretariat recommended reviewing whether these categories should continue to be excluded and subsequently reflecting the clarification in the Recommendation text. Members generally supported the continued exclusion of humanitarian assistance and clarifying this exclusion in the Recommendation text. As regards debt relief, while members generally agreed that only debt swaps should be included in the tying status statistics used to monitor the DAC Recommendation, they preferred keeping the current provision referring to debt forgiveness as covered by the Recommendation.

15. **The proposal of the Secretariat is to continue excluding humanitarian aid (purpose codes 720XX) and clarify this exclusion in the Recommendation text as follows:**

- Include in the DAC Recommendation the following clarification on coverage: *Humanitarian assistance is excluded as requiring international competitive bidding processes could be detrimental to the delivery of aid in emergency situations.*

16. Figure 1 illustrates the scope of the DAC Recommendation and the scope of the broader tying status reporting based on the proposals presented in sections 1.1 and 1.2.

Figure 1. Proposed scope of the DAC Untying Recommendation and the broader tying status reporting



Note: Reporting the tying status of free-standing technical (FTC) is optional. In practice, the vast majority of DAC members report the tying status of FTC. In-donor student costs (imputed student costs and scholarships) are also assimilated to FTC but excluded from the proposed scope of the tying status reporting.

Source: Authors.

1.3. Classifying certain ODA categories as untied by definition

17. Certain ODA modalities are considered untied by definition, including budget support (modality A00), core contributions to non-governmental organisations (NGOs – B01) and most forms of debt relief (modality F01). A question has been posed whether other modalities should also be considered untied by definition, in particular contributions to specific-purpose programmes and funds managed by implementing partners (B03) and basket funds/pooled funding (modality B04). The current guidance for these modalities states that they could be tied, partially untied, or untied. In 2022, 97% of ODA under these modalities has been reported as untied. A quick look at the transactions that have been reported as tied leads to two observations. Some large transactions may have wrongly been reported as tied, for example, contributions to the World Bank Financial Intermediary Fund

(FIF) for Pandemic Prevention, Preparedness and Response (PPR) and the IMF Enhanced Heavily Indebted Poor Countries Initiative, which are both in principle untied. Other tied contributions are provided in-kind (food assistance or medical products).

18. Regarding specific programmes managed by implementing partners (modality B03), these should in principle be managed autonomously by the organisations, following their own procurement procedures. In addition, in many cases the resources are pooled with those of other donors, making them difficult to tie. This would be at least the case of contributions to multi-donor/multi-entity funding mechanisms (B031) and multi-donor/single-entity funding mechanisms (B032). In the case of contributions to single-donor funding mechanisms (B033), the donor retains a significant influence on the allocation of the funds, which could potentially extend to procurement choices. Contributions by a donor to basket and pooled funds (B04) are placed in an autonomous account and managed jointly with other donors and/or the recipient. This would in principle mean that they are untied by definition. The specific case of in-kind contributions, which are tied by definition, could be identified separately (see section 1.4).

19. **The Secretariat proposed the following tying status guidance to be added in Annex 11 (Co-operation modality and tying status) of the Statistical Reporting Directives [DCD/DAC(2024)40/ADD1/FINAL]:**

- Contributions to multi-donor/multi-entity funding mechanisms (B031): *Unless provided in-kind, such contributions are pooled so that they lose their identity and become an integral part of the recipient institution's financial assets. As such, they should be reported as untied.*
- Contributions to multi-donor/single-entity funding mechanisms (B032): *Unless provided in-kind, such contributions are pooled so that they lose their identity and become an integral part of the recipient institution's financial assets. As such, they should be reported as untied.*
- Basket funds/pooled funding (B04): *Unless provided in-kind, such contributions are pooled so that they lose their identity and become an integral part of the recipient institution's financial assets. As such, they should be reported as untied, providing that there are no formal or informal restrictions which would cause them to be considered as in effect tied.*

1.4. Tracking aid in-kind

20. **What is the issue?** Some members have raised the question of whether it would be useful to separately track in-kind contributions in the CRS. These members have raised concerns about a potential trend towards the use of in-kind assistance to tie aid (e.g., through the provision of medical supplies). Tracking in-kind assistance separately could strengthen the monitoring of tied aid by allowing to verify the consistency of the tying status reporting and to measure the importance of this type of assistance in overall tied aid. In addition, beyond the purposes of untying, some key external stakeholders have expressed particular interest in data on in-kind support. For example, the World Trade Organization (WTO) and the Food and Agriculture Organization (FAO) have often asked the Secretariat these last years whether data on in-kind food assistance could be captured in the CRS.

21. **The Secretariat proposes the creation of a new type of finance under the 100-grant category as follows:**

- 130 - In-kind grants: donation or provision of goods or services other than cash contributions.

22. In cases where the support comprises both in-kind contributions and cash flows, and it is feasible to disaggregate the two components, these should be reported separately. Otherwise, reporters should use the type of finance representing the largest share of the support.

1.5. Testing additional metrics on untying (not for approval)

23. **What is the issue?** So far, to assess and track progress in untying, the sole indicator that has been used is the aggregate untying ratio, i.e., the share of members' bilateral aid that is reported as untied. While this indicator is useful for providing an overall view of the tying status of members' aid programmes, it fails to provide a more nuanced picture that could serve more targeted policy discussions. ODA includes different modalities for which the policy implications of untying may need to be considered separately. For example, untying can be achieved both through the choice of non-procurement related modalities that promote country ownership and that are untied by definition (e.g. budget support) and through the untying of procurement-related projects. Some members have argued that key to untying is the trade- and procurement-related ODA which is currently diluted in the overall indicator.

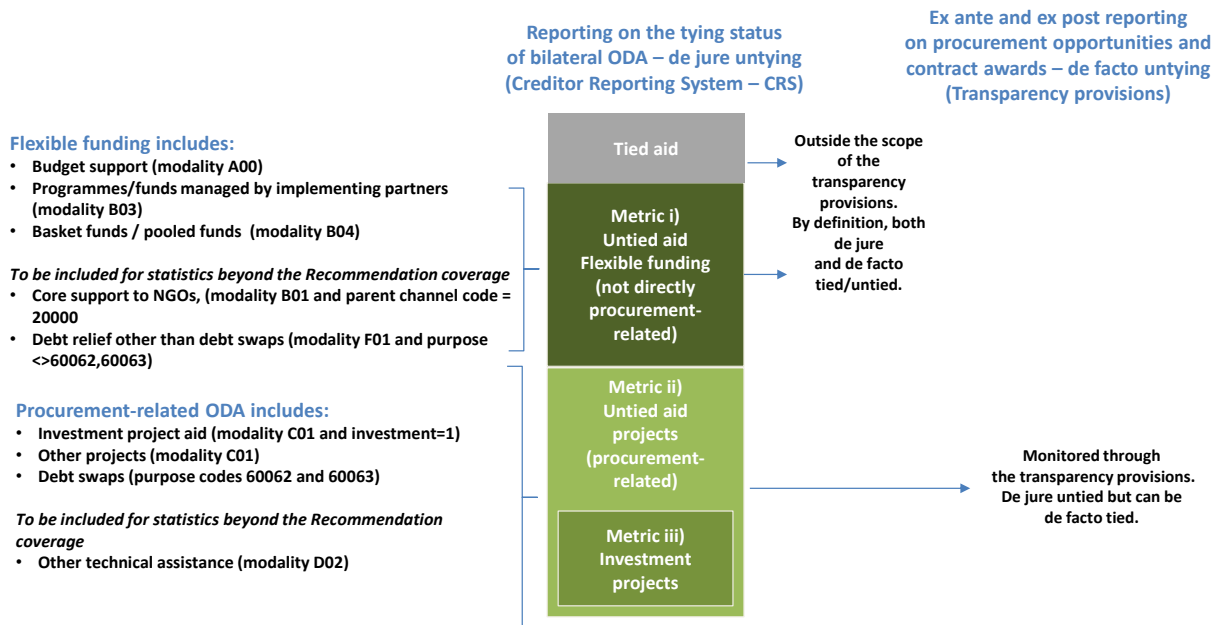
24. To address this issue, the Secretariat suggested to test additional and more granular metrics on untying, including untying through flexible funding, untying procurement-related ODA, and untying investment project aid. These metrics would be identified through CRS fields and taxonomies, including the co-operation modalities, the purpose codes and the investment projects flag. Several members welcomed the new metrics, but asked whether there would be any additional reporting burden. Other members were not in favour of developing new metrics at this stage. The Secretariat clarified that the proposed metrics are entirely based on data that are already reported today.

25. **The Secretariat will test, as part of follow-up work in 2025, the following metrics** (see also Figure 2), after which members will be invited to discuss whether these metrics should be used in the reports on the implementation of the DAC Recommendation:

- i. **Untying through the provision of flexible funding.** Specific modalities have been associated with the highest effectiveness in terms of meeting the untying objectives because they (i) ensure that the aid contribution is both *de jure* and *de facto* untied, and (ii) contribute to the broader DAC Recommendation objectives of coordination, alignment and ownership. Examples of such modalities include budget support and pooled funding mechanisms whereby stakeholders jointly design, programme and evaluate interventions. It is noteworthy that such a metric would also promote coherence with policies that the DAC is advancing through other venues, including the development effectiveness agenda and the locally led development discussions.
- ii. **Untying procurement-related ODA.** Identifying procurement-related ODA would allow a more accurate assessment of *de jure* vs *de facto* untying, since the latter applies only to procurement-related ODA (see Figure 2). Several donors have stressed that the current presentation of their contract awards data shows a distorted picture of their untying policies. For example, if donor A provides USD 90 million of its ODA in the form of flexible funding (e.g., through budget support) and USD 10 million through procurement-related projects, and the contract awards of these projects show a high share that goes to companies from the donor country, a non-initiated reader could interpret this as the whole USD 100 million going to companies from the donor country. A potential proxy to identify procurement-related ODA could be through the modality project-type interventions (C01).

- iii. **Untying investment projects.** The DAC Statistical Reporting Directives provide that *Investment project aid comprises activities primarily designed to augment the physical capital of recipient countries. It includes contributions for local and recurrent costs and investment-related technical co-operation. This category also includes financing for the supply of goods and services in support of these capital projects.* Investment project aid is a subset of procurement-related ODA. It is at the core of the untying agenda and of particular interest to the international trade and business community. Twenty-four members out of 31 used the investment project field in 2022 and not all donors have investment projects to report. However, since this field is not regularly monitored, there could be a need to review the accuracy of the data with some members. For the purposes of this metric, investment projects could exclude those reported under the Banking & Financial Services sector, since these are generally related to intermediary investment funds rather than actual infrastructure projects.

Figure 2. Additional metrics on de jure untying



Note: Today there are only two basic metrics on untying: share of untied bilateral ODA = untied ODA commitments (light and dark green boxes) / total ODA commitments OR total ODA commitments covered by the DAC Recommendation (light and dark green boxes + grey box).

Source: Authors

26. **What would be the expected benefits and impact on reporting burden?** The envisaged metrics could allow to have more fit-for-purpose indicators for more targeted policy discussions. They would also allow to better capture the diversity of models through which members are promoting untying. Identifying the share of bilateral ODA that is implemented through direct procurement as opposed to flexible funding for programmes implemented by partner organisations (who are responsible for the procurement) can inform untying discussions in multiple ways. First, as mentioned above, flexible funding is recognised as a particularly good practice to achieve untying objectives and should be promoted in this regard. Second, to better understand the risks of informal (*de facto*) tying, it is key to measure the ODA segment where the donor has the actual possibility to directly

influence the outcome of the procurement. Finally, analysing the degree of control that donors have on the procurement they finance also helps understanding how they can work to achieve some of their other procurement-related policies, for example on sustainable procurement.⁹ These envisaged metrics would not generate additional reporting burden given that they rely on data that are already reported today.

2. Metrics and reporting on de facto untying (transparency provisions)

27. The proposals presented in this section build on those made by the Secretariat in the document *Reviewing the Implementation Framework of the DAC Recommendation on Untying ODA, Metrics and reporting on facto untying* [DCD/DAC/STAT(2023)39].

28. Even though ODA contracts may be *de jure* untied, certain intended or unintended informal barriers may restrict access to ODA procurement for companies outside the donor country. To monitor de facto untying, the DAC Recommendation includes so-called *transparency provisions* on (*de jure*) untied aid, which include two requirements:

- *Ex ante* notification of untied contract opportunities above SDR 700 000 (SDR 130 000 in case of investment-related technical co-operation) to be posted on the DAC untied bulletin board.¹⁰ The objective is two-fold: (i) advertise aid procurement opportunities to promote the greatest participation possible, and (ii) verify that conditions for international competition and fair treatment are met, including the use of international competitive bidding (ICB), minimum and equal time left to suppliers to prepare their bids, etc.
- *Ex post* information on contract awards pertaining to individual *ex ante* notifications, as well as aggregate-level information on contract awards that are below the *ex ante* notification threshold. The objective is to assess, based on the geographical distribution of the contract awards, whether they are untied in reality.

2.1. Classifying procurement contracts in comparable categories

29. **What is the issue being addressed?** The contract awards currently reported and analysed at aggregate level are too different in nature for comparative analysis. They include upstream procurement of project management services by and for donor HQ, downstream procurement by partner country governments of infrastructure projects, capacity building for local populations in social sectors, grant awards for NGOs (for some donors), etc (for illustration see Figure 3). Today, it is not possible to fully distinguish between these procurement/award types in the data. In addition, they are unequally distributed across donors, both because they represent different proportions of each donor's aid programme and because the scope of reporting differs from donor to donor (see [DCD/DAC/STAT(2023)39]). Therefore, a concern is that comparing at aggregate level the geographical distribution of the contract awards reported by DAC members is likely to reflect differences in their development co-operation models, reporting patterns and spending structure rather than actual differences in their untying policies or outcomes.

30. In addition, information on the type of procedure used (international competitive bidding, national competitive bidding, framework agreement, etc.), the sector and the

⁹ See [DCD/DAC/STAT(2024)14]

¹⁰ See <https://www.oecd.org/dac/financing-sustainable-development/development-financestandards/untyingaidofficialdevelopmentassistancecontractopportunities.htm>

procuring entity is key in explaining the procurement outcome. These pieces of information are requested in the *ex ante* notifications of procurement opportunities, and therefore available for the contracts that have been *ex ante* notified. However, a significant number of members report contracts without prior notification, which means that in these cases the information is missing.

31. Analysing in the same basket procurement categories that are very different in nature can misorient policy discussions, particularly in an area where members pay close attention to performance of other members. For example, data users who are particularly interested in the trade-related contracts (infrastructure and supplies), including the DAC members themselves, often draw conclusions from the aggregate statistics on the geographical breakdown of contract awards, pointing to the high share of *in-donor* contracts for some members, while most of the contracts awarded by those members are actually related to capacity-building and governance.

32. To address this issue, the Secretariat proposed complementing the *ex post* reporting on contract awards with additional pieces of information on the procurement. The main additional information is related to the type of procurement (works, goods, services) and potential further disaggregation of service contracts (FTC, management advisory services, etc.). Members raised some concerns on potential additional reporting burden and raised questions on accuracy. They noted, in particular, the case of multipurpose contracts that would not fall in one single category, and the difficulty to further disaggregate service contracts.

33. The proposal of the Secretariat is to add the following fields to the questionnaire on *ex post* contract awards:

- i. Basic data items already included in the *ex ante* notification, and that would be required *ex post* only for contracts that meet the *ex ante* notification threshold but have not been notified *ex ante*:
 - Sector (values: CRS sectors)
 - Procurement regime (values: International Competitive Bidding, National Competitive Bidding, framework agreements, if other please specify)
 - Procuring entity (values: donor, recipient government, if other please specify)
- ii. Voluntary additional data field in principle common to most procurement or development co-operation systems:
 - Procurement type (values: works, supplies, services). Multiple values are allowed.

34. What would be the expected benefits and impact on reporting burden? The proposed changes could bring multiple benefits, including:

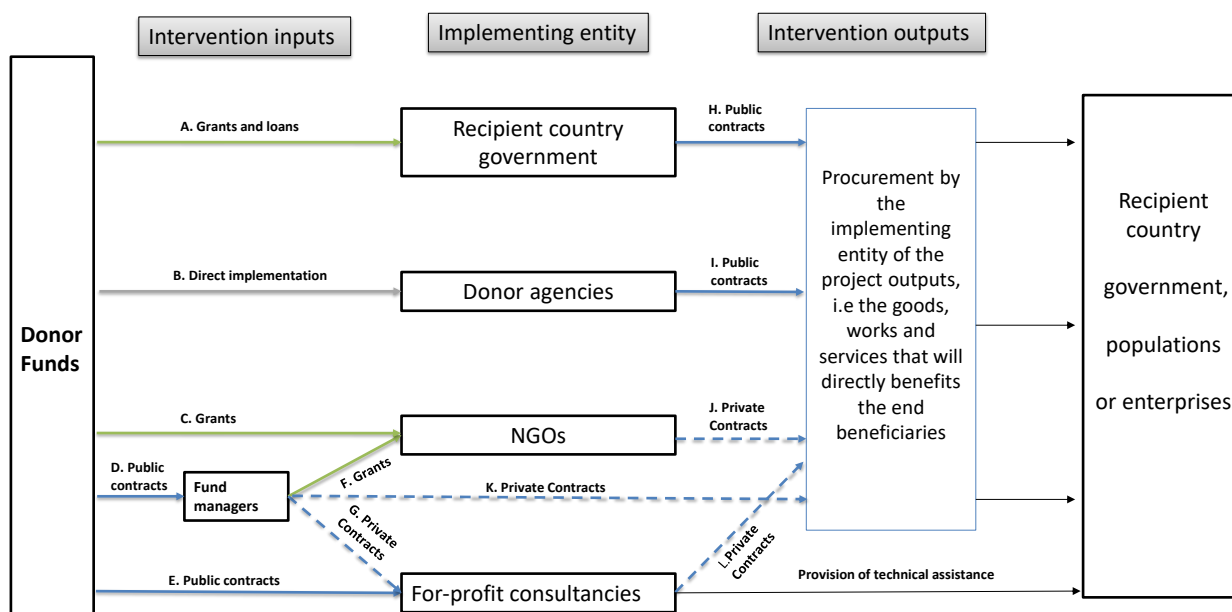
- More comparable and fit-for-purpose statistics on contract awards.
- More targeted and informed policy discussions.
- A better understanding of what drives the geographical distribution of contract awards.

35. The expected additional reporting burden seems limited. All data items that are proposed under i) are already required in today's framework but not fully reported. The additional data item proposed under ii) relates to basic information that should be available in most national procurement systems and is already reported today on a voluntary basis in the *Notes* field by many members.

2.2. Testing mechanisms to capture data on sub-contracts (not for approval)

36. **What is the issue?** The current reporting on contract awards provides limited transparency on procurement by NGOs and development contractors. The data capture the first procurement contracts made by donors (line D, E and I in Figure 3) and procurement contracts made by recipient governments when they receive funding (through grants and loans) from DAC donors (line H in Figure 3). However, the data do not capture procurement contracts by NGOs and prime contractors when they receive funding (through grants or prime contracts) from DAC donors (lines G, J, K L in Figure 3).

Figure 3. Illustration of the financing and procurement sequence



Note: For the purposes of illustration the figure provides a simplified picture of funding flows and procurement actions. Most often NGOs are awarded grants, but it can happen that they are awarded commercial procurement contracts. By contrast, most often private firms are awarded contracts, but it can happen that they are awarded grants. Green arrows indicate financing agreements. Blue arrows indicate procurement contracts currently captured in the Contract Awards database, dashed blue arrows indicate procurement contracts currently not captured. The figure does not reflect procurement processes that are tied by definition, for example the provision of donor country personnel, which are not supposed to be captured in the Contract Awards database. Source: Authors.

37. The lack of data on procurement actions by NGOs and prime contractors is an issue both with regards to transparency and accuracy of analyses on donors’ untying performance. The uneven transparency between official and non-official implementing entities creates a black box and sets different transparency and accountability standards depending on who is implementing the project. There is a priori no reason why NGOs and prime contractors should be treated differently from donors and recipient governments in terms of procurement transparency.¹¹ In addition, providing information only at the level of prime contracts and grants can mask the geographical sourcing of the actual procurement of project outputs (i.e. the goods and services that will directly benefit the end beneficiaries) and generally underestimate the level of local procurement. Historical data have shown that

¹¹ Sometimes, exceptions to transparency need of course to be made for security and safety reasons. DAC statistics in general allow for such exceptions, for example by anonymising certain data.

high-value prime contracts and grants awarded directly by donors often go to large donor-based organisations (multinational consultancies and non-profits). These intermediaries have a comparative advantage vis-à-vis local organisations as they can implement at scale, quickly and according to donors' requirements. Prima-facie interpretation of the data reported by these donors is usually that while they report their aid as largely untied *de jure* in the CRS (for some at 100%), based on their contract awards, their aid is very largely *de facto* tied, suggesting that they do not implement the Recommendation. However, local organisations are much more likely to be involved at the sub-contracting level when awards get smaller and more targeted to specific activities and projects. Therefore, looking at sub-contracts could improve the untying picture.

38. To address this issue, the Secretariat had raised the question of whether members should seek transparency on procurement from all implementers, including prime contractors and NGOs that oversee the implementation of large programmes and that would in principle have the capacity to track their subcontracts if not already the case. Australia already requires its prime contractors to report on subcontracts through an annual survey and is currently exploring the possibility to extend this exercise to grantees. It is noteworthy that the prime contractors of Australia are often the same than those of other donors. Some members expressed interest in pursuing this avenue. However, several other members raised concerns on the additional reporting burden and their capacity to legally require their partners to report information on sub-contracts. Another potential option that was discussed was to use data published directly by prime contractors and grantees in IATI. Although IATI does not track procurement contracts, expenditure data could be taken as a proxy of contract the value, and the channel of delivery could inform on the geographical origin of the sub-contractor. Several donors (Belgium, Denmark, the Netherlands, and the UK) require their implementing partners to publish data in IATI. IATI data can however be subject to quality issues such as duplicates and lack of completeness. Several members expressed interest in exploring these options to capture information on subcontracts but recognised that it will be a long process that will require an incremental approach to test different methods.

39. **The Secretariat will test, as part of follow-up work in 2025, with support from interested members and relevant experts, several methods to capture data on sub-contract awards:**

- i. Pilot with interested members for a period of two years a data collection and reporting on subcontracts by prime contractors and grantees. The modalities of such reporting (threshold, aggregate vs contract-level, etc.) are to be further tested during the pilot and in co-operation with the interested members. One member has so far expressed interest in participating in this pilot.
- ii. Pilot with interested members and contractors the possibility to use data published by the latter in IATI. When procurement is used to select an implementing entity, information on the contractor, and its geographical origin, can be tracked in the channel of delivery field.¹² The IATI Secretariat expressed great interest in contributing to the pilot. Experts from [PublishWhatYouFund](#), who carried out a preliminary [analysis](#) on the opportunities and challenges offered by IATI to track subcontract chains, are also willing to contribute. The Secretariat has also identified some contractors that have a track record in publishing good quality data in IATI

¹² The channel of delivery classification allows to distinguish between private sector in the donor country, private sector in the recipient country and private in a third country. It also allows to distinguish between international NGOs, donor country-based and developing country-based NGOs.

and that could be interested in participating in the pilot. Finally, some members expressed interest in participating in the pilot. Key elements of the pilot could include the following:

- Case studies linking prime awards (contracts and grants) by donor agencies to sub-awards by prime contractors. The objective is to demonstrate the usefulness of promoting, and tracking, local procurement through sub-contracts. The pilot will investigate the appropriate threshold (in terms of prime award value) above which the benefits of tracking sub-contracts could be considered as outweighing the administrative cost.
 - To ensure data comparability, it is important to map vendors and organisations across different datasets. The aid transparency community has been paying particular attention to this issue, and the IATI Secretariat has developed a shared [protocol](#) to identify the [list](#) on which any entity might be registered (using the CRS channel codes and business registers at the national level). This protocol is also used by other initiatives such as the [Open Contracting Partnership](#) and [Open Ownership](#). The pilot could also be used to test this new methodology and link it to the WP-STAT work.
 - IATI activities have links to documents, some of which are categorised as *contracts* or *tenders*.¹³ With support from the IATI Secretariat, the pilot could also be used to query these documents to investigate what they correspond to.
- iii. Pilot exploring the possibility to use data published by contractors in other platforms. For example, [USASpending.gov](#) provides openly accessible data tracking US federal awards (e.g. grants and contracts), including those extended by USAID. The platform includes data on sub-grants and sub-contracts reported by prime awardees. For a specific award extended by USAID, it is possible in principle to measure how much has been sub-awarded and how much has been sub-awarded to local organisations.¹⁴ However, as shown by the US Government Accountability Office (GAO),¹⁵ there are currently some issues related to data quality (e.g., missing information, errors, duplicates). To address these issues, the US General Services Administration (GSA) is working on modernising the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) to include better data validation controls. The pilot could be used to test the possibility to use, in co-operation with interested primes, the sub-award data to inform untying discussions.

40. **What would be the expected benefits and impact on reporting burden?**

Tracking sub-contracts could bring multiple benefits, including:

- A more accurate and more positive picture of members' untying and localisation performance, in particular for donors that have a centrally managed procurement. Many donors want to move towards a greater localisation of their aid contracts and grants. At the same time they also want to keep relying on their key strategic partners (private contractors and NGOs) that are often registered in their countries. Therefore, to achieve their objectives, donors may consider promoting local

¹³ See the IATI [code list](#) on Document Category.

¹⁴ As an example see [this](#) contract award.

¹⁵ See [GAO \(2024\)](#), Tracking Federal Awards: USAspending.gov and Other Data Sources, and [GAO \(2023\)](#), Federal Spending transparency: Opportunities Exist to Improve COVID-19 and Other Grant Subaward Data on USAspending.gov.

procurement through their big primes (private contractors and NGOs) and encourage these primes to sub-contract locally.

- Enhanced transparency and accountability for ODA. For interested citizens, this would allow to understand how aid money is spent, scrutinise procurement practices and uncover irregularities. For donors, this would provide added guarantees of transparency and control.

41. The proposed pilots involve a limited administrative burden for members. First, all pilots are to be tested with interested members on a voluntary basis. Regarding method i), Australia already collects the sub-contract data and is willing to participate. Methods ii) and iii) rely primarily on data and inputs provided by implementing partners. Inputs from the participating donors will be limited, and mainly related to overall policies and linkages between sub-awards and prime awards.

2.3. Providing public access to the contract awards data

42. **What is the issue?** The contract awards data collected from DAC members are currently not made public. There is, however, usually a high demand from the public to access these data. The Secretariat proposed to make the contract awards data publicly available, unless otherwise specified by the donor. It should be noted that the contract awards that are also reported to the OECD Export Credit Secretariat¹⁶ are already published on the OECD external website.¹⁷ Members generally supported the proposal. One member suggested that instead of the DAC publishing the dataset, a less costly alternative for members and the Secretariat could be to only publish a link to members' national platforms where the data are already publicly available. However, not all members have their own data dissemination platforms.

43. **The proposal by the Secretariat is to publish the contract awards data reported by members on the OECD external website, unless otherwise specified by a donor.**

44. **What would be the expected benefits and impact on reporting burden?** The main benefit would be increased transparency for the public, including taxpayers, development actors, researchers, and the public in general. Interested observers would understand how aid money is spent and could scrutinise procurement practices. From the DAC donors' perspective, this would show added guarantees of transparency. Data could also be used by researchers to uncover policy-relevant findings that could be used by donors. The proposal would not involve any additional reporting burden for members.

¹⁶ The Agreement on Untied ODA Credits Transparency [TD/PG(2005)8] (hereafter "the Agreement") agreed by the Participants to the Arrangement on Officially Supported Export Credits provides disciplines and transparency measures for untied Official Development Assistance (ODA), including the ex post reporting on contract awards. The annual data request on contract awards is sent jointly by the Export Credit and DAC Secretariats, using a common template. As part of the Agreement, the transparency requirements relate only to untied ODA credits with a value of SDR five million or more unless they have a concessionality level of 80 per cent or more, in which case they are excluded from the coverage. As part of the DAC Untying Recommendation, the reporting requirements related to both untied loans and grants

¹⁷ See the dataset for ex-post information on untied ODA here: <https://www.oecd.org/en/topics/sub-issues/aid-and-export-credits.html>

2.4. Testing methods to capture information on the ultimate parent company (not for approval)

45. **What is the issue?** The current approach in defining the nationality of a bidder may provide only a partial picture of the extent to which contracts are *de facto* open internationally. The nationality of a supplier is currently determined based on its country of incorporation, i.e., where it is registered. This means that the contract awards reported by a donor are considered to signal *de facto* untying only if a reasonable share is awarded to companies registered outside the donor country. However, direct cross-border procurement is only one of several modalities through which procurement can be internationally open. Another key modality is commercial presence procurement, i.e., awarding contracts to companies located in the procuring country but that are subsidiaries of foreign companies (contracts won by foreign entities but locally through their subsidiaries). Proximity to the client is important and many companies would typically bid from locally established subsidiaries.

46. The Secretariat suggested that identifying the ultimate parent company of the winning bidder could allow to measure commercial presence procurement and provide a more comprehensive view of the extent to which procurement is internationally open. This would only complement and not replace the current way of defining a company's nationality, which will remain to be primarily determined based on the country of incorporation of the bidder. Most members welcomed the proposal but suggested that rather than asking bidders to provide this information, it would be easier if the Secretariat would capture it through secondary means, using existing databases on companies' ownership structure.

47. **The Secretariat will further explore the feasibility, and relevance, of capturing information on ultimate parent companies based on the following:**

- Members who already capture information on the ultimate parent company of bidders can report it on a voluntary basis in the contract awards data.
- The Secretariat will test, in 2025, the use of commercial databases to capture information on the ultimate parent company of the firms that have been awarded untied ODA contracts. To the Secretariat's knowledge, the Orbis database has the best coverage.

48. **What would be the expected benefits and impact on reporting burden?**

- The benefits would include a more comprehensive picture of international procurement and more informed policy discussions. Some members have also stressed that the share represented by companies from certain non-DAC countries in the untied aid contracts is underestimated because some of these companies would bid through subsidiaries established in developing countries. Capturing information on the ultimate parent company would also help investigate this issue.
- While the proposal generates additional work for the Secretariat, no additional reporting burden is expected for members.

2.5. Testing alternative methods to assess procurement openness (not for approval)

49. **What is the issue?** Beyond the modernisation of existing reporting items and metrics on untying, a question is whether there are any other procurement-related policies and practices that members would wish to monitor in light of today's policy concerns, as part of the implementation framework that will guide members for the next 10 or 20 years.

So far, the openness of procurement has been only measured through the share of contracts awarded to companies outside the donor country. However, there are other ways to assess procurement openness. For example, information on the number of bids received can inform on competitive pressure and the easiness for companies to participate in the tender, which ultimately drives procurement efficiency and value for money. Another key indicator of procurement openness is market concentration, which can generate risks in terms of competitive advantage and overdependence on certain contractors.

50. Several members expressed interest in sharing information on the number of bids. Several members also welcomed indicators on market concentration, which can be developed based on already reported data on company names.

51. **The Secretariat will test alternative methods to assess procurement openness based on the following:**

- Test in the contract awards reporting, and on a voluntary basis, the possibility to capture information on the number of bids received.
- Test, as part of follow-up work in 2025, new indicators (to be determined) on market concentration. The Herfindahl–Hirschman index is a common measure of market concentration that could be considered.

52. **What would be the expected benefits and additional burden associated with this proposal?** The benefits would include:

- Tracking and monitoring key aspects of procurement efficiency and openness.
- Demonstrating to the public the efficiency and value for money in ODA procurement.

53. The expected additional reporting burden is limited. Bilateral discussions with several members revealed that data on bid participation already exist and, in any case, the information will be reported on a voluntary basis. Indicators on market concentration would not require additional data from members.

3. Private sector instruments

19. The proposals presented in this section build on those made by the Secretariat in the *document Reviewing the Implementation Framework of the DAC Recommendation on Untying ODA, Private Sector Instruments* [DCD/DAC/STAT(2023)42].

3.1. Clarifying the tying status reporting of PSI

54. **What is the issue?** The tying status should be reported on outflows from ODA-eligible PSI vehicles. It is not relevant to capital increases of PSI vehicles, which are intra-donor flows. Several members have inquired about how to report the tying status of PSI operations, which may be unclear at present. In traditional government-to-government support, untying is determined by whether the procuring entity undertakes an international competitive procurement procedure. In PSI, the ODA transaction is directly with the private sector as a beneficiary, not as a contractor. The nature of public and private procurement is different and private firms would usually follow established commercial and procurement practices rather than formal competitive tendering. As a result, the tying status determination may need to be considered differently.

55. The Secretariat proposed several clarifications distinguishing between four categories of PSI: Public-Private Partnerships (PPPs), support to industrial and business development in developing countries, Business to Business (B2B) support, and financial intermediaries. Based on members' comments, the main changes in the revised proposal relate to the following:

- Clarifying what *by design* means.
- Applying the logic used in the DAC Statistical Directives on the tying status in general, focusing the clarifications on defining untied aid, with the understanding that any other arrangement would be considered tied.
- Clarifying that for PSI programmes to be reported as untied, they should not include restrictions that would make them in effect tied, for example targets on financing enterprises from the donor country.

56. The **proposal** by the Secretariat is to include the following clarifications in the DAC Statistical Reporting Directives [DCD/DAC(2024)40/FINAL] (compared to the previous proposal, new text underlined, text to be removed ~~striketrough~~):

- Under paragraph 230:
 - *Tying status is reportable in respect of bilateral aid commitments, with the exception of administrative costs and costs of refugees, students and development awareness in donor countries and capital increases of PSI vehicles.*
- Under paragraph 231:
 - Public-Private Partnerships (PPPs) and business development in developing countries: If the loans or equity investments by a DFI or another PSI vehicle, or their proceeds, are by design open to private operators registered or owned in at least all OECD countries and substantially all developing countries, and if there are no conditions on the subsequent procurement by the private operator, the financing may be considered as untied, providing that there are no formal or informal restrictions which would cause them to be considered as in effect tied (e.g., specific targets on the share of financing provided to the donor's national companies). By design means that the DFI's financing documents must not formulate any restrictions with regard to eligible countries or must otherwise clearly specify the eligible countries.
 - PSI through financial intermediaries (e.g., investments in equity funds, credit lines through local banks) are considered untied, providing that there are no formal or informal restrictions which would cause them to be considered as in effect tied.
 - Business to Business (B2B) programmes that are restricted to companies from the donor country should be reported as tied.

3.2. Providing transparency on PSI investees

57. **What is the issue?** The purpose of the transparency provisions is to provide confidence that *de jure* untied aid is also *de facto* untied by verifying that suppliers from the donor country are not systematically advantaged. Based on the proposed tying status definition of PSI, it is possible that a PSI programme is reported as fully untied (because by design not restricted to companies from the donor country) but in practice only selects companies from the donor country. Therefore, *ex post* transparency on the companies that

have been selected by PSI vehicles is even more critical in the case of PSI, to provide credibility that they are indeed untied.

58. Information on DFIs' clients should be already available in the Creditor Reporting System (CRS) through the channel of delivery, and a breakdown is possible for the following categories: private sector in the provider country, private sector in the recipient country and private sector in a third country. These geographical categories are sufficient for the purposes of monitoring *de facto* untying. Therefore, members are not required to carry out any additional reporting. A specific attention should be paid however to data quality when reporting the channel of delivery of PSI outflows. A quick look at the data shows that almost all PSI outflows are reported as channelled through private sector other than from the donor country, which seems at odds with the descriptive information provided for some PSI operations.

59. In order to clarify that the CRS data on the channel of delivery of PSI (from ODA-eligible PSI vehicles) will be used to monitor the DAC Recommendation, and to encourage the most comprehensive and accurate reporting possible, **it is proposed to add a footnote in paragraph 414 of the DAC Statistical Reporting Directives as follows (new text underlined)**:

The channel of delivery serves three main purposes:

– *First, it permits the identification of core funding to specific multilateral organisations (field 11. Bi/Multi = 2, field 14. Co-operation modality= B02 or its voluntary sub-categories). Agencies must be included in the List of ODA-eligible.*

– *Second, it enables the calculation of aggregates on bilateral aid channelled through multilateral organisations and NGOs (field 11. Bi/Multi = 1 or 3, field 14. Co-operation modality = B01, B03 and its voluntary sub-categories, C01 or D02). The channel identifies the implementing agency, which helps to recognise a specific activity in the recipient country: for example, a UNICEF project financed by donor X is generally known in the field as a “UNICEF project” rather than a “project by donor X”.*

– *Third, it identifies activities with the private sector (channel category 60000) and, combined with the financial instrument classification (field 13), also enables the derivation of non-ODA aggregates. Sub-categories further distinguish between private sector in provider country (61000), private sector in recipient country (62000) and private sector in third country (developing country, high income/OECD country) (63000).⁸⁵ Within sub-categories, there is a further breakdown of codes to differentiate between...*

⁸⁵*Note that data on these three sub-categories are also used for the purposes of monitoring the DAC Untying Recommendation.*