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## DAC Recommendation on Untying Official Development Assistance



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## Background Information

The Development Assistance Committee (DAC) Recommendation on Untying Official Development Assistance (ODA) was adopted by the DAC on 25 April 2001, with the aim to untie bilateral ODA as a means to:

- foster co-ordinated, efficient and effective partnerships with developing countries;
- strengthen the ownership and responsibility of partner countries in the development process;
- demonstrate responsiveness to the requests from partner countries and others to increase the use of untied aid in order to promote aid effectiveness; and
- contribute to broader efforts with partner countries to promote their integration into the global economy.

The DAC Recommendation was amended in 2006, 2008, 2014, 2018 and most recently in 2026.

### ***OECD's work to improve development effectiveness through aid untying***

Since its creation in 1961, the DAC has worked to improve the effectiveness of its members' aid efforts. One major issue has been whether aid should be freely available to buy goods, services and works from all countries ("untied aid"), or whether aid should be restricted to the procurement of goods and services from the donor country ("tied aid").

Evidence has shown that "tied" aid can increase the costs of a development project by as much as 15 to 30 percent, limiting recipients' ability to obtain the best value for money. Tied aid also reduces opportunities for local suppliers to participate in ODA-funded procurement.

Untying aid, on the other hand, avoids unnecessary costs and gives the recipient the freedom to procure goods, services and works from virtually any country. This strengthens aid effectiveness, enhances partner country ownership, and supports local private sector development.

Work culminated in 2001 when the DAC adopted the DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries (LDCs), former name of the DAC Recommendation.

### ***Process for developing and revising the DAC Recommendation***

The 2001 version of the DAC Recommendation reflected the results of discussions in the DAC to respond to the mandate provided at its 1998 High Level Meeting and the shared intentions of DAC members to (i) untie their ODA to the LDCs to the greatest extent possible; (ii) to promote and sustain adequate flows of ODA in terms of quality, volume and direction; (iii) to achieve balanced efforts among DAC members.

The DAC Recommendation was amended in March 2006 to eliminate the thresholds of its coverage (i.e. all transactions are to be untied) and in July 2008 to expand its geographic coverage to include the non-LDCs Heavily Indebted Poor Countries (HIPC)s, to introduce provisions inviting non-DAC donors to untie their aid in parallel with DAC members and inviting those responsible for procurement to promote respect for internationally agreed principles of corporate social and environmental responsibility.

In 2014, the DAC further amended the DAC Recommendation to reflect the outcome of the 2013 review of the provision to extend its geographic coverage to include non-LDC HIPC's and renewed this extension for a further five years.

In 2018, the DAC renewed the extension of the geographic coverage of the DAC Recommendation to non-LDC HIPC's for a further five years and agreed to extend the geographic coverage of the DAC Recommendation also to Other Low-Income Countries (OLICs) and countries and territories that are only eligible to financing from the International Development Association (IDA-only countries and territories), reminding the continued commitment of the DAC to make development co-operation more effective.

In 2026, following an in-depth review of the DAC Recommendation, the DAC revised the legal instrument to:

- give sustainable procurement a more prominent place in the implementation of untying,
- strengthen policies and practices that ensure a level playing field for suppliers,
- further promote locally led development,
- clarify the scope of the DAC Recommendation (exclusion of humanitarian assistance),
- enhance [transparency and reporting on aid untying](#), and
- update some provisions that were outdated

### ***Scope of the DAC Recommendation***

In the DAC Recommendation, DAC members agreed to untie their aid in certain sectors to the countries and territories covered by the DAC Recommendation to the greatest extent possible and in accordance with the criteria and procedures set out in the DAC Recommendation:

- Recipient countries and territories covered under the DAC Recommendation include LDCs, non-LDC HIPC<sub>s</sub>, O<sub>L</sub>IC<sub>s</sub> and IDA-only countries and territories. At the 2018 review, Japan notified the DAC that, in accordance with paragraph 20 of the Recommendation, it reserves the right to use tied aid as part of its ODA to all non-LDC HIPC<sub>s</sub>, O<sub>L</sub>IC<sub>s</sub> and non-LDC IDA-only countries and territories listed in Annex II. Accordingly, as of 1 October 2019, Japan may use tied aid as part of its ODA to all non-LDC HIPC<sub>s</sub>, O<sub>L</sub>IC<sub>s</sub> and non-LDC IDA-only countries in conformity with the DAC Recommendation.
- The sectors covered under the DAC Recommendation are balance of payments and structural adjustment support; debt forgiveness; sector and multi-sector programme assistance; investment project aid; import and commodity support; commercial services contracts and ODA to non-governmental organisations for procurement related activities.
- The DAC Recommendation excludes food aid free-standing technical co-operation, humanitarian assistance, grants for the core support of development NGOs, and management services arrangements (i.e. technical co-operation provided by Adherents primarily for the purpose of carrying out the administration of their own aid projects and programmes) from its coverage. .
- In addition, the DAC Recommendation calls on DAC members to study the possibilities of further untying aid beyond such activities and countries and territories.
- The DAC Recommendation also urges donors to strengthen partner country responsibility for procurement and to promote local and regional procurement in developing countries.
- While the DAC Recommendation applies only to DAC members, it also invites non-DAC donors to respect the principles set in it.
- DAC members *de jure* untying efforts are measured through the data they report on the tying status of their ODA commitments. For untying to be effective, it is important that ODA is not only *de jure*, but also *de facto* untied, i.e. that informal barriers to international competition in ODA procurement are also removed. In order to provide confidence that ODA is *de facto* untied, the Recommendation includes transparency provisions that call for *ex ante* notification of untied aid offers to be posted on the publicly accessible [Untied Aid Bulletin Board of Contract Opportunities](#) as well as *ex post* statements about contracts awarded.

## **Implementation**

### ***Biennial reports to the DAC on the implementation of the DAC Recommendation***

The DAC agreed to monitor implementation of the DAC Recommendation through a combination of different mechanisms, notably annual reports covering all aspects of the DAC Recommendation, as well as the experience in delivering its objectives. In 2020, DAC members agreed to move from annual to biennial reports on the implementation of the DAC Recommendation.

For further details see: <https://www.oecd.org/en/topics/sub-issues/oda-standards/untied-aid.html>. A global [portal](#) of ODA contract opportunities is also made available for the benefit of the international business community.

## ***2022 Report to the DAC on the Implementation of the DAC Recommendation on Untying ODA***

The latest Report on the implementation of the DAC Recommendation was presented to the DAC in 2022. The report shows that overall DAC donors continue to meet their commitments under the DAC Recommendation, with 91.5% of ODA covered formally untied in 2020, i.e. the procurement is open to international competition. Most DAC donors report all or almost all of their aid as untied. However, some donors persistently fall well short of their untying commitments.

To provide confidence that informal barriers to international competition in ODA procurement are also removed, the transparency provisions under the DAC Recommendation call for *ex ante* notification of untied aid offers as well as *ex post* statements on contract awards. While the majority of the DAC showed high or good alignment with the transparency provisions, a few DAC members displayed poor performance.

The overall geographical distribution of ODA contract awards under the DAC Recommendation was relatively balanced in 2019-20, with about half of the total value and two-thirds of the total number of contracts not flowing back to suppliers from the donor country. At the individual level, the high share of contracts awarded by some donors to their domestic suppliers raises questions on the extent to which formally untied aid is also *de facto* untied.

The next report on the implementation of the DAC Recommendation is scheduled to take place in 2026, after the conclusion of the review launched by the in December 2022

**THE OECD DEVELOPMENT ASSISTANCE COMMITTEE (DAC),**

**HAVING REGARD** to the standards developed by the OECD in the field of corruption, public procurement, development co-operation and responsible business conduct;

**HAVING REGARD** to the developments in aid procurement liberalisation since the 1998 DAC High-Level meeting mandate;

**HAVING REGARD** to the report "[Shaping the 21st Century: the Contribution of Development Co-operation](#)", which set out the relative dependence of Least Developed Countries (LDCs) on aid and their relative need for accelerated progress towards the United Nations Sustainable Development Goals, while recognising that Heavily Indebted Poor Countries (HIPC), Other Low-Income Countries (OLICs) and IDA-only countries and territories not part of the LDC group are also aid dependent and need to make progress towards these same goals;

**HAVING REGARD** to the relevant commitments on sustainable development made within the United Nations context, including the 2030 Agenda for Sustainable Development, as well as the work of the United Nations Environment Programme and the Marrakech Task Force on Sustainable Procurement, which proposed a definition of sustainable procurement as reflected in UNEP's [Sustainable Public Procurement Guidelines](#);

**RECOGNISING** that untying bilateral Official Development Assistance (ODA) is a means to: (i) foster co-ordinated, efficient and effective partnerships with developing countries, (ii) strengthen their ownership and responsibility in the development process, (iii) demonstrate responsiveness to their requests to increase the use of untied aid in order to promote aid effectiveness and (iii) contributing to their integration into the global economy;

**RECOGNISING** that reinforcing partner country and territory responsibility for procurement and promoting local and regional procurement in partner countries, as appropriate, are intrinsic to untying objectives;

**RECOGNISING** that the principle of open and fair competition in procurement is essential to ensuring aid effectiveness and that distortions of competition disadvantage and deter competitive suppliers and are detrimental to locally led development and therefore should be addressed to ensure that high-quality, competitive and sustainable solutions are delivered in partner countries and territories;

**RECOGNISING** that in respect of investment-related technical co-operation and free-standing technical cooperation, the policies of DAC members and non-DAC members having adhered to this DAC Recommendation (hereafter the 'Adherents') may be guided by the importance of maintaining a basic sense of national involvement in countries alongside the objective of calling upon their expertise;

**RECOGNISING** that in respect of food aid, Adherents' policies may be guided by the discussions and agreements in other international fora governing the provision of food aid;

**RECOGNISING** that requiring international competitive bidding processes could be detrimental to the delivery of aid in emergency situations;

**RECOGNISING** that requiring international competitive bidding processes for the selection of implementing partners could be detrimental to the promotion of important elements of locally led development;

**RECOGNISING** the key role played by procurement in the global shift towards sustainable development;

**RECOGNISING** that variations in the structures and geographical orientations of Adherents' aid programmes can result in sizeable differences in the extent to which their ODA to the partner countries and territories covered by this DAC Recommendation is presently untied, and in respect of their aid performance in these partner countries and territories more generally.

**I. AGREES** that the purpose of this DAC Recommendation is to provide a comprehensive framework that can support and guide Adherents to untie their ODA both *de jure* and *de facto* to LDCs, HIPC<sup>s</sup>, O LICs, and IDA-only countries and territories to the greatest extent possible, in the areas of balance of payments and structural adjustment support; debt forgiveness; sector and multi-sector programme assistance; investment project aid; import and commodity support; commercial services contracts, and ODA to non-governmental organisations (NGOs) for procurement related activities, but that this DAC Recommendation:

- does not cover humanitarian assistance, food aid, free-standing technical co-operation, management services arrangements (i.e. technical co-operation provided by Adherents primarily for the purpose of carrying out the administration of their own aid projects and programmes), as well as grants for the core support of development NGOs or for their programmes;
- is not restrictive of the prerogative of Adherents to untie ODA to a greater extent than set out herein. Adherents are invited to continue to provide untied ODA in areas not covered by the Recommendation when they already do so, and to study the possibilities of extending untied aid in such areas.
- may not apply to individual aid offers, in exceptional circumstances, in situations where Adherents believe it to be justified on the basis of overriding, non-trade related, development interests, with Adherents having to inform the DAC of such derogations, including through the relevant review procedures.

**II. AGREES** that, for the purposes of the present DAC Recommendation, the following definitions are used:

- **Untied ODA** refers to loans or grants which are freely and fully available to finance procurement from substantially all aid recipient countries and territories and from Adherents.
- **Commercial services contract** refers to contracts let on a commercial basis to a company for the running or management of a utility or distribution network.
- **Locally targeted ODA** refers to aid which is available to finance procurement only from local entities, which are organisations and businesses that are legally organised under the laws of, and incorporated in, partner countries and territories. Additional criteria demonstrating the economic links to partner countries and territories – for example based on ownership, location of the central administration or principal place of business – may be used where loans or grants have an explicit objective of targeting specific groups, or achieving specified developmental objectives.
- **Partner countries and territories** refers to the following countries and territories covered by the DAC Recommendation:
  - **Least Developed Countries** refers to the countries so defined by the United Nations;
  - **Heavily Indebted Poor Countries** refers to the countries so defined by the International Monetary Fund;
  - **Other Low-Income Countries** refers to low-income countries and territories as defined by the World Bank that are included neither in the LDC group nor in the HIPC category;<sup>i</sup>

- **IDA-only countries and territories** refers to countries and territories that are only eligible to financing from the International Development Association according to the World Bank operational lending categories and that do not have LDC, HIPC or O LIC status.

**III. RECOMMENDS** that Adherents which have rules of origin, or minimum national content rules, take any steps necessary to ensure that ODA untied in accordance with this DAC Recommendation is both de jure and de facto untied.

#### **Local procurement and partner country and territory responsibility for procurement**

**IV. RECOMMENDS** that Adherents reinforce partner country and territory organisations' responsibility for procurement, with appropriate guarantees for effectiveness, accountability, probity and transparency, and that Adherents promote local and regional procurement in partner countries and territories. To this effect, Adherents should:

1. Work with partner country and territory governments and non-state organisations to identify needs and to support efforts in both areas.
2. Identify, based on peer learning, good practices aimed at promoting, as appropriate, locally led development with sufficient guarantees for efficiency and bearing in mind international trade obligations.

#### **Procurement regime**

**V. RECOMMENDS** that Adherents promote efficient, open, and fair sustainable procurement practices, taking into account the three dimensions of sustainable development – economic, environmental and social. To this effect, Adherents should:

1. Promote the incorporation of sustainability considerations in the procurement cycle, including by promoting alignment by suppliers with international standards of responsible business conduct (RBC), in particular those adopted by the OECD, such as the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct [[OECD/LEGAL/0144](#)] as applicable, or the United Nations.
2. Work with partner countries and territories to mainstream sustainable procurement in development co-operation, taking into account their technical and financial capacities, their sustainable development priorities, and the readiness of their private sector, especially their small and medium sized enterprises.
3. Work with partner countries and territories to ensure that suppliers participating in ODA-funded procurement compete on a level playing field, taking into account suppliers' alignment with international standards of RBC, as well as applicable procurement laws and standards, and the sustainability and competitiveness of their offers. To this end, Adherents should work with partner countries and territories to:
  - a. Develop and implement clear, objective, transparent and non-discriminatory approaches to procurement that reward suppliers for aligning with international RBC standards and for making sustainable offers, while refraining from practices inconsistent with applicable procurement laws and standards.
  - b. Establish good procurement practices that support these objectives and ensure consistency with the principles of fair and open competition.

- c. Promote procurement approaches that leverage suppliers' expertise and innovation capacity to best support partner countries' and territories' sustainable development priorities.

4. Develop strategies to strengthen the capacities of partner countries and territories and the private sector in sustainable procurement.

#### **Assessment of potential effects on the quality, volume and direction of ODA flows**

**VI. RECOMMENDS** that Adherents promote and sustain adequate flows of ODA in terms of quality, volume and direction, in particular to the partner countries and territories covered by the DAC Recommendation and ensure that ODA to these countries and territories does not decline over time as a result of the implementation of this DAC Recommendation. To this effect, Adherents should continuously monitor the impact of the DAC Recommendation on the volume, quality and directions of ODA flows.

#### **Effort-sharing**

**VII. RECOMMENDS** that Adherents promote a more balanced effort-sharing among them by undertaking their best endeavours to identify and implement supplementary effort-sharing actions. To this effect, Adherents should:

1. set out their situations and their evolution over time with respect to initial positions and reference points in the following reference indicators matrix, to be used in conjunction with their performance profiles to assess their progress towards more balanced effort sharing:

Adherents' positions (1)	Reference point	Index (2)
I. Bilateral LDC/HIPC/OLIC/IDA-only ODA untying ratio (3)	0.6	
II. Effort-sharing composite indicator (4)	0.04	

(1) 5-year average.

(2) Adherents' positions as ratios of reference points.

(3) Locally targeted ODA is reported, on a voluntary basis, in a separate tying status category.

(4) Calculated according to standing DAC practices as follows: (bilateral LDC – HIPC – OLIC – IDA-only ODA/GNI times bilateral LDC – HIPC – OLIC – IDA-only untying ratio) + multilateral LDC – HIPC – OLIC – IDA-only ODA/GNI. The presentation of the composite indicator, and the reference indicators matrix more generally, will set out in full their component elements.

2. prepare annual country profiles setting out their positions in respect of the reference indicators matrix and, on that basis, identify initial and medium-term supplementary actions to promote effort-sharing.

3. use the DAC peer review of these profiles to help Adherents identify and undertake supplementary actions in furtherance of a more balanced effort-sharing in respect of the reference indicators matrix.

#### **Transparency**

**VIII. RECOMMENDS** that Adherents ensure transparency of their untied aid offers covered by this DAC Recommendation. To this effect, Adherents should:

1. Provide, in collaboration with partner countries and territories as appropriate, ex ante notification to the OECD Secretariat not less than 30 calendar days prior to the opening of the bidding

period, with the exclusion of activities with a value of less than SDR 700,000 (SDR 130,000 in case of investment related technical co-operation).

2. Include the following information in their notification:

- notifying Adherent, agency and contact point;
- recipient country or territory;
- project description;
- sector/activity and DAC purpose code;
- project value (in donor currency and SDR);
- bidding period (start and closing dates);
- procurement regime (if not International Competitive Bidding, state regime and justification);
- details of agency responsible for procurement and from which further information or details (e.g. bidding periods, procurement regime, bidding documentation) can be requested; and
- all other information that the Adherent deems appropriate.

3. Ensure sufficient time to all suppliers to prepare and submit bids, while taking account of the circumstances of the procurement agent. Bearing this in mind, bidding periods should normally be not less than 45 calendar days, except for large projects (with a value of, or exceeding, SDR 50 million), where bidding periods should normally be not less than 90 calendar days.

4. Make the notifications available to Adherents and to potential suppliers through the DAC's Untied Aid Bulletin Board of Contract Opportunities, as well as through Adherent's own facilities in order to publicise the aid offers contained in notifications, as appropriate.

5. Respond promptly (i.e. within 14 calendar days) and fully to requests by other Adherents for further information on, or clarification concerning untied aid offers covered by this DAC Recommendation, by providing all information relevant to the request, including information concerning donor financing of services related to the design and implementation of the notified project. The Adherents concerned should, together, take all possible steps to clarify or resolve issues arising.

6. Broaden the initial bilateral exchange of information to other Adherents, as appropriate, in order to solicit views on issues pertaining to the implementation of this DAC Recommendation.

7. Provide the Secretariat with information, on an annual basis, on contract awards pertaining to individual ex ante notifications, including information on the name, address and country of incorporation of the firm awarded the contract (or the prime contractor, where a syndicate of firms is concerned), as well as with annual aggregated overviews of the number and value of contract awards in their country, in other Adherents and donors, in developing countries and territories covered by this Recommendation and in other developing countries, for activities with a value of less than SDR 700,000 or SDR 130,000 in case of investment related technical co-operation.

**IX.** **INVITES** the Secretary-General and Adherents to disseminate this DAC Recommendation.

**X.** **INVITES** non-Adherents to take account of and adhere to this DAC Recommendation.

**XI.** **AGREES** that the DAC will:

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- a. Continue to serve as a forum to enable Adherents to share policies, best practices and innovative approaches to support mutual learning and to develop tools to support their implementation of this DAC Recommendation.
- b. Review the implementation of this DAC Recommendation through biennial reports covering all its provisions, as well as the experience in delivering its objectives for approval by the DAC. These reports, will, *inter alia*:
  - i. assess the impact of this DAC Recommendation on the volume, quality and directions of ODA flows;
  - ii. set out Adherents' policies in respect of investment-related technical co-operation and food aid;
  - iii. review the implementation of this DAC Recommendation with respect to promoting effort-sharing among Adherents in accordance with the mechanism set out in section VII above;
  - iv. review Adherents' procurement practices and patterns for untied aid offers, as well as their sustainable procurement practices;
  - v. assess progress towards strengthening countries and territories' local procurement capacities, including on sustainable procurement, and improving the access of their enterprises to aid funded procurement;
  - vi. address, in addition to the provisions for bilateral consultations set out above, specific concerns that may be raised by individual Adherents in respect of this DAC Recommendation.
- c. Review the implementation of this DAC Recommendation through the existing DAC Peer Review mechanism of development co-operation programmes, including by analysing the information provided in the biennial reports.

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<sup>i</sup> As of October 2025, the low-income category, as defined by the World Bank, included also the Democratic People's Republic of Korea. However, the classification of the Democratic People's Republic of Korea as a LIC is not based on World Bank GNI data. Moreover, it has not been possible to identify verifiable income level data. The DAC has therefore decided that the Democratic People's Republic of Korea remains out of the scope of the DAC Recommendation, until verifiable data is available, based on which the committee can take a decision on its inclusion.

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- **Substantive Outcome Documents** are adopted by the individual listed Adherents rather than by an OECD body, as the outcome of a ministerial, high-level or other meeting within the framework of the Organisation. They usually set general principles or long-term goals and have a solemn character.
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