



UNTYING ODA

DEVELOPMENT CO-OPERATION **FUNDAMENTALS**



“Tied aid” refers to Official Development Assistance (ODA) that is **offered on the condition** that it be used to procure goods or services from the ODA provider, or a limited set of countries.

Untying ODA means removing barriers to open competition, giving ODA recipients the freedom to access goods and services from virtually any country through international competitive bidding.



WHY IS IT IMPORTANT?

Quality and Cost

Tying ODA can **lower the quality** of projects and increase their cost by as much as 15-30%.

Effectiveness

Where an ODA provider is using partner country systems, untying ODA can also **increase ownership** and **strengthen country systems**.



Open, fair, transparent procurement allows the participation of local and other suppliers.



Access to bidding strengthens local supply chains and reinforces partner country systems.



Competition enables a comparison of quality and cost. Projects are more likely to be locally relevant.



BASIC STANDARDS

To be untied, ODA needs to be **fully and freely** available to finance procurement from all OECD countries and substantially all developing countries.

The [DAC Recommendation on Untying](#), which covers both grants and loans, commits Development Assistance Committee (DAC) members to ensure that their ODA is both *de jure* and *de facto* untied.

- ▶ *De jure* untying means removing legal and regulatory barriers to open competition.
- ▶ *De facto* untying means removing *all constraints* that would make *de jure* untied aid *de facto* tied. For example, publishing the call for bids in only the provider's language.



DAC members are also expected to publish contract opportunities financed from untied ODA on a [global bulletin board](#) to facilitate **competition** and **transparency**.

Section C.1 of the [OECD DAC Peer Review Analytical Framework](#) sets out the DAC's expectations on ODA allocations, including the DAC Recommendations on Untying and on Terms and Conditions of ODA.



GOOD PRACTICES



Policies guide decision making

Development co-operation policies include a clear statement to provide ODA in line with international commitments on untying. They are owned and applied by all relevant ministries and agencies.

- Germany's development policy clearly states the government's commitment to aid untying.



Capabilities and processes for untying are in place

Staff have the capacities and training needed to report accurately and fully on untying. This includes compliance with ex ante and ex post notification requirements. Processes are in place to support this.

- Belgium, France, Switzerland and the United States [score highly](#) on transparency.



GOOD PRACTICES



Constraints to local supplier participation are addressed

Strategies go beyond formal untying and tackle informal constraints to the greatest extent possible:

- Programmes are designed to encourage access by local suppliers and new entrants. *For example:* by reducing contract size and complexity, or taking into account the speed of procurement processes.
- Strategies for untying include efforts to develop supplier markets in partner countries.
- Proactive, local advertisement of ODA-funded tenders is carried out. *For example:* local media or early market engagement events are consistently and systematically used prior to bidding processes.



The application of untying is tracked throughout the ODA supply chain.

Information on the geographical distribution of sub-contracts is recorded and tracked.



GOOD PRACTICES



Prioritise developmental impact

Where tying is considered an important avenue for an ODA provider, for example, it is seen to facilitate business opportunities for companies at home, development impact can still be achieved by:

- pursuing opportunities to **subcontract at the local level**, including regionally in least developed countries (LDCs)
- ensuring that the goods or services on offer are **cost effective**.

For example Japan [subcontracts to local companies](#) while supporting technology and knowledge transfer.



MEASURING SUCCESS

How do we know if ODA providers are moving in the right direction?

- ▶ 100% of reported ODA covered by the DAC Recommendation on Untying is both de jure and de facto untied and all bilateral ODA, including that not covered by the Recommendation, is untied to the maximum extent.
- ▶ Ex ante and ex post reporting to the OECD on untied ODA is consistent and complete.
- ▶ Local suppliers win bids, and supply chains in partner countries are strengthened.



RESOURCES

The OECD [DAC Recommendation](#) on Untying sets out standards for DAC providers. It also invites non-DAC providers to untie their ODA.

[Paragraph 18\(e\)](#) of the 2011 Busan Outcome Document calls on providers to accelerate efforts to untie all bilateral ODA, and to improve the quality, consistency and transparency of reporting. Progress is monitored by the [GPEDC](#).

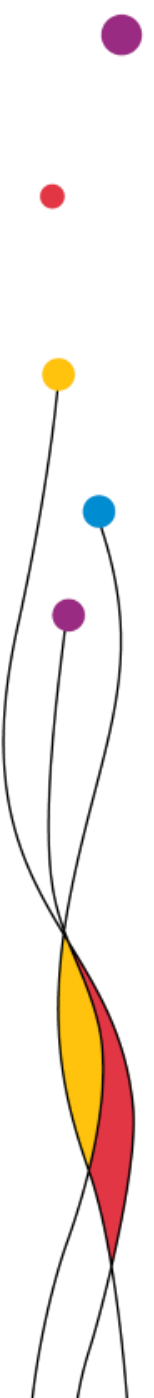
Biennial [OECD reports](#) monitor DAC member progress on de jure untying. Untied ODA contract opportunities are published via the [OECD Bulletin Board](#).

Find relevant evaluations via the [DAC Evaluation Resource Centre \(DEReC\)](#).

Relevant topics in this series

Private sector engagement can help develop supplier markets in partner countries [*forthcoming*]

Terms and conditions sets out minimum requirements for the financial terms of ODA [*forthcoming*]



DEVELOPMENT CO-OPERATION FUNDAMENTALS

This series unpacks development co-operation standards and illustrates how DAC members are applying them. Applying standards can help all actors to fulfil their ambitions and commitments.

Each *Fundamentals* document introduces a **key aspect** of effective co-operation, sets out **basic standards**, offers **good practice** examples, and identifies **relevant resources**.

Other topics in this series, which is being expanded and updated regularly, can be found [here](#). For any comments contact DCD.TIPs@oecd.org.

