Mechanism of policy process in the OECD

Development Assistance Committee

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Abstract

As one of the committees of the OECD, Development Assistance Committee (DAC) is to discuss and agree on development cooperation policies amongst the 24 members of developed countries, in order to improve living standards in developing countries. Although the DAC is widely known to have established the definition of Official Development Assistance and leading the international policies on aid effectiveness, the research on how these policies are formulated within the DAC is limited.

With this background, this paper aims to discuss how the policies are developed and agreed within the DAC as a mechanism of policy transfer and to show why policy implementation by the members can be complex. By identifying different levels and types of meetings as well as actors in the DAC, the paper describes the mechanism in which policy ideas are developed, discussed and finally agreed within the DAC. A few specific DAC policies/activities such as aid untying are examined as cases. The paper also undertakes analyses on the factors affecting the level of implementation of the DAC policies which are peculiar to the DAC and closely related to the mechanism of the policy process.

1. Introduction

Over the last few years, increasing numbers of academic literatures provided and advanced our knowledge on mechanisms and governance of the Organizaion for Economic Cooperation and Development (OECD); how it works and the role it has as an international organisation (Mahon & McBride, 2008; Woodward, 2009; Martens & Jakobi, 2010; Carroll & Kellow, 2011). It is commonly pointed out that the OECD has been receiving little attention in spite of the role it has as an international organisation in global governance. This paper shares the same awareness in this regard.

At the OECD headquarter, in a building called “chateau” with its long and distinguished history together with a newly renovated modern building next to it, many and various kinds of meetings take place every day, attended by policy-makers of member countries who fly in and out of Paris. Next to a
conference room full of delegates from member countries and secretariat specialised in tax policy, you'll find an equal number of people from the same member countries in a similar conference room, which makes the appearance identical with each other, but they discuss on education policy with the specialists in that field. The OECD is in fact a series of global policy networks which bring together on a regular basis staff from a much wider range of policy domains than just economics, and its social “glue” provides an important degree of coherence in the system of global governance (Carroll & Kellow, 2011, p.1-2). Attending the meetings in Paris is only a part of the work for OECD delegates, as they regularly communicate with each other through e-mails and telephones at their headquarters.

As one of the 250 committees of OECD, Development Assistance Committee (DAC) is specialised in development cooperation policies of donors who provide development aid/cooperation to developing countries in order to improve the living standards of people in those countries. It is essentially a community of policy professionals who engage in collective thinking to coordinate approaches in a major area of public policy- the provision of ODA (OECD, 2009). Academically only a handful of literatures can be found regarding the DAC, most of which were published in 1960s to explore the then newly created organisation (e.g. Esman & Cheever, 1967). Although the DAC has started to receive some attention in accordance with the increased convening power of emerging countries, their focus is a relationship between the DAC members and the Non-DAC members (i.e. emerging countries). Therefore, the organisational aspect and policy process of the DAC has not been studied in great depth. It is with this background that this paper tries to provide some knowledge on the DAC as an international organisation, and to analyse how the complexity of the policy implementation can be related to the governance mechanism of the DAC.

The next section of this paper will discuss the characteristics of OECD and identify some peculiarities of the DAC by describing the governance mechanism and policy process of the DAC. The following section will analyse the factors affecting the members’ level of implementation of the DAC policies in relation to the peculiarities of the DAC.
2. Governance mechanism and policy process of OECD/DAC

Objective, norms and standards

As shown in Table 1, the common objective of the DAC is to improve living standards of people in developing countries. In order to achieve the common objective, the DAC sets out standards and principles in the form of recommendation, declarations or guidelines. While the standards and principles are decided, agreed and complied by the DAC members (i.e. donors), the purpose of the common objective is developing countries (i.e. recipients) who are not the members of the DAC. This is one of the peculiarities of the DAC, as other OECD committees deal with policies of the members themselves.

The standards and principles are based on evidence as OECD’s “analyses and recommendations are independent and evidence-based”. The secretariat gathers independent data and evidence so that members are convinced and agree on the proposed standards and principles. For other OECD committees, data and evidence is found within the member countries. For instance, the well-known OECD’s education policy assessment, Programme for International Student Assessment (PISA), covers about 70 countries including non-OECD countries, and the data and evidence can be provided by them as the policies are implemented within their own countries. However, although the data of donors’ policies can be collected from the members, evidence of the policies are to be obtained in developing countries who are not the members of the DAC. Therefore, presumably, the quality of evidence underpins the OECD is relatively low in the DAC when compared with other committees.

Although not mentioned explicitly, the norms are the foundation of the OECD and the DAC policies. They are prevailed in the standards and principles that are agreed among the members. Having originated its members from the Western allies during the Cold War, OECD’s work is based on liberal democratic value. In addition to this, the work of the DAC is based on an “altruistic” norm, as development aid is supposed to be provided in order to benefit developing countries and therefore national interests of the members are supposed to be minimised. For instance, the definition of Official Development Assistance (ODA)

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1 OECD Website (http://www.oecd.org/pages/0,3417,en_36734052_36734103_1_1_1_1_1,00.html)
developed during 1960-70s by the DAC allowed the DAC to monitor donors’ ODA volume annually, and pressure them to increase up to 0.7% of their gross national income (GNI), which is known as the United Nations (UN) 0.7% target. Also, ODA was defined as containing a grant element\(^2\) of at least 25%, which implies grant aid rather than loan aid is a better way of providing aid. Therefore, the more generous the ODA provision the better the perception of donors.

**Table 1: Common objective, Norms and value, Standards and principles of the DAC**

<table>
<thead>
<tr>
<th>Common objective</th>
<th>Improvement of the living standards in developing countries, as stipulated in the Mandate of the DAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norms and value</td>
<td>Liberalism, democracy, altruistic</td>
</tr>
<tr>
<td>Standards and principles</td>
<td>Agreed among the members in the forms of recommendations, declarations guidelines, based on evidence</td>
</tr>
</tbody>
</table>

Source: Author based on OECD website

**Meeting structure**

As Figure 1 shows, there are different kinds and levels of meetings in the DAC. The highest layer of the pyramid is OECD Ministerial Council Meeting (MCM). It is annually held and attended by respective ministers from the member countries. The high-level meeting and senior-level meetings are attended by the heads of ministries or agencies in charge of development cooperation. These meetings are normally held once a year and adopt policies discussed in the DAC in order to indicate a high-level commitment towards the common aid effort. The DAC meetings are held every six weeks and are attended by DAC delegates who reside in Paris. A range of issues, from the organisational and strategic aspects of the DAC to development policies, are discussed in the DAC meetings. Most of the policies and agenda are originated from the subsidiary body meetings in the lowest level of the pyramid.

\(^2\) The grant element is a measurement of the concessionality of a loan based on its interest rate, maturity and grace period. A higher percentage is, more concessional. The grant element for grant aid, therefore, is 100%.
The role of the OECD is often described as generating ideas through the web of networks. In the DAC, it is the eight subsidiary bodies which take this role. The role of the OECD is often described as generating ideas through the web of networks. In the DAC, it is the eight subsidiary bodies which take this role. Decided by the members’ priorities, each subsidiary body holds plenary meetings once or twice a year and reports to the DAC meetings. Apart from the plenary meetings, there are several task teams that are formed under each body. For instance, one of the subsidiary bodies, International Network on Conflict and Fragility (INCAF) had two task teams on Financing and Aid Architecture, and Peace Building, State Building and Security in 2008. Each team is led by (co-)chair and produces deliverables by working through e-mail communications, teleconference, or actual meetings in Paris. These meetings are attended by personnel who are in charge of the specific issue areas or sectors within the

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headquarters of donor agencies. Therefore, different personnel from one member country attend different subsidiary body meetings. With this structure, the DAC is able to produce knowledge and policies from subsidiary bodies, which are then submitted to discuss and agree at the DAC meetings, and to commit through senior-level or high-level meetings.

How are the ideas and knowledge shared and developed into the DAC policies? In the task team and subsidiary body meetings, the participants feel a sense of collectiveness as they contribute to the discussion based on their experiences and knowledge as an individual development expert rather than representing their own governments. Discussions in the subsidiary level meetings are more about technical rather than political. The collectiveness of expert community across member countries is strong enough to “agree on specific policies with each other even when their governments do not necessarily agree” (interview with a DAC secretariat, Feb 2012). The fact that development agencies or ministries are separated from foreign ministries such as in the UK probably reinforces the altruistic norm of the DAC and this collectiveness among the development expert community in the DAC. Because of this strong community at subsidiary body level, several DAC delegates through interviews (Feb 2012) shared a concern that current DAC works tend to loose wider political relevance in connection to their authority.

The DAC delegates who reside in Paris also play interesting role in the DAC. Unlike other OECD committees, the DAC meetings as shown in the Figure 1 are attended exclusively by the DAC delegates with the DAC chair who are all based in Paris. While participants of the meetings of other committees are normally headed by personnel from headquarter and the chair is elected from among them, the DAC is known as “a standing committee”. This is because resided all the participants in Paris and therefore with a solid community in Paris, it is regarded as more independent from the headquarters. The role of the DAC delegates can be described as a bridge between subsidiary bodies and their headquarters. The DAC delegates understand the importance of both the professional knowledge and discussion based on altruistic norm and pursing

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4 Because the forerunner of the DAC (i.e. Development Assistance Group) was originated before the OECD was established in 1961, the role of the DAC in the OECD is regarded as core activities compared to other committees. The activity of the DAC is also stipulated as one of the three core aims of OECD under Article 1 of OECD convention.
development effectiveness at subsidiary body meetings, and the instruction and direction of their headquarters which may include interests of their own governments. At the same time, they share a certain degree of consciousness with the DAC secretariat in increasing the effectiveness and impact of the DAC both for member countries and within the international development community.

**Enforcement mechanism**

One of the characteristics of the OECD is its soft enforcement mechanism as well as peer review monitoring mechanism. Unlike other organisations such as the International Monetary Fund (IMF) or the World Bank, “the OECD lacks the power to enforce compliance with its decisions” (Mahon & McBride, 2008, p.3). In fact, there is no enforcement mechanism by which the members are legally bound. It is most likely that stronger enforcement mechanism will increase the level of compliance by the members. However, according to several DAC secretariats and member delegates (interview, Feb & April 2012), if the DAC agreement is legally enforceable less numbers of agreements and a longer agreement process can be foreseen. In other words, if the DAC has a stronger enforcement mechanism, an agreement will become more difficult to be reached. Interestingly, many interviewees including the DAC secretariat mentioned that the current level of enforcement is appropriate.

Even though the DAC policies are not legally binding, there are different types of policies and obligations that the members have to respect. First, the member states are obliged to report their own ODA statistics according to the rules and guidelines decided in the DAC. Known as DAC’s Creditor Reporting System, ODA statistics is one of the core activities of the DAC and is one of the few reliable international sources of ODA statistics commonly used by wider communities of development cooperation. Second, the members are obliged to accept their ODA policies to be peer reviewed. The peer review is to follow up and monitor the activities and policies of the member countries every four years. The resultant peer review recommendation is not legally binding, though they are normally published through press release and therefore susceptible to public scrutiny. Third, there are recommendations, declarations, policy guidance of specific issues that are agreed by the members. These agreed policies are often
included in the check list of the peer review to make sure the monitoring mechanism is in place.

Apart from the aforementioned soft enforcement mechanism through peer review, what are the factors which influence compliance by the members? For most of the new members to the DAC, international reputation matters. Japan joined the DAC in 1960 soon after the DAC was established, which was only 15 years after the defeat of the World War II. It was even before Japan gained membership to the OECD. Naturally, to be recognised as a member of international society was an important policy of Japanese government at that time. Therefore, becoming a member of the DAC and to be seen as a donor was valuable for the Japanese government to position itself in the international society. It is probably same for the motivation of South Korea who became the DAC member in 2010.

For existing members, credibility matters. As one DAC delegate says, “If you live up to the DAC norms you’ll get strong credibility within the DAC” (interview, Feb 2012). Therefore, if the members are not complying with the agreed policies, they are to lose their credibility within the DAC. More recently, as the power of pressure by Civil Society Organisations (CSOs) has increased, “naming and shaming” nature of the DAC became more important factor for the DAC members in considering whether to comply with the agreed policies.

**Actors**

Different actors are involved in the DAC. There are 24 formal members of the DAC\(^5\), while the OECD has 34 members. This is because a country must be rich enough to contribute to global development cooperation. The criteria for becoming the DAC members is (1) existence of appropriate strategy, policies and institutional framework, (2) accepted measure of effort (e.g., over 0.2% of ODA/GNI or ODA volume above USD 100 million), (3) existence of a system of performance monitoring and evaluation (OECD Archives, 2011). Therefore, OECD countries which do not meet these criteria are not eligible to become the members of the DAC, though they are entitled to participate in all the DAC

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\(^5\) These members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the UK, the US and the EU.
meetings. Given that most of other OECD committees’ memberships are open to all the OECD members, this selective membership criteria is a characteristic of the DAC.

The work of the DAC is supported by the secretariat with 70 expert staff (excluding support staff) headed by a director. As previously mentioned, the chair of each OECD committee is elected from the headquarters of member states, but the DAC has a special arrangement in which the chair is based in Paris and has more autonomy from the members or the secretariat. Table 2 summarises the process of policy making in the DAC, including the division of work among these actors. The overall work plan and its budget are decided every two years through the process of formulating the Program of Work and Budget, which is a standard process for all the OECD committees, and the plan and budget are approved by the Council. Based on the two-year overall work plan, the secretariat collects data, analyses the information, and prepares documents and policies to be discussed at the meetings. The agenda for each meeting is proposed by the secretariat in consultation with the chair and is approved by the members.

Table 2: Work process of the DAC and its actors

<table>
<thead>
<tr>
<th>Phase</th>
<th>Process</th>
<th>Secretariat</th>
<th>Chair</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation</td>
<td>Data Collection</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Analysis</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Agenda setting</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Agreement</td>
<td>Discussion</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>Decision</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Implementation</td>
<td>Implementation</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Monitoring</td>
<td>Peer Reviews</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Author. Adapted partly from OECD website.

Although secretariats are the mediators among the members and all the decisions are to be made by the members themselves, secretariat has a “power of persuasion” (interview with a DAC official, Feb 2012). Moreover, members are

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6 This is specified in the Resolution of Common Aid Effort in 1961.
7 The council is attended by ambassadors of delegations; therefore, it is the highest-level meeting except for the annual Ministerial Council Meeting.
sometimes careful about the direction of secretariat, as “even not intentionally, if the secretariat has its own will, the way they work can be naturally affected by their will, which might depend of the secretariat’s individual character or belief” (interview with a DAC delegate, Feb 2012). As such, the role and the power of secretariat in coordinating amongst members are not negligible.

During the agreement phase, discussion occurs during meetings, accompanied by negotiation among actors when necessary, which leads to decision making on the policies that are proposed. Once the policies are agreed upon, it is the members’ responsibility to implement them. The policies are scrutinised through peer review every three years.

Apart from the full members, the DAC has extended its partnership with Non-DAC members. Six types of Non-DAC partners can be identified as shown in Table 3. Bilateral providers can be categorised into donor countries and those which are regarded as both donor and recipient countries. When requested, the DAC conducts special reviews of Non-member countries, based on the norms and standards of the DAC, most often for the countries which are the candidates to become the members. As the emerging countries’ aid has increased and therefore become influential, the DAC has been inviting these countries, notably China and India, to attend different kinds of the meetings. One example of this is the China-DAC Study Group which was formed in 2009 to exchange information and views on development cooperation. As the convening power of emerging countries in the global economy has weakened the hegemonic leadership of the OECD, the OECD Ministerial Level Council Meeting in 2007 decided to strengthen partnerships with five non-member countries. 8 The DAC also published Outreach Strategy originally in 2004, which has evolved into Global Relations Strategy in 2011.

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8 China, India, Brazil, South Africa and Indonesia
Table 3: Partnership with Non-DAC members

<table>
<thead>
<tr>
<th>Types</th>
<th>Example of DAC activities</th>
</tr>
</thead>
</table>
| **Bilateral providers:**        | • Special reviews of aid systems upon request (Czech Republic in 2007, Korea in 2008, Poland in 2010, Slovak Republic in 2011).  
                                | • Policy dialogue with Arab donors.                                                                                    |
| Donor countries (OECD but Non-DAC, Arab donors, EU but Non-OECD) |                                                                                    |
| Donor and recipient countries (Major emerging economies, Other middle income countries) | • China-DAC studies.                                                                                                    
                                | • Support for south-south cooperation.                                                                               |
| **International organisations** | • Participation in the DAC meetings.                                                                                   |
| **Developing countries**        | • Participation in Working Party on Aid Effectiveness                                                                 |
                                | • International Dialogue on Peace Building and State Building.                                                        |
| **Private sector**              | • Consultations and informal meetings.                                                                                |
| **Private foundations**         | N.A.                                                                                                                  |
| **Civil Society Organisations** | • Establishment of Advisory Group and Aid Effectiveness (2007), which developed into Open Forum for CSO Development Effectiveness (2009).  
                                | • Istanbul CSO Development Effectiveness Principles (2010).                                                            |

Source: Compiled by author based on OECD Archives (2011), OECD website

Unlike any other committee in the OECD, the DAC is peculiar in that its partnership also covers recipient countries. Until the Working Party on Aid Effectiveness was formed, the developing countries were only occasionally invited to participate in the DAC meetings. However, the Working Party has opened the membership positions to the Non-DAC members, currently with 36 developing countries officially participating chaired by personnel from Egypt and Netherlands.9 Following this model, International Dialogue on Peace Building and State Building was set up in 2010 derived from DAC International Network on Conflict and Fragility, with co-chairs of Timor-Leste and Netherlands. Although more and more people from developing countries are involved, there is a structural difference apart from the participants to the DAC meetings. Figure 2 compares the policy processes between the OECD committees and the DAC. As other OECD committees deal with policies of the member countries, the process of policy-making circulates within and between the OECD and its members. However, the DAC is peculiar in that the implementation of policies agreed in the

9 Because of personnel changes, currently it is only Egypt who chairs the meeting.
DAC occurs within the recipient countries. Therefore, feedback through monitoring is not sufficient in the DAC policy process, and evidence gathering can be more complex than the other OECD committees.

**Figure 2: Comparison between the policy process of the OECD and the DAC**

CSOs participation to the DAC has also increased. During the recent High Level Forum on Aid Effectiveness in Busan, 300 participants from CSOs were funded by the DAC to attend the Forum. It was the first time that CSOs were included as equal participant to the High Level Forum.\(^\text{10}\)

What this expansion of the partnership with Non-DAC members implies is that while these members share the same objective of the DAC shown in the Table 1, the diversity of their economic, social and cultural background may not be in line with the existing norms and value of the DAC, which may also affect the content and quality of standards and principles. While the DAC develops and organises

\(^{10}\) Closing ceremony speech by a CSO representative at Busan High Level Forum on Aid Effectiveness (http://www.liveto.com/busanhlf4/index.html).
the global hegemonic leadership of a de facto community of industrialised market democracies by negotiating convergence and developing coordinated responses to new challenges (Ougaard, 2010, p.45-46), the convening power of emerging countries in the global economy has weakened the hegemonic leadership of the OECD. According to an aid official, “The challenge for the DAC is whether they can accommodate new knowledge that are based on different values posed by emerging countries” (interview, April 2012).

**Power of influence**

One of the key characteristics of the DAC is that it lacks financial instrument, which other international organisations (e.g. the World Bank or the UN) have. Therefore, the DAC has no budget to provide aid to developing countries, which has distinct implications for the member countries of the DAC. For donors, the provision of aid through multilateral organisations is one of the major ways to support developing countries. When donors want to minimise bilateral political influence or to rely on the specialised capacity of the multilateral organisations (e.g. knowledge of the developing country, good relationships with the government or other donors, reliable service delivery), they tend to choose disbursing aid through multilateral organisations. However, because the DAC does not directly provide financial support to developing countries, and given that the main task of bilateral development agencies is to disburse funding, donors’ motivation to participate in the DAC can be weak or different. Nevertheless, the fact that the DAC has been able to increase its membership\(^\text{11}\) and attract members to participate reflects its usefulness and benefit to its members.

Rather than financial funding, the DAC’s work focuses on knowledge production based on evidence and data collection, knowledge diffusion through the process of discussion, consultation and agreement. It is in fact a characteristic of OECD. The knowledge production in the DAC is not just a summation of data and lessons learned, but also a guide for future direction of development which shapes an increasingly harmonised global political and economic system (Porter

\(^{11}\) Since its establishment, the number of members has more than doubled, and it has recently been joined by South Korea.
& Webb, 2008, p.43). The influential role of knowledge is also related to the ways in which the DAC attracts its members. The DAC is a knowledge producer, and members want to be involved to avoid being left behind. Since knowledge can be powerful, people who attend DAC meetings try to diffuse this knowledge to their own countries. As Woodward points out, “Knowledge translates into power when officials return to national capitals because they have superior information to prevail over colleagues factoring alternative approaches and can frame policies in a manner intelligible to their political taskmakers” (2009, p.67). Through this process, norms and value of the DAC can be reinforced and shared within the member countries.

The policy-oriented work of the DAC can also be characterised as ‘inquisitive’ or ‘meditative’, as are discussed in Mahon& McBride (2008, P.8). More often, the DAC is criticised as discussing about an armchair theory or loosing practical benefit from participating in the DAC meetings.\(^{12}\) Officials working in the field offices perceive the DAC as an organisation discussing about ideal policies which are not reflecting the reality they are experiencing.\(^{13}\) Compared to the World Bank or the IMF, which provide policy prescriptions or whose policies are problem-solving oriented, the DAC’s policies are more about sharing and learning among the members.

Nevertheless, because knowledge is power, it is of great importance to the members about who leads the agenda. It is likely that the leading members will try to set policies that they have already implemented or that are easily implementable, whereas the following members, who would rather have to accept the policies, will find it more difficult to implement them. As Cassen et al. indicate, “[C]o-ordination is likely to impair the freedom with which donors can pursue their commercial and political interests through their aid programmes” (1994, p.184). The ways that each member tries to influence knowledge such as through agenda setting or conducting research can be competitive among each other.

\(^{12}\) Based on interviews with government officials of DAC members.

\(^{13}\) Based on my conversations with officials in the field offices.
3. **Implications of the mechanism for implementation**

Drawing on the previous section which discussed about the mechanism of policy process in the DAC, this section identifies factors affecting the level of implementation that are peculiar to the DAC. First, two cases are introduced to show whether the DAC policies are implemented.

Paris Declaration on Aid Effectiveness is one of the most well-known agreements in the DAC. Since its agreement in 2005 by over 100 countries from developed and developing countries, the progress of implementation has been monitored. In fact, as Cassen et al. notes “Coordination has been the subject of lengthy deliberations in the OECD DAC over a number of years— deliberations which until recently produced a good deal of paper, but not much coordination” (1994, p.184). More than a decade later the same words have been repeated; the progress of the implementation of aid coordination agreed in the Paris Declaration has been slow, and its success is less likely unless alternative ways are sought (Barder, 2009, Severino & Ray, 2010). The 2011 Paris Declaration monitoring report (OECD, 2011b) revealed that out of 13 indicators that were agreed to be achieved by 2010 only one was met. As Chandy & Kharas (2011, p.739) states, “even among like-minded DAC members, progress on aid coordination and cooperation has been disappointing”, and “this augurs badly for advocates for a more harmonious aid system encompassing a broader group of development partners.” The low level of implementation by the DAC members undermines effectiveness of the DAC as an international organisation, as one can easily question, “If not implemented, were the effort and cost for formulating the policies useless, and then, what the DAC is for eventually?”

On the other hand, Recommendation on Untying Aid to Least Developed Countries agreed in 2001 is rather regarded as a successful case, because an overall progress as the proportion of untied bilateral aid rose progressively from 46% to 82% between 1999-2001 and 2008. This is a clear evidence that the governments are amenable to changing their policies on the long-debated issues (Lancaster, 2007, p.55), as the untied aid had been discussed in the DAC since 1960s. Therefore, significant progress has been made to untie bilateral donors’ aid and the DAC played a key role in it (Martinussen & Pedersen, 2003, p.14; Riddel, 2007, p.99). Nevertheless, 62% of the total amount contracted by
the DAC members was awarded within the same donor countries (OECD Archives, 2010). This is because “The tying status is formally determined by whether the head contract is open to unrestricted international competition” (Clay et al., 2009, p.53). Therefore, even when donors adopted international competitive bidding and therefore reported as untied aid, they “appeared to intentionally or unintentionally advantage donor-based companies” (ibid., p.54).

These two cases show how implementation is difficult and complex. The rest of this section will devote to explaining three factors which influence successful implementation in relation to the mechanism of policy process discussed in the previous section. First, enforcement mechanism can influence the level of implementation. As was discussed in the earlier sections, legal-binding agreement is most likely to be the most effective when it comes to ensuring the implementation. However, a trade-off also exists: there would be less agreement and the process of agreement would be much longer and tougher if the DAC policies are legally enforceable. This is because it is more likely that members become more careful in agreeing on the policies. On the other hand, as was discussed, credibility plays an important role in promoting the implementation. Credibility is related to the extent to which members are perceived by others. Especially, as the DAC deals with development cooperation, whether the members are perceived as altruistic donors is an important factor for the members. In other words, the extent to which the members want to be perceived as altruistic donor is closely linked to the extent to which the members put importance on the role of the DAC, and therefore, implementation.

This may be also related to the disparity of interest and capacity among the members, which presumably leads to distinguishing them between “leaders” and “followers”. Leaders tend to have strong interest in putting forward the policies discussed or even initiate in setting agenda and convincing other members. These leaderships must be accompanied by capacity both at individual level (e.g., negotiation and communication skills) and backed up by organisational level (e.g., resource, supporting policy). On the other hand, the followers tend to have less interest as well as capacity compared to the leaders, and therefore, it is often the case that the leaders take “coordinating” role whereas the followers are put in a position to be “coordinated.” As a DAC secretariat pointed out, what is important for implementing the DAC policies is the level of ownership by the
members, awareness of the problems and the issues that are discussed (interview, Feb 2012).

For instance, the UK had a strong political leadership in untying aid. When UK’s Labour Party took power in 1997, Clair Short became the first Secretary of State of Department for International Development (DFID) as a full-fledged cabinet Minister. Because DFID’s prime objective was to focus on poverty reduction, “Britain has gone further than almost any other donor in untying its aid, to the extent that by 2002 Clare Short could safely claim that British aid was effectively fully untied” (Morrissey, 2005, p.174). Given that about half of British aid was tied in 1994, this is a dramatic change. As many interviewees from DAC secretariat as well as the DAC members said, “Without political leadership it is difficult to change the donors’ behaviour.” Behind this leadership, there exists DFID’s clear direction of setting “poverty reduction” at the core of its objective. The main objective of the DFID is to work for the world’s poor to achieve the UN Millennium Development Goals and this is clearly backed up by the legislation of the International Development Act introduced in 2002. For the UK, it is important to be perceived as a good and altruistic donor within international community.

On the other hand, even if perception matters, being too much “altruistic” may undermine public support within the country. For instance, it is widely recognised that untying aid had negative effect on Japanese public support for ODA (interview, April 2012). In other words, because Japanese government implemented the untying aid policies, Japanese companies lost interest in Japanese ODA, which had a possible consequence on reduced volume of ODA budget as a result of decreased wider support from Japanese public. Therefore, when it comes to promoting further efforts and expanding the coverage of untying aid, not all the members are willing to. The US Secretary of State, Hilary Clinton, represented this opinion very clearly during her opening remarks at the Busan High Level Forum on Aid Effectiveness which was held in the end of 2011 when she said “But one of the reasons tied aid has persisted is in order to get political support for the budgets that we turn into official development assistance.” This shows that even if the DAC promotes “altruistic” aid, development cooperation cannot be free from “national interest” of the donors.

The fact that subsidiary bodies of the DAC play an important role in formulating
the policies is also relevant. The layers of the DAC meetings shown in Figure 1 tells us that different levels of meetings are attended by different level of personnel from the member governments. In the subsidiary body meetings, contribution of the participants depend more on the individual’s capacity, knowledge and interest rather than national interest of their represented governments. However, there are also concerns that the subsidiary bodies became more independent in producing what they think is necessary. As a result, their works may not always be acknowledged by other levels of the DAC meetings. Therefore, it is reported that a dynamic reform of the DAC’s organisational arrangements is necessary to ensure that subsidiary bodies are focused on the works which are policy-relevant, developing guidance, standards and recommendations against which DAC members are willing to be monitored (OECD, 2009). Because of the disconnection between the subsidiary level and other levels above, policies that are developed from the subsidiary bodies can be too much knowledge or academic basis which may lose the relevance to the interest of decision makers in the member countries. Even though the policies are developed within the subsidiary bodies, unless there is ownership by decision makers in members’ headquarter it is less likely that the policies are internalised.

In the previous section, it was discussed that the OECD’s principle of “evidence-based” cannot necessarily be applied to the DAC in a similar way as other committees. As the policies agreed in the DAC are internalised by the members but implemented in developing countries, it is much harder to gather the data and evidence from developing countries. This gap is well acknowledged by DAC secretariat. When asked whether the DAC policies are based on evidence, a secretariat staff said “It is not based on pure evidence as it is very hard to find it in our field where not so much research has been done. It is more about anecdotal evidence so that we try to bring out lessons.” According to another staff, “Evidence is important, but we still have a long way to go. The only evidence of aid untying, if any, was the OECD’s stance that open competition is better” (interview, Feb 2012).

Then why and how are the members convinced to agree on and implement
proposed policies? According to an aid official, “The DAC has been successful in formulating policies that are necessary and agreeable for many members even though the policies are not purely evidence based” (interview, April 2012). The norms and like-mindedness of the mechanism of the DAC create environment in which this kind of policy making is possible. When members share common values, agreeing on and implementing the policies are presumably easier. Nevertheless, as different types of actors have increasingly participated in the DAC, different mechanism of policy process may become necessary.

3. Conclusion

This paper endeavoured to unpack the policy process of the OECD DAC by decomposing its governance mechanism into (1) objective, norms and standard, (2) meeting structure, (3) enforcement mechanism, (4) actors, and (5) power of influence. By doing so, the paper identified peculiarities of the DAC governance mechanism when compared with other OECD committees as well as other international organisations.

As a committee of the OECD, the DAC has a soft enforcement mechanism. However, as members care about international reputation and credibility, implementation of the DAC policies may not be affected by lack of stronger enforcement mechanism. The sense of collectiveness is developed among the colleagues from different countries who form specific communities around each subsidiary body or the DAC delegates resided in Paris. These are reinforced by the “altruistic” norm which is one of the peculiarities of the DAC.

Another peculiarity of the DAC is its relation to developing countries. Because the actual implementation of the policies take place in developing countries rather than within the DAC member countries, implementation of the DAC policies need to be discussed differently from other OECD committees. Although acquiring accurate data and evidence can be difficult, it is supplemented by the norms and like-mindedness of the governance mechanism of the DAC.
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