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**Collective Action in Global Governance**  
**: The Case of the OECD Development Assistance Committee**

**by**

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A thesis submitted in partial fulfilment of the requirements  
for the degree of Doctor of Philosophy in Politics and International Studies

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## **Declaration**

This work is entirely conducted by the candidate. None of the work has been submitted for a degree at another University.

## Summary

This thesis examines the achievements and limitation of collective action in the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). With particular focus on two specific issues of ‘aid untying’ and ‘aid effectiveness’ between late 1990s and early 2010s, and two member countries namely the UK and Japan, the thesis first assesses the indicators (existence, forms and level) of collective action. It then explores the conditions (factors that account for the indicators) for collective action in the DAC. As literature on the OECD and the DAC is scarce, this thesis fills knowledge gaps by providing a detailed analysis of the DAC and offering insights into stronger global governance through the lens of collective action.

Using primary evidence drawing on extensive interviews as well as OECD archival documents, the thesis advances four main findings. First, the DAC has achieved collective action only to some extent – it has successfully (if sometimes slowly) reached agreements, but implementation processes reveal more shortcomings. Second, successful agreement has resulted largely from leadership of the UK in the DAC together with work by the DAC Secretariat to build trust relationships as well as to nurture feelings of fairness among the members. The DAC’s limited membership and closed, homogenous nature encouraged this atmosphere. Third, DAC members’ motivations and incentives for collective action can be identified both at individual and institutional (government) levels, ranging between rationality and social/global norms, that are often intertwined and complex, making collective action challenging to understand. Fourth, the DAC is now in transition due to the rising influence of emerging countries and the growth of an additional locus of collective action at recipient country level. All this presents increasing challenges if the DAC is to maintain a reputation for collective action in the future.

## List of Abbreviations

AAA	Accra Agenda for Action
ATP	Aid and Trade Provision
BOND	British Overseas NGOs for Development
CSOs	Civil Society Organisations
DAC	Development Assistance Committee
DAG	Development Assistance Group
DCD	Development Co-operation Directorate
DFID	Department for International Development (of the UK government)
DNA	Deoxyribonucleic Acid
DP	Democratic Party
DTI	Department for Trade and Industry (of the UK government)
EC	European Commission
ECA	Export Credit Arrangement
ECFA	Engineering and Consulting Firm Association
ECG	Export Credit Group
EVALUNET	DAC Network on Development Evaluation
EU	European Union
FASID	Foundation for Advanced Studies on International Development



FCO	Foreign and Commonwealth Office (of the UK government)
GNI	Gross National Income
GPGs	Global Public Goods
HIPCs	Heavily Indebted Poor Countries
HLM	High Level Meeting
HQ	Headquarters
IATI	International Accountability and Transparency Initiative
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDE-JETRO	Institute of Development Economies-Japan External Trade Organization
IDS	Institute of Development Studies
IFIs	International Financial Institutions
IMF	International Monetary Fund
IOs	International Organisations
JANIC	Japan NGO Center for International Cooperation
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
JICA-RI	Japan International Cooperation Agency Research Institute

LDCs	Least Developed Countries
LDP	Liberal Democratic Party
MAI	Multilateral Agreement on Investment
MDGs	Millennium Development Goals
METI	Ministry of Economy, Trade and Industry  (of the Japanese government)
MoF	Ministry of Finance (of the Japanese government)
MoFA	Ministry of Foreign Affairs (of the Japanese government)
NGOs	Non-Governmental Organisations
NIES	Newly Industrialised Economies
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Cooperation
OPEC	Organization of Petroleum Exporting Countries
PBAs	Programme Based Approaches
PD	Paris Declaration on Aid Effectiveness
PFM	Public Financial Management
PIU	Project Implementation Unit

PRSP	Poverty Reduction Strategy Paper
PS	Permanent Secretary
SDR	Special Drawing Rights
SLM	Senior Level Meeting
SPA	Strategic Partnership with Africa
STEP	Special Terms for Economic Partnership
SWAPs	Sector Wide Approaches
TA	Technical Assistance
UKAN	UK Aid Network
UKTI	UK Trade and Investment
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDCF	United Nations Development Cooperation Forum
UNDP	United Nations Development Programme
USAID	US Agency for International Development
WB	World Bank
WP-EFF	Working Party on Aid Effectiveness
WPFA	Working Party on Financial Aspects of Development Assistance

# Introduction

## 1. Introduction

This thesis on *Collective Action in Global Governance: the Case of the OECD Development Assistance Committee (DAC)* assesses the DAC's record of achieving collective action and explores limitations and shortcomings in its collective action performance. The subject is topical and important. In 2011 when the Organisation for Economic Cooperation and Development (OECD) High Level Forum on Aid Effectiveness was held at Busan, in his opening speech the OECD Secretary-General, Angel Gurría, addressed over 3,000 participants with the following: "While considerable progress has been made...we have fallen behind on our promises...We need a collective jolt and, most importantly, collective action" (Gurría, 2011). Referring to this, in closing a final plenary session of the Forum, Homi Kharas, a senior fellow at Brookings Institution, told the delegates that he hoped the forum had provided the 'collective jolt' back to them for their 'collective action' (Kharas, 2011a).

Collective action at global level, be it multilateralism or international cooperation, has long been sought for but yet to be reached. How and why international institutions contribute to making effective global governance has long been a central concern of academic investigation (see Krasner, 1983; Martin & Simmons, 2001; Alexandroff,

2008; Hale, Held & Young, 2013). The aim of this thesis is to assess the forms and levels of collective action and to explore the conditions that promote or hinder collective action for global governance. In doing so, the thesis looks into one organisation – the DAC of the OECD. The OECD is an international policy think-tank that provides a forum for governments to work together by sharing experiences in order to solve common problems. The DAC has served as a forum for bilateral donors to coordinate their development aid policies ever since its establishment in 1961. Among the 250 OECD committees, the DAC is a special body due to its origin of pre-dating the OECD's establishment, and also being the only committee with a Paris-based full-time chair.

The following two sections summarise very briefly the context and existing literatures on the OECD and the DAC. This will serve to show there is a significant knowledge gap in the academic literature. A section on aims and methodology of this research and a final section offering a guide to the overall structure of this thesis complete the chapter.

## 2. Context

Over its 50-year history, the DAC has played a key role in promoting donors' common aid efforts for sustainable development through coordinating bilateral donors' aid policies. It has tried to increase donors' aid volume to meet targets such as the pledge made by a United Nations General Assembly Resolution in 1970 that official development assistance (ODA) should increase to 0.7% of donor gross national product, and by

releasing DAC donors' ODA records it pressures members to live up to their commitments. More recently, the DAC has been at the centre of a discourse on aid effectiveness, which resulted in an agreement in 2005, the Paris Declaration on Aid Effectiveness. Over 100 countries and organisations drawn from the DAC and non-DAC actors such as civil society organisations (CSOs) and aid recipient countries have endorsed this document.<sup>1</sup> The DAC has been a major forum for discussing and reaching agreement on development cooperation policies with a view to increasing the volume and improving the quality of donors' aid provision.

The DAC is known as a 'rich donors' club', its membership being restricted to developed countries attaining a certain level of aid provision to developing countries. As of July 2014, there are 29 member countries – a small number compared to other international organisations. However, in the last decade the DAC has begun to increase its membership and invite non-DAC actors to its meetings. The accession of five new members in 2013 was unprecedented, as in the years from 2000 to 2013 the only new member was South Korea. Historically, the closed nature of the DAC has promoted frank discussions among the members, although this may change as the DAC shifts towards inclusiveness – a shift reflecting changes in the global economy that are seeing economic and financial power move from the West to the East, forcing the DAC to open up to others in order to retain its relevance as an aid organisation. In reality, however, the DAC has long faced problems of

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<sup>1</sup> In this thesis, the term 'recipient country' is used to mean 'aid-receiving country' to distinguish it from 'emerging country', although the term 'partner country' is often used instead in the policy arena to minimise political sensitivity.

achieving collective action, notwithstanding its successes, and these challenges are likely to increase as the membership develops and faces new and different challenges in the future.

### 3. Summary of existing literature

The DAC has received very little academic attention – something that is also true, to a somewhat lesser extent, of the OECD as a whole, particularly in comparison with some other international organisations such as the United Nations or the World Bank. This might be because the OECD is less well known, but also because of the nature of the OECD as an exclusive club of richer countries. Academic publications on the OECD have increased over recent years. For example, a book edited by Mahon and McBride (2008) examines different aspects and activities of the OECD through the lens of transnational networks, instead of conventional inter-governmental relationships. Another book, edited by Martens and Jakobi (2010), shows the ways in which the OECD influences member states. Woodward (2009) provides broad organisational knowledge as to how the OECD works and its role in global governance. Carroll and Kellow (2011) based on extensive interviews and archival research, offer comprehensive knowledge on the organisation's history, structure and function.

While these publications differ in the focus and the framework they used to analyse the OECD, they provide similar views on the OECD's characteristics vis-à-vis other

international organisations: it is an organisation that generates ideas and knowledge based on soft enforcement mechanisms, and creates norms that are shared among like-minded members. Lacking funding tools, the OECD focuses on policy issues. The members are not legally obliged to comply with the agreed policies. However, because they are limited to fairly rich developed states, a majority of whom are European, they tend to be like-minded, and this makes it easier for norms to be shared.

Nevertheless, as the Secretary-General of the OECD acknowledges, in his contribution to the journal *Global Policy* in a special section commemorating OECD's 50-year anniversary, the centre of economic gravity in the world is now moving from West to East, and the OECD needs to become more inclusive (Gurría, 2011a). In fact reform has been happening since the early 1990s (Bourgon, 2009), but the OECD's embedded club nature hinders real change (Clifton & Diaz-Fuentes, 2011). Indeed, some commentators are pessimistic about the future role of the OECD in global governance, as is the Dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore, who criticised the OECD for not playing its part and being close to becoming "a classic sunset organisation" (Mahbubani, 2012). In any case the OECD, like the DAC more particularly, has a past history of forming shared norms around the limited members, which is worth examining, even if the recent upsurge of emerging countries may challenge the role the OECD that can play in global governance in the future.



As an OECD committee, the DAC now faces some similar challenges to the OECD as a whole. Literature on the DAC appeared in the 1960s when the DAC first came on the scene, and when foreign aid was a major component of the OECD's overall terms of reference. The early literature focused on two main issues: how the DAC works as the only international forum to coordinate bilateral donors, and its role in increasing the common aid effort among western allies during the Cold War (e.g., Rubin, 1966; Esman & Cheever, 1967; Ohlin, 1968). However, since then the DAC has not attracted much academic research, apart from relatively recent, very few exceptions such as Masujima (2004), who examined how the good governance agenda came to be discussed in the DAC, and Eyben (2013), who examined how aid's purpose was transformed in the DAC. In 2014, Gehart compared the OECD DAC and the World Bank in shaping the international aid effectiveness agenda, in a yet-to-be published doctoral thesis. Even so, more comprehensive literature on institutional and organisational aspects of the DAC is absent.

In recent years, academic attention has shed light on the aid provision of non-DAC countries in the light of changes in the global economy, introduced as a counter-hegemonic power to DAC countries (Brautigam, 2009; Sørensen, 2010; Kim & Potter, 2012). Also, other types of actors than states have increased, such as CSOs and philanthropic bodies. Therefore, a global governance that accommodates these new and different kinds of actors and different levels of cooperation will be required, although it is not clear whether this means "hypercollective action" (Severino & Ray, 2010), "mixed

coalitions” (Svedoff, 2012), or some other innovations in collective action. In essence, multi-stakeholder forums to discuss and agree on aid policies are needed if the collective action problems that come with the inclusion of more and different kinds of actors are to be addressed, and if the DAC is to be able to continue to play a central role. However, although these comments apply to the current and future outlook for the DAC, there is still much to be gained by examining the DAC’s past to assess how successful it has been in terms of collective action up until now, and why it has not always been wholly successful even then.

#### 4. Aims

The aims of this research are threefold. The first is to add value to the scholarly literature by filling knowledge gaps on the DAC. In spite of the DAC’s important contribution to reaching agreement on some influential aid policies including even the very definition of ODA, too little is known about how DAC policies came to be agreed, who was responsible for this, how the relevant actors interacted during the process of reaching agreement, and the measure of compliance thereafter. This thesis aims to help fill these gaps in academic knowledge, by highlighting the interactions among actors in the DAC. Indeed, as will be discussed in a later chapter, some of the DAC Secretariat staff and DAC member representatives said during interviews for this research that they did not understand how the DAC works until they started working in the organisation. My own experience working for the Japanese delegation to the OECD (DAC) in 2008-10 echoes

their comments. The nature of the DAC as a closed donors' club reinforces the difficulty that outsiders have in understanding what is happening inside the institution.

Second, the thesis aims to contribute to knowledge of global governance in respect of international aid, by utilising the concept of 'collective action'. The term 'collective action' is now often used in policy research papers published by think-tanks that explore better global governance in development aid. Yet they do not provide definitions of the term or their reasons for employing it rather than other terms such as 'cooperation'. In academic literature, the study of collective action originated from Mancur Olson's theory in the 1960s (1965) and developed by different academic schools mainly focused on subnational levels, such as the management of common property resources by collective action among villagers or farmers (such as Hardin, 1982; Ostrom, 1998). Nevertheless, scholars have increasingly applied the logic of collective action to international levels as well (see Sandler, 2004; Maxwell, 2005; Acharya, 2014). The concept of global public goods was also developed by scholars (see Kaul et al., 1999a, 1999b, 2003) in close proximity to the purpose of achieving collective action. Drawing on theories about collective action, global public goods and the role of international organisations, this thesis will provide justifications for using the term 'collective action' when inquiring into aid and global governance. That is to say, the concept helps to make sense of the way the DAC operates and sheds light on why the DAC does not always work very well.

Third, the thesis aims to reflect the complex reality of the DAC in practice. While proposing an original theoretical framework to guide the analysis, it also aims to reveal the intricate incentives of the actors for collective action. For instance, the thesis aims to elucidate dilemmas faced by policy makers and practitioners, subtle relationships between the DAC Secretariat and its members as well as among the members themselves, and gaps between images of the DAC and its reality as perceived differently by different members and expert witnesses. These matters are difficult to understand by complete outsiders, who can only see outcomes in the sense of agreed policies. Heavily based on original findings from extensive primary new empirical research, the thesis potentially signals implications for policy practitioners in the donor countries and developing countries who wish to capitalise on the DAC in the future.

The main research question of this thesis is: ‘To what extent is there collective action in the DAC and how do we explain it and the shortcomings?’ That is: ‘Why is there (not) collective action there?’ The DAC has long attempted to promote collective action by changing the donors’ behaviour towards common objectives in order to support sustainable development in developing countries. The concept of collective action and the understanding of collective action problems offer a way of making sense of the achievements and the limitations of the DAC. The theory guides us to identify the incentives that lie behind aid and how these incentives impact on the pursuit of collective action in search of enhanced aid quantity and quality, and on ways to avoid collective action problems.

In so doing, the thesis proposes indicators of and conditions for collective action. The indicators are drawn from policy processes, beginning with ‘members and meetings’, moving to ‘agreement’ process and then on to ‘implementation’ by the members, ending with ‘monitoring’ of members’ compliance. Examining the indicators provides answers to the research question, “To what extent is there collective action in the DAC?” Then, conditions for collective action are discussed in order to inquire into “Why is there (not) collective action?” This step is taken by using six actor-oriented conditions to examine relationships amongst actors in the DAC: namely, the Secretariat; delegate-headquarter relationships; member-member relationships; domestic environment; recipient country level; and member/non-member relationships.

## 5. Methodology

The methodology for the research is as follows. The empirical part of this research is based on extensive interviews, archival documents and academic literatures (Annex B contains the full list of the interviews). For the interviews, 84 conversations were conducted with Secretariat staff officials at the OECD and delegates of member governments, as well as other stakeholders both in the UK and Japan (politicians, government officials, researchers/consultants, non-governmental organisations (NGOs) and business sector). Some persons were interviewed twice. A majority of informants were interviewed face-to-face in their own location, but some were conducted by skype

or telephone. The interviews were conducted in a semi-structured form with open-ended questions. They are qualitative research interviews with elites, drawing on their perspectives and perceptions on issues related to the DAC. Also, interviewees were varied in their relationship with the DAC and in their knowledge about the DAC, which makes semi-structured interviews appropriate. The time of each interview varied from 30 minutes to 3 hours; on average they lasted between 1.5 and 2 hours. The interviews made with Japanese informants were conducted in Japanese and then translated into English by the writer.

Fifteen interviews were conducted with DAC Secretariat officials, including the DAC chair and the two directors. Fourteen interviews were conducted with member delegates based in Paris, including the Japanese and UK ambassadors to the OECD. Thirty interviews were conducted with various stakeholders in Japan. Twenty interviews were conducted with similar stakeholders in the UK. In the UK it was more difficult to trace government officials who were involved in the DAC, because they move to new postings every 3-4 years; hence supplementary information was sought from interviews with academics and consultants whose involvement with the DAC spanned more years. In contrast, over a third of the interviews in Japan were with government officials – with a suitable emphasis given the major role of civil servants in Japan's relationship with the DAC.

The writer visited the OECD archive library three times – in 2011, 2012 and 2013 – during which extensive official OECD documents and data were consulted (see Bibliography). The types of documents and data range from records of high-level meetings to statistics on meeting registrations. They are used in this thesis to provide information as well as analysis of relations among actors and policy development in the DAC.

The writer had an advantage in interviewing DAC officials and government officials, CSOs and researchers in Japan and the UK because of her previous job experience working for the Japanese Delegation to the OECD in charge of the DAC (2008 -2010) and for the Japanese Embassy in Uganda (2003-2006) as an advisor/researcher for the Japanese Ministry of Foreign Affairs (MoFA). The writer participated in DAC meetings in Paris on a daily basis, working to assist the Japanese DAC delegate, communicating with MoFA officials in Tokyo and with the DAC Secretariat. Therefore, the research benefits from an element of participant observation.

The thesis includes two studies of collective action around specific aid issues: aid untying and aid effectiveness (chapters 5 and 6, respectively). They are chosen because: (1) high-level agreements were made on these issues, which is untypical of most of the issues discussed in the DAC; (2) as relatively recent issues, they offer greater chance of data availability; and (3) these issues are widely mentioned in the academic literature on aid, which means that detailed examination here may contribute to these ongoing debates.

Other issues were also considered at the beginning of this research but rejected in favour of the two that were chosen. For example, the DAC's *Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation* in 1996, which provided a foundation for the United Nation's Millennium Development Goals (MDGs) and in part was initiated by Japan, could have offered a good comparison to cases where the UK took the lead, but poses greater challenges in terms of accessing comparable amount of information and data.

The decision to concentrate on the two issues mentioned above was accompanied by a decision to focus on two DAC member countries in particular, namely Japan and the UK. They are chosen because: (1) their interactions in world affairs and international institutions are different, which potentially makes for an interesting comparison; (2) academic literature comparing these two countries is rare, which allows the thesis to add to existing knowledge; and (3) data accessibility is comparable for the two countries. The two countries are both important players in international relations, though the ways in which they interact in the DAC are quite different: in general, the UK leads the agenda and discussions there, whereas Japan is usually one of the followers. Making comparison of these two members throughout the entire thesis, and especially in respect of the two case study issues, should help us understand the motives and incentives of members both in positive terms, such as what makes them lead and how they utilise the DAC, and in negative terms, such as obstacles that impede cooperation. As a basis of this comparative analysis, Annex A provides a summary of Japan and UK's profile of OECD/DAC and aid



as well as existing literature with regard to the two countries' aid and their role as donors. As shown in the brief summary of literature on both Japan and the UK's aid, not much attempts to compare the two, which means this thesis makes a further contribution of knowledge.

## 6. Structure of thesis

There are six chapters in this thesis in addition to this Introduction and the Conclusion. The first chapter lays a foundation to understand how the DAC works and discusses its changing role in the global aid architecture. This includes the origin and purposes of the DAC, membership and incentives of the members to participate, operational aspects of the DAC, and the DAC's role in relation to the OECD and wider aid architecture over the period. Chapter 2 makes a theoretical contribution, by reviewing existing literature on collective action and offering a rationale for researching the DAC through the lens of collective action. It links collective action theory and related concepts to global governance in the context of aid and the DAC specifically.

Based on the framework offered in chapter 2, chapters 3 and 4 establish indicators of and conditions for collective action in the DAC. The aim of these chapters is to provide an overall assessment of the level of collective action, and conditions for collective action, based mainly on the interviews and archival materials. Chapter 3 is organised according to the aforementioned four indicators (members and meetings, agreement,

implementation, and monitoring). Similarly, chapter 4 is organised around the six actor-oriented conditions (Secretariat, delegate-headquarter relationships, member-member relationships, domestic environment, recipient country level, and member/non-member relationships).

Chapters 5 and 6 are in-depth studies that examine the indicators and conditions in more detail in relation to the two previously named issues. Chapter 5 investigates aid untying, in regard to which a DAC Recommendation was agreed in 2001. Although this issue was first raised in the DAC much earlier, from the early 1960s, the chapter focuses on the period from the late 1990s, when intensive high level negotiations began. Chapter 6 examines aid effectiveness, as reflected in the 2005 Paris Declaration on Aid Effectiveness with wider stakeholders beyond just DAC members. A comparison of the two cases will help us understand institutional evolution in the DAC, meaning a shift in the nature of collective action there along with changes in DAC members' incentives and motivations for collective action.

A concluding chapter integrates overall analysis of indicators of and conditions for collective action in the DAC in the light of the evidence surveyed in the main body of the thesis. It draws on comparison of the two cases of aid untying and aid effectiveness surveyed in association with the part played by the two contrasting actors, Japan and the UK. The chapter also raises some implications from studying collective action in the DAC for future global governance, most notably in regard to aid.

## 7. Conclusion

This chapter has framed the thesis by introducing the reasons for choosing the topic and offering a brief account of how it is approached. Contextual information and a comment on the existing literature have highlighted both the problems faced in the DAC and a knowledge gap in the academic literature. The central research question and aims of this research were explained. The methodology of how to achieve these aims was introduced together with justifications behind the choice of issue case studies and countries, namely Japan and the UK. The structure of the thesis has been summarised in order to assist the reader's navigation.

# Chapter 1: The DAC and the Global Aid Architecture

## 1.1: Introduction

As the previous chapter introduced contextual information and overall structure of the thesis, this chapter aims to set the general context for the thesis by introducing the basis of the DAC – how it was established with what purposes, who the members are and what their incentives are, how it works – and its evolution over time, while linking its activities to the global aid architecture. The chapter fills a gap in academic publications on the DAC which can be found either during the early period of the DAC in 1960s, when it received some attention, or in recent researches on the impact of emerging non-DAC.

The first section discusses the DAC's origins and purposes. Later sections detail the membership, criteria for accession, and how members perceive the DAC – how they view the benefits of membership – and the policy process in the DAC, as well as distinguishing characteristics relative to some other international organisations. The penultimate section describes the DAC's evolution in relation to other actors in a changing global aid landscape. Although the DAC was originally set up to frame the global aid architecture, the changing external environment of the wider global political

economy has come to influence the DAC's role in the global aid architecture, and now presents it with new challenges.

## 1.2: Origin and purposes

The DAC is a special committee of the OECD, as it is the oldest committee in that its forerunner group began before the OECD was formally set up. The establishment of the OECD and the DAC reflected the US's strong interest in forming an alliance of the West to expand the liberal economic, free-market bloc against the East, during the Cold War. This origin to increase the 'common aid effort' amongst the West countries influenced the purpose of the DAC especially in forming the norms among the members.

While the DAC was formally established in 1961 at the same time as the OECD, its origin dates back to 1959, when the Special Economic Committee of the Organisation for European Economic Cooperation (OEEC) decided to establish an informal group of governments to discuss the contribution of funds to underdeveloped areas, as well as improve aid flows (Esman & Cheever, 1967, p.52). As a predecessor of the OECD, the OEEC was founded in 1948 in Paris to administer the Marshall Plan after World War II. Following the aforementioned decision by the OEEC, the Development Assistance Group (DAG) was established in January 1960 with the original eight member states of Belgium, Canada, France, Germany, Italy, Portugal, the UK, and the US plus the

Commission of the European Economic Community. Japan was immediately invited to join, and the Netherlands joined in July in 1960 (OECD, 2006, p.7). Therefore by the end of 1960 there were ten DAG members, and the DAC was established in 1961 by succeeding the DAG.

Two background points are worth mentioning. First, the 1960s saw an increasing number of development agencies. After many new African nations gained independence during 1960, major donors set up agencies and ministries that specialised in foreign aid, such as the Ministry for Cooperation in France and West Germany, the US Agency for International Development (USAID), the Japanese Overseas Economic Cooperation Fund, and the Swedish Agency for International Assistance (Führer, 1994). The establishment of DAG (and the DAC later) was “part of an extraordinary upsurge of related institutional developments” (ibid, 1994, p.12) with a growing necessity to coordinate amongst donors. Also, there was increasing attention on development and poverty in order to bridge the gap between the rich and the poor nations. The 1960s were named the ‘United Nations Development Decade’. White argues that World War II blurred the distinction between national interests and common good because nation states fought for collective interests of “the Allies” (1974, p.199), and this also presumably facilitated rich nations’ willingness to support poor nations.

Second, the OEEC and the Marshall Plan were politically important for the US as an economic bloc against communism during the Cold War, and a similar logic applied to

the founding of the DAG. The US had a strong interest in establishing a forum through which to persuade the wealthy industrial nations to share the international aid burden (Esman & Cheever, 1967, p.53). This owed to increasing dissatisfaction among the American public and Congress, dating from the Marshall Plan, and it became an issue in the 1960 presidential election campaign.<sup>1</sup> The incoming Kennedy administration embarked on aid reform, resulting in the US Foreign Assistance Act (1961) and the establishment of USAID. That momentum in promoting foreign aid in US domestic politics also influenced its strong leadership in the OEEC as well as its initiative in establishing the DAG. The Soviet Union withdrew from the discussions to which it had been invited during the OEEC meeting, as it felt the US's proposals threatened their independence and sovereignty, and Poland and Czechoslovakia followed suite (Esman & Cheever, 1967, pp.40-41). Also, politically neutral countries, such as Austria, Sweden and Switzerland, initially declined to join the DAC, although they were members of the OECD (White, 1974, p.216).

The DAC's purpose has been to coordinate aid among the members in order to increase both the volume and quality of aid. During the early days, the DAC was mainly focused on improving the aid volume, but then shifted more towards improving the aid quality.

By looking at the purpose of the DAC, this section discusses how common objectives,

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<sup>1</sup> The growing dissatisfaction with foreign assistance, highlighted by the 1958 novel by Eugene Burdick and William Lederer, *The Ugly American*, prompted Congress and the Eisenhower Administration to focus U.S. aid to developing nations (<http://www.allgov.com/departments/independent-agencies/united-states-agency-for-international-development-usaid?agencyid=7290>, accessed 1 Aug 2014). *The Ugly American*, a fictional book, illustrates Americans' innate arrogance and their failure to understand the local culture in developing countries.

norms and values, standards and principles are understood in the DAC, because these are important factors that bind the behaviour of DAC members together for collective action.

As shown in Table 1.1, the common objective of DAC members is to improve living standards of people in developing countries. This was set out in the Mandate of the DAC revised in 2010 “to promote development co-operation and other policies so as to contribute to sustainable development... improvement of living standards in developing countries, and to a future in which no country will depend on aid” (OECD Archives, 2010). In order to achieve the common objective, the DAC sets out standards and principles in the form of recommendations, declarations or guidelines. While the standards and principles are decided, agreed and complied with by DAC members (i.e., donors), the target of the common objective is developing countries (i.e., aid recipients), who are not members of the DAC.

Table 1.1: Common objective, norms and value, standards and principles, and focus of the DAC

<b>Common objective</b>	Improvement of the living standards in developing countries, as stipulated in the Mandate of the DAC
<b>Norms and values</b>	Liberalism, democracy, altruistic
<b>Standards and principles</b>	Agreed among the members in the forms of recommendations, declarations guidelines, based on evidence
<b>Focus in aid provision</b>	Grant (vs Loan), Untied aid (vs Tied aid), Africa or Low Income Countries (vs Asia or Middle Income Countries), Multilateral aid (vs Bilateral aid), Programme aid (vs Project aid), Budget support (vs Technical aid)

Source: Author partly based on the OECD website

(<http://www.oecd.org/dac/thedevelopmentassistancecommitteesmandate.htm>, accessed 1 Jul 2014)



Arguably the DAC's norms have had a deep impact on members' aid policies. Altruistic norm is embedded in the *Resolution of the Common Aid Effort*, agreed in 1961. This recommends members to make their common objective to expand the aggregate volume of resources to the less-developed countries as well as their effectiveness (OECD, 2006). For the first few decades, the DAC's focus on increasing aid volumes was preoccupied with setting the definition of official development assistance (ODA). One of the core tasks was to push the DAC donors to increase their aid to the target of 0.7% of members' Gross National Income (GNI) that was agreed in a UN General Assembly Resolution in 1970. The DAC chair's annual report has monitored the DAC donors' performance in line with this ever since.

The norms were reinforced by more detailed technical rules, such as the Recommendation on Financial Terms and Conditions (1965), adding to the concepts and definitions of aid agreed during the 1960s and 1970s. Two important issues were decided at that time: (1) ODA was defined as containing a grant element of at least 25%<sup>2</sup>; and (2) the target set for the average grant element for each member increased from 84% in 1972 to 86% in 1978 (OECD, 2006). The 1965 Recommendation urged all members to increase the grant element, noting that some members already extended more than 70% of their total aid in the form of grants or grant-like contributions and

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<sup>2</sup> 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%.

urged others to follow (OECD, 1965, p.120).

One of the problems built into the DAC philosophy is that ODA volume is calculated on net terms rather than gross; the loan repayment from recipient countries is deducted from the total ODA volume. This can be a real dilemma, because donors providing loan aid need to increase gross flows faster than the repayment flows in order not to prevent total loan amount becoming negative, even when effective loan projects may not be found (Carey, interview, 2012). According to a former Development Co-operation Directorate (DCD) director, this is why most DAC members stopped loan schemes, but he personally thinks defining ODA in gross terms may reflect the real level of burden sharing among donors (ibid). The way that ODA is calculated together with its definition has given an impression that grant aid is superior to loan aid. If we can call this a norm then it is not fully compatible with Japanese ODA, which is more experienced with loan aid especially in Asian region. As Carey says, the definition of ODA is an international political game, where power and interests are involved (interview, 2012), in which members make a calculation about who gains and who loses. In this regard, Japan is a loser. In 2011, the total recovered amount of Japanese bilateral loan aid from recipient countries was US\$ 9,334 million, which exceeded the total amount of Japanese bilateral loan aid of US\$ 7,614 million (Ministry of Foreign Affairs (MoFA), 2012). Therefore, in net terms, Japan's bilateral loan aid amount was negative.<sup>3</sup>

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<sup>3</sup> Although when combined with grant aid, Japan was still the fifth largest donor in 2011.

DAC has originally placed importance on creating an agreed community of interest and purpose rather than applying pressure to “apparently laggard donors” (Little & Clifford, 1965, p.270). And yet recognising that continuing differences among the members endanger the spirit of the common effort (OECD, 1965, p.117), DAC has tried to standardise the practices of its members. In fact, donors who had achieved more generous aid terms felt they were financing the repayment of aid loans from other donors whose aid terms were more strict (OECD, 1985). They viewed them as free-riders. As such, collective pressure from the governments who had made the most progress was a driving force that sustained and developed the norms and common objectives of the DAC. Over its history, DAC has tried to shift bilateral aid policies away from national interests towards the common objective. The “common aid effort” implies that development co-operation is a shared international responsibility whose embodiment is to be found in donor institutions, deriving from a principle of collective action (OECD, 1985, p.144).

Although DAC norms are not formally specified in a single official document, they are spelled out in the Peer Review reference guide, to be applied equally to all members, respecting the specific context of each member (Jorgensen, interview, 2013). A distinguished Japanese academic perceives the DAC as “a shared cognitive model in which actors share same norms and values, especially pursuing one principle since the end of Cold War with a leadership of the UK” (Shimomura, interview, 2012). DAC has been dominated by European countries, and the policies discussed in the DAC are likely

to be shaped by members' perceptions and values (Furukawa, interview with Japan International Cooperation Agency Research Institute (JICA-RI) official, 2012). Therefore, although the common objective of the DAC is to increase the welfare of developing countries, other values such as human rights or gender are also likely to be valued, gradually mainstreamed in the DAC (Ishize, interview with Japanese DAC delegate, 2011).

However, this situation has changed recently with the rise of emerging countries, as the DAC has been increasingly perceived as "outdated" (Glennie, interview with Overseas Development Institute (ODI) fellow, 2012), especially with a "fundamental limitation in its mentality" (Choi, interview with Korean DAC delegate, 2013). Consequently, the habit of Europeans in imposing their own principle values has been questioned (Yokobayashi, interview, 2011; Shimomura; Furukawa, interview 2012). When asked whether DAC norms would change, the head of peer review division said "When the world changes, norms are expected to be different, otherwise DAC would be obsolete" (Jorgensen, interview, 2013). As DAC has been offering a "de-facto global standard" ever since the 1960s (Shimomura, interview 2012), the question of how it can be changed is a crucial one especially for the traditional donors. Some argue that the DAC's comparative advantage of technical capacity is global public goods that can be sustained in a donor forum (Evans; Christiansen, interview with former ODI director and fellow, 2012). Others call for a wider multilateral framework, including emerging countries, so that all are bound by universal compliance (Yamada, interview with

advocacy manager of Oxfam Japan, 2012). Araki, a long-serving Japanese journalist and influential commentator on international development, argues that the current DAC should be disbanded as a relic of world history (interview, 2012).

To sum up, although the origin of the DAC was strongly influenced by the US, a common objective of the DAC as making a collective effort for the benefit of developing countries became an established altruistic norm, influencing DAC members' aid provision.

### 1.3: Members and their incentives

As the success of collective action in the DAC depends on the membership and the members' incentives to join, we need to know who the DAC members are and why they participate in it.

Although there are 34 members in the OECD, the DAC has only 29 formal members. It has one of the smallest memberships among the international development organisations compared with the United Nations (UN) (193 member countries) or the World Bank (WB) (187 member countries). The 29 DAC members are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Sweden, Switzerland, the UK, the US and the EU, and those who joined after 1990s are Spain (1991), Luxemburg (1992),

Greece (1999), Korea (2010), Iceland (2013), Czech Republic (2013), Slovak Republic (2013), Poland (2013), and Slovenia (2013).

The discrepancy between the number of members between the OECD and the DAC arises because a country must be rich enough to contribute to global development cooperation. The criteria of DAC membership are: (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); and (3) existence of a system of performance monitoring and evaluation (OECD Archives, 2011). OECD countries which do not meet these criteria are ineligible to be DAC members, although they are entitled to participate in all DAC meetings. Most other OECD committees' memberships are open to all the OECD members. The DAC's more restricted membership is a specific characteristic that has enabled it to function as a homogeneous donors club. As Japanese Ambassador to the OECD remarked;

All the OECD members should be DAC members regardless of the level of aid provision. It took more than ten years for Korea to join the DAC after becoming an OECD member. The privileged mentality of the DAC that only those who are *proper donors* can be the DAC members needs to be reconsidered. (Yoshikawa, interview, 2013, italic by author)

Moreover, because of the recent (2007 on) economic crisis in many of the OECD countries, the gap between the level of provision of the DAC members and non-DAC

members has narrowed. As a result, the DAC membership criteria are not now in line with today's reality of the world (Ishize, interview with former Japanese DAC delegate, 2011); and the DAC has recently increased its membership (discussed more in chapter 3).

Why members join the DAC is important, as it reflects the benefits the members hope to receive. DAC members value and benefit from the work of peer review and statistics. These are core activities identified during DAC's reflection exercise undertaken in 2008 in response to the OECD Council's recommendation in the in-depth evaluation (OECD, 2009). From the writer's own interviews, Japanese and UK government officials have both referred to these activities as benefits of membership (such as UK government official, interview, 2012; Okano, interview, 2013); and outsiders have shared a similar impression (e.g., Addison, interview with deputy director of United Nations University, 2012). The process in which peer review operates has not changed much since 1961; and the "Peer Review process is an original and interesting way to make collective action among the DAC donors, and the process has influenced donors' behaviour", says an ODI senior researcher (Hewitt, interview, 2012). This is because peer review offers learning opportunities, such as by pointing out the particularities of one's own aid policies from a comparative perspective (Watanabe M., interview with MoFA official, 2012). The review is also a good opportunity for member governments to publicise their weaknesses (Kanayama, interview with Ministry of Finance official, 2012).

DAC statistics have been the only source of ODA data for the last fifty years for the purpose of monitoring (Randel, interview with director of British NGO, 2012), thereby playing an important role in international aid (UK government official; Watanabe M., interview, 2012). The DAC publishes members' ODA volume annually. These may then be covered in the members' media, which member governments see as good pressure to increase ODA volumes (Watanabe M., interview, 2012).

Also, members benefit from the DAC by sharing information and understanding about other members, as well as the international agenda (Watanabe S., interview, 2012). This too is a learning opportunity (Maxwell, interview, 2012). According to a UK government official, the DAC offers a forum for 'collective thinking' for collective action through different kinds of guidance to improve the aid system; and the UK benefits from the DAC because it can utilise DAC guidance while at the same time contributing only a part of its finances (interview, 2012). UK and Danish DAC delegates shared the same view that if the DAC did not exist, then they would have created something similar anyway (UK government official; Neergaard, interview, 2012). For a former US DAC delegate who works in the DAC Secretariat, the DAC is a place to talk about collective contribution to international development, offering an environment to gather ideas quickly (Dijkerman, interview, 2013).

These are benefits of being a DAC member that can apply to all the members, whereas other reasons for joining the DAC can differ from country to country. In terms of their



national interest, DAC members can be categorised into three types. In the first category are the US and the UK, who value the DAC as a tool to exert influence towards other members. As noted previously, during its early days the DAC was led by a US initiative to get other countries to share the aid burden. However, when western DAC donors were experiencing aid fatigue during 1990s, Japan became the top donor and the US lost interest in multilateralism. Taniguchi (who served as the first Japanese deputy Secretary-General of OECD, between 1990 and 1997) criticises the US for exploiting international organisations for its own short-term interest, ignoring smaller countries' positions, and then abandoning the OECD when it ceased being useful to the US (1999, p.43). In early 1990s the US dominated discussions and was contributing 25% of OECD budget, though later it proposed OECD budget cuts by 30% and withdrew from the OECD Development Centre (ibid, p.58).

The change in US attitudes over time can be gauged by its relationship to the DAC chair. From 1961 it was a custom for the US to take the DAC chair and France as vice chair, but by the late 1990s the US decided to open the chair's appointment. Since then, France (1999-2002) followed by the UK (2003-2007), Germany (2008-2010), the US (2010-2012) and Norway (2013-) have taken the DAC chair's position. The US decision to give up the chair's post in late 1990s was taken by the then USAID administrator, Brian Atwood, who served as DAC chair between 2010 and 2012. When asked if he faced difficulties within the US government, he answered;

The US was no longer the top donor during that time, so we could not justify (taking the chair's position), and I did not even feel we had the right to remain. I rather thought the DAC would be strengthened once we shared it with others (interview, 2012).

The situation has changed again since, for the Obama administration has taken more interest in international organisations, after which Atwood was asked by the then US Secretary of State Hilary Clinton to advise on the possibilities for the US to take the lead on development. As a result, he was asked to stand for the DAC chair (ibid). Atwood's chairmanship is reflected of the US government's interest in the DAC (Dijkerman, interview with former US DAC delegate, 2013), which shows a clear contrast with the time when Atwood took his decision to abandon the US's permanent chairmanship.

The loss of political interest by the US in the DAC after late 1990s led to the UK taking the lead, especially in setting the agenda. This was also reflected by the UK assuming the DAC chairmanship, under Richard Manning. Although detailed analysis of the UK's leadership will be discussed in later chapters, the UK sees the DAC as a tool to influence other donors, as revealed by a British academic:

We do have a sense of doing things in European ways and the DAC represents northern European donors by and large. So, I think there is a sense in Britain that here's something we can use for our own development objectives; we can punch above our weight in the DAC by trying to get our views across with any

other donors falling in our lines. I don't think UK goes to the DAC thinking 'what can we learn from others?', but it's more about 'how can people learn from us?' as the UK sees itself as a lead donor. (White, 2012, interview)

For the UK, DAC may also be a tool to increase its national value by being a world leader in the field of international development (Jin, interview with head of Japan International Cooperation Agency (JICA) UK office, 2012). The UK's leadership is further discussed in chapter 5 and 6.

In the second category of DAC members, small to medium sized European countries seek a place in international organisations to make their voice heard, especially on international development which is a major policy area for Scandinavian countries. As a Danish delegate says, multilateralism through international organisations is necessary for smaller countries to get together to be part of the larger international community (Neegaard, interview, 2012). As the Nordic countries share comparatively similar views on development, they form like-minded groups. The fact that a number of Nordic countries achieved the 0.7% ODA target also helps to position them in international society to boost their profile (Carey, interview with former DCD director, 2012).

For the third category of DAC members, including Japan and Korea, reputational reasons are important when deciding to join. The DAC increases members' international status (Okano, interview, 2012), and provides an opportunity to engage with Europe for 'diplomacy in development' (Furukawa, interview, 2012), which would

not have been available from outside the DAC. During early 1960s, the DAC was the only committee Japan participated in at the OECD as it was invited to the DAG from the very beginning; one of the purposes for joining the DAC was a stepping stone to Japan's accession to the OECD, which was achieved in 1964 (Murata, 2000, p.14; Suzuki, 2005, p.62). The 1960s was a period of significant growth for Japan's economy, and one of Prime Minister Hayato Ikeda's aims was to gain accession to the OECD. On a visit to seven European countries in 1962 he explained that if Japan's accession to OECD was not approved, while participating in the DAC, then this would undermine the dignity of Japanese nationals (Suzuki, 2005, p.65). An internal Japanese MoFA report also states that Japan needed to justify its accession to the OECD against most of the OECD members, who were not in favour of Japan's accession at that time (apart from the US, West Germany and Canada). And Japan's government did this by emphasising that increasing ODA volume and supporting less developed countries are also linked to commerce, finance and economic policies, and it would be unnatural if Japan participated only in the DAC (MoFA, 1962).

The same MoFA report explains one of the benefits for Japan to become an OECD member, namely to gain international status as a free and advanced industrialised country, thereby dispelling an image of Japan as a mere middle-income country, especially in the area of economic diplomacy (MoFA, 1962). According to a Japanese ambassador to the OECD, joining international organisations was a political symbol of Japan's recovery from World War II, through gaining international status, similar to

entering a prestigious university (Yoshikawa, interview, 2013). The value to Japan of gaining OECD membership has not changed over the last fifty years. As argued by Amiya-Nakata, the OECD is still treated by Japan's government as an issue of status or power rather than policy, which is not dissimilar to the arguments made at the time of Japan's accession to the OECD (2007, p.88).<sup>4</sup>

DAC membership has been an asset for Japan, because the government cares about its image and recognition in the international society (Ishize, interview with DAC delegate, 2011). Like Japan or Korea, who were latecomers to an international society already formed by the West, how they are perceived internationally matters a lot. As Ishize says, whereas some OECD countries like Mexico or Chile regard themselves as 'developing countries' in the UN, Korea's recent accession to the DAC shows their willingness to be seen as a fully developed nation (interview, 2011). Also, DAC membership can distinguish Japan from countries like China by showing accountability and conformity to international norms (Hoshino, interview with former Japanese DAC delegate; Takahashi M., interview with Japanese academic, 2012).

On the other hand, the ways that non-DAC donors are thought to perceive the DAC are somewhat different. There is less merit for China, whose economy is stronger than most of DAC members, to join the DAC where a majority comprises European countries

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<sup>4</sup> Amiya-Nakata refers to MoFA's *Blue Paper on Foreign Relations 2004*, in which then Japanese Deputy Secretary-General of OECD is introduced as representing an upgrade of Japan's position in the international arena.

(Watanabe M., interview, 2012). According to a Mexican official, whose country is an OECD member but only a DAC observer, Mexico benefits from DAC's technical support on statistics and learns from the international agenda, though there exists the large difference of the obligation and responsibility between Mexico and DAC members (Bracho, interview, 2011).

This section noted that the criteria for DAC accession are more restricted than for the OECD, and hence the DAC has fewer members. This restricted membership now looks outdated, in a changing world. There are some benefits common to all members, such as peer review, and in addition there are a variety of different incentives or interests particular to specific categories of member or individual member.

#### 1.4: Operations

How does the DAC operate as an international organisation? This section introduces the overall policy and some of the DAC's distinguishing characteristics vis-a-vis other international organisations.

As a committee of the OECD, the DAC's governance mechanism follows that of the OECD. The OECD is an international organisation which provides a forum in which governments can work together to share experiences and seek solutions to common problems. The OECD analyses and compares data to predict future trends, sets

international standards, and recommends policies to the member countries. Throughout these activities, collective action is required among member countries, from the level of day-to-day information sharing to negotiating towards agreement.

Table 1.2 shows the process of policy making in the DAC, including the division of work among the actors. The overall work plan and its budget are decided every two years through the process of the OECD Program of Work and Budget, which is approved by the Council.<sup>5</sup> Based on a two-year plan, the Secretariat prepares policy documents by collecting data for analysis. The Secretariat and the chair are involved in the preparation of the meetings, where agreements are made, though once the policies are agreed upon the members are responsible for implementing them. The policies are scrutinised through peer review every four to five years. Members are monitored on their compliance based on the statistics that the Secretariat collects and the peer reviews, which are publicised.

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<sup>5</sup> The council is attended by ambassadors of delegations; therefore, it is the highest-level meeting except for the annual Ministerial Council Meeting.

Table 1.2: Work process of the DAC and its actors

Phase	Process	Secretariat	Chair	Members
<b>Preparation</b>	Data Collection	✓		
	Analysis	✓		
	Agenda setting	✓	✓	✓
<b>Agreement</b>	Discussion		✓	✓
	Decision		✓	✓
<b>Implementation</b>	Implementation			✓
<b>Monitoring</b>	Peer Reviews	✓	✓	✓

Source: Author

The DAC's work focuses on knowledge production based on evidence and data collection, knowledge diffusion through the process of discussion, consultation and agreement. The same is true for other committees in OECD (Mahon & McBride, 2008; Woodward, 2009; Martens & Jakobi, 2010). Knowledge production in the DAC contributes to forming the future direction of global aid, as Porter & Webb note,

[T]he knowledge produced in these networks is not just a summation of data and lessons from the past, but also a guide to future directions in the reproduction and development of the practices that shape an increasingly harmonised global political and economic system. (2008, p.43)

Its influential role in knowledge production makes the DAC attractive to its members. They do not want to be left behind. Because 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 taskmasters” (2009, p.67). The fact that the OECD had long served as a rich countries’ club, with exclusive membership and closed meetings, presumably enhanced its power of the knowledge.

In comparison to other organisations, the work of the DAC can be described as informal. This informality dates from the early days of the DAG, which was intended to be “an informal group of governments” (Esman & Cheever, 1967, p.52). Furthermore, the structure of the meetings (especially in the subsidiary body meetings where development specialists gather, exchange ideas and learn from each other) creates a conducive informal environment. The arrangement of meetings attended by DAC delegates also increases feelings of closeness among the DAC community in Paris more than with their colleagues at headquarters. The personnel who attend different DAC meetings are skilful and creative experts who are highly respected in their chosen fields; they have knowledge that outsiders lack, and examine policy problems with their peers (Woodward, 2009). The restricted and relatively homogeneous membership also allows members to speak freely. As a result, the loose and permissive institutional structure of the DAC facilitates the emergence of compatible policies and coordinated action, through the interplay of national interests, while protecting all parties’ freedom (Esman & Cheever, 1967, p.326). According to a Japanese DAC delegate who also worked for its UN delegation, people talk freely in OECD depending on the substance of the discussions, which is different from the UN where political groupings often define what

people are prepared to say (Ishize, interview, 2011).

One of the key characteristics of the DAC is that, unlike such international organisations as the WB, it lacks a financial funding mechanism and does not have a presence (i.e., country offices) on the ground. Yet precisely because of this it may also be able to garner a reputation for neutrality, unlike organisations (such as the WB) that attach conditionalities to their funding. Nevertheless, as the gap between DAC policies and the reality on the ground has increasingly been pointed out, the lack of presence on the ground weakens its capacity to formulate relevant and useful policies (such as Watanabe M.; Hattori, interview with Japan's government officials, 2012). When the writer was working as an advisor in the Japanese Delegation to the OECD attending DAC meetings in late 2000s, she often heard people saying ironically that the DAC is a forum in which armchair theories are discussed among diplomats who do not have on-the-ground experience in developing countries. This applies not only to the DAC delegates but also to the Secretariat to some extent. Because of this, a British academic who previously attended DAC subsidiary body meetings describes the DAC as a “symbolic theatre” (Eyben, interview, 2012).

With regard to compliance mechanisms, decisions taken by the DAC are not legally-binding. Unlike the International Monetary Fund (IMF) and the WB for example, “the OECD lacks the power to enforce compliance with its decisions” (Mahon & McBride, 2008, p.3). However, according to several DAC Secretariat officials and

member delegates, if DAC agreements were made legally enforceable then fewer agreements and a longer agreement process can be foreseen (such as Watanabe S.; Nicol, interview, 2012). In fact, many interviewees (including DAC Secretariat) think the current level of enforcement is appropriate, as hard enforcement mechanism is not realistic; and peer pressure works well in the OECD (e.g., Ward, interview with DAC Secretariat, 2012). Therefore, getting the right balance between encouraging donors and making them agree and implement is the key, rather than pushing the donors all the time (Hynes, interview, 2013).

There are different types of policies and obligations that the members should respect. First, members are obliged to report their own ODA statistics according to rules and guidelines decided in the DAC. Known as DAC's Creditor Reporting System, data on ODA statistics is one of the core activities of the DAC. It is one of few reliable international sources of ODA statistics commonly used by the wider communities of development cooperation. Second, members are obliged to allow their ODA policies to be peer reviewed. The peer review is to follow up and monitor the activities and policies of member countries through examination by a specialist group consisting of the DAC Secretariat and reviewers from two other member countries, every four years. The resultant recommendation is not legally binding, though a major aim of the DAC is to change members' attitudes through peer review. Third, there are recommendations, declarations, guidelines and references over specific issues agreed by the members. Examples are the DAC Recommendation on Untying Official Development Assistance

to the Least Developed Countries (OECD, 2008), and the Paris Declaration on Aid Effectiveness (OECD, 2005). These agreed policies are often included in the check list of peer review.

Apart from the soft enforcement mechanism through peer review, do other factors influence compliance? For most members, international reputation or credibility matters. As one DAC delegate says, “If you live up to the DAC norms you’ll get strong credibility within the DAC” (Neergaard, interview, 2012). Non-compliance jeopardises a member country’s credibility within the DAC. More recently, as the power of pressure by civil society organisations (CSOs) has increased, a ‘naming and shaming’ culture has become more important for members considering whether or not to comply with agreed policies.

This section has shown that the operation of the DAC has both advantages and disadvantages relative to other organisations. The knowledge-based policy focus of the DAC sits alongside having no financial instrument or presence on the ground. In theory having only a soft enforcement mechanism means compliance could be difficult to achieve, but a stronger enforcement mechanism would probably reduce the chances of agreements being reached.

## 1.5: The DAC in a changing aid landscape

So far, this chapter has discussed the origin, purposes, membership and operations of the DAC. This section turns to the DAC's influence over the global aid architecture, which has always had to deal with non-members such as aid receiving countries or other international organisations but now faces a growing challenge from the increasing aid impact of emerging countries, with consequences for the global aid architecture.

Before the DAC was established, there was a struggle in the UN system between developing and developed countries over control of aid. One example is a proposal to create a Special United Nations Fund for Economic Development, through which bilateral grants and concessional loans could be managed. Although the proposal was repeatedly presented by developing countries throughout the 1950s, with strong disagreement by the developed countries who were to provide aid,<sup>6</sup> the proposal resulted in (1) the creation of the UN Special Fund agreed in 1957 which was later transformed into the United Nations Development Programme (UNDP) and (2) establishment of the International Development Association (IDA) as a subsidiary of the International Bank for Reconstruction and Development (IBRD) in 1959 (Little & Clifford, 1965; Browne 1990).

A crucial issue is the controlling power over funding. As donors provide the funds, they want to determine how funds are used. However, recipients also want to influence the way aid is used in their country as much as possible. The conflict was intensified with

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<sup>6</sup> Esman and Cheever note that a significant disagreement occurred between the developed countries of the US and the UK on the one side, and India, Chile and Brazil on the other on this issue (1967, p.30).

the increase in newly independent African countries, whose leaders were sensitive about forming relationships with the developed countries. The United Nations Conference on Trade and Development (UNCTAD), under which aid and trade issues are discussed, made several (unsuccessful) attempts to wrest control of aid policy from the DAC (Hjertholm & White, 2000, p.84). The DAC created international norms such as the definition and concessionality of ODA, which made the DAC influential in forming the international aid regime. But this was not without experiencing opposition from developing countries. The conflicts eased especially after recipient countries started to accumulate high national debt, which arguably weakened their negotiating power against donor countries.

*Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation* (hereafter referred to as *Shaping the 21<sup>st</sup> Century*) adopted in 1996 at the DAC High Level Meeting (HLM) illustrates both the DAC's influence over the global aid architecture and its limitations (OECD, 1996a). The 1990s was a period when aid volumes declined, as donors experienced aid fatigue, following the end of the Cold War. The DAC came up with a strategy to reverse the decline (Fraser & Whitfield, 2009, p.77) and “regalvanize” donor interest in aid (Riddell, 2007, p.41).

*Shaping the 21<sup>st</sup> Century* is widely recognised as “one of the most important roles that the DAC played in global aid architecture” (Jolly, interview with British academic, 2012); and the 1990s when the DAC produced this report was the “heyday of the DAC”

(Hewitt, interview with ODI senior researcher, 2012). The report is a good example of collective action among the DAC members; and it also influenced the wider aid architecture. Its significance is twofold. First, the document was the first time that donors agreed on targets, which later led to the UN Millennium Development Goals (MDGs) (Lancaster, 2007, p.55; Riddell, 2007, p.41; Jolly, interview with British academic, 2012). By locking down the purpose of aid as ‘development’, MDGs has changed international aid architecture completely from that of the Cold War era (Christiansen, interview with former ODI Fellow, 2012). Second, the document helped shape the discourse on aid effectiveness (discussed in chapter 6) in that it proposed recasting the aid relationship as a partnership between donors and recipient government (Fraser & Whitfield, 2009, p.77). It used words and phrases which were to shape the language and rhetoric of the aid donors for the new century (Riddell, 2007, p.41).

The idea of setting targets (which then turned into the MDGs) originated from Japan: in the words of a former DAC chair “Japan played a substantial role in the discussion of setting the targets” (Atwood, 2012a, p.3). A former Ambassador to OECD, Norio Hattori who was a deputy Director-General of Economic Cooperation Bureau of Japanese MoFA at that time, took the initiative (Carey, interview with a former director of DCD, 2012).<sup>7</sup> As Hattori recalls;

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<sup>7</sup> The same was also mentioned by Richard Carey at the occasion of his retirement speech as a director of DCD at OECD in March 2010 in which the writer was present.

I thought it was important to measure the result of our ODA in order to be accountable towards our taxpayers and recipient countries. So, I started gathering indicators in 1995 and then I thought these should be accepted internationally as well (interview, 2012).

This coincided with the time when the then DCD director thought a new business plan for the DAC was necessary and started talking with DAC members (Nicol, interview with DAC Secretariat, 2012). Around the same time, *Development Partnerships in the New Global Context* was adopted at the HLM on 3-4 May 1995. At the HLM, it was also decided that a Groupe de Reflexion be set up to review the future of development aid and the role of the DAC, proposed by the Presidency of the EU, France (OECD Archives, 1995). The Group consisting of Japan, the US, France, Netherlands, Sweden, and Spain met many times over a year before producing its outcome document: *Shaping the 21<sup>st</sup> Century*. At the opening of the 1996 HLM that accepted the document, the OECD Secretary General remarked that we often hear of ‘aid fatigue’, which makes the DAC Reflection Exercise timely and important (OECD Archives, 1996). Interestingly, many of the DAC members were initially negative about the report: the UK was sceptical about the chances of achieving a consensus acceptable to the DAC as a whole; the US was sceptical about agreeing on something coherent and politically meaningful; Germany doubted the process could produce results (OECD Archives, 1996). Notwithstanding these initial reservations, when the members approved the report their comments were very positive, as the US delegate Brian Atwood (who later became



DAC chair) said, “it could be the most significant statement on development co-operation since the report of the Brandt Commission” (OECD Archives, 1996, p.7).

In explaining this successful example of collective action, the commitment of the members has to be mentioned. As Brian Atwood reflected, “there are many fathers and mothers of the report” (interview, 2012). In turn, Jean-Michel Severino, who was also in the Groupe de Reflexion representing French government, commended Atwood’s contribution to proposing the set of indicators (2011, p.124). Severino contributed to introducing a partnership component, which led to the aid effectiveness agenda that emerged later (Carey, interview with former director of DCD, 2012). Some of the ‘fathers’ include Hattori, who exceptionally for a Japanese MoFA official took the initiative, and James Michel who was a DAC chair, calling the targets set in the report as “inspirational” (OECD, 2011, p.32). ‘Mother’ is a reference to Clare Short, who had come in as head of the UK’s newly born DFID after the report was produced. She took the report to other international forums most notably at the UN, saying “Look, this is what all of us should be doing!” (Carey, interview, 2012). At a seminar organised by the OECD and London School of Economics, on the margins of the DAC HLM held in London in December 2012, Brian Atwood as DAC Chair mentioned the report in his opening remarks by revealing that Short (who was also attending the seminar) helped him (as then USAID administrator) persuade his colleagues in the US Treasury and State Department despite their reluctance to endorse it after it had been adopted in the DAC, by saying she would criticise the US publicly if they would not agree. As Atwood

summarised in the seminar, “The important lesson was that it was people who believed that we could change”(Atwood, 2012c). This collective self-belief was vital to achieving collective action.

The report subsequently evolved into the MDGs, which shows how significant collective action achievements in the DAC can be. At the HLM when the report was adopted, it was already decided that monitoring for follow-up would be in cooperation with UNDP, WB and the IMF, while each DAC member country would follow their own publicity strategies at home (OECD Archives, 1996).<sup>8</sup> Clare Short took a lead in dissemination by incorporating the report in a DFID White Paper and by making sure the report was mentioned at the G8 Birmingham (UK) Summit, both in 1998, “so, she deserves a lot of credit as one of the mothers” (Atwood, interview, 2012). The report was originally introduced by Richard Jolly, who formerly worked for the UN, to Clare Short (Short, interview, 2012; Manning, 2007, p554). Short remembers well when she first read the report and that it helped her as the new DFID Minister in shaping her thinking on development, and with the help of Britain’s ambassador to the UN, promoted the idea of addressing targets for poverty reduction at the UN (Short, interview, 2012). A reference to the report in the G8 Summit communique in 1998, which Short contributed, made it easier for the report to be adopted as MDGs (Atwood, interview, 2012).<sup>9</sup> The targets were enshrined in DFID’s White Paper in 1997 (Black &

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<sup>8</sup> After one year, a joint OECD/UN/WB seminar on indicators of development progress was held as a first step towards monitoring (OECD Archives, 1998).

<sup>9</sup> The Communique says “We commit ourselves to a real and effective partnership in support of these

White, 2004; Wickstead, interview with former DFID official, 2012) and with DFID and Short championing the report the targets gained a foothold in the international community (Black & White, 2004).

When the targets were brought to the UN, they were initially rejected by developing countries who disliked their association with ‘donors’. The initial reaction that “we do not want anything to do with OECD DAC” was tempered after Clare Short’s efforts to persuade them that the targets were built on different UN targets agreed in the past anyway (Short, interview, 2012). As she says, “It was quite funny that UN people were hostile to DAC figures while the DAC was respecting UN process by gathering their targets” (ibid). Although not well known, the whole process culminated in a report titled *A Better World for All*, published jointly by the OECD, WB, IMF and the UN in June 2000 – a pre-version of the MDGs. However, when UN Secretary-General, Kofi Annan launched the report in Geneva, it received criticism from non-governmental organisations (NGOs), unhappy with the involvement of the international financial institutions (IFIs) (Carey, interview with director of DCD, 2012). Even at the Millennium Summit in New York in 2000 when the MDGs were adopted, the discontent felt by some developing countries that the targets represented an imposition by the DAC was still palpable (Black & White, 2004, p.6). This illustrates that moving from *Shaping the 21st Century* to UN adoption of the MDGs was not entirely

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(African) countries' efforts to reform, to develop, and to reach the internationally agreed goals for economic and social development, as set out in the OECD's 21st Century Strategy” (<http://www.g8.utoronto.ca/summit/1998birmingham/finalcom.htm>).

straightforward because of various actors involved and could not have been achieved by the DAC alone.

What does the whole process of *Shaping the 21<sup>st</sup> Century* tell us? It was the first time that the DAC produced a document which had a big impact in changing the international aid architecture, as it led on to the UN MDGs. The targets in the report won unprecedented support and prominence (ibid, p.1). The report was an example of the DAC thinking ahead about a global vision on development, says a Portugal DAC Delegate who is also DAC vice chair (Fernandes, interview, 2011). It had a marvellous impact on shaping international debate – and a similar initiative is now needed (Nicol, interview with DAC Secretariat, 2012).

However, it was only with the UN that the DAC's targets became fully utilised, through the MDGs. Having noticed the low publicity in spite of the DAC's contribution to MDGs, a former Japanese journalist thought the DAC could have advertised its contribution more (Sugishita, interview, 2012).<sup>10</sup> There was a structural problem which prevented the DAC as a donors' club from being perceived favourably by developing countries and NGOs. Therefore, the current post-MDGs framework intentionally tries to be more 'inclusive', without the label of 'OECD' (Okano, interview, 2012). At the present time the DAC has backed off from influencing the post-MDGs agenda, in order

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<sup>10</sup> He published an article about Japan's initiative in *Shaping 21<sup>st</sup> Century* in *Gaiko Forum* (Sugishita, 1996). He is currently a president of Foundation for Advanced Studies on International Development (FASID), a research and training organisation for international development established in 1990.

not attract a ‘neo-colonialist’ image (Rogerson, interview with ODI senior researcher, 2012). Although White and Black (2004, p.6) argue that setting targets for developing countries by a group of developed countries (i.e., DAC) was “somewhat ironic”, when the report was adopted in 1996 it was thought to increase the level of ODA, by “capturing public attention and making clear to the taxpayers what we intend to achieve”, as John Vereker (Permanent Secretary of DFID attended the DAC HLM when *Shaping 21<sup>st</sup> Century* was adopted) commented (OECD Archives, 1996, p.6). In other words, the report was also meant to increase public support in the donor countries.

The limitation brought to light by *Shaping the 21<sup>st</sup> Century* became more explicit subsequently as the global aid landscape started to change. The major reason for this change stems from the rise of emerging powers, most notably, China and India, and a shift of gravity in geopolitics from West to East in line with a shift in economic power. Two examples below illustrate how this has affected the DAC. The first example is represented by the outreach activity of OECD and its influence on the DAC. The second example deals with the DAC’s relationship with the UN under the aid effectiveness agenda.

Outreach refers to the OECD as a whole, including the DAC. The OECD’s policy dialogue with the newly industrialised economies (NIES) such as South Korea, Taiwan, Hong Kong and Singapore started as early as 1989, and in 1990 a Centre for Co-operation with the European Economies in Transition was established to foster the

OECD's relations with those countries (Taniguchi, 2001). These initiatives coincided with the end of Cold War. From 1996 a full-scale OECD initiative to increase the membership started under Canadian Secretary-General, Donald Johnston, and in 2002 a Working Group on Enlargement Strategy and Outreach was created, chaired by Japanese Ambassador to OECD, Noboru Seiichiro (Woodward, 2007, p.68-69). The Group produced a report titled *A Strategy for Enlargement and Outreach*, which was agreed at the OECD Council in 2004 known as 'Noboru report' (Noboru, 2004). This laid the ground in establishing two pillars of the OECD's outreach activities: Enhanced Engagement and Enlargement. Enhanced Engagement, targeting Brazil, China, India, Indonesia and South Africa as countries to which the OECD would intensively try to outreach, and under the Enlargement component Chile, Estonia, Israel, the Russian Federation and Slovenia were identified as countries with whom the OECD would open discussions on accession. Both were decided under OECD Council Resolution in 2007 (OECD Archives, 2007). It is important to note that the current OECD Secretary-General, Angel Gurría, who was Mexico's Minister of Foreign Affairs and became the first OECD Secretary-General from non-Western countries since June 2007, showed strong interest in expanding the OECD's relations with others.<sup>11</sup>

The increasing activities of reform at the OECD Council level also affected the work of the DAC. The aforementioned report *A Strategy for Enlargement and Outreach* asked

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<sup>11</sup> The former OECD Secretary-Generals were from Denmark, Netherlands, France and Canada. (List of OECD Secretaries-General and Deputies since 1961, <http://www.oecd.org/about/secretary-general/listofocedsecretaries-generalanddeputiessince1961.htm>, accessed 1 Jul 2014).

OECD committees to develop a pro-active outreach strategy to invite non-members in the work of the committee and its subsidiary bodies (OECD Archives, 2005). In 2005, the DAC formulated a *DAC Outreach Strategy* for the first time, which defines its relationship with non-DAC members (donors or recipients), international organisations, and non-governmental stakeholders. The Strategy was revised in 2008, and in 2011 with a new name of *DAC Global Relation Strategy*.

The OECD-wide outreach activities gradually brought out an issue related to the peculiarity of the DAC. While the OECD's outreach is focused on 'emerging countries', the DAC is the only committee whose outreach activities include 'recipient countries' that are the centre of the DAC's work. This structural difference between the DAC and other OECD committees created a discrepancy in what they understand as outreach. In May 2012, at the OECD's 50 years' anniversary of Council Meeting at Ministerial Level, a document titled *OECD Strategy on Development* (hereafter referred to as Development Strategy) was adopted. The document was a follow-up from the previous year's Council Meeting at Ministerial Level, where a *Framework for an OECD Strategy on Development* was adopted.

An issue that arose during the process of formulating the Development Strategy was that whereas the DAC (Secretariat and members) perceives it as being for developing or recipient countries, the OECD sees it as being for emerging countries. The boundary between developing countries and emerging countries was intentionally blurred in the

Strategy to accommodate this difference, because “it was a diplomatically compromised document”, according to a DAC Secretariat who was involved in the process (Dijkerman, interview, 2013). This is why the Strategy was seen by some people to have mixed up low income countries and middle income countries, although the two groups must be different (Miyamoto, interview with DAC Secretariat, 2012). A OECD deputy Secretary-General who led the process said the most difficult partners for him during the process were DAC members, because some members – notably Nordic countries – did not really understand that the traditional style of DAC’s discussions are now old-fashioned; For instance, DAC members were not satisfied with the exclusion of the term ‘Low Income Countries’ from the Strategy (Tamaki, interview, 2013). Okano points out that it was misleading to name the document ‘Development Strategy’, as it implies that DAC would play a core role, but in reality the core content is to achieve global growth (interview with Japanese DAC delegate (DAC vice-chair), 2013).

The Strategy also put the DAC in a situation where it needs to take care of its own survival in the OECD. As the OECD’s relationship with emerging countries has become increasingly important, and some Low Income Countries started to graduate into Middle Income status, there is recognition within the OECD that the DAC should be reformed. In other words, DAC needs to take a much wider perspective on development, rather than being busy in playing with technical jargons on aid (Tamaki, interview with deputy Secretary-General of OECD, 2013). Tamaki cautions that the DAC is now behind the times. This was echoed by a former British Ambassador to the OECD who pointed out



that the DAC is based on an aid relationship between donors and the recipients which is now old-fashioned (Martin, interview, 2012). Furthermore, he revealed that some DAC members were blocking sensible proposals for DAC reform, and this would undermine the DAC's relevance in the wider architecture. Similar resistance to reform was experienced at the OECD level as well. According to a former Canadian Ambassador to OECD, the concerns shown by smaller European members, who value the 'like-mindedness' of the OECD more than strengthening relations with non-likeminded major developing countries, was making OECD enlargement activities difficult (Bourgon, 2009, p.17), because some European countries may not see power-sharing with newcomers as being in their interest (Clifton & Diaz-Fuentes, 2011, p.301). Nevertheless, as the Secretary-General does not want the OECD to be seen as 'rich man's club' (Nicol, interview with DAC Secretariat, 2013), the likeminded nature of the OECD and the DAC are likely to be eroded by reform process anyway.

An important question which can be drawn from the OECD's experience on Development Strategy is "for whom does the OECD work?" The DAC is peculiar in that it coordinates donors' policies that are then implemented in and by recipient countries. However, the core message of the Development Strategy is that OECD committees will work collectively to provide knowledge to the non-member countries based on OECD members' experiences. In reality, rather than the OECD approaching non-member countries, these countries will decide by themselves whether the OECD offers something useful to them (Tamaki; Dijkerman, interview, 2013). The underlying

awareness is that the concept of ‘donor’ has disappeared, along with the distinction between the North and the South. The problems faced by the developed and developing countries are becoming more similar; for instance, problems of inequality and gender are found in developed countries too (Tamaki, interview, 2013). This however implies two things. First, if the knowledge and policies that the OECD offers are based solely on OECD members’ own experience, these are likely to be more suitable for Middle Income Countries than Low Income Countries. Second, as far as the OECD’s outreach activities are focused on comparatively developed countries the DAC’s role will provide only limited knowledge, unlike other committees that accumulate knowledge on sectoral policies of OECD member countries. The added value provided by the DAC comes into question (Tamaki, interview, 2013).

While the DAC has been urged to reform from within the OECD, there has also been an external jolt from its relationship with the UN. This is a second reason why the DAC is now being affected by changes in the global aid landscape. The growing pressure from emerging countries reduces the DAC’s position in the global aid architecture, as mentioned by many informants. The DAC’s role is constrained by its limited membership while the world of development cooperation is diversifying and fragmenting (Rogerson, interview, 2012). Hence, as a former director of ODI said, “the DAC is thrown around in a washing machine with a changing geopolitics, and it needs to settle somewhere” (Evans, interview, 2012).

The tug of war between the DAC and the UN emerged after 2008, when the UN created a biennial, high-level United Nations Development Cooperation Forum (UNDCF) in which emerging countries and recipient countries also participate in reviewing trends and progress in international development. As both developed and developing countries are represented in the UNDCF, some commentators are now more critical of the DAC (for example Tandon, 2008; Glennie, 2011). After the Busan High Level Forum on Aid Effectiveness in 2011, the DAC's hosting and Secretariat role on this issue moved to a new structure called Global Partnership for Effective Development Co-operation, where the role of Secretariat is shared between the DAC and UNDP and the number of DAC members' participation is limited to just a few. So, the Busan High Level Forum is seen as "a closure of an old chapter and the Global Partnership opened a new chapter" (Rogerson, interview, 2012).

Yet, the challenge for international aid remains. Since "the current aid landscape has a problem of too many actors and massive proliferation" (Short, interview, 2012), a better way of achieving collective action needs to be found: "we still need some kind of universality" (Yamada, interview with Oxfam Japan advocacy manager, 2012) in governing the global aid architecture. What is the DAC's role in the new order? As ODI's director said, "the DAC cannot be a convenor of collective action" in global aid architecture, with its limited membership, and yet, "if you add more actors you will get collective action nightmare" (Evans, interview, 2012). Therefore, "the DAC is in the fight of its life, trying to find its niche" (ibid). It is important for the DAC to capitalise

on its successes in respect of collective action in the past and use the experience to benefit its contribution to global aid governance in the future.

To sum up, this section has described DAC's relationship with some other actors, notably recipient countries and certain international organisations, as well its role within the OECD, in a changing aid landscape. In spite of its confrontations with recipient countries notably through the UN, the DAC had more influence over the global aid architecture in the early days, compared to now. The experience of *Shaping the 21<sup>st</sup> Century* in the mid-1990s shows that it took the UN to build on the DAC's work, and there are limits to what the DAC could achieve by itself. The rise of emerging countries is now impacting on the DAC's role in the OECD.

## 1.6: Conclusion

This chapter laid out foundations for understanding the significance of what the DAC does or has done, and the importance of collective action to the DAC. The DAC's objective of assisting developing countries to achieve sustainable development is well recognised among the members, and its norms have encouraged a degree of homogeneity among the members. The limited membership has reinforced this. Members perceive some common benefits but also have individual reasons for belonging to the DAC.

Being an inter-governmental organisation the DAC is a bureaucracy, though the atmosphere of the meetings may be ‘informal’. The DAC’s reliance on soft enforcement mechanisms such as through peer review limits its ability to secure members’ compliance with DAC policy initiatives, but stronger enforcement powers may have a negative effect on its ability to reach agreement.

The DAC’s influence on the global aid architecture is waning compared to its early years when the world was more clearly divided into ‘developed’ (DAC) countries and ‘developing’ (aid recipient) countries. The report *Shaping the 21<sup>st</sup> Century* is an example of collective action at work in the DAC, but UN agency was needed to take it further. In a sense, the early days of the UN’s attempts to wrest control from the DAC are now coming to fruition.

Building on these foundations the rest of the thesis explores in closer detail whether, how and to what extent collective action can be found in the DAC. By examining the indicators of and conditions for collective action in the DAC (chapters 3 and 4) with specific references to aid untying and aid effectiveness (chapters 5 and 6), some implications may be drawn about the DAC’s ability to play a useful role in the future global aid architecture. But before turning to indicators of and conditions for collective action in any detail, the broader theoretical framework of the thesis must be shared, first, in chapter 2.

## **Chapter 2: Literature Review and Theoretical Framework**

### 2.1: Introduction

Chapter 1 introduced the foundations of what the DAC does and how, as well as its role in the global aid architecture. This chapter introduces a theoretical framework for the thesis through a critical review of the existing literature on collective action. Subsequent chapters examine how collective action has operated in the DAC.

The main aim of this chapter is to examine the concept of collective action and its applicability to global governance, how the concept is related to the context of aid and, finally, to establish a framework to assess collective action in the DAC. In other words, the chapter considers collective action (problems) in theoretical literature and how these are relevant to the DAC.

Section two will present how collective action problems are addressed in the general theoretical literature by summarising major arguments posed by the theory of collective action. It discusses how the concept of collective action is applied to global governance.

As international society lacks a centralised supreme public authority comparable to the functions served by a state vis-à-vis a country, international institutions play a key role in coordinating policies among states and mitigating the risks of inter-state conflicts.

The section highlights relations between rational incentives and the provision of public goods.

The third section reviews literature on collective action in the context of aid. Although limited, this literature trails some contested issues in regard to collective action. For example, the aid motivations of donors are not as simple as the idea of rationality explained in collective action theory.

The final section outlines a theoretical framework for analysing collective action in relation to the DAC specifically. The proposed indicators will help in assessing the level of collective action in the DAC; and the proposed conditions introduce reasons to explain successful and unsuccessful collective action. This original framework guides the more empirical chapters that follow in later chapters.

## 2.2: Concept of collective action in global governance

This section introduces the general concept of collective action, starting by introducing the core argument of Mancur Olson's collective action theory followed by critiques. It goes on to apply the concept of collective action to global governance.

### *Concept of collective action*

Collective action can be defined as measures that are taken jointly by a group of actors who share common objectives. Olson's *Logic of Collective Action* (1971) begins by explaining the paradoxical aspect of group organisation: based on an assumption that rational individuals try to maximize their self-interest, individuals will either not be able to advance the common or group interest, or will not advance it adequately. This core argument has been challenged by many scholars from different academic disciplines. A contested issue surrounds how to explain the relationship between the behaviour of individuals in a group and the group outcome. Collective action problems are defined as situations where individual actors in a group choose actions that produce outcomes that are less desirable for the group as a whole (Gibson et al., 2005, p. 15). The theory highlights the dilemma presented at the boundary between the spheres of private individuality and public collectiveness.

The outcome products of collective action are referred to as public goods; individuals act collectively in order to provide public goods. Pure public goods share two characteristics: non-exclusion (i.e., no one can be excluded from benefiting from the goods) and non-rivalry (i.e., consumption of the goods by one person does not affect the consumption by others). Few goods can be purely public or purely private, so many goods are categorised as impure public goods, sharing at least one of the two characteristics of pure public goods. Since pure public goods do not exclude anyone from consuming, some people may take advantage of this and not contribute to the provision of public goods while consuming them; this is known as a 'free-rider



problem’.

Olson’s theory “challenged a cherished foundation of modern democratic thought that groups would tend to form and take collective action whenever members jointly benefitted” (Ostrom, 2000, p.137). However, many critics reject Olson’s basic assumption that individuals are self-interested rational actors based on material interest. Instead they emphasise the importance of social norms such as reciprocity, reputation, trust and identity, which can promote cooperative behaviour (Wendt, 1994; Ostrom, 1998; Kahan, 2003; Bowles & Gintis, 2009). Individuals interact with each other through social norms (Ostrom, 2000). In a multi-disciplinary review of collective action literature scholars found that cooperation occurs more than rational theorists expect, because of the influence of social norms such as trust and belief (Gillinson, 2004). Furthermore, during the 1960s and 1970s theorists presumed that individuals could not solve collective action problems by themselves, meaning centralized government is necessary to offer solutions (Olson, 1965; Hardin, 1968). However, more recent theoretical and empirical research shows that individuals are capable of crafting solutions to their own diverse problems of collective action (Gibson et al., 2005, p. 16).

The concept of collective action has been focused on individual behaviour in a group or local/national community, but the next section applies it to collective action within a wider context of global governance. But before doing this, it is worth comparing the idea of collective action with ideas of cooperation, collaboration and coordination,

which are sometimes used almost interchangeably in international relations literature. In reality cooperation and collaboration are often treated as synonyms to refer to a process where actors work towards agreeing on common objectives, whereas coordination is a process whereby actors work towards sharing information about the means to achieve already agreed-upon objectives. According to Martin (1992), actors often face a dilemma of cooperation and collaboration and can have strong incentives to defect. This can look rather similar to the collective action problem. However, in respect of coordination, actors try to negotiate between two (or possibly more) possible equilibrium outcomes, and once agreement is reached there is no incentive to defect. Woods (2011, p.116) explains the difference between the two in the context of aid: while cooperation and collaboration involve pooling of things like funds, information and expertise, coordination is about organising activities harmoniously so as not to threaten one another. Chandy and Kharas (2011, p.741) advances this concept in that cooperation in international development is a global public good whereas coordination is more straightforward goal. In sum, cooperation and collaboration involve diverse interests and values, and require more effort to put into practice than coordination.

### *Collective action in global governance*

How can the concept of collective action at an individual level be applied to the global level? Messner et al. (2013) discuss that while there is evidence of human cooperation through the social norms (e.g., trust, communication, reputation, fairness, enforcement,

identity and reciprocity),<sup>1</sup> international relations theories generally perceive the interactions of people, organisations and states as power games based on self-interest. Nevertheless, human cooperative behaviour can “trickle up” to larger and more complex forms at global level, as the social norms are “scale-free properties” (ibid, p.23). Also, Barrett’s observation suggests that the ability to overcome collective action problems at the individual level might be replicated at the global level too, although the different circumstances at the global level should be taken into consideration, too (2002, p.51)

Three points can be pointed out about these different circumstances: actors, public goods, and institutions. First, while the focus of much early analysis of collective action was largely on the individual level (Olson, 1971; Hardin, 1982; Sandler, 1992), states are also regarded as actors who must engage in collective action in international society, because global challenges cannot be tackled by one state alone (Held, 2006; Sandler, 2010). Traditionally, in the study of international relations states were the main actors and rationality was translated as the maximisation of national interests. When states pursue their own interest, conflicts are inevitable. Therefore, collective action is necessary to mitigate and resolve conflicts. However, as Putnam (1988) suggests in his famous logic of two-level game, states’ decisions at the international level are strongly influenced by domestic politics and actors. So, multiple domestic constituencies are involved in global collective action.

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<sup>1</sup> Messner et al. name these as “cooperation hexagon” (2013, p.15).

In addition, as Cerny (1995, p.1) argues, globalisation has transformed the international system from a simple states-based system to one with plural and composite actors, which has significant consequences for the logic of collective action, rendering it more complicated and multi-layered. For instance, civil societies or their networks can be identified as actors of collective action in global politics (Carlsson, 2000; Glasbergen, 2010), and such actors as regional trading blocs, charitable foundations and other non-governmental organisations (NGOs) have been catalysts for international collective action (Sandler, 2010, p.40).

Second, how can we translate the relationship between individual rationality and the public objective of collective action theory to the global level? At the global level, actors act collectively for the global interest; and the global interest can be understood as GPGs, sharing characteristics of either non-rivalry or non-excludability or both, and whose scope goes beyond the national level (Kaul et al., 1999a, 1999b, 2003). For instance, improving the global environment, peace or financial stability are all GPGs that benefit people at the transnational level. However, when states act rationally to maximise their national interest, the chances are that GPGs will be underprovided – which is the collective action problem at the global level.

How can the rationality of states be understood here? States' behaviour in international relations is not only determined by materialistic hard power (e.g., financial resources,

military means), but soft power also plays an important role. Nye says soft power is “the ability to shape the preferences of others”, and argues that setting the agenda and attracting others in world politics is as important as acquiring hard power (2005, p.5). Soft power can be attained through exercising leadership (Mazzucelli, 2009, p.312), and by using knowledge and ideas to influence policies (King & McGrath, 2004; Jones et al., 2013). Here, non-state actors such as the research community may be instrumental (Stone, 2001). Actors’ decision-making behaviour is also influenced and framed by social norms such as reputation, identity, and belief, not only by materialistic or self-interested factors. Therefore, in international relations understanding collective action can be explained by the role of socialisation and normative considerations rather than hegemonic power alone (Acharya, 2014).

However, the combination of two levels of domestic and international spheres and the involvement of different actors other than states makes it more difficult to identify and compare the incentives and motivations of all the participants. For there to be GPGs, states must contribute to collective action rather than always prioritise national interest, but at the domestic level, securing the national interest equates to providing national public goods. Also, as decision-making in international fora is often taken by individuals who represent governments, other factors than national interest may also affect their decisions, such as personal belief, identity in negotiation groups, or their relationships with other actors. This is why Messner et al. argue that more research is needed regarding the meso-dimension of global governance – “a point of confluence of

individual motivations, collective identities within the groups of international negotiations or within global policy networks, and larger societal interests” (2013, p.8).

Third, international institutions can make a significant contribution to solving global collective action issues (Martin & Simmons, 2001; Boas & McNeill, 2004; Baylis & Smith, 2005; Karns & Mingst, 2010), even if “gridlock” that impedes global cooperation is part of present-day reality (Hale, Held & Young, 2013, p.3). Of course, as new sets of challenges emerge and nations become more divided, international institutions that had some success in the past may not be adequate for solving current problems (Goldin, 2013). Increase in actors at the global level is one complicating issue. Also, since global governance lacks a central governing authority comparable to the state within national boundaries, appropriate incentives to induce cooperative behaviour must be provided. Understanding how and when international institutions can change the behaviour of states is fundamental to our future success in supplying GPGs (Barrett, 2007, p.21).

This section has transferred the concept of collective action to world politics, which relates to how international governance arrangements can lead to the provision of GPGs through collective action that involves the behaviour of actors other than just states, such as the domestic actors who influence how states behave. International governance arrangements must respond to change in a globalising world if they are to provide GPGs for all, and that means ensuring that appropriate incentives to overcome collective

action problems are in place.

### 2.3: Collective action in the context of aid

This section transports the concept of collective action to the context of international aid.<sup>2</sup> It shows how rationality and public goods are understood in the context of aid in association with collective action, before turning to some contested issues.


How can the concept of rationality be understood in the aid context? If states are completely rational, and rationality is defined by self-interest alone, then aid might not exist at all or alternatively would have fewer objectives than the objectives presented in Table 2.1. The empirical question of whether aid is provided mainly on moral or ethical grounds or instead based on pursuing national material benefits is subject to debate (Lumsdaine, 1993; Burnell, 1997). But in principle, different objectives and combinations of objectives are possible (see Table 2.1, where the vertical criteria show the level of either donors' interest or recipients' need). The objectives and what lies behind them are relevant to explaining the presence and absence of collective action in the light of Olson's theory of rationality and criticisms of that theory which emphasise

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<sup>2</sup> The term aid is mainly meant to indicate Official Development Assistance (ODA), which the DAC defines as (a) undertaken by the official sector (b) with the promotion of economic development and welfare as the main objective, and (c) at concessional financial terms. The term aid is used interchangeably in literature with foreign aid, development aid or international aid (although references to development aid sometimes expressly contrast this with humanitarian assistance: both figure in foreign aid in the wider sense).

other motivations. Different aid objectives provide different incentives for collective action within the world of aid policy-making that, as Shimomura says, seeks an appropriate equilibrium between public goods and private goods (2011, p.40).

Table 2.1: Categorisation of aid objectives of donors

Criteria	Aid objectives	Content	Example
<b>Donors' interest basis (rational)</b> 	<b>National interests (political)</b>	<ul style="list-style-type: none"> <li>• Domestic special interests</li> <li>• Diplomacy</li> <li>• National political and strategic interests</li> <li>• Historical ties</li> </ul>	<ul style="list-style-type: none"> <li>• Allocation to post-colonial states</li> <li>• Politically strategic allocation based on reciprocity (e.g., UN vote)</li> </ul>
	<b>National interests (economic)</b>	<ul style="list-style-type: none"> <li>• Promoting donor country commercial interests</li> <li>• Securing natural resources</li> </ul>	<ul style="list-style-type: none"> <li>• Tied aid to benefit economy of own country</li> <li>• Connecting aid to trade and investment of own country</li> </ul>
	<b>Global interests</b>	<ul style="list-style-type: none"> <li>• GPGs</li> <li>• Addressing global issues</li> <li>• Promoting democracy</li> <li>• Mitigating conflicts and managing post-conflict transitions</li> </ul>	<ul style="list-style-type: none"> <li>• Vertical funds (e.g., Global Funds)</li> </ul>
	<b>Developmental effects</b>	<ul style="list-style-type: none"> <li>• Assist recipients achieve their development (especially economic growth)</li> <li>• Improve lives of the poor</li> </ul>	<ul style="list-style-type: none"> <li>• Majority of development aid</li> </ul>
<b>Recipients' needs basis (less rational)</b>	<b>Moral case</b>	<ul style="list-style-type: none"> <li>• Humanitarian</li> <li>• Help address emergency needs</li> <li>• Solidarity</li> <li>• Human rights</li> </ul>	<ul style="list-style-type: none"> <li>• Emergency assistance for short-term humanitarian aid</li> <li>• Most aid which aims for improving welfare of the poor (i.e., development)</li> </ul>

Sources: Author with reference to Burnell (1997), Hopkins (2000), Lancaster (2007) and Riddell (2007).



While factors other than national interest can account for why states provide aid to other nations, the provision of morally motivated aid will probably depend on the nature of society, culture and values of a state as well as the citizens of that state. At the same time, rationality may not be measurable by one criterion alone. The moral case for aid could coincide with the national interest, just as aid based on the national interest of the donor might yield developmental effects for the recipient. Indeed, as Table 2.2 shows, the stated aid objectives of three selected donors (UK, US and Japan) all manifest national interests, but not to the exclusion of global interests, developmental effects and the moral case. Rationality understood in the context of aid is not straightforward.

Table 2.2: Aid objective of selected donors

<b>Donors</b>	<b>Objective</b>
<b>UK (DFID)</b>	To help reduce the inequalities of opportunity we see around the world today. We believe that promoting global prosperity is both a moral duty and in our national interest.
<b>US (USAID)</b>	U.S. foreign assistance has always had the twofold purpose of furthering America's foreign policy interests in expanding democracy and free markets while improving the lives of the citizens of the developing world.
<b>Japan (MoFA)</b>	To contribute to the peace and development of the international community and thereby to help ensure Japan's own security and prosperity.

Source: DFID (2011), USAID website ([http://www.usaid.gov/about\\_usaid/](http://www.usaid.gov/about_usaid/), Accessed: 20 May 2011),

MoFA (2003)

How does this relate to the concept of public goods? Aid can be understood as both public goods in the recipient countries and as GPGs. As official development assistance (ODA) comes from (or is backed by) tax revenues collected in developed countries, aid

can be regarded as publicly funded from developed countries, and is supposed to be used for the public benefit in developing countries. Although the beneficiaries of aid projects within a recipient country may be narrowly targeted (e.g., the poorest), the aid can still be understood as public goods.<sup>3</sup> Aid is also a global public good because it contributes to the well-being of the global community through such means as reducing communicable diseases, mitigating damaging climate change or addressing migration problems. Sometimes, aid to provide national public goods may ultimately contribute to GPGs as well. Aid can either contribute to national public goods in developing countries or towards GPGs, or possibly both.<sup>4</sup>

This interpretation of public goods implies that collective action in the context of aid is mainly divided into two domains: collective action at the global level deals with aid policy; and at the level of the countries that receive aid collective action refers to implementation of the policy (by donors with or without full cooperation of recipients). In addition, as was discussed, collective action at the global level is influenced by domestic politics (i.e., two-level game concept). So, as Figure 2.1 shows, three domains of collective action are identified in the context of aid. At the global level, donor and recipient governments negotiate on aid policy, often taking place in international

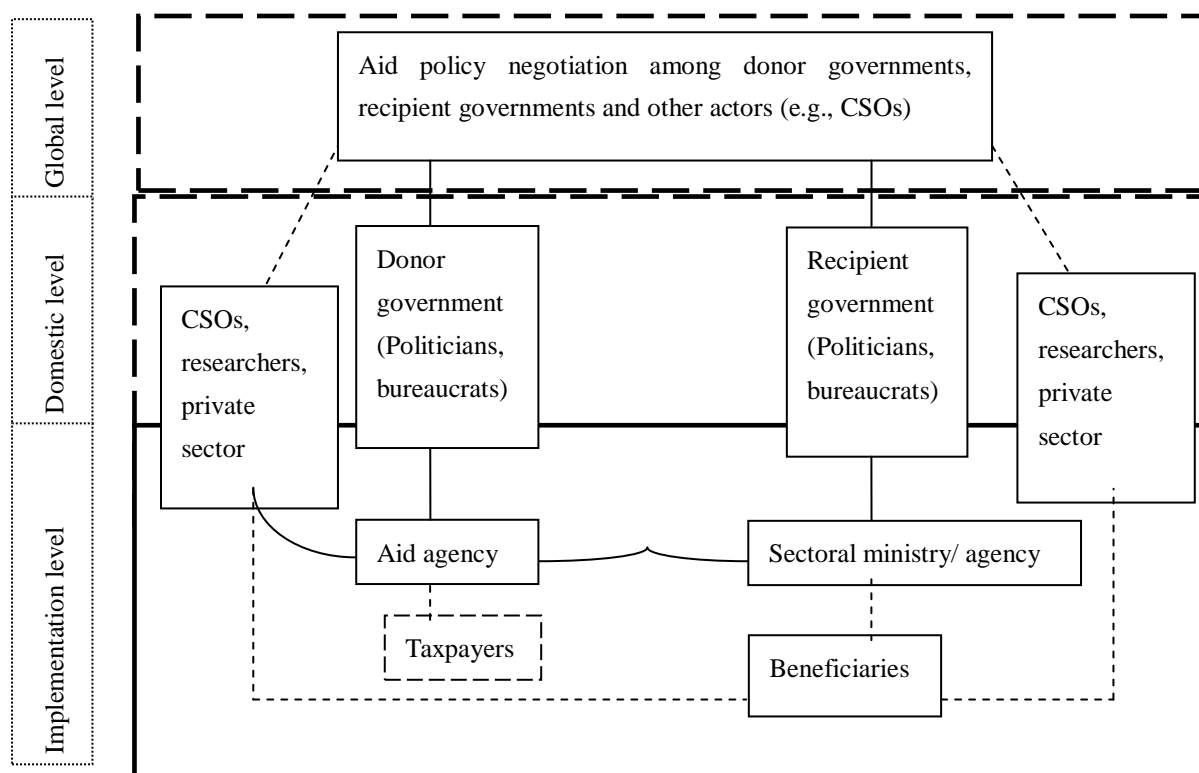
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<sup>3</sup> More precisely aid is an input to produce public goods. As the allocation of aid among recipient countries is decided by donors, aid is excludable and rivalrous in that respect and so may not count as public goods in this regard.

<sup>4</sup> According to Sandler (1992, p.106), aid in general contributes to GPGs as it serves as an input which produces an output that is both nonexcludable and nonrival to all nations with an interest in the recipient's well-being.

organisations. These negotiations are influenced at the domestic level, and at both levels civil society organisations (CSOs) and researchers are becoming more engaged. At the implementation level, aid agencies and sectoral ministries together with CSOs deliver services to beneficiaries.

Figure 2.1: Three domains of collective action in the context of aid



Source: Adapted from international development cooperation octangle in Gibson et al. (2005, p.64).

What are the main problems besetting collective action in the context of aid? First, how much aid should be offered, how much can be provided, and the gap between commitment and actual disbursement amounts have all been central issues in aid policy, as the level of aid provision has been always below a globally agreed target. The 0.7% target agreed in the 1970s at the UN General Assembly has not yet been achieved after 40 years. The average DAC donors' contribution of ODA was 0.31% of their GNI in

2009 (OECD, 2010c). A collective effort by all donors to achieve the common target is still needed.

Second, coordination problems have been much discussed in the aid literature, and have a strong link to the quality of aid. A long-standing debate on aid effectiveness has focused on the necessity of better aid coordination and harmonization both among donors and between donors and recipients. An example of coordination problems besets humanitarian relief aid after natural disasters (Ramalingam & Barnett, 2010), where various types of donor (governments, non-governmental organisations and private companies) offer different kinds of help in different ways, sometimes overwhelming the host government's capacity to coordinate and adding to the problems caused by the disaster. At present donors are paying the costs of aid coordination on behalf of recipient governments.<sup>5</sup> One approach to better coordination is for donors to pool aid resources,<sup>6</sup> meaning their individual donors' flags (and attention to donor interests) are supposed to be removed.

Third, problems of core value – more particularly whose core value – are relevant to aid. While globalization unites societies through transborder interactions, it also highlights

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<sup>5</sup> In aid receiving countries where the government's leadership and capacity are strong, such as India, donors may not need to coordinate.

<sup>6</sup> Or at the extreme case, budget support is a modality of aid in which donors' financial aid is directly transferred to the national budget of recipient countries. As a result, traceability of spending of any individual donors' aid becomes difficult.

differences in values, which continue to exist. Defining and agreeing on the core value of aid is made difficult by huge disparities in terms of economy, politics, society and culture between developed countries as donors and developing countries as recipients (disparities also exist within each category). In practice, donors' policies have changed over time, as most donors came to believe in a single model of development based on a particular Western concept of liberal democracy influenced by international institutions (Hjertholm & White, 2000, p.80). Just as the emphasis moved from the role of the state to the role of the market in making development happen, so the aid focus has moved from national economic reconstruction after the World War II towards more local, community-based attempts to reduce poverty reduction, macroeconomic reform, and improving governance.

Finally, the form of collective action in aid has also changed. Emerging donors such as China and India have been gradually bringing about change in the aid architecture.<sup>7</sup> Even though the exact amount of aid they are providing is not known (Manning, 2006), their impact on the ground has started to change aid relations between recipient countries and the more traditional (DAC) donors (Woods, 2008; Mold, 2009). The way they provide aid differs from the traditional arrangements and creates new options or

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<sup>7</sup> The terminology of “emerging donors” is contested. “New donors” seems to be used interchangeably, though as Brautigam (2011) argues, China for instance considers itself to be a developing country and tries not to position itself as the leader of developing world. Smith et al. (2010) categorise “other countries providing development cooperation” into (a) emerging donors, (b) providers of south-south cooperation and (c) Arab donors.

more space for recipient countries. This, in turn, might be thought to increase the negotiation power that recipient countries have towards the traditional donors. The effect of new actors is generally seen as undermining the traditional donors' collective efforts, especially in respect of coordinating and harmonizing their provision of aid with a view to reducing the transaction costs incurred by recipient governments (see Kragelund, 2008; Woods, 2008; Grimm et al., 2010). As the international architecture of aid undergoes more change, so the ways that collective action is organised will probably change too. Any up-to-date examination of collective action and its associated problems in the context of aid must take this into account.

This section discussed how the concept of collective action can be applied to the context of aid. It underscored the complexity of donor rationality. Issues to do with coordination and core values are very real; and the structural transformation taking now place in the global economy and international system more generally is beginning to impact on the existing aid architecture.

#### 2.4: Theoretical framework of collective action in the DAC

##### *Literature review*

Existing literature relevant to investigating collective action at the DAC can be grouped into four different issues. The first group illustrates successful collective action. The second group represents a success though taking a long time before agreements were

reached. The third group explains unsuccessful cases of collective action. The fourth group exhibits changes in the structure of collective action.

First, the DAC has successfully reached agreements and introduced norms that are now widely accepted or used, an example being the definition of ODA which was agreed in 1969 and revised in 1972. The definition of ODA consists of three main characters: official flow; a main objective of promoting economic development and welfare of developing countries; and more than 25 % of concessionality. This definition has been adopted as a standard of measuring ODA by donors, and is used in academic studies. Even though the aid literature does not attribute this conception to collective action in the DAC, the fact that it has become a common standard and is so widely adopted in the literature suggests that it is a product of collective action in the DAC. The DAC has been successful in creating and protecting the definition of ODA (Woods, 2011, p.119).

Another example, less well known but an influence on the UN Millennium Development Goals (MDGs), arises from the DAC's strategic paper *Shaping the 21<sup>st</sup> Century: The Contribution of Development Cooperation* (OECD, 1996a), which contains specific international goals to be achieved collectively. This paper laid out the foundation for the following policy shift towards aid partnership and ownership (Whitfield, 2009). More importantly, the MDGs adopted in 2000 incorporated core concepts from this DAC publication (Lancaster, 2007, p.55; Riddell, 2007, p.41, p.383).

The DAC report, *Shaping the 21st Century*, highlighted the continuing gap between

grand intentions of donors and the reality of declining aid levels in the mid-1990s (Riddell, 2007, p.41), and is often mentioned as one of DAC's contributions to wider debates on aid policies.

In a second group of studies, there are policies which took DAC a long time to reach but a common position was adopted in the end, aid untying (see chapter 5) being a major example. This topic was discussed in the DAC ever since it was established but only after 40 years was the Recommendation on Untying ODA to Least Developed Countries (LDCs) agreed by DAC, in 2001. The DAC discussions made a major contribution to raising awareness of the issue; as early as the mid-1960s "There is now much greater recognition of the problem than a year or two ago, and the DAC has made some progress" (Little & Clifford, 1965, p.270). Following the DAC's ultimately successful initiative to agree on untying, the proportion of untied bilateral aid for LDCs increased from 54% to 93.5% during 2000s (OECD Archives, 2011b, p.8). The DAC's role in bringing significant progress on untying bilateral aid is widely recognised (Martinussen & Pedersen, 2003, p.14; Riddell, 2007, p.99).

In the third group of studies, an often discussed issue where the DAC has been much less successful in achieving collective action notwithstanding its efforts is aid coordination (examined in detail in chapter 6). Unlike the other issues mentioned so far, aid coordination has been discussed extensively among international organisations such as the World Bank (WB), as well as among scholars. This means the literature on aid



coordination does not necessarily correspond only to activities in the DAC. At the same time, it is also true that aid coordination is a core activity of the DAC; and more importantly, since 2005 when the Paris Declaration on Aid Effectiveness was agreed in the DAC, academic literature on aid coordination linked to the DAC activities has grown (such as Eyben, 2013). In the words of the current DAC chair (Atwood, 2011, p.23), the Paris Declaration now serves as norms to be used extensively and “helped to focus the divergent interests of different stakeholders on ambitious, quantifiable and action-oriented measures”. This is a success for collective action, but the success is only a partial or limited achievement.

As scholars repeated point out, aid coordination has not yielded good results. In 1994, Cassen & Associates wrote, “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” (p.184). More than a decade later, similar words were still being voiced; and implementing the aid coordination agreements reached in the Paris Declaration has been a very slow process (see chapter 6). The DAC still looks unlikely to deliver substantial results in this area unless alternative ways are sought (Barder, 2009, Severino & Ray, 2010).

The main reasons offered in the literature converge on the political economy of donors’ aid: donors have multiple objectives and are accountable to domestic constituencies (see for example Barder, 2009). Faust, Koch, & Leiderer (2011, p.1) too argue that because

of the different domestic concerns of the donors, there is no consensus on the *hierarchy* of potential conflicting goals to be pursued with specific aid instruments. Different tools for achieving coordination, such as budget support and division of labour exercises, have been unsuccessful (ibid; also Molenaers & Nijs, 2009).

Reaching agreement on aid initiatives at the international level can look easier than forming consensus at the implementation level in recipient countries, especially as implementation involves several different levels and a variety of actors. Coordination at country level can be hampered by lack of coordination at headquarters level. Analyses of how aid coordination has operated on the ground have proliferated since the Paris Declaration (Fengler & Kharas, 2010; Grimm et al., 2010). They tend to agree that leadership and capacity shown by the developing countries is a critical influence.

In the fourth group of studies, recent literature on aid coordination has turned to the changing aid architecture (i.e., increased role of non-DAC donors and therefore less dominance of DAC activities in overall aid architecture) (Grimm et al., 2010; Glennie & Rogerson, 2011; Kharas, Makino & Jung, 2011). This matters for collective action in the DAC, as its collective efforts to coordinate aid within the DAC can be undermined unless other actors outside the DAC align their own aid with DAC norms and standards. Furthermore, DAC donors' motivation for coordination is affected when they see the increasing influence of non-DAC donors on international aid undermining the benefits of their own attempts to coordinate.

Finally, the modest literature on collective action in aid offers little or no formal guidance on what in principle would constitute indicators (which in practice means evidence) of (successful) collective action and, conversely, of where attempts to secure collective action have failed. Similarly the literature offers only modest help with identifying what in principle are the conditions for collective action in respect of the DAC or aid, that is to say the factors, properties, circumstances or other variables that make collective action there more likely to take place and be successful, and whose absence would weaken or even prevent the possibility of successful collective action taking place. The next section seeks to remedy this deficiency, in order to take up a better position for assessing collective action in the DAC and explaining why the DAC has achieved some successes but also been inconsistent over time, especially in regard to the two important issues areas of aid untying and aid effectiveness.

#### *Indicators of and conditions for collective action in the DAC*

This section offers an original analytical framework for assessing and explaining collective action in the DAC. Four indicators are chosen to follow the policy process of the DAC, by profiling the number of members and meetings, the agreements reached, the record of implementation, and the monitoring of performance. The first of these indicators looks at when and why members joined the DAC and their reasons for doing so, and the type and frequency of DAC meetings, as well as attendance by members. The second indicator examines whether and how agreements are reached, and whether

clear outcomes are reached and the nature of the agreement, including the presence of shared understandings of what needs to be followed-up by members. The third indicator reviews the level of implementation, that is to say, whether members comply with the agreed policies and try to put them into practice. The fourth indicator investigates whether there is a monitoring mechanism and if it operates properly, the presumption being (as with the other indicators) that positive evidence is an indicator of collective action.

After assessing the level of collective action in the DAC by using the four indicators, the thesis goes on to examine the conditions for successful (or conversely) unsuccessful collective action. Here, the theoretical framework takes an actor-centred approach, focusing on relations between actors in the DAC and their roles but with some reference to actors outside the DAC, who impinge on the DAC as well. This translates into: Secretariat, delegate-headquarter relationships, member-member relationships, domestic environment, recipient country level, and member/non-member relationships.

Table 2.3 lists hypothetical factors possibly contribute for achieving successful collective action. These were used as the main issues to be explored during interviews in the field research conducted for this thesis. The list draws on the writer's experience of working for the Japanese Delegation to OECD (DAC) and existing literature on collective action at the global level more generally. Among these, strong leadership is widely regarded as a condition for collective action (Sandler, 2004, p.7; Yoshimatsu,

2006, p.5), and capacity also matters in taking leadership (Acharya, 2014).<sup>8</sup> Forming a small core group who agree on the need to persuade others to move forward can also help discussions move faster than otherwise (Sandler, 2004, p.10; Maxwell, 2005, p.416). One of the most important principles for effective collective action itemised by Maxwell dwells on trust-building measures starting from the outset of negotiations (2005, p.9), which is also noted by others (such as Messner et al., 2013, p.17). Other conditions in Table 2.3 concern the capacity of the Secretariat and the members' interest and capacity.

Table 2.3: Possible hypothetical factors contributing for collective action in the DAC

<ul style="list-style-type: none"><li>● Strong leadership of members. (i.e., small number of members who have an influential voice leading to form an agreement)</li><li>● Capacity of the secretariat to facilitate agreement among members.</li><li>● High level of interest from HQ of the members and their capacity.</li><li>● Existence of an informal environment to build trust relationship and converge on common views.</li></ul>
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Source: Author

Olson's theory also suggests that collective action is more likely in smaller groups compared to large groups, because the benefits to members individually are greater and their contribution easier to assess. In large groups more coercive mechanisms may be

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<sup>8</sup> Acharya uses the term 'capability'.

needed. Also, collective action is more likely in a homogeneous group. From this, it can be said that because the DAC is a donors' club with a limited number of members it meets these preconditions that Olson's reasoning suggests are favourable to collective action. But of course only an evidence-based account of the sort offered in this thesis will tell us whether or not the DAC has really delivered on its potential for collective action.

## 2.5: Conclusion

This chapter has provided a theoretical framework to assess the indicators of and conditions for collective action in the DAC. The core concept of collective action theory is the dilemma of individuals' rational behaviours that do not yield optimum result as a group, because public goods would be underprovided. The importance and relevance of this for global governance is that when states try to maximise their national interest, collective action problems are less likely to be solved, meaning that GPGs – of which (good quality) aid can be said to be one, or at least is an instrument for achieving GPGs – will not be supplied.

The DAC is a response to this situation, which makes it important to examine whether the DAC has shown itself to be capable of overcoming collective action problems in its own activities. The DAC has consistently tried to reduce the negative effects of attention by donors to their national interest and to increase their aid contributions and

aid quality, for the global good. If some donors are reluctant to provide more aid or improve its quality, then other donors may see this as ‘free-riding’, and be less inclined to provide more or better aid themselves. The thesis aims to show whether and how well the DAC overcomes these collective action problems.

The chapter has noted that social norms as well as self-interest rationality count towards motivations for collective action, including at the global level. This is particularly relevant to an institution like the DAC, which is a policy think-tank rather than a forum for agreeing legally binding international treaties. That the DAC’s collective action takes place at three levels – OECD in Paris, members’ headquarters in the home country, and their engagement in recipient countries – raises the possibility that different incentives or motivations to collaborate for collective action might apply at the different levels, even in instances where the same actors are all working the same donor government.

The framework to examine indicators of and conditions for collective action in the DAC, briefly introduced in this chapter, is further developed in chapters 3 and 4, respectively, and then applied systematically to the two case studies in chapters 5 and 6.

## **Chapter 3: Indicators of Collective Action in the DAC**

### 3.1: Introduction

Based on the previous chapter that set out the conceptual framework, this and the following chapters address the indicators of and conditions for collective action in the DAC. In this chapter, the indicators of collective action are examined by discussing whether and to what extent the DAC exhibits collective action. In the beginning of each section, reasons for selecting the specific indicators are provided to justify the criteria for understanding the existence and level of collective action. It is also important to note that as the DAC is an international organisation with government members, accessible information is limited not only for official documents but also for informal communications which are not recorded. Therefore, this chapter also draws evidence from interviews with interviewees, many of whom have working experiences in the DAC.

Four indicators (members and meetings; agreement; implementation; monitoring) are discussed in turn. The section on members and meetings explains the recent increase in DAC members as well as its changing composition, and how meetings are organised. In the section on agreement, the types of the DAC policies that were agreed as well as the processes by which members agree on policies are discussed. This is followed by a



section on implementation, where the level of implementation by members and how it can be identified are discussed. The section on monitoring shows how peer review is conducted to scrutinise members' compliance. Agreement in the DAC and implementation by members are primary indicators of collective action, whereas the number of members and meetings as well as monitoring is supplementary but still significant. This is because implementation will not happen without agreement and without members' implementation of the agreed policies.

### 3.2: Members and meetings

By choosing to become a member the DAC members signal their interest. The greater the number of members, the larger the potential scope of influence or impact the DAC can have. Also, the meetings structure of the DAC and the way the participant engage in them are further indicators of how collective action is organised there. Evidence of membership and meetings sets the scene for collective action. The first sub-section below offers an overview of OECD and DAC membership, the members' level of attendance in meetings as well as their financial contributions. The second sub-section explores how meetings are structured. The section draws mainly on OECD and DAC official documents and public information supplemented by the writer's interviews.

#### *Members*

The DAC has been functioning as a donors club since 1961, and it is one of a few

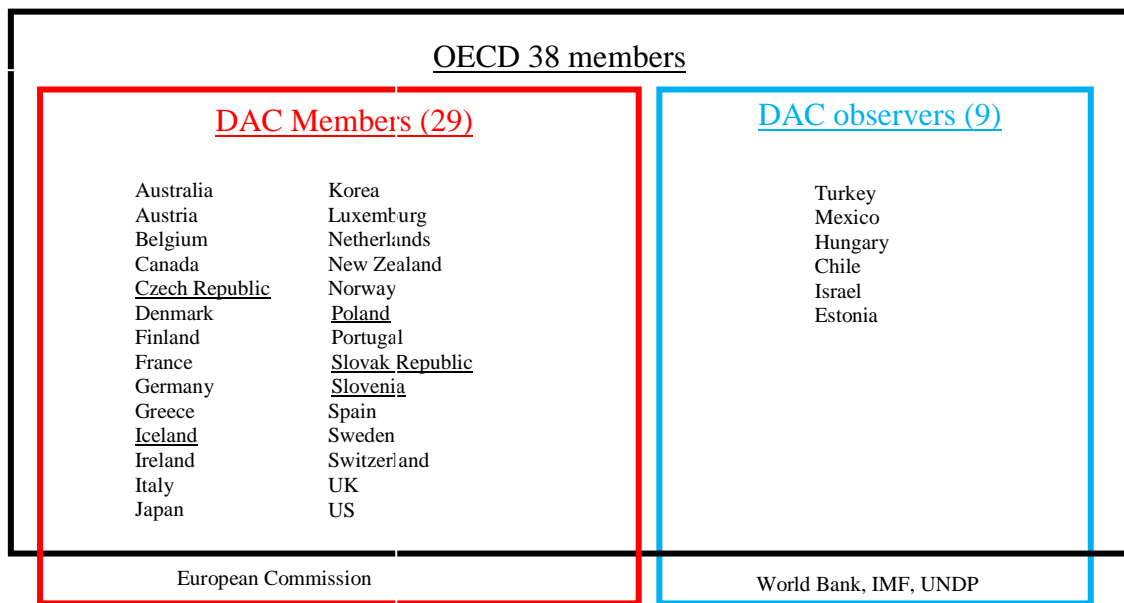
‘exclusive’ international organisations. However, with the OECD’s strategy to expand its membership, the number of countries formally joining the DAC has also dramatically increased recently. Five OECD countries out of 29 current DAC members gained accession in 2013. The director of DCD called 2013 an exceptional year, proving that the DAC is “a heterogeneous group that welcomes different development actors” (Lomøy, 2013). As shown in Figure 3.1, the underlined five countries who joined the DAC in 2013, and Korea who joined in 2010, are the only countries to have joined the DAC as full members since 2000.<sup>1</sup> The DAC is the only committee in the OECD which sets out special criteria for its membership accession on its own, and this is why all DAC members except the European Commission (EC) are OECD members, whereas six other OECD members are not DAC members but simply observers, as shown in Figure 3.1.<sup>2</sup>

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<sup>1</sup> Before 2000, Greece joined the DAC in 1999.

<sup>2</sup> The OECD members who are not the DAC members are entitled to participate in all the DAC meetings as observers (<http://www.oecd.org/dac/stats/49304654.pdf>).

Figure 3.1: Members of the OECD and the DAC



Source: Compiled by the author from OECD website (<http://www.oecd.org/about/membersandpartners/>, accessed 1 July 2014)

Apart from the full members, DAC has six non-DAC partners as in Table 3.1. Bilateral providers can be categorised into donor countries and those who are regarded as both donor and recipient countries. When requested, DAC conducts special reviews of non-member countries, based on the norms and standards of the DAC, most often for countries which are candidates to become the members. As aid from emerging countries has increased and is becoming more influential, DAC has been inviting them, most notably China and India, to attend various meetings. One example is the China-DAC Study Group which was formed in 2009 to exchange information and views on development cooperation. As the growth of emerging countries in the global economy has come to challenge the leadership of the OECD, the OECD Ministerial Level

Council Meeting in 2007 decided to strengthen partnerships with five non-member countries (China, India, Brazil, South Africa and Indonesia), and the DAC also formulated its own outreach strategy, as was discussed in chapter 1.

Table 3.1: Partnership with non-DAC actors

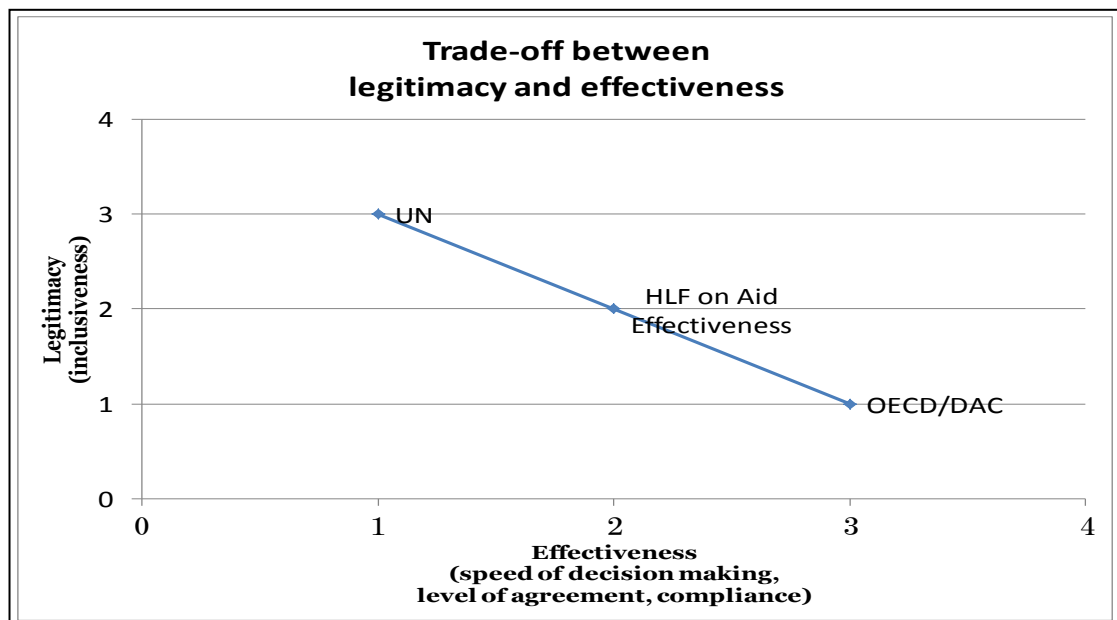
Types	Example of DAC activities
<b>Bilateral providers:</b> Donor countries (OECD but non-DAC, Arab donors, EU but non-OECD)	<ul style="list-style-type: none"> <li>• Special reviews of aid systems upon request (Czech Republic in 2007, Korea in 2008, Poland in 2010, Slovak Republic in 2011).</li> <li>• Policy dialogue with Arab donors.</li> </ul>
<b>Bilateral providers:</b> Donor and recipient countries (Major emerging economies, Other middle income countries)	<ul style="list-style-type: none"> <li>• China-DAC studies.</li> <li>• Support for south-south cooperation.</li> </ul>
<b>International organisations</b>	<ul style="list-style-type: none"> <li>• Participation in the DAC meetings.</li> </ul>
<b>Developing/recipient countries</b>	<ul style="list-style-type: none"> <li>• Participation in Working Party on Aid Effectiveness.</li> <li>• International Dialogue on Peace Building and State Building.</li> </ul>
<b>Private sector</b>	<ul style="list-style-type: none"> <li>• Consultations and informal meetings.</li> </ul>
<b>Private foundations</b>	<ul style="list-style-type: none"> <li>• Few opportunities for policy dialogue and joint actions at international level.</li> </ul>
<b>Civil society organisations (CSOs)</b>	<ul style="list-style-type: none"> <li>• Establishment of Advisory Group and Aid Effectiveness (2007), which developed into Open Forum for CSO Development Effectiveness (2009).</li> <li>• Istanbul CSO Development Effectiveness Principles (2010).</li> </ul>

Source: Compiled by author based on OECD Archives (2011), OECD website (<http://www.oecd.org/dac/>, accessed 1 July 2014)

What does the recent increase in formal DAC members as well as observers tell us

about collective action? As membership and participation increase, the DAC increases its legitimacy but at the risk of losing some of its effectiveness. Killen & Rogerson (2010, p.2) argue that two criteria of legitimacy and effectiveness are important in evaluating international institutions ability to provide better global governance for development. Based on these two criteria, Figure 3.2 shows that there could be a trade-off between legitimacy (i.e., inclusiveness) and effectiveness (i.e., speed of decision-making, level of agreement and compliance), and situates the United Nations (UN), the DAC and the High Level Forum (HLF) on Aid Effectiveness of the DAC in relation to this dilemma .

Figure 3.2: Trade-off between legitimacy and effectiveness



Source: author based on Killen & Rogerson (2010).

As the figure shows, while the UN has strong legitimacy because nearly 200 states are members, in general its reputation for organisational effectiveness is weak. This is

because the more the members increase, the less the ‘like-mindedness’ of the organisation and the greater the chance of experiencing conflicts of interest. On the other hand, although the DAC is generally well regarded for its effectiveness, its legitimacy is not so high – there is a legitimacy deficit. Yet, precisely because of the DAC’s limited membership, it has proven comparatively effective in decision-making, agreement and compliance (as will be shown later). The fact that the DAC has long been serving as a rich countries’ club with limited membership has increased the members’ like-mindedness and “the nature of honesty” in DAC (Watanabe M., interview with MoFA official, 2012).<sup>3</sup> As will be discussed in chapter 6, the HLF on Aid Effectiveness increased participants beyond the formal DAC members: this should improve its legitimacy, but at the same time risk becoming less effective by going outside of the like-mindedness that formerly characterised its membership.

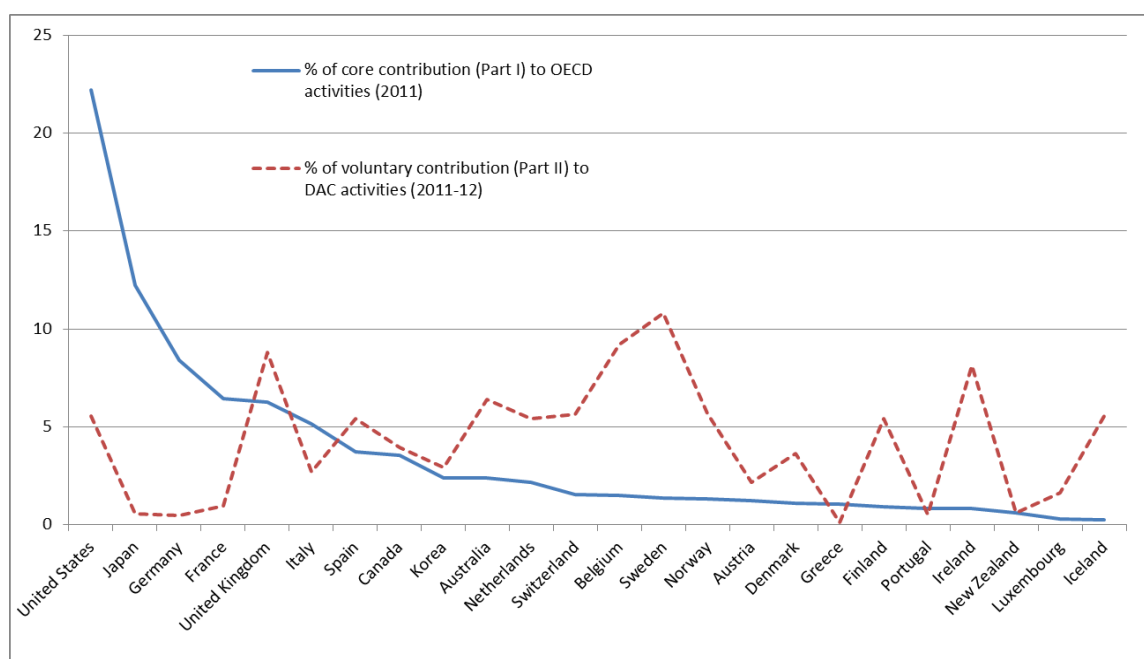
One of the indicators to assess the members’ willingness to contribute to international organisations is the level of the members’ budget. In 2011, the OECD budget as a whole was EUR 342 million, consisted of Part I budget (proportional contributions by the members according to their size of economy) and Part II budget (voluntary contribution both from members and non-member participants according to their interests). Figure

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<sup>3</sup> Although the DAC sees itself and is seen by others as having a like-mindedness common to all the members, the writer’s field work found out that some members think some are more like-minded than others depending on how tight and united the group is. Therefore, in this thesis, the term ‘like-minded’ can sometimes refer to the whole membership of the DAC and sometimes to a smaller number of donors who share a specific common objective or interest.

3.3 shows DAC members' contributions to OECD Part I budget and Part II budget for voluntary contribution to DAC activities. The Part I budget contribution is automatically decided by the members' Gross National Income (GNI). Consequently 35% of the total Part I budget is contributed by the US and Japan alone. However, the real interest of members is shown by the level of their contributions to the Part II budget, which is voluntary. In Figure 3.3, the voluntary contributions to the DAC activities are indicated by the dotted line: these are higher for mid-sized countries like Sweden (10.8%), Belgium (9.1%), UK (8.8%), Ireland (8.1%) and Australia (6.4%). The solid line shows countries that make higher contributors to the core budget of OECD, notably the US, Japan and Germany, according to the level of their GNI. Economically smaller European countries make a stronger voluntary contribution to the DAC.

Figure 3.3: DAC members' OECD budget contribution and voluntary contribution to DAC in 2011



Source: Compiled by author based on; OECD Archives (2011 a); OECD Programme of Work and Budget Part I 2010-2011; <http://www.oecd.org/about/budget/member-countries-budget-contributions.htm> (Accessed: 20 September 2014)

The number of meetings and delegate registrations by members is another indicator of collective action. Data for these can be extracted from OECD Event Management System, that is the online meeting registration system.<sup>4</sup> Although most of the data are for OECD in general, four points can be drawn from the data.<sup>5</sup> First, the number of OECD meetings and registered participants has increased dramatically over the last decade. The registered people were nearly doubled from 2005 to 2012 (95,892 registrations in 2012); and the number of official OECD meetings increased by over ten times from 2000 to 2012 (2,043 meetings in 2012). Second, among the OECD members,

<sup>4</sup> Compiled from data accessed in January 2013 by author at OECD Library and Archives, Paris.

<sup>5</sup> Similar data specific to the DAC is not available.



the larger economies who were larger contributors to the OECD core budget usually registered more officials at meetings, as shown by Table 3.2 below. France marked the highest for the two selected years, as the OECD is based in Paris; the US and Japan, the two largest core budget contributors, came next.

Table 3.2: Top five countries for the number of registrations to OECD meetings in 2005 and 2012

	2005	2012
1	France (3,239)	France (4,358)
2	US (2,673)	US (2,893)
3	Japan (2,230)	Korea (2,770)
4	Germany (1,709)	Japan (2,687)
5	UK (1,601)	Germany (2,246)

Source: OECD EMS Portal data accessed in January 2013

Third, it is also interesting to note that although the UK ranked fifth for registrations in 2005, it went down to eighth in 2012 and Korea became the third overtaking Japan, with Italy and Mexico sixth and seventh respectively after Germany. Recently joined countries or non-traditional DAC members' registration has been increasing. In addition, the percentage of registrations of national delegates from member countries decreased from 53.5 % in 2005 to 43.6 % in 2012 while that of the registrations from non-member countries increased from 12.7% in 2005 to 27.1% in 2012.<sup>6</sup>

The fourth point is that the number of DAC meetings and registrations to meetings are

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<sup>6</sup> Other categories in the registration are: permanent delegation, OECD (other members or staff from other committees), other international organisations and so on.

high compared to other OECD committees. In 2012, 119 official meetings were held with 3,600 member country participants in the DAC, which means DAC meetings were held every other working day with 30 participants from member countries. The number of meetings and registered participants is placed sixth out of nearly 30 committees. The number increases further once informal meetings are added.

The members of the OECD are also represented by their delegations based in Paris headed by the ambassadors. The size of the delegations normally corresponds to the size of their financial contribution. The distance of their headquarters from Paris also matters, as geographically distant members tend to have larger delegations so as to reduce costs and coordinate more effectively (Carroll & Kellow, 2011, p.16). Among OECD members, the Japanese delegation has the highest number of 39 staff deployed from Tokyo, followed by 31 from Korea and 22 from Australia, and 15 each from the US, Germany and Spanish delegations. Given that other members only have five to ten staff from their countries, non-European members whose headquarters are distant from Paris maintained more than twice as many as staff. In the view of a former British ambassador to OECD, the number of diplomats working at the Japanese delegation was “strikingly large” (Martin, interview, 2012), although it is also true that the number of visits from headquarters is less frequent for Japan compared to the European members, and the delegation staff attend more meetings instead.

### *Meetings*

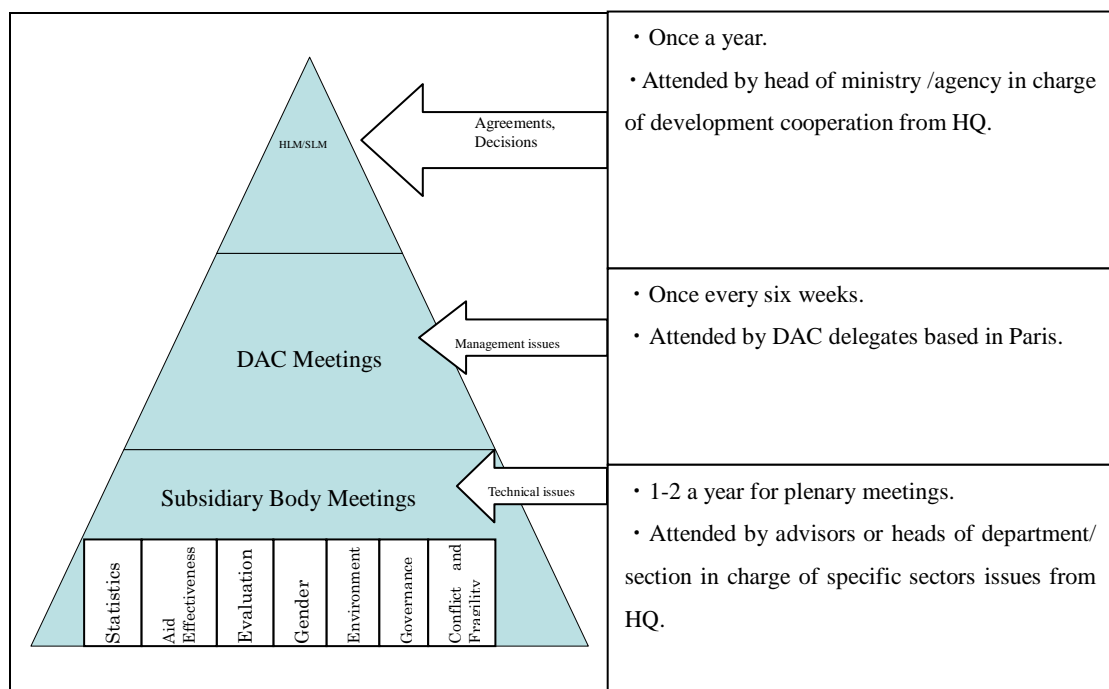
The structure of meetings in the DAC is not straightforward – as expressed by one DAC delegate:

When you arrive in Paris as a DAC delegate, the first thing you would need is an organigram of the DAC. However, you would soon find out that that does not exist because the structure of the DAC meetings is too complicated and it also changes too fast. (interview, 2012)

DAC meetings fall into three layers, and the participants to each layer of the meetings are from different departments or divisions of the member government. As Figure 3.4 shows, the highest layer of the pyramid is the High Level Meeting (HLM), in which the heads of ministries or agencies in charge of development cooperation participate, and Senior Level Meeting (SLM), the responsibility of senior management officials. These meetings are held once a year and adopt high level decisions on the policies discussed in the DAC, which serves to indicate a high level of commitment towards the common aid effort. Regular DAC meetings are held every six weeks and are attended by DAC delegates based in Paris. The role of the ordinary DAC meetings is rather managerial, as they discuss the organisational and strategic aspects of the DAC and oversee the subsidiary bodies. Most of the specialised knowledge and policy drafts are produced in the subsidiary body meetings, which are the lowest level of the pyramid. There are seven subsidiary bodies specialising in, for example, evaluation, gender, environment,

and conflict and fragility.<sup>7</sup> Each subsidiary meeting is attended by personnel from members' headquarters, most of whom are working as advisors or policy-makers in charge of the respective issue areas. The subsidiary bodies are the heart of the DAC, where "much of the committee's most highly valued work takes place" (OECD, 2009, p.12).

Figure 3.4: Structure of DAC meetings



Source: Author

<sup>7</sup> There are: Working Party on Statistics (since 1968), Working Party on Aid Effectiveness (since 2003), Network on Development Evaluation (since 2003), Network on Gender Equality (since 2003), Network on Environment and Development Co-operation (since 2003), Network on Governance (since 2000), and International Network on Conflict and Fragility (since 2009) (OECD, 2010). The mandate of these bodies are agreed by the DAC members and renewed from time to time.

Although the decisions on agreements take place at the highest level of the pyramid at the HLM or SLM, the DAC meetings and subsidiary body meetings lay the essential foundations. Therefore, unless participants to the DAC meetings and subsidiary body meetings agree on the proposals to be put on table at the HLM and SLM, collective action cannot be expected to follow. This means the two levels supporting the highest level are very important.

The three layers of the meeting structure are peculiar to the DAC, because a majority of OECD committees lack the middle layer that is solely attended by the delegates in Paris. The DAC delegates are often represented by the officials from the foreign ministry, such as Ministry of Foreign Affairs (MoFA) for Japan, or development ministries or aid agencies such as Department for International Development (DFID) for the UK. As the DAC is an international organization dealing with policy issues, some DAC delegates have experience of working in the delegations of other international organizations such as the UN or European Union (EU), but delegates with work experience in developing countries are relatively few. However, being based in Paris, the DAC delegates have a common objective in advancing the DAC activities in order to attract their headquarters' interests, so DAC delegates feel that the discussions in the DAC are based on issues rather than predetermined politically by the government positions (Ishize, interview, 2011; Okano, interview, 2012).

For the participants to the subsidiary bodies, their common objective is to produce

policies relevant to their work at home. Through the process of policy making, the participants can both be influenced by and influence the collective thinking and ideas, which a British academic calls a “boomerang effect” (Eyben, interview, 2012). Speaking as a former DFID chief social development advisor who attended meetings in international organisations, she says two directions of influence can be observed – to and from the “global policy space” such as the DAC – which gave her internal influence to change DFID’s policy as well. The subsidiary body level not only involves influencing but also information-sharing and mutual-learning. According to a former chair of the DAC Network on Development Evaluation (EVALUNET) and head of DFID’s evaluation department, although originally he was thinking about influencing other donors he later came to realise that he was learning from others more, because the network was a good opportunity for mutual learning (York, interview, 2012).

Therefore, unlike other international organisations where member governments push their own governments’ positions, the discussions and negotiations in the DAC are rather flexible. This is because each level of the meetings provides opportunities for the participants to construct informal networks for the purpose of exchanging information and promoting mutual learning.

To sum up, this section has discussed the members and meetings of the DAC as indications of collective action. The recent increase of its official membership as well as its participants (as observers) from non-members should enhance the legitimacy of the

DAC but possibly at the expense of effectiveness. While the increase of members and participants is a clear indication of collective action, it should help expand the impact and influence of the DAC towards wider audiences but potentially could undermine the like-mindedness and frank and harmonious relations within DAC that have made it effective in the past. The larger economies that contribute more to OECD's core budget are registered with the OECD meetings more than others, and these countries tend to have larger delegations in Paris. But financial contributions to the DAC are higher for the European countries with middle to smaller economies. Finally, by creating three layers of DAC meetings, the DAC has been able to form networks of members in each layer to achieve different objectives. This structure has contributed to sharing norms among the participants in meetings at different levels, which can only be helpful to achieving collective action.

### 3.3: Agreement

Agreement is one tell-tale sign of collective action. In addition, the process of agreement (i.e., how the agreement is reached) also tells us something about the level of collective action, because in principle the process can range from easy to difficult, and from simple to complicate. This section discusses the types of agreement and the processes by which the agreements are made. Information about the DAC's performance here is available from DAC documents, but interviews conducted by the writer provide fresh insights into the actual process of reaching agreement and the

pattern of member groupings, which depends on the topics and the issue.

Overall, there are four types of OECD policy instruments, 'Decisions', 'Recommendations', 'Declarations', 'Arrangements and Understandings'. However, the DAC has only agreed on 'Recommendations' and 'Declarations' as listed in Table 3.3. 'Decisions' are the highest level with legally binding nature, and 'Arrangements and Understandings' are the lowest level, and adopted by some members only. There are also 18 guidelines and references published in the DAC since 2001.



Table 3.3: Types of policies agreed in the DAC

Types	Adopted by the DAC
<b>Recommendations</b> (formal act of organisation)	<ul style="list-style-type: none"> <li>✓ 2011, Recommendation of the Council on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas</li> <li>✓ 2011, DAC Recommendation on Good Pledging Practice</li> <li>✓ 2010, Recommendation of the Council on Good Institutional Practices in Promoting Policy Coherence for Development</li> <li>✓ 2001, DAC Recommendation on Untying Official Development Assistance to the Least Developed Countries and Highly Indebted Poor Countries</li> <li>✓ 1996, DAC Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement</li> <li>✓ 1989, Recommendation of the Council concerning an Environmental Checklist for Possible Use by High-Level Decision-Makers in Bilateral and Multilateral Development Assistance Institutions</li> <li>✓ 1986, Recommendation of the Council on Measures Required to Facilitate the Environmental Assessment of Development Assistance Projects and Programmes</li> <li>✓ 1985, Recommendation of the Council on Environmental Assessment of Development Assistance Projects and Programmes</li> <li>✓ 1978, Recommendation on Terms and Conditions of Aid</li> </ul>
<b>Declarations</b>	<ul style="list-style-type: none"> <li>✓ 2008, Declaration on Policy Coherence for Development</li> <li>✓ 2006, Declaration on Integrating Climate Change Adaptation into Development Co-operation</li> <li>✓ 2005, Paris Declaration on Aid Effectiveness</li> </ul>

<b>Guidelines and References</b>	<ul style="list-style-type: none"> <li>✓ 2012, Evaluating Peacebuilding Activities in Settings of Conflict and Fragility</li> <li>✓ 2012, International Support to Post-Conflict Transition</li> <li>✓ 2011, Supporting Statebuilding in Situations of Conflict and Fragility</li> <li>✓ 2010, Quality Standards for Development Evaluation</li> <li>✓ 2009, Natural Resources and Pro-Poor Growth</li> <li>✓ 2007, Promoting Pro-Poor Growth</li> <li>✓ 2006, Applying Strategic Environmental Assessment</li> <li>✓ 2006, Harmonising Donor Practices for Effective Aid Delivery, Volume 2</li> <li>✓ 2005, Managing Aid</li> <li>✓ 2005, Environmental Fiscal Reform for Poverty Reduction</li> <li>✓ 2005, Security System Reform and Governance</li> <li>✓ 2003, Harmonising Donor Practices for Effective Aid Delivery</li> <li>✓ 2003, Poverty and Health</li> <li>✓ 2002, Integrating the Rio Conventions into Development Co-operation</li> <li>✓ 2001, Strengthening Trade Capacity for Development</li> <li>✓ 2001, Strategies for Sustainable Development</li> <li>✓ 2001, Poverty Reduction</li> <li>✓ 2001, Helping Prevent Violent Conflict</li> </ul>
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Source: Compiled by author based on; Decisions, Recommendations and other Instruments of the Organisation for Economic Co-Operation and Development (<http://webnet.oecd.org/oecdacts/>, accessed 1 Dec 2013); DAC Guideline and Reference Series ([http://www.oecd-ilibrary.org/development/dac-guidelines-and-reference-series\\_19900988](http://www.oecd-ilibrary.org/development/dac-guidelines-and-reference-series_19900988), accessed 1 Dec 2013); OECD Legal Instruments (<http://www.oecd.org/legal/legal-instruments.htm>, accessed 1 Dec 2013)

‘Recommendations’ and ‘Declarations’ are normally agreed at the HLM, where heads of agencies and departments make decisions. The guidelines and references are substantively agreed at the subsidiary or DAC meetings level. Table 3.3 shows that the DAC has agreed on policies in most years, which is a positive sign of collective action.

On the other hand, it is also true that not all the policies proposed in the DAC are agreed. Most of the substantial negotiations are done during informal communications, where members want to make changes or alternatively reject them. Therefore, public statements do not necessarily reflect all the intentions of the members (interview with UK government official, 2012). Also, as a DAC Secretariat official points out, the smartest and easiest way to reject proposals is to block them in the initial stage before the members and Secretariat have invested effort in the process – it is less likely to stop the process once started, because of the cost for derailing ongoing processes (Lammersen, interview, 2012). Therefore there may be proposals that were put on the table but did not reach an agreement stage.

In relation to the quality of the agreement, the policies tend to be framed in as general a way as can be agreed upon. It is most likely that there is a trade-off between the possibility of reaching agreement and the level of particularities of the agreement. Donors' willingness to sign up to general policies can be seen as diplomatic (Rabinowitz, interview with ODI officer, 2012), because disagreements can be observed later during the implementation stage. Sometimes, the Secretariat does not even aim for perfect agreement, in order to avoid failure to agree on anything at all. Nicol experienced such a scenario around the failed attempt to reach a Multilateral Agreement on Investment (MAI) as a Secretariat (interview, 2012). Members may prefer to have flexibility on the rules they agree to, in order to accommodate their own country's peculiarities (Yokota, interview with MoFA official, 2012) and also to avoid members

spending unnecessary time and energy (Asai, interview with JICA official, 2012), even at the risk of misunderstandings surfacing later. It is often the case that international organisations will agree on collective statements that can satisfy all actors' concerns, but the statements may risk in being interpreted in different ways by the different actors (Rabinowitz, interview, 2012). It is also the case that the more rigorous the monitoring mechanism is, the more likely the members will be cautious about the wording of the agreement (Miyamoto, interview with DAC Secretariat, 2012).

Agreement in the DAC is based on consensus, and the process of the agreement is often led by a small number of like-minded countries.<sup>8</sup> Since some members find it less easy to agree than others, the process of reaching consensus may be prolonged, which explains why those who are already in agreement often tend to form a like-minded group with the intention of moving the process forward. According to a British academic, a disadvantage of consensus is that the whole process needs to move at the pace of the slowest; when the big donors are reluctant, frustrated smaller countries are more likely to then form their own like-minded groups (Riddell, interview, 2012). A pattern of leaders and followers then emerges.

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<sup>8</sup> Although agreement is based on consensus, members can abstain or make reservation without obstructing the agreement. For instance, Italy made a reservation on the Recommendation on Terms and Conditions of Aid, in 1978, and Greece abstained on the Recommendation on Good Pledging Practice, in 2011(Decisions, Recommendations and other Instruments of the Organisation for Economic Co-Operation and Development, <http://webnet.oecd.org/oecdacts/>, accessed 1 Dec 2013).

As will be discussed in chapters 5 and 6, the leading like-minded countries tend to be northern European countries including the UK, whereas following countries tend to be larger economies including the US and Japan.<sup>9</sup> Although agreement is based on consensus, in reality the larger donors have more leverage, because of their influential role in making impact in practice (due to their bigger budget). This happened with the International Accountability and Transparency Initiative (IATI), where initially the US, Japan and France were reluctant to join. The US was targeted to get on board “because we thought we wouldn’t be able to make it happen without the US as being one of the biggest donors”, says a former director of an NGO who was involved in the process (Christiansen, interview, 2012). In 2011 at the Busan HLF, the US’s decision to join in IATI was announced. In contrast to the bigger donors’ influence, smaller donors can have what Riddell calls a “demonstrative effect” by forming a like-minded group, which may prove persuasive to others (interview, 2012). This is also observed by a former EVALUNET chair; the smaller donors are good at influencing the bigger donor by pressuring them as a group (York, interview, 2012).

This section has shown that the DAC has been successful in agreeing different kinds of policies, which is prime evidence of collective action. However, this indicator will be affected by a number of factors, including any monitoring mechanisms that may make members more cautious when agreeing. Also, although the DAC’s decision-making is

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<sup>9</sup> Also, the larger contributors to the OECD core budget (after the US and Japan), namely France and Germany, are often regarded as follower countries as well.

based on consensus, smaller donors tend to form a like-minded group to lead the agenda. When they are successful in persuading others to agree, this can be understood both as an indicator and part of the explanation of collective action.

### 3.4: Implementation

After the DAC members agree on policies, it is the responsibility of the members to implement them. While meetings and agreement take place in Paris as a collective process, implementation depends on individual members' will and efforts. Without implementing and complying with the agreed policies, collective action appears on paper only. However, in the DAC more attention seems to be put on reaching agreement than on implementation, as was noted by a DAC Secretariat official who said "We are good at agreeing but bad at following up, so we have to be a bit more police man of our rules" (Nicol, interview, 2013). Also, the agreement process can be seen as "technical", which is easier than implementation processes where more politics are involved (Hudson, interview, 2012).

Overall, the level of implementation depends on the specific issues and policy. As chapters 5 and 6 will show, while the level of compliance for aid untying recommendation was high, implementation of the aid effectiveness agenda was low. Hence, performance is not uniform. And as the case study chapters explore, implementation can become difficult when the number of actors increases and the

agenda or policy becomes more diverse.

In identifying the indicators for implementation, three analytical distinctions are made here. First, existence of a clear monitoring mechanism is important to identifying the level of implementation by DAC members. For instance, as will be discussed in chapter 5 and 6, the DAC's agreements on aid untying as well as aid effectiveness included separate monitoring mechanism with specific indicators. However, most of the DAC's recommendations and declarations listed in Table 3.3 do not contain a specific monitoring framework. This means very little information is available, especially for the guidelines and references. As a UK government official says, "it is difficult to evaluate the level of utilisation of these, and there is no method to systematically check the direct impact on donors' policy" (interview, 2012).<sup>10</sup> According to a DAC Secretariat, the impact of the DAC guidance on the member governments may best be identified by the level of 'plagiarism' (Hynes, interview, 2013), that is to say whether civil servants make reference to it when drawing up their own policies.

In addition, the level of utilisation depends on member countries as well as on the advisors or officials in charge. When the members need what the DAC wants to

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<sup>10</sup> During a half-day seminar "The OECD Development Assistance Committee: Looking Towards the Future: What can we learn from the past?", organised jointly by OECD and LSE on 6<sup>th</sup> Dec 2012 in which author participated, a DAC Secretariat said that although difficult the DAC was currently looking for ways in which it could understand the impact that the DAC had on member countries.

introduce anyway, then they are more likely to adopt it. For instance, the UK would anyway come up with the same kind of guidance if the DAC guidance did not exist (interview with UK government official, 2012); and DFID advisors attending subsidiary bodies have an incentive to refer to the DAC's policy especially when they want to change UK governments' policies (Eyben, interview, 2012).

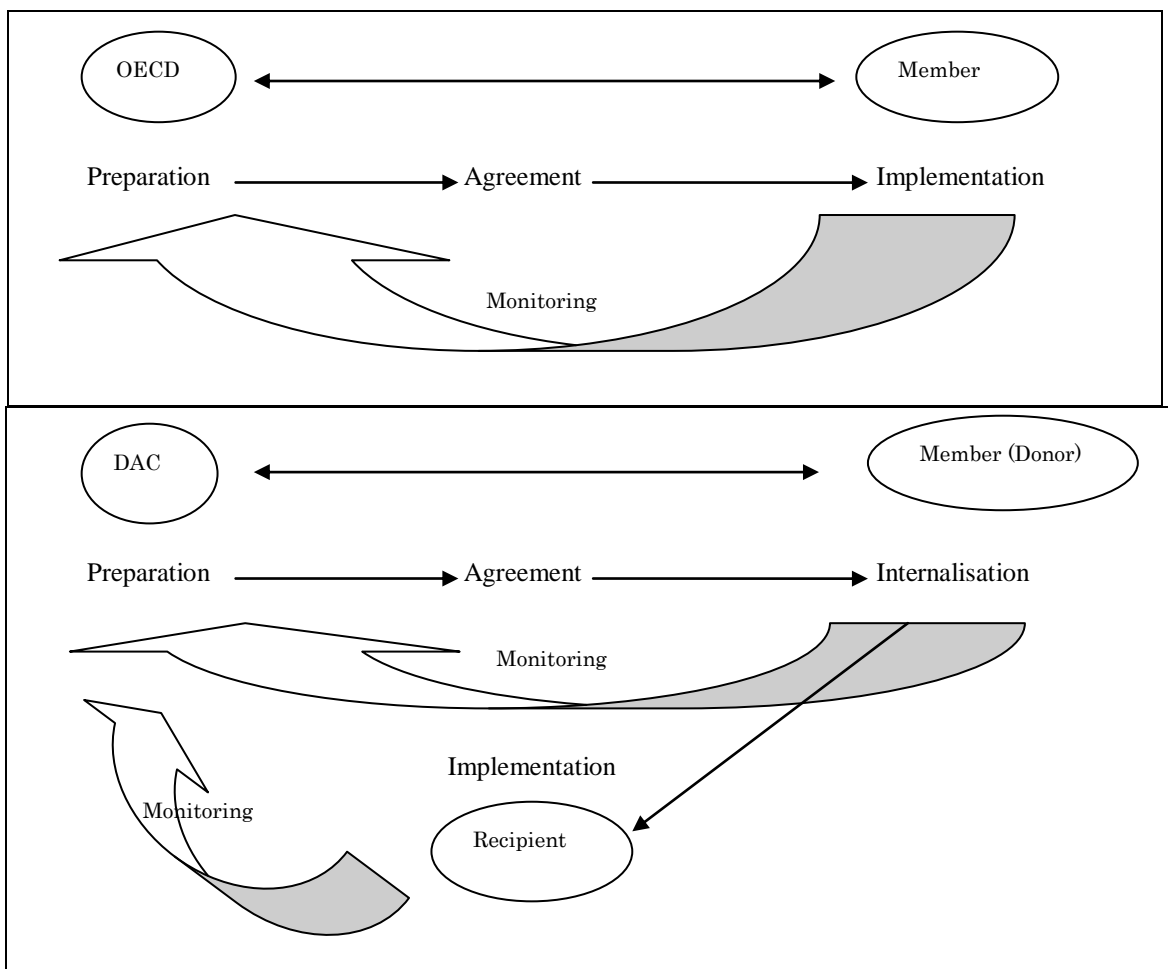
Second, there is also a distinction between formal and informal compliance. As the chapter 5 on aid untying shows, there are instances where members formally untie their aid but the actual procurement award goes to the donor country's own companies. Therefore, even when the monitoring framework exists and the members implement accordingly, informal non-compliance may happen. The DAC Secretariat has begun to look at this for the case of aid untying. Chapter 5 will discuss how the motives and rationale behind implementation can change over time.

Third, while for some policies implementation is the sole responsibility of the donors, for some others it is the responsibility of both the donors and aid recipients, and in this case there are limits to what the DAC alone can do. Figure 3.5 compares the policy processes between the DAC and the other OECD committees. In the OECD committees other than the DAC, the process of policy-making circulates exclusively within and between the OECD and its members, as shown in the upper box; since the policies are implemented in the member countries, data can be collected from there, which can be used as evidence to formulate new policies. However, the DAC is distinctive; as shown



in the bottom box, the policies internalised by its members are implemented in the recipient countries that are not the DAC members, which makes data collection difficult. As the study of aid effectiveness will show later, once the recipient country level is added in the responsibility for implementation becomes dispersed, with consequences for the chances of achieving successful policy implementation.

Figure 3.5: Comparison of policy processes between the OECD and the DAC



Source: Author.

This section has shown the significance for collective action of evaluating the level of implementation by DAC members. The utilisation of DAC initiatives by national

governments is clearly important to passing judgment. But the DAC does not, and perhaps cannot, collect extensive information about this, although it does have in place a monitoring process for some – albeit not all – the policies it agrees on.

### 3.5: Monitoring

Monitoring of the members' compliance is in itself another indicator of collective action. The monitoring mechanism of the DAC, namely the DAC peer review, is not a one-way monitoring process by the Secretariat checking the members' compliance, but more a case of peer pressure and mutual learning among the members. The monitoring process helps build the DAC's peer identity and common awareness, which are important foundations for collective action. This section draws mainly on interviews as well as DAC peer review documents in the public domain.

Peer review is one of a few core activities of the DAC (OECD, 2009), and it is the main tool to monitor the compliance level of the DAC members. There is no enforcement mechanism for compliance, but peer review is one way to induce peer pressure on the members to comply. Peer review started already in 1962, and in the early days all members were reviewed annually, though in a less systematic and intense way than now.<sup>11</sup> Based on a graph which shows the number of reviews across the 22 DAC members between 1961 and 1994 (Ben-Artzi, 2013, p.24), about half of DAC members

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<sup>11</sup> It was called "aid review" in the early days.

were reviewed 20-25 times; the rest vary, because their accession to the DAC came later.

DAC members now are monitored through the peer review process every four years. When the member state is reviewed, two other DAC members are selected by the Secretariat to nominate examiners for the review process. The two reviewing governments are chosen based on their size (small or big), strength and institutional affiliation (groupings such as The Group of Seven (G7) or EU), and language (English or others such as French) (Verger, interview, 2012). The examining team consists of the two examiners and some staff from the Secretariat. In the beginning of the review process, the reviewed government needs to submit a memorandum whose structure is reflected by a DAC content guide which is revised every two years. Based on the memorandum, the examining team visits the reviewed member's capital to meet with government officials, civil society organisations (CSOs), researchers and one aid receiving country to check if their policies are working at the country level. The whole process takes six months. Since five members are reviewed each year, a full-day peer review meetings is held five times annually. The process looks substantial, but reviews are not a panacea, and the process cannot guarantee compliance by members.

What does the peer review tell us about collective action? It is best described as 'critically constructive': not confrontational, but rather a learning process. There is a balance to be struck between pushing a reviewed country to change and integrating that

country into the process in a way that makes it feel comfortable in responding to the recommendations. Peer review is a soft enforcement mechanism, without powers of legal enforcement. One of the most important factors it relies on is mutual learning. Both the members and the Secretariat recognise peer review as an interactive process between the reviewed government and the examiners; the collective learning process includes both the Secretariat and other members (Jorgensen, interview with a head of peer review division, 2013). For instance, the Danish DAC delegate who examined the Japanese peer review in 2009, found the process very constructive and open-minded: he added that the Japanese government was always asked about the recommendations they would like to see in the report, and these proposals were then considered by the peer review team for possible inclusion (Neergaard, interview, 2012). At the peer review meetings held in Paris, members try to offer constructive criticism and realistic recommendation, because all the members come up for review every four years and might be subjected to the same treatment (Jorgensen, interview, 2013). In this way, tension among members is prevented. Similarly the review teams do not receive so many critical comments from governments whose aid has been reviewed when they read the draft report (ibid). This is because peer review teams have ongoing engagement process with the reviewed government, in which the reviewed governments are able to surmise the direction of recommendations (ibid). If the peer review were to push reviewed countries too much, there is a risk that countries will become alienated, so making their cooperation less likely.

In addition, the peer review has been structured with consideration for the balance between global standards and diverse country contexts. Although the review is guided by standards on which the DAC members are agreed, the process of peer review tries to accommodate the peculiarities and limitations of members in changing their policies according to the standards. It is the art of the Secretariat to handle the delicate balance between the two. As a DAC Secretariat who was in charge of the previous Japanese peer review recalls, “The Secretariat tried to draw a line between what can be changed pragmatically and beyond, so that we do not push the members in an unrealistic way” (Hayashikawa, interview, 2012). The Secretariat also tries to be helpful and respectful to accommodate the different contexts of the member states (Verger, interview, 2012). The peer review reference guide provides benchmarks and conditions but there is no ‘one size fits all’ model; “each peer review will be situated in its own context” (OECD Archives, 2013, p.2). Asked if working for the peer review is frustrating, the head of a peer review division’s answer below reflects her long experience in getting the balance right if change is to happen;

No frustration, as I understand that changes cannot be made overnight. You have to be realistic about what you can change, and more importantly, we need to find out where we see changes and keep encouraging these positive changes by observing the context (Jorgensen, interview, 2013).

A former DAC chair, Richard Manning, views the DAC in a similar way; we should be practical that uniformity of approach cannot be expected because donors are

independent actors and diversity within and beyond the DAC is valuable (2008, p.17).

One of the challenging tasks for the DAC Secretariat is to manage members' expectations, because some members want the standards to be stricter and more rigorous but some others believe peer review is more useful when it has flexibility (Jorgensen, interview, 2013). When the current head of peer review assumed her position in 2006, there was no standard framework of analysis (i.e., reference guide), so "it was evident that some members felt they were not measured on the same yardstick as others" (ibid). This is why she created the guide in order to manage members' competing interests and making the peer review more credible.

For members, peer review is an opportunity to be used strategically. For instance, when the UK hosted a public launch of its peer review in 2010, just before a change of government, the Permanent Secretary of DFID emphasised the positive aspects of the report, as it wanted to maintain public support for official development assistance (ODA) (Verger, interview with DAC Secretariat, 2012). According to a Japanese ambassador to OECD, who also received the DAC peer review in 2003 as a deputy-director in charge of ODA at Japan's MoFA, "There is no merit in peer review if the report lists unrealistic recommendations. But if it encourages the policy direction that is beginning to move, then the peer review will work as an endorsement as favourable wind domestically" (Yoshikawa, interview, 2013). This was also the case in Korea that was peer reviewed in 2012. Through the peer review process, many domestic

stakeholders, who were originally not in favour of reforming in line with the OECD and the DAC's market economic policies, began to realise the need for Korea's government to be more open in joining the international community (Choi, interview with Korean DAC delegate, 2013). As such, peer review can be useful for the DAC members in two ways: by providing opportunities to appeal to a domestic audience; and by providing support when the members want to reform (Hayashikawa, interview with DAC Secretariat, 2012).

To summarise, the monitoring mechanism of peer review provides strong evidence of collective action. First, members value peer review as mutual learning process, which is a positive indication instead of criticising each other too much. Second, the Secretariat has been successful in managing the level of pressure to put on members, and handling the balance between strict peer review standards and flexibility in accommodating the members' own context. Third, the reviewed members also use peer review strategically, by using external pressure to encourage internal reform and to promote ODA towards domestic audiences.

### 3.6: Conclusion

This chapter has examined indicators of collective action in the DAC and has reported some evidence from the DAC's experience of trying to achieve collective action. The performance is variable. And now that the DAC has opened its door to non-members

either as formal members or observers, the possibility of trade-offs between securing greater legitimacy and maintaining effectiveness must be considered in any assessment of its likely future performance.

Prime evidence of collective action can be seen in the process of agreement, implementation and monitoring of the DAC policies. The DAC has successfully agreed on different kinds of policies; the agreement processes show that different grouping of members have contributed to this in different ways. But the implementation of agreed policies is more difficult to trace. Peer review is a well-valued monitoring mechanism by the DAC members; not only does it help scrutinise the compliance of members but also encourages mutual learning; and the ways in which peer review is conducted facilitates respect and a positive attitude between the Secretariat and members as well as amongst the members themselves.

Having introduced and illustrated indicators of collective action in the DAC in this chapter, the next chapter builds on the analysis by exploring the conditions that are likely to make the successful achievement of collective action there more likely and, conversely conditions that are likely to impede collective action, once again illustrating by reference to actual DAC performance.



## Chapter 4: Conditions for Collective Action

### 4.1: Introduction

The previous chapter discussed whether and to what extent there is collective action in the DAC by reviewing the indicators of its members and meetings as well as the process of agreement, implementation and monitoring. Based on these indicators, this chapter discusses conditions which affect the existence and the level of collective action by addressing questions about “why is there collective action (or not)?” and “what kind of conditions are relevant to successful (or conversely) unsuccessful attempts to secure collective action?”

In responding to these questions, six actor-oriented conditions are selected as follows; Secretariat, delegate-headquarter relationships, member-member relationships, domestic environment, recipient country level, and member/non-member relationships. While the first three conditions are located at the DAC in Paris, the domestic environment refers to actors in member countries such as politicians, researchers, civil society organisations (CSOs) and their relationship with government officials. The country-level deals with actors in the recipient countries (most notably the donors’ involvement at that level). Since DAC policies are discussed and agreed by the DAC, internalised by the member countries and implemented in the recipient countries, the actor-focused and three-level

(international, domestic, country levels) approaches help us understand the different conditions for collective action. In addition, the UK and Japan are compared in detail in order to illustrate how DAC members differ in regard to the conditions for achieving collective action, particularly in respect of their domestic environment.

#### 4.2: Secretariat

Whether there can be successful collective action in the DAC depends on the existence of a capable Secretariat. The DAC Secretariat is an important condition. Like any Secretariat of an international organisation it can facilitate collective action by providing proper guidance and professional skills. Therefore, one of the conditions for the Secretariat is to have necessary capacity to prepare and facilitate the meetings. Also, if the Secretariat secures a reputation for neutrality or impartiality vis-a-vis members, it will gain their trust, which increases the chances for Secretariat to foster collective action. If in contrast the Secretariat is perceived to behave unfairly towards a member, or to manipulate processes for its own ends, then that could be counterproductive.

The Secretariat is headed by a director of Development Co-operation Directorate (DCD) in the OECD. The DCD is organised around four divisions as of 2013; Policy Coordination; Aid Quality and Architecture; Review, Evaluation and Engagement; Statistics and Monitoring. There are 100 Secretariat staff in the DCD comprised of 70 expert staff and a few dozen administrative staff. Some are seconded from the member

governments, which means they are paid by their own governments, whereas most staff are employed either as permanent or contract-based by the OECD. As the Secretariat staff are employed on different terms, their incentives vary. Those who are seconded from their governments often need to reflect their governments' interests in their work. In theory they could face a conflict of interest between securing neutrality as members of the Secretariat and representing their government's position. For all the staff and similar to other international organisations, they have individual incentives to survive in the organisation; they need to show their outputs and results on an individual basis. This can be a strong motive for moving the proposed agenda forward and producing visible results – even more so for staff who are on contract.

Having noted the different incentives among the Secretariat staff, the rest of this section analyses how the Secretariat staff contribute to forming collective action. As a Japanese DAC delegate views, whereas DAC members consider the DAC to be owned by its members, the Secretariat staff consider it as their own (Ishize, interview, 2011). The role of the Secretariat is to provide advice and technical expertise to help build consensus among the DAC members. In reality, however, its role and power are perceived by both the members and Secretariat to be bigger. The OECD is perceived by members as a Secretariat-driven organisation, in contrast to the United Nations (UN) where members have more power (Choi, interview with a Korean DAC delegate, 2013). Dirk Dijkerman who was a US DAC delegate and works as a DAC Secretariat official expresses the Secretariat's subtle power in relation to the DAC members as follows;

Secretariat does have power in a sense that *it holds the pen*, and through that it can *advance its ideas, assert things*, and if the members are not watching closely then that becomes part of the *mythology or belief* that that's what's been agreed to (interview, 2013, author's italics).

The fact that the Secretariat prepares the meetings process (e.g., data collection, drafting documents) gives them discretion in controlling the direction of the discussions, which may create some tensions between Secretariat and members. As a Japanese DAC delegate recalled; there was an occasion when a Secretariat staff corrected the record of a meeting only after being challenged by a member, because the original record included a proposal made by the Secretariat which was objected to by some members during the meeting (Okano, interview, 2012). The Secretariat uses tactics that may lead DAC members to believe in something that was not agreed, and this can lead to create the “mythology” (Dijkerman, interview, 2013). The Secretariat may delay in sending out the record, so that the members' memory becomes vague, or they may intentionally make members work busier. For instance, when the Secretariat produces a large number of meeting documents, members often find it difficult to keep up with reading and dealing with them, which in turn enables the Secretariat to have its own way more easily (Dijkerman, interview, 2013). The Secretariat can also manipulate information they give to the objecting members in order to get their proposal approved, by the way they consult or alternatively avoid individual members, and by providing incorrect information through informal communications (member government official, interview,

2012).

On the other hand, members try not to be deceived by the Secretariat. In a sense, it is a silent battle between the Secretariat and member countries. It is the responsibility of the members to watch carefully the direction of the Secretariat and to demand what they want and send proper messages, so that the Secretariat have no choice but to respond as DAC (former) delegates say (Fernandes, interview, 2011; Okano, interview, 2012; Dijkerman, interview, 2013). In other words, unless the members exert their right to demand information and watch the Secretariat's work properly, and unless "the members stay on top of the Secretariat" (Dijkerman, interview, 2013), the process can be overridden and controlled by the Secretariat.

Sometimes, it is the Secretariat's individual belief that drives the direction of the DAC (Shoji, interview, 2012). For instance, during an Australian peer review meeting in 2012, one of the Secretariat's recommendations was that Australia should devote more money to non-governmental organisations (NGOs). Some DAC delegates questioned this, asking: "How do we know the level of Australian funds to NGOs is low, as we have not agreed any standard in the DAC on that?" In the final version of the peer review report, this point was deleted (Dijkerman, interview, 2013). In this case the belief or the presumption of the Secretariat that the donors should transfer more funds to NGOs resulted in including it in the recommendation, although there was no shared agreement in the DAC. As Dijkerman reflects;

If there is no DAC standard, why were they asserting this? It was the Secretariat staff's *willingness and desire*. There are staff in the OECD who think their role is to push the members by which the Secretariat can get something done. This is why the members need to watch the Secretariat, so that definition of things cannot be changed according to what they want to push (interview, 2013, italic by author).

Importantly, though, that the Secretariat staff's belief affecting the direction of their work may be subconscious (Okano, interview, 2012) and these might happen through unintentional processes.

On the other hand, the Secretariat's actual power in directing the members is also supported by its capacity to move the DAC towards collective action. First, the Secretariat's capacity comes from the fact that most of the staff stay in their post longer than the member delegates who move on every 3-4 years or even sooner. Richard Cary, former director of DCD, worked as a Secretariat for thirty years. Whenever he made references to previous cases or precedents during meetings where discussions were ongoing, members would call him "walking dictionary" out of respect.<sup>1</sup> Given their greater experience, Secretariat staff are more likely to be aware of "all the subtleties of the issues discussed" (Dijkerman, interview, 2013).

Second, the Secretariat has a good sense of its ability to balance the various members' demands and the necessity for the DAC to produce results, even when it is almost

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<sup>1</sup> This is based on author's experience in working at the Japanese Delegation to OECD in charge of the DAC for two year between 2008 and 2010.

impossible that all the members can be satisfied equally. A Japanese DAC delegate notes that the Secretariat's initiative in balancing between each member to achieve compromise and general satisfaction is an important factor in getting agreement during the process of deciding the DAC's Programme of Work and Budget (two-years' plan) (Ishize, interview, 2011). In doing this, the Secretariat uses a good sense of how far donors are able to agree to the proposal (Riddell, interview, 2012).

Behind this lie constructive efforts by Secretariat staff. When communicating and coordinating, the Secretariat tries to be sensitive and responsible for all the members but at the same time tries to convince members that "their mousetrap is better than those of the members" (Dijkerman, interview, 2013). The Secretariat makes use of peer review process to create a "fishing point" for changing the reviewed country's aid policy, as a "hidden opportunity for the Secretariat" (Nicol, interview, 2013). The Secretariat's endeavour can also go beyond the policy level by listening to and observing the culture of individual members, as one Secretariat says, "Learning about Japanese philosophy from DAC delegate was very useful in communicating effectively with Japanese delegates" (Nicol, interview, 2013).

So far, the Secretariat's power over the members has been explained. Although officially it is the members holding the reins of decision making, the fact that the OECD and the DAC function as research think-tanks backs the Secretariat to legitimise its role in trying to persuade members to agree. The Secretariat's contribution to the policy

process can be said to be based on “evidence” which is considered to be free from political bias or judgement. Nevertheless, many delegates and Secretariat staff confess that their impression about the DAC changed after they began working in the DAC, where they found the reality was less like a research organisation than they had originally believed (such as interview with UK government official, 2012; Lomøy, interview with director of DCD, 2013a). The rest of this section explains the discrepancies between the image and the reality in this regard.

To begin with, the rigorous data and statistics from recipient countries are limited or of low quality, which means DAC policies cannot be based on pure evidence (Shoji; Massing, interview, 2012; Nicol, interview 2013). The DAC policies are based on “anecdotal evidence in bringing out lessons and by quoting other works through consultations, but not statistics-based evidence which other OECD committees are using” (Massing, interview with a DAC Secretariat, 2012). Sometimes the process can take the form of collecting existing evidence from published work in order to form an agreement, so, the DAC is more successful in synthesising policies which the members need than in using just logic or academic evidence to reach its conclusions (Honda, interview with Japan International Cooperation Agency Research Institute (JICA-RI) official, 2012). This is reflected by the proportion of economists in the DCD which is small compared to other OECD directorates (Nicol, interview, 2012). Hence, a shortage of rigorous evidence underpinning DAC policies gives the Secretariat some discretion in controlling the process of policy making.



Secondly, DAC policies are often drafted by external consultants, and the process in which the consultants are selected also gives some members an impression that the Secretariat is influential. According to OECD rules, the projects whose costs are under 30,000 Euros do not have to go through a competitive bidding process. This means the projects are contracted through direct negotiation and the Secretariat has right to choose consultants for the projects.<sup>2</sup> Not all the DAC members are fully aware of these rules.<sup>3</sup> In the DAC, a substantial percentage of the contracts falls below the cost threshold,<sup>4</sup> and Secretariat staff may try to fit projects within the threshold in order to avoid a lengthy bidding process. As a result, it is likely or gives an impression that most of the DAC's contracts go to British or Anglo-Saxon consultants (Hayashikawa; Massing; Shoji, interview with DAC Secretariats and Japan International Cooperation Agency (JICA) official, 2012). In practice, Secretariat has specific criteria for selecting consultants but only a very limited number of consultants come to the Secretariat staff's mind when awarding contracts, most of them from Anglo-Saxon countries.<sup>5</sup> Therefore, rather than being the Secretariat staff's own individual preferences, the choice of consultants is a reflection of the fact that some countries (the Anglo-Saxon countries) have more think tanks than other countries, like Japan (Massing, interview, 2012). So, although the Secretariat believes this is inevitable, some DAC members see it as a

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<sup>2</sup> Before 2011, the threshold was 50,000 Euros.

<sup>3</sup> For instance, a former Japanese DAC delegate was not aware of this.

<sup>4</sup> Indicated by a DAC Secretariat.

<sup>5</sup> The criteria may include experience in the recipient countries and with donors, communication skills including language, and ability to bridge policy and academic research.

source of influence they can have over other members. The processes whereby the questions and Terms of References are drafted and in which the consultants are selected are influenced by the Secretariat staff. And process matters in convincing all members that neutrality or impartiality is being observed. Some DAC members, like Japan, may hesitate to see DAC policies as neutral when and where they believe that processes for choosing topics, consultants, case studies and the conduct of the studies are in some way flawed. The DAC's claims to base its policies on evidence alone then come into question (Hudson, interview, 2012).

This section has discussed the role of Secretariat as providing conditions for collective action in the DAC. The Secretariat is a mediator among DAC members and has some room to manoeuvre when directing the discussions and finalising agreement in the DAC. It also has some discretion in moving the direction according to its own judgment, through the processes of collecting data and information, making analysis, preparing documents for meetings, drafting summary records, and conducting peer reviews. In theory, if the Secretariat is seen to be a less than neutral participant, this might impede collective action, by making some members resentful or feel threatened. In practice, subtle negotiations and communication between individual members and the Secretariat often happen under the surface, which heads off problems. In other words, before a member officially shows that it feels uncomfortable and reluctant to cooperate, either the Secretariat or the member (or both together) will try to resolve the issue first. In this sense, the Secretariat's manoeuvring power within its discretion can also be beneficial

to achieving collective action, alongside neutrality in treating members fairly. However, as ‘neutrality’ will always be a subjective judgment of individual members, and complete neutrality is very improbable anyway, a balance has to be struck between securing trust in its neutrality and manoeuvring towards collective action.

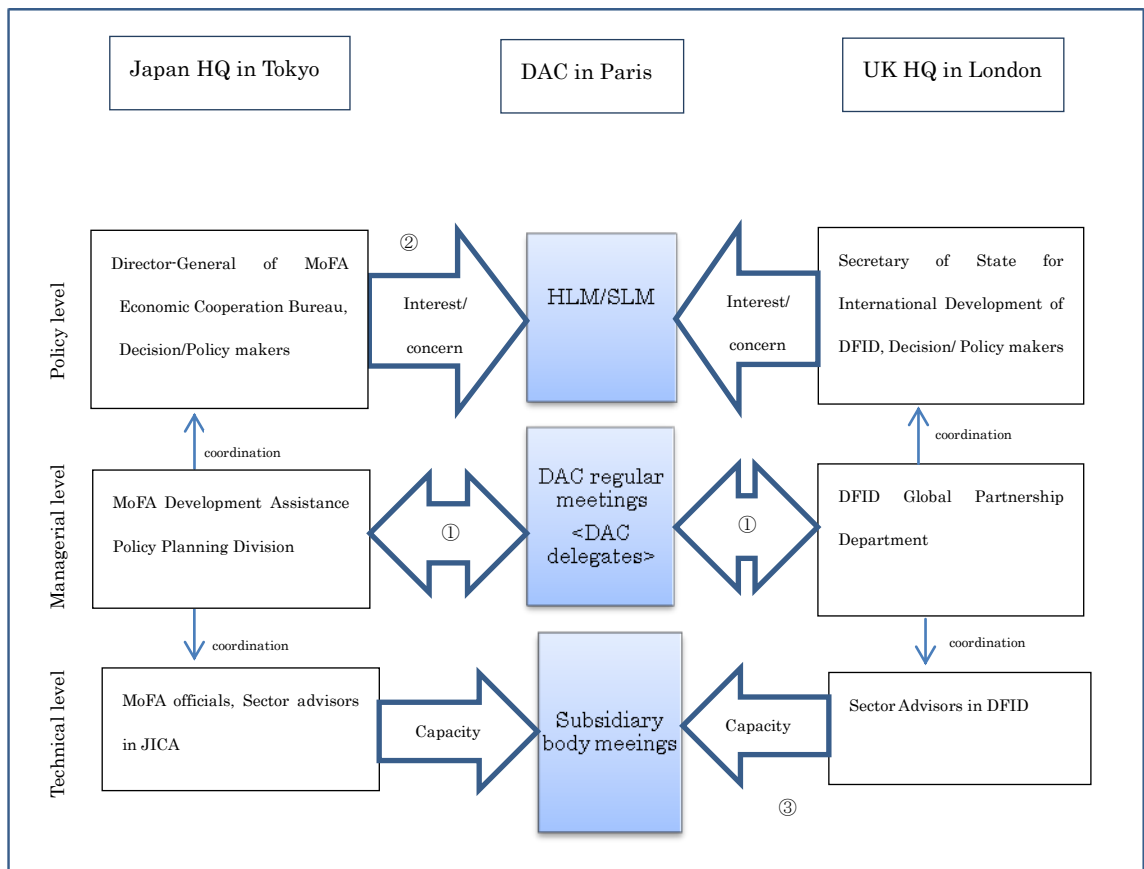
#### 4.3: Delegate-headquarter relationship

The previous section has shown that the Secretariat’s performance is one of the conditions for collective action. Turning now to the member governments, these can be divided into its DAC delegation and the headquarters, when dealing with the DAC. In this section, the relationship between the delegate and headquarters is discussed. If there is a clearly shared understanding of the government’s position in the organisation or on the issues discussed, between the headquarters and delegate, then the chances of achieving collective action might be advanced, relative to where there is inconsistency or confusion within the government. In addition, a headquarters’ strong interest in the international organisation as well as its capacity such as financial or human resource also increases the possibility of contributing to collective action in the DAC, since there are limits to what a delegate can do by him/herself. In this section, the participants to DAC meetings are layered into technical, managerial and policy levels. It examines the relationship of each level to the problem of collective action.

Figure 4.1 shows the three layers of delegate-headquarter relationship: High Level

Meeting (HLM)/Senior Level Meeting (SLM), DAC regular meetings, and subsidiary body meetings, which correspond to the participants' bureaucratic ranking. The right and the left rows show the corresponding member governments' structure, for the UK and Japan respectively. The following part of this section explains the level of mandate devolved by the members' headquarters on the DAC delegates (indicated as ①); the level of interest/ concern taken in DAC matters by the headquarters in case of Japan (indicated as ②)<sup>6</sup>; and the level of capacity in case of the UK (indicated as ③).

Figure 4.1: Logic of collective action between headquarters (HQ) and delegation (Japan and UK)



Source: author

<sup>6</sup> The meaning of 'interest' refers to positive interest to involve or commit, whereas 'concern' refers to negative or passive interest. In this chapter, 'interest' usually refers to positive meaning.

First, the extent to which the DAC delegates are mandated from the headquarters varies from country to country. Some countries can have strong and clear instructions from their headquarters while others may have more discretion to speak and decide for themselves during meetings. What is common is that the delegates understand the headquarters' overall policy, regardless of the level of instructions. Even when they seem not to receive detailed instructions, they are given overall policy directions within which they need to operate. Japan's DAC delegate was seen as always behaving logically in line with Japanese policy direction; by speaking on issues of their own priorities or something distinctive like infrastructure (interview with UK government official, 2012). On the other hand, a former Belgium DAC delegate had comparatively more responsibility from its headquarters to translate government's policies (Desmet, interview, 2012).<sup>7</sup> Presumably because the DAC is more regarded as an international policy think tank rather than a politically sensitive forum where the country's national interest could be threatened, the headquarters tend not to watch specific issues in the DAC very closely but instead trust their DAC delegates.

Some countries are systematically more prepared to be able to respond to the DAC's structure. For instance, in the UK's Department for International Development (DFID), a DAC network group connects experts in headquarters who attend subsidiary body

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<sup>7</sup> At the same time, the delegate was making efforts to read everything coming from delegations of other international organisations or embassies in developing countries, in order to have a clear picture about his government's direction (Desmet, interview, 2012).

meetings and the DAC delegate (interview with UK government official, 2012). The network aims to share information on the activities of each subsidiary body as well as overall DAC direction among the DFID officials, by holding a meeting every 6 months in DFID. In addition, the DAC's subsidiary body groupings correspond with the DFID's sector specialist groupings, such as fragile states, gender and aid effectiveness, which is why DFID has advantage in covering all the DAC subsidiary body meetings (ibid). Nothing comparable can be found in Japan. Organisational structure affects the relationship between the delegates and the headquarters, helping it work smoothly and effect a clear division of labour.

Second, the relationship between delegate and headquarters is affected by the level of interest taken by the headquarters especially at the policy level. When the headquarters sees a strategic or political interest in being involved in the DAC, the delegate is more likely to receive instruction and attention from the headquarters. In Japan's case, shown as ② in the Figure 4.1, the level of interest by the headquarters is comparatively low and is decreasing. The next section will discuss the reason in detail, but one prominent sign is the downgrade of the division in charge of the DAC in Ministry of Foreign Affairs (MoFA) over the last decade. When Japanese official development assistance (ODA) was the highest in the DAC during 1990s, there were at least two career diplomats and one seconded official fully in charge of DAC affairs in MoFA as a DAC team (Uesu, interview, 2012). However, during MoFA's organisational reform, the 'DAC team' was abolished by late 2000s, and, according to former MoFA official,

DAC-related work has been pushed into the corner, representing Tokyo's disinterest in the DAC (interview, 2012).

Nevertheless, low interest by the headquarters does not necessarily always correspond to the level of involvement shown by DAC delegates in meetings. Delegates may still take personal initiatives, and when they do they are highly valued in the DAC. Referring to one of the Japanese DAC delegates, a DAC Secretariat official says "He had a good reputation among the Secretariat because he always presented *his own opinion*" (Hayashikawa, interview, 2012, italic by author). According to another Secretariat official, collective action in the DAC depends on *personalities and motivation of individuals* : the same Japanese DAC delegate was "bridging between the DAC and Tokyo not only in taking initiatives within the government parameters but also in pushing further what can be done without having instructions from the headquarters" (Massing, interview, 2012, italic by author).

This shows the role the DAC delegates play can go beyond just conveying messages and directions from the headquarters. In fact, their individual personality and capacity adds value to the collective work in the DAC (Murotani, interview with JICA-RI official, 2012), and even the distinction between the individual thinking and institutional representation is not always clear cut (UK government official, interview, 2012).<sup>8</sup> This

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<sup>8</sup> Yet, it is important for delegates to distinguish between their own opinion and headquarters' instructions, as is pointed out by a Mexican DAC delegate "A Japanese DAC delegate was professional in doing so" (Bracho, interview, 2011).

is because the DAC delegates not only represent their government and national interest, but also see themselves as members of a DAC community based in Paris and tasked with contributing to global interest – so, collective action at the DAC is affected by the balance between these two interests. According to a Japanese DAC delegate, a great proportion of the DAC delegates’ work is based on individual knowledge and capacity, and DAC delegates need to work together rather than relying on the headquarters’ orders in order to contribute to collective action (Ishize, interview, 2011).

Third, the relationship between the delegate and the headquarters is also influenced by the capacity of the headquarters especially at the technical level. One way to measure member countries’ capacity here is the frequency of chairmanship in subsidiary bodies, because when member countries want to initiate something one of the easiest ways is to become a chair. Since the late 1970s, the UK has taken the chair more often than others, in DAC subsidiary body meetings. The UK took 17 (co)chair’s positions, while Japan took three vice chair’s positions only and none for the chair.<sup>9</sup> Nevertheless, as a DFID official who chaired DAC Evaluation Network (EVALNET) experienced, chairmanship may not necessarily benefit their governments directly (York, interview, 2012).<sup>10</sup>

Although being appreciated internationally, he was not gaining credit in DFID when the pursuit of global public goods (GPGs) was not seen to be a substantial benefit to the government in this case. He called it “a real collective action problem”, adding that he

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<sup>9</sup> Compiled and calculated by author based on OECD publications: OECD (1970, 1973-1975, 1978-1984, 1985a, 1986-2004, 2005a, 2006a, 2007, 2008a, 2009a, 2010, 2011a, 2012).

<sup>10</sup> He chaired EVALUNET between 2009 and 2012.



was even asked by his own colleagues back home whether he still worked for DFID, after having travelled to Paris so frequently! This shows the complexity of the balance between serving the global interest in the DAC and representing one's own government.

This section has shown the relations between the headquarters and delegate of a member government matters for collective action in the DAC. The level of mandate from the headquarters varies among the members: some members are more systematically organised than others to respond to the different levels of the DAC meetings. A strong level of interest by the headquarters in support of the delegates' contribution to collective action in the DAC can be advantageous. But the individual capacity of the DAC delegates can also be important to achieving collective action within the DAC. At the technical level, the capacity of the sector advisors contributes to collective action, as indicated by being chair of subsidiary bodies. Both the DAC delegates and the advisors have mixed feelings towards contributing to the national interest, by representing their own government, and to global interest, and this too impacts on the prospects for achieving collective action in the DAC.

#### 4.4: Member-member relationships

DAC members are the major players and therefore hold a key role in forming collective action in the DAC. The relationship among the members is especially important during the agreement process, because once agreement is reached it is then down to the

members individually to put the agreement into action. Hypothetically, when there is trust among members the possibility of getting collective agreement is higher. Mistrust among members will make the possibility of reaching agreement more difficult. In this sense, the so-called like-mindedness among DAC members helps it form collective action. Chapter 3 showed that during the agreement process the like-minded countries often lead the agenda, and some other countries then follow, so making collective action more possible. This section identifies the leaders in DAC and investigates the relationship between leaders and followers more deeply, by comparing the roles played by Japan (follower) and the UK (leader).

The US had taken strong leadership in both establishing and developing the DAC, before the early 1990s, as was discussed. Because the DAC was created with US intention to increase other nations' ODA, especially in Europe, the discussions in the DAC were focused on the volume of aid during that period. In 1990s, the US's top donor's position was replaced by Japan. Japan then tried to take some initiatives, most notably the *Shaping 21<sup>st</sup> Century* report as mentioned in chapter 1, but did not develop into a position to lead others. From late 1990s, the leadership in the DAC was taken over by the UK together with a few other European countries. The leadership of the UK and other 'like-minded' countries coincided with their initiative in the World Bank (WB), notably the Poverty Reduction Strategy Paper (PRSP); and discussions in the DAC shifted from aid volume towards the quality of aid.

As was discussed in chapter 2, collective action becomes easier when there is a small group of leaders. According to the director of DCD, it is normal to have the pattern of leaders and followers, but the different layers of the DAC (i.e., the HLM/SLM to the subsidiary bodies) allow all the members to bring each other forward, rather than influencing from just one side (Lomøy, interview, 2013a). As a head of peer review division says, “There are natural cycles of the donors who are in leading position, but the leaders and followers change over time just like a cycling race, that is healthy political dynamic” (Jorgensen, interview, 2013). In fact, the Korean leadership during Busan High Level Forum (HLF) was not anticipated a decade ago (Lomøy, interview, 2013a).<sup>11</sup> So the patterns of leadership, let alone the identity of leaders and followers, are not fixed for all time.

Asked about the current situation of leaders in the DAC, many interviewees who are not based in Paris answered that the UK has strong leadership in the DAC, whereas those who are based in Paris, either as Secretariat or delegates, tend to think that leadership in the DAC varies accordingly to issues or topics (Shoji, interview, 2012; Jorgensen, interview, 2013), rather than “being a monopoly or dominated by the UK” (Dijkerman, interview, 2013). This perception gap may be because the UK’s leadership received more recognition from outside than within the DAC, as outsiders only see the end result whereas insiders experience the full process by which agreements are finally hammered

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<sup>11</sup> As will be discussed in chapter 6, Korea hosted the HLF on Aid Effectiveness in 2011.

out.<sup>12</sup> Hence the impressions gained from within and outside DAC can be very different. This is especially so in the DAC, where three layers of meetings take place as well as covering a range of different topics (i.e., seven subsidiary bodies), and most outsiders are aware of only a few very high profile issues such as aid effectiveness.

Nonetheless, a common perception among the interviewees is that the UK has been a leader and Japan a follower. The rest of this section draws on this finding to establish the conditions for leadership. Two factors stand out: interest, and capacity. Interest is important if members are to be actively involved in DAC activities, because otherwise they will not direct their resources to this end. Yet even when members are interested, there are cases where their limited capacity does not allow them to fully engage in the DAC. The level of capacity affects the outcome of collective action, for as a DAC Secretariat says, “If all the members have enough capacity, it is more likely that there will be a consensus, though if certain members do not feel being involved, then they are more likely to block or feel suspicious about certain agenda” (Massing, interview, 2012). Therefore, both interest and capacity are necessary for members to behave proactively, and without them members may feel at some distance from the discussions and, perhaps, more inclined to be obstructive. The issue of interest is explained further below; capacity is discussed later (in section 4.5).

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<sup>12</sup> At the same time, there is also an aspect that Secretariat staff are likely to be careful about naming specific donors regarding their positions in the DAC.

Table 4.1: Comparison of interest towards the DAC between the UK and Japan

	<b>UK</b>	<b>Japan</b>
<b>Level of interest</b>	Generally perceived as high.	Generally perceived as low.
<b>Kinds of interest</b>	International leadership.	Membership to OECD.
	Influencing others.	Field level is more important than policy level.
<b>Reasons</b>	Global interest and national interest are aligned.	Global interest and national interest are dissimilar.
	Historical reasons.	Historical reasons.
	Visible leadership role.	Rarely takes lead but concerned about implementation.

Source: Author

Table 4.1 compares the level, kinds and reasons for interest between the UK and Japan. The level of interest of the UK government is comparatively high. The UK is seen by DAC members as “playing a positive and important role, leading as a front runner” (Choi, interview with a Korean DAC delegate, 2013). The UK displays a political interest in exerting international leadership through the DAC. As an advocacy manager of Oxfam Japan pointed out, international development is one of the UK’s prioritised national policies, which is valued by the UK’s intellectual elite across politicians, bureaucrats and media (Yamada, interview, 2012). For instance, Prime Minister David Cameron is a co-chair of the High-Level Panel on the Post 2015 Development Agenda in the UN, and in 2013 the UK declared it was the first G8 country to meet the 0.7% ODA target. In relation to the DAC, the UK Secretary for State for International Development has been co-chairing the Global Partnership for Effective Development Co-operation, after the Busan HLF (2011).<sup>13</sup> In fact, international development is seen

<sup>13</sup> A new forum established in 2011 to discuss effectiveness of aid and development is discussed in

as a “golden heritage” for the coalition government (Watkins, 2010, p.2).

Exerting its leadership internationally, the UK tries to influence other donors. A DAC Secretariat staff who is an ex-DFID official says “DFID has a sense of global consciousness about not just making its own aid good but all aid” (Ward, interview, 2012), because “we want all the possible contribution to be as effective as possible, and not just ours” (interview with UK government official, 2012). According to Eyben, who previously worked as DFID chief social development advisor during 1990s, utilising the DAC in order to disseminate particular policies and influence a wider community was a standard practice in DFID (interview, 2012). One of the reasons that the UK participates in the DAC is precisely because “It is a useful vehicle to influence others” (Ward, interview, 2012); and “DFID can punch above its weight by trying to get their views across” (White, interview, 2012).

Behind the way that the UK exerts its leadership, there exists a mixture of global and national interest. The way that the UK prioritises international development and influences others contributes to global interest in reducing poverty. And yet its ambition to take international leadership can also be seen as a national interest, by acquiring influential power or voice through soft power; hence, ‘development’ is used as one of the instruments to increase the UK’s influence in the world. In reality, it is difficult to always distinguish sharply between the global interest and national interest. A DAC

Secretariat staff agrees that the UK has a strategic objective to influence global policy process, and yet observes subtly that “The UK is not necessarily using the DAC for their own pre-defined agenda (that is to say, positions), but they are using it to advance their prioritised agenda to be discussed in the DAC” (Massing, interview, 2012). A Japanese academic says “the UK’s national interest (i.e., influential voice) and global interest (i.e., development) is consistent with each other” (Shimomura, interview, 2012). This explains why DFID is able to pursue a global objective while advancing its national interest at the same time; DFID does not need to put “national interest” up front in their work (Verger, interview with DAC Secretariat, 2012).

How about Japan? Japan’s explicit leadership in the DAC is not recognisable, except for a brief time when it made some effort on *Shaping the 21<sup>st</sup> Century* report in 1996. Why has Japan not taken the lead, even during 1990s when it was the top donor?

To begin with, as DAC norms are different from those that are typical of Japan’s ODA, Japan experiences discomfort in trying to become central to DAC. For example, clear differences can be observed in terms of ODA provision. Having been the only Asian member for long time, the geographical disbursement of Japanese ODA has focused on Asia rather than Africa where most DAC donors now concentrate. In 2012, the proportion of Japan’s ODA net disbursement to Asia was 48.7%, whereas the DAC average was 25.8%.<sup>14</sup> Japan has indeed increased its ODA to Africa over the last

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<sup>14</sup> OECD Stat Extract data (<http://www.oecd.org/dac/stats/>, Accessed: 20 Mar 2014).

decade from 10.4% (2002) to 26.9% (2012), whereas DAC average was 34.4% (2012). In a second difference, Japan provides more loans compared to other DAC members. In 2002, the percentage of Japanese loan aid of the total ODA was 34.6% while the DAC average was 2.6%.

The existence of these two important differences has consequences for how DAC policies are formulated. For instance, the aid effectiveness agenda originated from the problems experienced in Africa, where aid fragmentation was undermining development, and initiated new aid programmes (e.g., budget support). Since Japanese aid was concentrated on Asia through loan aid projects, Japanese bureaucrats did not have strong reasons to adopt the new agenda, or even tried to avoid it.<sup>15</sup> These experiences in reacting to the new DAC agenda, which rests on premises that are not shared by Japan, increased Japan's distance from the DAC. A former director of DCD says "It is unfair that Japan has been criticised in the DAC because of its different outlook from others" (Carey, interview, 2012). As a result, MoFA's attitude towards the DAC became receptive as to the level "to check carefully any signs that may lead to conditions in which Japanese aid becomes difficult to be implemented" (Watanabe S., interview with MoFA official, 2012).<sup>16</sup>

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<sup>15</sup> This point will be further discussed in chapter 6.

<sup>16</sup> A similar point was also mentioned that Japan tries to reduce the level of disadvantage it might receive, resulted in obstructing the vision and framework other countries set in DAC (Yamada, interview, 2012).



Not only are the ways that ODA is provided affected, but also there is some distance between Japan and the DAC over how policies are discussed and agreed in the DAC. One of the major criticisms of the DAC among the Japanese community is its excessive focus on ideas and impractical theory, which may not truly reflect the reality of developing countries. Japan's ODA policies derive from practices on the ground, as a Japanese DAC delegate says, "Rather than entering from idea, we extract cases from practices" (Okano, interview, 2012). In fact, Japan's ODA experiences are based on a "hands-on approach" in Asia, with a physical presence, contrary to a typical Western "framework approach" that emphasises procedural efficiency (Ohno, 2013, p.10). The framework approach predominates in the DAC as it is more focused on the process of aid provision. A former Overseas Development Institute (ODI) director's words illustrate this point well: "Japanese may not feel comfortable in this world of normative frameworks" (Maxwell, interview, 2012).

The DAC has provided a multilateral forum in which bilateral donors are engaged in diplomacy in development. This is different from both bilateral aid (donor-recipient relationship) and multilateral aid (donor-international organisations relationship), and it is the relationship among the donors that matters most in the DAC. However, because Japan's government tends to care more about the relationship with recipient countries than the relationship with other donors,<sup>17</sup> Japan has "a sense of incongruity, and

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<sup>17</sup> For instance, making efforts in responding to recipients' expectations is taken as more important than justifying its positions at the international level (Mitamura, interview with a government official, 2012).

therefore, not fully seated in the DAC”, according to one Japanese academic (Ohno, interview, 2012).<sup>18</sup> And this reaction by Japan leaves it less able to lead even during the period when it was a top donor (Hewitt, interview with ODI senior researcher, 2012).

Nevertheless, the DAC is not the only example in this regard, in part for reasons deeply rooted in Japan’s ODA history; starting from reparations to neighbouring Asian countries after World War II, and then addressing the need to balance a growing trade surplus with the US (Kurata, interview with House of Councillors Secretariat, 2012). Some interviewees noted Japan’s lack of pro-activeness rooted in its defeat in World War II, after which renouncing military power and separation from diplomacy became standard (Takahashi M., interview with Japanese academic, 2012); Japanese people came to feel resistant about exporting their own thinking or attempting to change the world order (Yoshikawa, interview with Japanese ambassador to OECD, 2013).<sup>19</sup> This is because some see proposing Japan’s own values as being associated with its colonial history (Kurata, interview, 2012). On the other hand, the UK has a sense of guilt as well as responsibility for the former colonies (Ward, interview, 2012) and therefore, accepts paying for the cost of world order at the same time (Takahashi M., interview, 2012).

So, is Japan a follower in the DAC? One DAC Secretariat official answers “That is a

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<sup>18</sup> Professor Ohno participated in DAC meetings such as China-DAC Study Group.

<sup>19</sup> According to Yoshikawa, Japanese politicians are typically sensitive about Japan contributing to forming the global political order, as it is likely to involve not only ideas but military power as well (interview, 2013).

short selling of Japan, as it is more than a follower” (Jorgensen, interview, 2013). However, Japan is not a leader in the DAC, and is perceived as “punching below its weight, in spite of interesting initiatives such as Triangular Cooperation or Human Security” (Neergaard, interview with Danish DAC delegate, 2012). This is echoed by the director of DCD who said Japan (and Germany) are underutilising opportunities to project their national image through taking leadership (Lomøy, interview, 2013a). Also, in spite of Japan’s long experience in Asia, “how much developmental impact and results Japan brought to Asia is not fully understood by others” (Carey, interview with a former director of DCD, 2012). Something similar can be observed at subsidiary body level, where a former chair of EVALNET thinks “The potential to work with Japan has not been fully developed, even it is a big donor, and more involvement could be expected” (York, interview, 2012). The factors affecting Japan’s underutilisation not only come from the low level of interest but also its limited capacity, which is discussed later (section 4.5).

Yet, the direction of wind has recently been changing in favour of Japan. As discussed in chapter 1, the global economy is shifting its pivot from West to East, and the DAC has no real alternative choice but to adjust itself to the new realities, by increasing its membership for instance. Considering the increasing role of ODA in catalysing other sources for development, and the increasing influence of non-DAC countries’ aid provision, the DAC is now mandated by ministers to revise its ODA definition and

standard of measurement.<sup>20</sup> These can be seen a shift towards where Japanese aid can be more appreciated, and Japan may become less distanced (Carey, interview, 2012), though the shift was made because of the change of the global architecture and not due to any initiative by Japan (Ishize, interview, 2011).<sup>21</sup>

Instead, Japan's recent initiative is found outside of the DAC, such as setting up the Asia Development Forum to discuss emerging policy issues on development among the Asian countries.<sup>22</sup> The Forum aims to represent Asian voices in the new international frameworks on development, such as the post-2015 Millennium Development Goals (MDGs) of the UN, or the Busan Global Partnership (MoFA website).<sup>23</sup> Japanese interviewees refer to such initiative as 'Asian DAC', in contrast to the one dominated by European countries. For the Japanese government, it may be logical to invest its resource and knowledge in regional initiatives like that (Okano, interview, 2013), especially now the global economy is shifting towards the East.

To conclude, this section has shown that DAC members do not all have the same level of interest in the DAC. In forming collective action, a pattern of leaders and followers can prove helpful. But the leaders have their own reasons for taking on leadership, sometimes using the DAC to achieve their own purposes. This means it has to be done

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<sup>20</sup> This should be finished by the end of 2014 (OECD Archives, 2014).

<sup>21</sup> Some new growth agenda such as Public-Private Partnership have been on the rise but not recognised as Japan's agenda (Okano, interview, 2012).

<sup>22</sup> The first forum was held in Korea in 2010 followed by Japan, Thailand and Indonesia annually.

<sup>23</sup> [http://www.mofa.go.jp/mofaj/gaiko/oda/doukou/kaigi/04asia\\_kaihatsu\\_g.html](http://www.mofa.go.jp/mofaj/gaiko/oda/doukou/kaigi/04asia_kaihatsu_g.html) (accessed 12 July 2014).

with care in order not to jeopardise trust among members, for that effect can then make achieving collective action more problematic.

#### 4.5: Domestic environment

The domestic environment of the member countries furnishes another condition for securing collective action. In this section, four domestic actors will be presented: politicians, bureaucrats, CSOs and researchers. Like many other international organisations, the members of the DAC are the ‘governments’. So the involvement of politicians and bureaucrats is a more primary concern compared to the roles played by academics and CSOs. When politicians show a strong interest in the DAC, bureaucrats will have to follow their example. When both the politicians and bureaucrats are interested in the DAC discussions and are fully committed to agreements that are reached there, then the prospects for achieving collective action all the way through from agenda formation to implementation are good. And yet other actors such as CSOs and researchers might be able to influence the government’s role, by applying pressure or providing support to the government’s capacity to contribute to collective action.

In this section, the domestic conditions are decomposed into government policy and the four aforementioned domestic actors. By comparing evidence from the UK and Japan this section identifies conditions which affect the two countries’ contribution towards collective action in the DAC.

Table 4.2: Comparison of domestic environment between the UK and Japan

	<b>UK</b>	<b>Japan</b>
<b>Government policy</b>	<ul style="list-style-type: none"> <li>• Development is prioritised as a national priority.</li> <li>• Strategy for utilising International Organisations (IOs) (Secondment to IOs).</li> <li>• National interest= taking leadership in international development.</li> </ul>	<ul style="list-style-type: none"> <li>• ODA is set as a foundation of foreign relations, but no philosophy regarding ODA.</li> <li>• Bilateral relations are prioritised over multilateral forum.</li> <li>• National interest= materialistic gains rather than soft power, and how ODA can improve Japan's economy.</li> </ul>
<b>Politicians</b>	<ul style="list-style-type: none"> <li>• Political interest on development was formed over the history of UK aid.</li> </ul>	<ul style="list-style-type: none"> <li>• Politicians' incentives to support for international development is low.</li> </ul>
<b>Bureaucrats</b>	<ul style="list-style-type: none"> <li>• High motivation and capacity of staff for development and poverty reduction.</li> <li>• Flexibility of staff recruitment (CSOs, researchers).</li> </ul>	<ul style="list-style-type: none"> <li>• Two layers of MoFA for ODA policy and JICA for implementation.</li> <li>• MoFA has influence over politicians, but JICA has more knowledge than MoFA.</li> </ul>
<b>CSOs</b>	<ul style="list-style-type: none"> <li>• Long-established CSO community for development advocacy (many HQs in UK).</li> <li>• CSOs contribute to monitoring government's compliance and help government's agenda setting as well.</li> </ul>	<ul style="list-style-type: none"> <li>• CSOs are more involved in service delivery than policy advocacy.</li> <li>• CSOs monitor government's compliance with international policies.</li> </ul>
<b>Research</b>	<ul style="list-style-type: none"> <li>• Long-established, internationally leading research community on development.</li> <li>• Consultancy for IOs including the DAC.</li> </ul>	<ul style="list-style-type: none"> <li>• Research on development and policy is weak; universities started development studies only in 1990s.</li> </ul>

Source: Author

Table 4.2 compares the domestic environment of UK and Japan. In the UK, the domestic environment is favourable for the UK government to take a leadership role internationally including in the DAC. Since international development is a UK national policy, and as UK takes a lead on global poverty reduction, politicians have an interest

in steering the DAC's international development agenda. With the benefit of strong political leadership, UK bureaucrats are proactively engaged in international forums, including the DAC. Within the government, institutional capacity is established in order to exert its leadership. There are also long-established CSOs and a research community that complement the capabilities of the UK's leadership. There exists a common recognition among domestic actors in the UK that leadership in this field is important.

In contrast, the domestic environment in Japan is not favourable for it to contribute to collective action in this way. There is no shared understanding on why Japan provides ODA, in other words philosophy, among domestic actors. Politicians are not so much interested in ODA policy. And without political leadership, bureaucrats lack incentives to engage proactively in international forums like the DAC. The CSOs and research community are also recent and not well established. The rest of this section assesses these conditions in the UK and Japan in more detail.

### *Government Policy*

The UK has a clear strategy in utilising international organisations. For instance, the DFID began independent assessment of multilateral organisations in 2011, which was followed up in 2013 in a report *Multilateral Aid Review* (DFID, 2013). Although the DAC is not included, the report implies the DFID's seriousness in scrutinising the international organisations.<sup>24</sup> The UK also seconds "25-30 high calibre DFID staff" to

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<sup>24</sup> DAC is not included, as it does not directly provide aid to developing countries.

international organisations and bilateral agencies in order to “help strengthen the effectiveness of the international system and build DFID’s understanding and networks” (DFID, 2012, p.1). DFID’s seconded staff are very visible to other actors as well (Hudson; Tomimoto; Furukawa, interview, 2012).

An advocacy manager of Oxfam Japan adds that UK aid policy is led by an elite class comprising politicians, bureaucrats, CSOs, academics and media, which may not be entirely representative or reflective of people in the UK (Yamada, interview, 2012). In fact, 64% of respondents to a public opinion survey by Institute of Development Studies (IDS) thought UK government should focus more on tackling domestic poverty than abroad, and 57% did not support government’s policy of ring-fencing aid spending (Henson & Lindstrom, 2010, pp.1-2).<sup>25</sup> But in recent times the government has been committed to increasing UK ODA to the target of 0.7% of GNI. According to a British academic, certain political decisions in the UK, including international aid, are not reflective of public opinion, partly because politicians are from middle to upper class (White, interview, 2012), meaning they do what they believe in regardless of public opinion.

In contrast, Japan’s aid policy is characterised as ‘reactive’. In spite of the existence of Japan’s ODA Charter in which the purpose of ODA is stipulated, there is no real overall vision or firm consensus over what Japan aims for by providing ODA (Jin, interview,

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<sup>25</sup> The report was a result of monitoring over 1,000 respondents for two times.



2012).<sup>26</sup> That is why a Japanese ambassador to the OECD argues for establishing solid domestic support in the first place by agreeing and sharing the philosophy of aid among Japanese people, which may also lead to Japan's proactive behaviour internationally in the long run (Yoshikawa, interview, 2013). Because of the low level of interest and support for ODA among the people, Japan's politicians and media are passive about supporting for the ODA. As a result, the bureaucrats have more control in deciding aid policy, and, Japan's interaction with the DAC has been reactive and responsive. Even during the 1990s when Japan was providing the largest aid volume, "Japan did not have any guts or idea to take initiatives in the DAC" (Hattori, interview with former Japanese ambassador to OECD, 2012).

One of the underlying factors for Japan's reactive position is that Japan has always felt a sense of incongruity in the DAC (Sugishita; Ohno, interview, 2012). Since there are differences between the European countries and Japan, not only about their aid policies but also in the logic of their thinking, it is less likely that Japanese value or voices are heard or reflected in the DAC (Araki; Shimomura; Watanabe S., interview, 2012). Consequently it is less likely that Japan will utilise the DAC as a channel to proactively publicise Japanese aid (Japanese government official, interview, 2012). The situation then becomes self-fulfilling and self-perpetuating. Another factor is that the Japanese government has valued the importance of aid volume for a long time, in contrast to

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<sup>26</sup> The purpose of ODA in the Charter is "to contribute to the peace and development of the international community, and thereby to help ensure Japan's own security and prosperity" (MoFA, 2003).

DAC's focus on bringing ideas and knowledge for improving aid quality. This may be understood as the government's strategy in prioritising loan aid (Araki, interview, 2012). Here, a Japanese ambassador to OECD's allegorical explanation of the importance of aid volume is worth noting: Although DAC discusses how to clean 10 dollar note, 10 dollar note cannot be 100 dollar note, no matter how well you clean (Yoshikawa, interview, 2013). Yet, as Japanese ODA volume has declined and now ranks only fifth among DAC donors, Japan's government need also in making more effort to improve its aid quality as well (Kurata, interview, 2012).

### *Politicians*

Political leadership strongly influences the level of collective action. In the UK, recognition of international aid as a major part of UK's profile is shared amongst all leaders of the three main parties. This reflects how they want the UK to be seen in the world (Ward, interview, 2012). Among others, Clare Short's leadership under the Blair Government in 1997 was exceptional. According to a former director of DCD, after the Labour Party took power in 1997 the UK became almost a leader of the DAC overnight (Cary, interview, 2012), due to Short's strong and visionary leadership, both her idealistic motivation and wanting to make full use of research and develop ideas (Jolly, interview, 2012).

Nevertheless, the UK had a structural strength in political leadership even before 1997 (White, interview, 2012), especially when after the 1980s international aid became a

cross-party issue in discussions (Hewitt, interview, 2012). The establishment of the All Party Parliamentary Group on Overseas Development in 1984 with the participation of 150 politicians across the parties was important in building political interest and leadership. As a founder who ran the group for over 20 years, Hewitt explains the reasons for setting up the group: political interest had to be cultivated, because under the Margaret Thatcher's Conservative government international development was neglected at that time (ibid). The political interest and leadership shown by the UK should not be seen as the default condition, but instead, as a result of long-time consolidation.

Politicians also try to influence the public's views on international development, as was the case for Clare Short who tried to mobilise public support through setting regional conferences and meeting with local NGOs (Short, interview, 2012). By doing so the increase in public support helped change the views of Prime Minister Tony Blair and Chancellor of the Exchequer Gordon Brown, neither of whom initially focused on international development but eventually helped lead the Gleneagles G8 Summit in July 2005. That spotlighted aid to Africa and debt cancellation, in recognition of the growing popularity of these causes among the UK public (ibid).

The change of government from Labour to Conservative-Liberal Democrat coalition in 2010 was a big concern for the UK development community, though surprisingly the UK's position as a leader in international development was not damaged. The incoming government kept to its predecessors' promise on the level of ODA. The budget was

protected against cuts presumably as part of “detoxifying the Conservative image” (Hudson; Hewitt, interview, 2012) and also due to a political calculation that degrading the international development policy would cost more, considering the number of aid supporters in the UK (Jolly, interview, 2012).

In Japan, political leadership is very weak because politicians are aware that their voters in the constituencies do not favour supporting international development. For instance, according to a former politician, his voters scold him when appealing for providing ODA to poor people abroad. This is because their living conditions are also harsh.<sup>27</sup> This dilemma of politicians is fairly common, which is why the number of politicians who are supportive of ODA for global interest is very limited (Kanda; Kanayama, interview, 2012). Consequently, aid discussions in political fora in Japan tend to dwell on relevance to the national interest, through the mechanism of tied aid to benefit Japanese companies, for instance (more on this in chapter 5).

Similar to the UK, there was a change of government in Japan in 2009, from Liberal Democratic Party (LDP) to Democratic Party (DP) after more than 50 years’ rule by the LDP. However, the change did not alter Japan’s aid policy – political interest remained low. Moreover, the Tohoku earthquake in 2011 increased the emphasis on bilateral aid

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<sup>27</sup> A comment made by Tadashi Inuzuka on 5 Mar 2007 at National Graduate Institute for Policy Studies, during seminar series to discuss reforming Japan’s ODA held monthly over a year, in which the writer participated ([http://www.grips.ac.jp/forum/newpage2008/oda\\_salon/mtg6/minutes.pdf](http://www.grips.ac.jp/forum/newpage2008/oda_salon/mtg6/minutes.pdf), accessed 1 July 2014).

with national interest attached.<sup>28</sup> As a result, Japan's ODA policy came to focus more on bilateral aid at the expense of contributing to international organisations, which has annually fallen since 2011.<sup>29</sup> Also, with a supplementary budget in 2011 of 5 billion yen, ODA was used to revitalise the economy in the affected region of Japan, through exports of the affected region's industrial equipment and processed marine products to developing countries (MoFA, 2012, p38). So, Japan's ODA policy has moved closer to domestic orientation and away from the global interest.

### *Bureaucrats*

How do bureaucrats influence the conditions for collective action? In the UK, DFID is in charge of international development, handing 86% of UK aid in 2008 (OECD, 2010a, p.48). DFID was created in 1997 when the Labour party took power. Before the 1997 election, Clare Short was asked by Tony Blair to advise him on whether to have an independent department for development, and concluded that such a department headed by a cabinet minister should stand, after consulting with leading think-tanks and Permanent Secretary (PS) of Overseas Development Administration (later DFID) (Manning, 2007, p.553-554). Then PS of the Administration, John Vereker, also recalled that his discussions with Short established the decision to set up the new department, disentangling responsibility for aid from the Foreign Office, in a reasonably planned and controlled manner (Vereker, 2002, p.137). Therefore, although DFID's founding

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<sup>28</sup> According to some interviewees, securing ODA budget or getting ODA projects approved became difficult without justifying direct benefit to Japan.

<sup>29</sup> Information on MoFA website ([http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/sonota/k\\_kikan\\_25/pdfs/gaiyo.pdf](http://www.mofa.go.jp/mofaj/gaiko/oda/shiryo/sonota/k_kikan_25/pdfs/gaiyo.pdf), accessed 1 Jul 2014).

was led by a political decision the bureaucracy provided significant support. From 2009 under the new Conservative-Liberal Democrat coalition government, DFID has remained an independent department with cabinet representation for the first time in the history of UK aid (under previous Conservative governments its affairs were integrated into the Foreign Office). The establishment of DFID was, then, an important condition for the UK to put its resources behind achieving collective action in the DAC. It allowed the DFID to be protected from interference by other departments with interests that could well conflict with DFID's aims and commitment to the global interest.

DFID staff are known to be committed to global poverty reduction and to gaining special recognition both internationally and domestically. The UK government civil service capability review in 2009 states;

DFID is a well-run department. It has impressive leadership that is complemented by high-quality and committed staff. It is admired internationally throughout the donor community, and is regarded as a leader (O'Donnell, 2009, p.7).

According to Myles Wickstead, who has a long time career with DFID in Whitehall "DFID and the Treasury have always been the most popular ministries in the UK" (interview, 2012), and by recruiting of top-level staff from outside DFID has developed as "an enviable reputation in Whitehall as a department with well-respected top-management and in particular a strong sense of direction" (Manning, 2007, p.561).

The UK government's capability review in 2012 concluded DFID as a leading donor

with highly engaged professional staff (DFID, 2013a, p.2). With the UK government's commitment to evidence-based policy making, a large number of technical specialists came to be employed in DFID (Barder, 2005, p.26), accounted for 25% of DFID staff of total 2,750 in 2011-2012 (DFID, 2013b), contributing to UK leadership in international aid.

DFID's employment is dynamic, inviting academics and CSOs in their mid-career with strong commitment to fight poverty, to a level that it sees itself as "a big NGO" rather than a part of the government (Wickstead, interview, 2012). Also, as John Vereker who spent eight years as a PS of Overseas Development Administration and DFID says, the parliamentary environment around the DFID is more supportive than in the US or Japan, where bureaucrats have to spend a fair proportion of their time "in a barely disguised series of hostilities with their legislators" (Vereker, 2002, p.134). In the UK the International Development Act of 2002 clearly stated that aid should NOT be used for any purpose other than poverty reduction, which makes it easier for DFID to concentrate on its development goals.

In Japan, the condition of bureaucratic structure is much more complex. First, there are institutional complications both at horizontal and vertical level. At horizontal level, the bureaucratic work in relation to the DAC is linked to three ministries of MoFA, Ministry of Finance (MoF) and Ministry of Economy, Trade and Industry (METI), depending on the issues discussed. Primarily it is MoFA which is in charge and attends

DAC meetings, although sometimes officials from other ministries also attend. The division of labour between MoF, in charge of development banks (the WB), and MoFA, in charge of the DAC, undermines effective coordination within the government, especially because international development policies are interrelated across multilateral development organisations.<sup>30</sup> MoFA and METI have opposing interests. Whereas METI pursues and protects national interests to benefit Japanese companies such as through tied aid (see chapter 5), “MoFA can secure its legitimacy by converging to the DAC” (Shimomura, interview, 2012). The different positions of MoFA and METI is reflected by the fact that two ministries previously published ODA White Paper separately;<sup>31</sup> and unlike METI the MoFA’s ODA White Paper for a long time talked about the need for improving its aid quality through aid coordination; A Japanese academic infers that MoFA was trying to inform the public about international pressure on Japan in order to provide aid in a manner that is not shameful (Takahashi M., interview, 2012).

There is a vertical division in bureaucratic structure as well; MoFA is in charge of aid policy, and JICA is an implementation agency. However, in reality, some posts in MoFA are complemented by seconded JICA officials because of the lack of specialisation of MoFA officials in development.<sup>32</sup> MoFA officials are diplomats; and more specialised

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<sup>30</sup> In the UK, the responsibility for the WB was transferred from the Treasury to DFID by Clare Short’s initiative.

<sup>31</sup> METI published annual report titled “*Keizai Kyouryoku No Genjyo To Mondaiten* (Situation and Challenges of Economic Cooperation)” between 1961 and 1999, in which a few pages were spent on the updated activities of the DAC as well.

<sup>32</sup> While some countries separate the career paths of diplomats and development specialists within the Ministry of Foreign Affairs, this is not true for Japan. However, from early 2000s MoFA started



knowledge and experience on aid and development are accumulated in JICA. This point is well recognised even outside of Japan's aid community. Asked about the challenges for Japan, a DAC chair indicated that with limited expertise on development MoFA's in charge of DAC can be the main issue (Atwood, interview, 2012). A former ODI fellow, who also participated in DAC meetings, observed that good technicians are needed at the table, to speak openly, implying that Japanese participants at DAC meetings give an impression of being bureaucrats rather than experts (Christiansen, interview, 2012). All these indicate a subtle structural issue between MoFA and JICA with regard to dealing with aid matters, "which is also true for other donors with similar institutional setting" (York, interview, 2012).

The bureaucratic divide certainly does not help the Japanese government make an effective contribution to collective action in the DAC. The horizontal structure among MoFA, METI and MoF is a coordination issue, though the vertical structure between MoFA and JICA involves capacity issue as well. For MoFA, the DAC is their own matter. It was only after the mid-1990s that JICA started to participate in the DAC subsidiary body meetings, and during the early days, JICA had to seek approval from MoFA for attendance at DAC meetings (Furukawa, interview, 2012). For MoFA officials, it is their job to attend and give presentations, because the DAC is an international organisation that involves diplomacy (Uesu, interview, 2012). Yet, the

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"Specialist System" by which some diplomats are authorised for their specialisations, such as economic cooperation and regional specialisation, but the numbers remain small.

overall involvement of MoFA in DAC is weak, because of the low level of political leadership and support from its headquarters, as was discussed.

JICA itself is not monolithic either: this too undermines its ability to effectively utilise its knowledge and expertise. First, JICA officials are generally not interested in policies discussed in the DAC. One reason preventing JICA from being involved in the DAC is that “JICA’s organisational structure is based on sectors (e.g., education, water) whereas DAC subsidiary body is organised around sector-wide issues” (Mitamura, interview, 2012). This contrasts with the UK, where DFID advisors are structured in line with the DAC’s subsidiary body structure. As a result, JICA officials have less incentive to contribute fully to DAC meetings and are easily distracted by their own operational work. Also, the knowledge and experiences that are diverse at country level are not systematically brought together by JICA (Asai, interview, 2012). This makes meaningful and effective communication onwards to the DAC that much more difficult.

Within JICA, there is a gap between a handful of people who mainly work for policy at the international level, including secondment to MoFA, and the majority who work at operational level. The division between the two levels within JICA was referred in relevance to “air fight and ground war” by a JICA official (Yamamoto, interview, 2012).<sup>33</sup> According to him, most of the important international aid policies are framed

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<sup>33</sup> He has worked in France, the US and the UK as well as currently as a JICA EU representative for over 13 years.

in Washington, New York, Paris and London, and those who win the air fight also control the whole war – this is why policy level work is important, even if it is slighted in JICA. This shows multiple difficulties beset any ambition to connect country-level operational work and policy level work.

The complex nature of Japanese bureaucracy obstructs effective involvement in the DAC. Compared to the UK's DFID, where less internal negotiation or coordination is necessary, Japanese bureaucratic structure exhibits a “completely different internal landscape”, with different incentives applying to different stakeholders (Evans, interview, 2012). The lack of political leadership leaves MoFA trying to deal with the DAC without institutional back-up. On-the-ground experiences accumulated within JICA are not fully integrated into policy-making by Japan's government (Hayashikawa; Yamada; Ijiri et al., interview, 2012), although some JICA officials are aware of the role it could play in backing-up MoFA's work at policy level. This implies the possibility of a more proactive contribution by Japan in the DAC if a proper mechanism to utilise JICA's expertise can be established. There is scope for Japan to shape or improve international aid policy but the contribution must come from its country-level experiences and in ways that resonate with the DAC.

In contrast to a weak institutional setting in Japanese government, individual figures and their capacity are relatively strong. Sadako Ogata, a former United Nations High Commissioner for Refugees and later a president of JICA until 2012, is one of a handful

of Japanese figures known widely in international aid (Atwood; Hewitt; Riddell; interview, 2012). Riddell remembers Ogata's answer when he met her a few years ago and asked about the challenge for Japanese aid; "Japanese aid needs to be opened up and international awareness needs to be brought into its bureaucracy" (interview, 2012). Similarly in the bureaucracy, individual motivation and capacity can contribute to taking proactive leadership. An example is Hattori, who led the report *Shaping the 21<sup>st</sup> Century* (Sugishita, interview with a former journalist, 2012). According to Hattori, who later became Japanese ambassador to OECD, "What matters for organizations is individual's will and motivation in making their work influential" (interview, 2012). As bureaucratic inertia prevails in the absence of strong and dynamic political pressure, bold reforms or proactive interactions can only happen if individual bureaucrats are committed.<sup>34</sup> Consequently, it is possible that although Japanese individuals work actively for international development the institutional image of Japanese government still remains negative. A British academic who worked for the UN system sees Japanese individuals as "the very best aid technicians with strong commitment who understand international discourse and try to build local capacity" (Riddell, interview, 2012). In contrast with this, he evaluates the Japanese government as "narrow absolutist and reluctant collaborator, but not a proactive advance" (Riddell, 2007, p.143). The discrepancy between individuals' willingness to contribute to collective action and the situation at a broader institutional level should be recognised even if the individuals are unable to address the

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<sup>34</sup> However, this could also give an impression of "individual bureaucrats controlling policies according to their own interests" (Takahashi M., interview with Japanese academic, 2012).

structural reasons that account for institutional weakness.

*Civil society organisations*

CSOs community can contribute to supporting their government’s role in collective action in the DAC in two ways: providing information or advice that the government needs, and monitoring and trying to put pressure on its activities. This section compares the UK and Japan in respect of CSOs and the relationship with government, regarding ODA, as summarised in Table 4.3 below.

Table 4.3: Comparison of CSOs aid community between the UK and Japan

	<b>UK</b>	<b>Japan</b>
<b>Emergence of NGOs</b>	Long-established charity culture.	From 1980s with international pressure.
<b>Types of NGOs</b>	Advocacy type is dominant.	Service delivery type is dominant.
<b>Number of Development NGOs</b>	400 registered with BOND.	More than 400, with 94 registered with JANIC.
<b>Government-NGOs relationship</b>	Equal, constructive relationship.	Superiority of government over NGOs.

Source: author

The UK’s NGO community for international development is one of the oldest, largest and most diverse worldwide (Randel & German, 1999, p.236), and civil society including NGOs are the most influential key constituency for international development (Hudson & Jonsson, 2009, p.9). In 1995, 200,000 charity organisations are registered (Randel & German, 1999, p.236), and through media and volunteering activities, developing countries are integrated within British society (Ward, interview, 2012).

From 1990s, advocacy and policy activities became a trend amongst the NGOs, with “only a few conservative NGOs opting out of the trend” (Hudson, 2000, p.6). British Overseas NGOs for Development (BOND) is an overall umbrella body for NGOs working in international development to influence government and policy-makers, with 400 registered members. It was established in 1993 with financial support from Overseas Development Administration (and later DFID), after dialogue between the Administration and NGOs representatives to set a link between the government and NGOs (Randel & German, 1999, p.238). So, there was UK government intention to set up such an organization; It received financial support from DFID – in 2012/13 amounting to £340,000, equal to 15% of its annual income (Sayer Vincent Auditors & Advisors, 2013).

In spite of funding support from the government Britain’s NGOs are involved in policy and advocacy activities independent from the government, and the relationship between the government and CSOs in the UK can be characterized as ‘constructive’ or ‘mutually beneficial’. BOND for instance insists on its independence notwithstanding the DFID grant.<sup>35</sup> That a financial donor should become a target of NGO’s advocacy is not particularly problematic in the UK, partly because NGOs take a diplomatic approach to

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<sup>35</sup> BOND’s submission to the new government’s White Paper in 1997 clearly states that “NGOs do not see themselves primarily as contractors for the delivery of DFID objectives using DFID cash, but as organisations with similar objectives to DFID but with different strength” (Randel and German, 1999, p.239).

advocacy interacting with the government in a constructive manner (Hudson, 2002, p.413). In fact, the strong NGO community in the UK has been able to “shout louder with stronger voices towards the UK government to be ambitious” (Rabinowitz, interview, 2012).

The government also counts on the CSOs’ ability to mobilise public opinion as well as complement the government’s knowledge. As a former Secretary of State for International Development says, NGOs are very important to the minister especially when the department is in danger of facing budget cuts, due to their campaigning ability (Short, interview, 2012). According to Claire Godfrey, a senior policy advisor at Oxfam GB, UK NGOs collaborate with counterparts in other countries in order to influence other governments for our own sake; for instance we can influence Japanese government through Oxfam Japan (interview, 2012). Given the NGO’s global network it is possible that the UK government perceives NGOs as an alternative avenue to their own channels. In addition, a number of former NGOs staff serve in DFID, and vice versa (Warrener, interview, 2012), helping build a constructive relationship between DFID and NGOs.

In Japan, the CSO community emerged only from late 1980s and 1990s – almost 40 years later than some OECD counterparts (Reimann, 2010). Until the 1980s the number of Japanese international development NGOs was the lowest among major OECD countries, but international norms and pressure subsequently increased Japanese

government's support for NGOs (ibid). Yet, Japanese CSOs lack professionalization and have exceptionally few full-time staff. Pekkanen points out the bureaucrats may be fearful that strong growth of NGO's expertise in policy could come to rival or undermine the bureaucracy (2006, p.176). Compared to the UK then, Japan's advocacy CSOs are weak and have very limited resources (Reimann, 2010, p.46). Their relationship with the government can best be described as 'cautious'.

Like BOND in the UK, the Japan NGO Center for International Cooperation (JANIC) serves as umbrella body for NGOs working for international development. Established in 1987 by an initiative of several NGOs, the body now has nearly 100 affiliated members with 20 full-time staff.<sup>36</sup> However, unlike BOND, JANIC experienced serious financial difficulties in its early days; it was using a corner of another NGO's office, with only 4-5 volunteer part-time staff. Despite now having more resources (207 million yen in 2012/13) including government funding which accounts for 33% of the total, JANIC's development has been fragile. A great difference of Japan's NGOs is their concentration on service delivery in developing countries (Endo; Takahashi K., interview, 2012). Consequently, advocacy activities by Japanese NGOs are restricted to a mere handful of people.<sup>37</sup>

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<sup>36</sup> From JANIC website (<http://www.janic.org/en/>, accessed 20 Sep 2014)

<sup>37</sup> For instance, a MoFA-NGO regular meeting on aid effectiveness which was held just before the Busan HLF in 2011 was attended by only 13 NGO staffs from six organisations ([http://www.mofa.go.jp/mofaj/gaiko/oda/shimin/oda\\_ngo/taiwa/kyougikai.html](http://www.mofa.go.jp/mofaj/gaiko/oda/shimin/oda_ngo/taiwa/kyougikai.html), accessed 12 May 2014).



As Hirata notes, the relationship between Japanese NGO and government has been gradually shifting from confrontation to cooperation (2002, p.130). “Cooperation” between NGOs and the government has progressed during 1990s; MoFA’s NGO support has dramatically increased from about US\$ 10 million to US\$ 160 million (Reimann, 2010, p.89). Various dialogues and meetings have been held, through which NGOs could lobby or communicate with the government (ibid, p.93). For instance, a positive step forward that a JANIC policy adviser noted is MoFA officials’ increasing willingness to ask questions rather than always being asked by CSOs (Endo, interview, 2012). While this is partly true over the history of Japanese NGOs, anything resembling an equal partnership with NGOs is a very long way off.

For the NGOs part, there are capacity issues due to insufficient funding and staff. According to a DAC official, this hampers Japanese NGO’s pressure towards its government; and the government looks down on the NGO sector (interview, 2012). Unlike the UK, where the government sees the NGOs as complementing its own abilities, the government-NGOs relationship in Japan does not add so much value to Japan’s ability to contribute to collective action in the DAC. Some Japanese government officials do not see the ways of Japanese NGOs’ advocacy convincing, because they simply adopt DAC policy and recommendations as golden rules and do not attempt to understand the government’s position or the problems it faces (interview, 2012). Yet, a NGO official who attended the Busan HLF expressed his personal opinion that it is more convincing to improve Japanese ODA in order to solve practical

problems on the ground, rather than comply with international agreements such as the Paris Declaration (discussed in chapter 6).

### *Research community*

How does the research contribute to collective action in the DAC? As the DAC policies are based on ‘evidence’, the role of academic or policy research cannot be ignored. For instance, as British research institutions such as ODI or IDS directly receive contracts from the DAC their research capacity helps form the policies of the DAC. At the same time, the research community also contributes to forming member government’s knowledge and capacity.

Historically, the UK academic and research institutions have long research experiences in development, with strong links with government. For instance, IDS was established in 1965 by the decision of the government to serve as a central training institution for administrators in developing countries now attaining independence (Jolly, 2008). For Vincent Cable, Secretary of State for Business, Innovation and Skills, ODI and IDS completely transformed the way in which British politics thought about aid – towards strong commitment (Cable, 2010).<sup>38</sup>

DFID’s budget for policy and research amounted to £893 million in 2012/13, which is nearly doubled from 2008/2009, accounting for 11.6% of total budget (DFID, 2012a).

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<sup>38</sup> This was at the ODI’s 50th Anniversary in 2010. He was an ODI Fellow as his first ever job.

DFID's research involves innovative links with universities and research institutes both domestically and internationally; with 15 research fellows hired part-time in DFID to keep in touch with university work (OECD, 2010a, p.61). Also, the large proportion of DFID research budget implies the existence of a large number of domestic stakeholders who benefit from the budget (Jin, interview with a JICA official, 2012). Since DFID has been increasing its aid budget but reducing staff, "the consultancy business have undue access to its budget" (Hewitt, interview, 2012). The personnel interchange between DFID and research institutes or NGOs has been active as well (Furukawa; Warrener, interview, 2012), which helps smooth relationships between DFID and research community.<sup>39</sup>

In Japan, the main development research institutions are JICA-RI and Institute of Development Economies-Japan External Trade Organization (IDE-JETRO). Like the UK's IDS, IDE-JETRO was established in 1958 and was originally focused on researching Asian economies, which is why in Japanese the IDE is named *Asia Keizai Kenkyu Sho* (Asian Economy Research Institute). IDS's original focus on Africa and IDE's on Asia reflects the UK's and Japan's historic colonial ties. However, while the IDS was supported by the Overseas Development Administration (later DFID), the jurisdiction of IDE has been METI. This implies IDE was more concerned with economic development and economic relations with Asia, at least in the beginning. As

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<sup>39</sup> Not only academics work for DFID but also DFID officials move to academic or research institutes. For instance, there is DFID's senior level secondment post in ODI as a director of Budget Strengthening Initiative.

opposed to IDE-JETRO, JICA-RI was established rather recently, in 2008, following the merger of JICA and Japan Bank for International Cooperation (JBIC). Compared to DFID's budget on policy and research, JICA-RI is far smaller (DFID spends nearly 300 times more); JICA-RI spent less than 500 million yen in 2010 which is merely 0.34% of total JICA budget (JICA-RI, 2012). Their budget is under the close scrutiny by Japanese politicians and has been decreasing.

Historically, the link between academic researchers and bureaucrats was weak. The real interaction by researchers towards aid policy began only during the 1980s, and universities started to set up international cooperation courses from 1990s. However, according to a director-general of research planning department in IDE-JETRO these universities employed officials working for international organisations and therefore their concern was to follow and catch up with Europeans (Sato, interview, 2012).<sup>40</sup>

When the Japan Society for International Development was established in 1990, Saburo Okita, its founder and a renowned ex-government official, believed that it is imperative for Japan to have its own ideas on aid policy rather than to follow Europe (ibid).<sup>41</sup> But only rarely has Japan tried to promote its own way, and the academic link to practitioners and policy makers has been weak.<sup>42</sup>

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<sup>40</sup> He is also a president of the Japan Society for International Development (the largest academic association on international development).

<sup>41</sup> Saburo Okita worked for MoFA and METI including as a Foreign Minister.

<sup>42</sup> An example is the WB's "East Asian Miracle" report in 1993. The Japanese government tried to influence its content against neo-liberalism.

Against this background, three challenges of Japan's research community can be identified. First, the small research budget reflects the likelihood of aid policy being decided more by bureaucrats and bureaucratic considerations than evidence-based research. Presumably, bureaucrats want to keep some discretion in using ODA for pursuing national interest when necessary, rather than be rigidly determined by research. A former director of ODI points out a reason why the Japanese government punches below its weight in the DAC is because "it does not tell stories grounded on evidence, while whole northern European countries are pushing hard on results and evidence" (Evans, interview, 2012).

Second, as Japan puts importance on country-level and on the ground work, there is a high level recognition that the research should bridge the country-level operation and policy. Rather than starting from theory, which the UK is good at, the role of research in Japan is to link the field level and policy (such as Sugishita, interview, 2012). In doing this, JICA officials recognise the importance of both learning about international policies and gathering cases, so that field-level based policy or policy-oriented cases can be established (Murotani; Mitamura, interview, 2012). As a participant to the DAC International Network on Conflict and Fragility, JICA-RI official felt that just sharing Japanese good cases had limited value as they might not fit well in the core discussions of the DAC (Murotani, interview, 2012). Therefore, "translation of Japanese field-level experiences" is necessary in order to share them at international level (Sato, interview, 2012). Currently, Japanese experiences on the ground are linked neither to Japanese

domestic aid policy nor to international aid policy.

One of the major issues is the gap in recognition between JICA-RI researchers and practitioners in respect of the purposes for conducting and utilising research. While the researchers see the value of learning from failures, practitioners want successful projects to be studied for advocacy purpose (Murotani, interview, 2012). Academic research takes time and the scope can be narrow, but these are difficult to be understood by practitioners (Honda, interview with JICA-RI official, 2012). Also, there is not enough communication between the practitioners and researchers with regard to what kind of research should be conducted (Takeuchi, interview with JICA-RI official, 2012).

Behind this lack of communication, there lies a fact that JICA-RI tries to keep its neutrality and its high academic standards. After JICA-RI was established in 2008 it kept some distance from the operations side, by recruiting its director from academia and “prioritising globally important research rather than responding to requests from operation” (Honda, interview, 2012). While some see JICA-RI’s neutrality as important, others think stronger ties between JICA-RI and the operations side is necessary, especially when “there are model projects of JICA that can be gathered and analysed systematically” (Mitamura, interview, 2012).<sup>43</sup>

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<sup>43</sup> To be free from the issue of neutrality, some suggest establishing independent research organisations to avoid financial dependence on the government (Yamamoto, interview, 2012).

Third, it is widely recognised within and beyond Japan's development community that Japan needs to speak out more and share its own experiences with other countries. According to a British academic, "Japan could have spoken more, insisted for its own experience, as Westerners find it difficult to understand about Asians" (Jolly, interview, 2012). The challenge for Japan is "how" to share its own experiences, as Japanese experiences need to be "processed" into what can be understandable to other countries (Jin, interview, 2012). This is why it is difficult to generalise Japanese experiences: what is valued in it is "what can be read between the lines", or "what can be reflected by Japanese identity", although Murotani argues that Japan should show the alternatives to the international mainstream (interview, 2012). In doing so, according to Sato, Japan should not change our ring from circular (for *sumo* wrestlers of traditional Japanese sports) to square (for pro-wrestlers of traditional Western sports), because when the audiences' mind changes they can enjoy *sumo* wrestling as well (interview, 2012). In fact, Japan has not been able to propose new agendas because it has been trying to adjust itself to the ring of someone else (i.e., European) (Hoshino, interview with former Japanese DAC delegate, 2012). As Sato argues, rather than trying to fit into a Western framework, Japan can use or create its own framework: an opportunity to do precisely this is now emerging, as "With the influence of China, Europeans started to think that their mind-set needed to be changed" (interview, 2012).

This section discussed the domestic environments of the UK and Japan in relation to the conditions for achieving collective action in the DAC. The UK's case has shown that

the government's policy in prioritising international development spurred politicians and bureaucrats to use DAC as a venue for exercising international leadership. At the time its leadership is supported by DFID's in-house capacity, CSOs and the research community outside. In contrast in Japan the politicians are not so much interested in international development, which in turn gives discretion to the bureaucrats in dealing with the DAC. In terms of capacity, the bureaucratic segregations within the government hinder smooth coordination to contribute to international collective action. Also, the CSOs and research community in Japan do not necessarily play supportive roles for the government to contribute towards collective action, compared to the UK's case.

#### 4.6: Recipient country level

A peculiarity of the DAC is that while other committees of the OECD deal with policies that are to be implemented in the members' countries, the policy of the DAC is to be internalised by the member governments but implemented in the aid receiving countries, as discussed in chapter 3. The more the problems at the recipient country level have come to attention (i.e., the more that problems are found beyond just 'changing donors' policies', such as coordination problems at country level), the more importance has been put on the recipient country level. That level becomes relevant to understanding the conditions for collective action not least when initiatives taken at donor headquarters fail to get through to the donor country offices in recipient countries. This will frustrate



collective action conceived in terms of implementation. Also, problems are increasingly being found with relations between donors and recipient governments, which mean the recipient country level cannot be ignored.

During the 1960s, soon after the establishment of the DAC, the importance of the recipient country level was already recognised. One of the DAC chair's report noted that the Thailand Coordination Group was formed by the interested DAC donors, and meetings between donors and the government in Bangkok were held as well as in Paris (OECD, 1964, p.67). But notwithstanding this early awareness of the importance of the recipient country level, only after the Paris Declaration on Aid Effectiveness in 2005 did it become a high profile concern, thereby turning efforts to secure an effective relationship at that level into an important condition for collective action in practice.

As will be discussed in chapter 6, the Paris Declaration touched on the responsibility of recipient countries as well as the case for better coordination by donors at the recipient country level. This was unprecedented, and by setting out detailed indicators it incorporated the country level as a necessary condition for achieving collective action in practice. Traditionally, being a donors' club the DAC has been an organisation to influence donor policies, and stop at that. The DAC is traditionally serving the HQ's interests, targeting the policies at HQ's level (UK government official, interview, 2012). However, donor officials in the aid receiving countries may have different incentives and motivations from those at HQ or the people in Paris. Therefore, bringing the

recipient country level into the conditions for collective action in the DAC is a fairly recent innovation.

Nevertheless, there are some challenges faced by the DAC in introducing the country level orientation. First, the DAC has no offices at country level. The DAC can decide the direction of international aid policies but needs to rely on other organisations for follow-up activities (Kanayama, interview, 2012). In fact, most often it is other international organisations that lead aid coordination at the country level, most notably the World Bank and United Nations Development Programme (UNDP) for they can claim greater neutrality and legitimacy compared to bilateral donors.<sup>44</sup> The DAC cannot fully integrate the country level into its activities and policies without establishing country level offices, which is a weakness.

Second, there is a structural problem in integrating between the global and local level (Evans, interview, 2012), which can also be seen as a macro-micro paradox in aid governance (Hynes, interview, 2012). As has been pointed out by many interviewees especially among Japanese, “What they discuss in the DAC are abstractive without concreteness, and therefore many Japanese officials may feel the discussions in the DAC are distanced from the reality at country level” (Watanabe M., interview, 2012).

Having worked in Uganda for three years before joining Japan’s delegation in the DAC,

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<sup>44</sup> Linn (2010, p.210) argues that recently the World Bank and UNDP have been less keen to lead on coordination, which makes it more difficult for donors to overcome collective action problems when the recipient governments demonstrate weak capacity.

the author was also shocked when she learned that the discussions in Paris often did not seem to reflect the reality at the country level. For example, a donor official said during one meeting “We want the recipient countries to take ownership”, but this is ironic as “ownership” is not something that can be imposed by DAC donors. As donor and recipient government officials at the country level need to act urgently in order to keep up with a fast-moving reality on the ground, and because the DAC can only discuss policy initiatives that are common to most or all recipient countries rather than tailor-made action, gaps easily open up between donor thinking at the Paris and the country level.

Third, the additional complication for collective action of bringing in the country level is exacerbated when – as will be discussed in chapter 6 – donors (and recipient government officials) in a country form their own community there, sometimes with stronger ties among themselves than they have with their own headquarters. Therefore, the incentives for collective action of donor officials based in recipient countries may differ from those at HQ. The chances of achieving successful collective action especially in terms of policy implementation become more tortuous once these and other realities on the ground are taken into consideration.

This section has shown that recipient country level must now be taken into account when assessing the conditions for collective action in the DAC, especially in respect of policy implementation. This raises challenges and complications connected with

structural issues such as the DAC's lack of physical presence in the aid receiving countries, quite apart from question marks against whether an international one-size-fits-all policy is always best.

#### 4.7: Member/ non-member relationships

Non-DAC member actors can be emerging countries, recipient countries or CSOs. How do these actors influence the prospects for achieving collective action in the DAC? As they are not formal members, presumably they are relatively less important, but this does not mean they are unimportant – although we should be careful to distinguish their significance to the conditions for collective action in DAC and their influence in aid more generally, which has undoubtedly grown in recent years. As was noted earlier, the DAC is affected by changes in the global aid architecture that has come about as a result of the rise of new donors outside the DAC.

The extent to which different non-DAC actors relate to or influence DAC members varies. DAC's *Global Relations Strategy* distinguishes between non-DAC actors who are invited to the DAC as full participants, and those who are invited as observers (OECD Archives, 2011, p.7). DAC wants some emerging donors to be involved more than others, especially OECD non DAC members and major emerging economies (with priority to Brazil, China, India, Indonesia Russia and South Africa).

Non-DAC actors become part of the conditions for collective action in the DAC when their influence becomes greater or causes problems for DAC members, not only because of their increasing volume of aid.<sup>45</sup> Also, the challenge now comes from the different kind of relationship that the emerging donors offer to their aid receiving partners, compared to the traditional relationships between DAC donors and their aid recipients. This then impacts on the relations that DAC can have with its aid partners in the new global aid environment. As Woods argues, rather than attempting to overturn the DAC's own rules, emerging countries offer alternatives, and this in turn puts pressure on the existing system, which is "a silent revolution" (2008, p.1221). While the DAC members began to converge around the idea of improving aid effectiveness, starting from the early 2000s (see chapter 6), the increasing presence of emerging donors made it more difficult for DAC on its own to get its own way with aid recipients.

Several perceptions garnered from the writer's interviews relate to Japan's position on emerging donors. First, some government officials noted there are people who think Japan might as well withdraw from the DAC (even in jest), because of the relative decrease of its importance in the international aid architecture (interviews, 2012); DAC is regarded as outdated organisation, close to collapse as a destiny of history (Araki, interview, 2012). On the other hand, a more widely accepted view is that withdrawing is not a realistic option for Japan as a responsible international donor, even officials from

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<sup>45</sup> In fact, the proportion of aid from Organization of Petroleum Exporting Countries (OPEC) occupied 30% of worldwide aid in 1978 (Manning, 2006, p.373) whereas only 8% of ODA was from countries beyond the DAC in 2009 (Zimmermann & Smith, 2011, p.724).

Keidanren think strategizing within the given framework of the DAC is realistically important (interview, 2012).

Second, there are views that Japan could be better positioned in the DAC once the emerging countries become more involved in the DAC; the similarity of the aid provision by Asian countries (e.g., Japan, Korea and China), which contrasts with most DAC donors, will increase the possibility of adding voices to Japan's stance.<sup>46</sup> As more emerging countries are involved in the DAC, Japan's isolation within DAC will be diminished (Honda, interview, 2012), because of the similar value shared among Asian countries (Okano, interview, 2012). The aforementioned Asia Development Forum is a good example of how dialogue can sometimes be easier among Asian countries than it is for Japan in the DAC. "Rather than European ways of enforcing of ideology" (Sugishita, interview, 2012), the Forum is "a loose framework aiming to share field-based experiences, that is different from the discussions in the DAC" (Watanabe M., interview, 2012).

Third, a common view among the interviewees is that Japan is trying or taking a bridging role between the DAC and Non-DAC actors.<sup>47</sup> Like many other DAC members, the Japanese government's position is that emerging donors must be

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<sup>46</sup> Korea's membership to the DAC in 2010 was welcomed by Japanese government officials, as Japan had been the only member from Asia until then.

<sup>47</sup> For instance, Japan was co-chairing the DAC's Informal Working Group on Non-DAC Providers of Development Assistance since 2007.

persuaded to follow the international rules of aid provision, in order to reduce the burden on the recipient governments (MoFA, 2011). While this rationale is more of a global or common interest, DAC members also feel a kind of ‘unfairness’ trying to avoid ‘free-riding’ by the emerging countries; “We are following the rules, and why should they not?” For instance, in the Japanese government a sense of unfairness arises when Japanese untied aid projects are successfully bid for by Chinese companies, because China’s own aid is tied to Chinese procurement (Japanese government official, interview, 2012). More normative feelings are also expressed, as one DAC delegate says “What China does in Africa needs to follow the same principles as we as DAC donors do. We don’t like the distinctiveness” (interview, 2012). On the other hand, the emerging countries claim “Why should we follow their rules while we are not the DAC members?”, which is why reconciling the divergent positions of DAC and non-DAC actors is not straightforward, as will be discussed more in chapter 6. In addition, unlike other DAC members, Japan has a sense of pride in being a DAC member from Asia ever since the 1960s, and positions itself as being able to understand the position both of the DAC and the non-DAC actors. A senior MoFA official sums up the predicament as follows:

Japan has been sincerely trying to follow the DAC rules, so we cannot just say ‘good-bye’ to the DAC. However, exactly because Japan has been trying to be ‘sincere’, it also experienced difficulties of adopting the rules, which is why I think the DAC side should also change to welcome emerging countries (interview, 2012).

So far, by taking the example of Japan, we have seen how emerging donors influence the ways in which the DAC members position themselves in the DAC. The influence of recipient countries has also been increasing. Since the establishment of the DAC, recipient governments have been occasionally invited to participate in the meetings of the DAC as observers. However, as chapters 5 and 6 show later, the shift in donors' aid discourse has brought the recipient countries more to the fore of aid, by introducing the importance of 'ownership' and 'partnership' on the aid agenda. With the introduction of the aid effectiveness agenda some recipient governments gained full seats in the Working Party on Aid Effectiveness, and started influencing the DAC. By bringing in the recipient a new type of peer pressure is created in DAC, not only among the DAC members themselves but from recipient countries as well. This means "Donors would feel more difficult to say no" (Massing, interview, 2012). A triangular relationship among DAC donors, emerging countries and recipient countries is coming to replace the old more simple structure of DAC conversations, and it gives recipients more leverage against the DAC donors. For instance, a China-DAC Study Group was formed in 2009 to share knowledge and experiences between China and the DAC members with some African countries. Having participated in it, a Japanese academic observed some frustration in the DAC: "DAC probably wanted China to realise the defects of its aid through the Study Group, but African participants' comments were in favour of China, providing more options for them" (Ohno, interview, 2012).



This section has established the relations between the DAC members and non-members are relevant to assessing the conditions for collective action by the DAC. Although the role of non-DAC members is not (yet) as important as the other conditions discussed in this chapter, their potential to influence how at least some DAC members behave in DAC, for example Japan, should not be ignored or underestimated.

#### 4.8: Conclusion

This chapter set out to address the question “Why is there (or not) collective action?” by examining the conditions for achieving collective action as encapsulated by the indicators disclosed in chapter 3. This chapter has shown conditions that help to form collective action and also touched on some that stand in the way, and maintains that the conditions also depend on individual members.

Overall, what this chapter demonstrates is that in order to secure collective action a favourable balance must be achieved among the various factors that can influence prospects, and this in turn is affected by how well the DAC Secretariat executes its mandate. For example the Secretariat’s capacity to manoeuvre the direction of DAC’s discussion can be both an advantage and also have a negative effect if it causes a member to perceive a lack of fairness or neutrality. In regard to delegate-headquarters relationships, the different actors can have different incentives. So even when there is only weak interest and capacity by the headquarters, an individual delegate can still

make a practical contribution to achieving collective action, in a personal capacity. The chapter argued that while the leadership of some members can be useful to advancing an agenda in the DAC, and give the impression of a purposeful organisation that can ‘get its act together’, there are risks one or more members give an impression of wanting to dominate for the purpose of achieving their own national ends, and then lose the trust of other members – something that DAC has managed to avoid, for the most part. The emergence of new donors also has to be factored into consideration. This can have direct consequences for relations within DAC discussions, as well as force DAC to think about how to respond to the changing global aid architecture, thereby creating new opportunities for DAC members to agree or conversely disagree over what to do.

There is no single simple magic bullet that can sum up the conditions that will produce collective action. Rather, successful collective action depends on a mix of favouring conditions and achieving a balance that outweighs the circumstances that would prevent or impede collective action from being achieved. These intricacies will be explored in more detail and given specific empirical content in the following chapters, which apply the analytical framework provided in chapter 2-4 to an examination of two case studies of major policy initiatives by DAC, first aid untying (chapter 5) and then aid effectiveness (chapter 6).

## **Chapter 5: Aid Untying**

### 5.1: Introduction

The two previous chapters discussed indicators of and conditions for collective action in the DAC. In chapter 3, it was shown that the existence of collective action can be assessed based on the ease and extent of agreement and compliance. Also, it was argued that successful collective action depends on the level and type of meetings in the DAC as well as on its members. Chapter 4 explored conditions for collective action by unpacking the relationships among various actors in the DAC; Secretariat, delegate and headquarters within member governments, relations among members and with non-members, and the wider domestic environment within member countries.

This chapter and chapter 6 examine in closer detail the indicators and conditions discussed in previous chapters by focusing on two particular issues: aid untying, and aid effectiveness, with a specific focus on two member countries – the UK and Japan – in relation to these issues.

The reasons for choosing aid untying and aid effectiveness are as follows. The recommendation for aid untying was agreed in 2001 among DAC members and the percentage of untied bilateral aid rose progressively thereafter, from 54% to 93.5%

between 1999-2001 and 2007-2009 (OECD Archives, 2011b, p.8). This suggests collective action was a success. In the case of aid effectiveness, however, where the actors involved increased and became more diverse, the progress of compliance by members has been slow both absolutely and relative to the case of aid untying. Comparing these two contrasting cases will shed more light on different indicators of and conditions for collective action.

Although aid untying has been discussed in the DAC since 1960 in the Development Assistance Group (DAG), a recommendation on aid untying was only agreed in 2001. Why did it take 40 years to agree on the recommendation on aid untying, and why was it agreed in 2001? In other words, what were the impediments to and the momentum for reaching a successful outcome? This chapter addresses these questions by examining indicators and conditions for collective action. With regard to the choice of member countries to compare, the UK is seen as one of the countries leading in the DAC whereas Japan has a reputation for being reluctant to take the lead on new policy initiatives. The contrast of different approaches and domestic context between these two countries enables us to understand more deeply the conditions for and obstacles to collective action in the DAC.

The chapter comprises three sections: overview, indicators of collective action and conditions for collective action. The overview begins by explaining the definition of aid tying, where three types and two levels of aid tying are identified. Also, it shows that the

efforts and attempts to agree on aid untying date from the early 1960s; and related policies had been under discussion in the OECD's Export Credit Group (ECG), where agreement there affected the discussion in the DAC.

## 5.2: Overview

This section will first provide the definition of tied aid followed by an overview of the progress made by the DAC's work on aid untying.

### *What is aid tying?*

There are different types and levels of aid tying. Broadly speaking, aid can be tied in three ways; by procurement (conditional upon purchasing goods and service), by project (aid must be used to finance specific expenditures) and by policy (conditional upon certain policies) (Morrissey & White, 1994, p.3). However, the term 'aid (un)tying' is usually mean procurement tying, and this can be further categorised by source (i.e., conditional to finance specific commodities and/or services) and by firm (conditional to procurement in specific countries or regions including donor country) (Jepma, 1994, p.7).

Apart from the types, tying status can be categorised according to levels; (fully) untied, partially untied, and (fully) tied. According to *1987 DAC Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance*

(ODA), untied aid is defined as “loans and grants which are fully and freely available to finance procurement from substantially all developing countries and from all OECD countries”, whereas partially untied aid is “loans and grants which are in effect tied to procurement of goods and services from the donor country and from a restricted number of countries which must include substantially all developing countries” (OECD, 1987a, p.2). Tied aid is “all other loans and grants whether they are tied formally or through informal arrangements” (Clay, Geddes & Natali, 2009, p.5). This implies that tying is not only determined by formal agreements but may also take the form of informal understandings, or even be a secondary consequence of an arrangement already in effect (Jepma, 1991, p.20). *The DAC Recommendation on Untying ODA* (OECD, 2008) tries to restrict the ambiguity of definitional understanding by adding that members which have rules of origin or minimum national content rules should take all steps necessary to ensure that their ODA is untied in accordance with this Recommendation, so that it becomes both de jure and de facto untied – untied both in principle and in practice.

#### *Overview of progress of the DAC's work on aid untying*

Problems associated with tied aid can be categorised into three factors; market distortion, inappropriate cost, and donor-recipient relationship. By tying aid procurement to companies in donor countries or specific goods and services, tied aid can be regarded as a subsidy to promote the donor country's own national interests in international trade, therefore distorting the free market. In fact, the practice of tied aid in combination with export credit was common during 1960s and 70s, when developed

countries wished to access global markets. Since the core value of the OECD is to promote free markets, it served as a forum in which these problems were discussed. Jepma calculated the cost of tied aid to recipients was 15-30% higher with tied aid (e.g., Jepma, 1991, p. 58) – a figure that is often referred as evidence for abolishing tying in OECD documents (e.g., OECD, 2001a, p.3).

More recently, an additional justification given for aid untying is that tying can create friction between donors and recipients. In the DAC Secretariat's words, "a new dimension of untying was added to the justification of value for money" (Nicol, interview, 2013). This became increasingly clear after the late 1990s, when the idea of 'partnership' between donors and recipients became a mainstream of development discourse, in the context of a high level debate about the ownership of development initiatives funded whole or in part by international aid. Tied aid increasingly started to be seen as problematic because it stands for an asymmetric power relation between donors and recipients. And such a power relationship is contrary to the idea of partnership understood as a relationship of equals. It can easily frustrate donors' professed aim that aid recipients should take on full ownership of all development initiatives, including especially any that benefit from aid. The pressure for aid tying to rise up the agenda was reinforced by lobbying from civil society organisations (CSOs), who contrasted aid tying with the priority they place on ethical arguments for international development aid – something that governments claim to endorse too.

The rest of this section provides a brief history of OECD activities on aid untying, which began before DAC was created, in the DAG meeting in 1960 (OECD, 1961, pp.27-29). Since then, aid untying has been taken up from time to time in other OECD forums. Table 5.1 lists different kinds of attempt to agree on aid untying as well as the policies that were actually agreed, both in the DAC and in ECG in the OECD. The table tells us three things. First, aid untying has been discussed on and off for an exceptionally long period of time. As the policies that dominate discussion in the DAC tend to change every five to ten years to reflect international trends and members' interests, it is not usual for a specific policy to be discussed over a period of more than 40 years, as happened with aid untying. For instance, Participatory Development was only discussed in the DAC between 1993 and 1996, and the DAC network on Poverty Reduction was only active between 1998 and 2011.

Second, the table shows that the impasse experienced during the 1970s was seemingly broken first by agreements made in the Export Credit Arrangement (ECA) between the late 1980s and early 1990s. Aid untying was a (modest) part of a wider recommendation on Financial Terms and Condition made in 1965. However no agreement on multilateral untying was agreed there, and only in 1970 was a Memorandum of Understanding on untying bilateral loans reached, and even that was agreed by only eight of the member countries. Therefore, the DAC experienced real difficulties in forming collective action on aid untying throughout the 1960s and 1970s. This impasse seems to have changed after the Wallen Package and Helsinki Package (described below) were agreed during



the following decades. These initiatives gave the DAC a new incentive to proceed with the issue, in order not to be left behind and lose all chance of influencing the outcome to serve the goals the DAC supports.

Third, the table shows that the DAC recommendation agreed in 2001 has been revisited and adjusted several times since. In 2006, the threshold of SDR \$700,000, below which activities are excluded from the recommendation, was eliminated. Another revision was made on at the Accra High Level Forum (HLF) on Aid Effectiveness (2008), which expanded the coverage of target countries from Least Developed Countries (LDCs) among Heavily Indebted Poor Countries (HIPC) to non-LDC HIPC. Further attempts to increase the coverage continue to the present day. During the Busan HLF of DAC in 2011 an (unsuccessful) attempt was made to apply the recommendation to food aid and technical cooperation, both of which had been excluded from the earlier agreement.

Table 5.1: Efforts and attempts at aid untying in OECD

<b>Year</b>	<b>Agreement/attempt</b>	<b>Committee</b>	<b>Content</b>
<b>1965</b>	Recommendation on Financial Terms and Conditions	DAC	Measures related to aid tying were included in the Recommendation adopted by DAC, to untie bilateral aid to maximum extent possible.
<b>1970</b>	Agreement to untie bilateral loans was proposed but not agreed at High Level Meeting (HLM) in Tokyo. (This was later agreed in 1973 at HLM.)	Some members of the DAC	Untying of aid to multilateral institutions.
<b>1974</b>	Memorandum of Understanding on Untying of Bilateral	Eight members of the DAC (Denmark,	To allow developing countries to bid on bilateral development

	Development Loans in Favour of Procurement in Developing Countries	Germany, Italy, Japan, the Netherlands, Norway, Sweden, the US)	loans.
<b>1987 (March)</b>	Wallen Package	Participants under ECA of OECD	Minimum concessionality level of tied aid was raised from 25% to 35%.
<b>1987 (April)</b>	DAC Guiding Principle for Associated Financing and Tied and Partially Untied ODA	DAC	Minimum concessionality level of tied aid to LDCs was decided to be 50%.
<b>1992</b>	Helsinki Package	Participants under ECA of OECD	Tied and partially untied aid for richer developing countries; and commercially viable export projects no longer to be counted as aid were prohibited.
<b>1996</b>	Ex ante Guidance for Tied Aid	Participants under ECA of OECD	Guidelines to determine at an early stage whether projects are eligible for tied aid.
<b>1998</b>	DAC HLM	DAC	DAC HLM mandated the Working Party on Financial Aspects of Development Assistance (WPFA) to work on a Recommendation.
<b>2001</b>	DAC Recommendation on Untying ODA	DAC	The coverage countries are only for LDCs. Also excludes Technical Assistance (TA) and food aid.
<b>2006</b>	Revised Recommendation on Untying ODA	DAC	Threshold of Special Drawing Rights (SDR) 700,000 is eliminated.
<b>2008</b>	Revised Recommendation on Untying ODA	DAC, Accra Agenda for Action (AAA)	Target countries are extended to non-LDC HIPC.

Source: Führer, H. (1994), OECD (1998a), OECD (2006), OECD (2008), Clay, Geddes & Natali (2009)

During the 1960s and 70s, as the tying practice among DAC members increased, aid untying was discussed many times in the DAC. Nevertheless there were always opposition from some countries. Untying multilateral aid was proposed by Sweden in

1969, and supported by Germany, the Netherlands, Norway, and Japan “after some hesitation” (Führer, 1994, p.25). And during the DAC HLM held in Tokyo in 1970, a majority of members were prepared to agree to untie bilateral loans. But France, Italy and Canada were more cautious; and the US, which was facing balance of payment problems withdrew at the end of the negotiation process (ibid).

From the late 1980s to early 90s, there were two important policy packages agreed among participants in the OECD’s ECA. These are the Wallen Package which raised the minimum level of concessionality of tied aid from 25% to 35%,<sup>1</sup> and Helsinki Package which prohibited tied aid to richer developing countries and commercially viable projects (OECD, 1998a).<sup>2</sup> The purpose was to distinguish the commercial and aid purposes, and to prevent aid being allocated to commercially viable projects. The guideline agreed in 1996 was to follow-up on the Helsinki Package and ensure its implementation.

Following these rapid advancements in ECA, the DAC HLM in 1998 mandated the WPFA under the DAC to work on a recommendation to untie aid. After three years, the recommendation was agreed at the DAC HLM in 2001 (OECD Archives, 2001).

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<sup>1</sup> A set of reforms agreed in 1987 to phase out subsidised interest rates for export to richer developing countries including tied aid. It was named after a chairman of Participants to the Arrangement from 1980 to 1987.

<sup>2</sup> Measures agreed in 1992 to prohibit tied and partially untied aid for richer developing countries as well as for projects which should be financed commercially. It was named after Finnish capital where the Chairman of the Participants originated.

Thereafter, the recommendation was revised in connection with the emergence of the agenda on aid effectiveness (discussed in Chapter 6), the most prominent occasion being the AAA in 2008.

This section has shared background information about the OECD's attempts to unite aid. It was only after agreement was made in the ECA that the DAC was spurred into decisive action, in 2001.

### 5.3: Indicators of collective action

In this section, the indicators of collective action which were proposed in Chapter 3 (members and meetings, agreement, implementation, and monitoring) are discussed in the context of untying aid. Overall, the indicators of collective action give a positive account of collective action on untying aid, both because final agreement was reached on the recommendation and because a commitment to high level of compliance was established. However, the recommendation was not perfect, and the process of reaching agreement process was not entirely smooth.

#### *Members and meetings*

In what kind of meetings was aid untying discussed and who were the members of the meetings?

Aid untying was discussed both in the DAC and ECG in the OECD. Untying of grant aid is discussed in the DAC, whereas loan aid is regulated in ECG. The two groups were different in their purposes, memberships, and types of agreement. In the DAC, the group hosting the discussion of aid untying has shifted over time. Most of these meetings were attended by representatives from members' headquarters, though their delegates in Paris have been the main participants in informal meetings during the implementation and monitoring processes. Table 5.2 summarises the types of meetings in the OECD on aid untying since 1960. In order to ease tension among members, informal meetings were also set up. The participants in these are not restricted to repeating their government's formal position. This potentially has favourable implications for securing collective action.

Table 5.2: Types and levels of meetings on aid untying in OECD since 1960s

Committee	Subsidiary Bodies	1960s	1970s	1980s	1990s	2000s	2010s
DAC (1961-)		→					
	WPFA (1964-2003)	→					
	WPFA informal meeting → Informal meeting on aid untying					→	
	Working Party on Aid Effectiveness (WP-EFF) (2003-)					→	
ECA (1978-)			→				

Source: Author

First, the transition of the subsidiary body from WPFA to WP-EFF changed not only the level of importance which the DAC itself put on aid untying, but also changed the underlying rationale as well. Aid untying was originally discussed in WPFA, until 2003 when it was taken over by WP-EFF as being one part of a much bigger and broader aid effectiveness agenda. According to one of the Secretariat officials who has been in charge of aid untying since 1996, “it ‘lost ground’ by being integrated into aid effectiveness work” (Nicol, interview, 2012). This institutional transition from WPFA to WP-EFF shifted the rationale of aid untying in a new direction. Since the WP-EFF was more focused on the importance of establishing a sense of partnership between donors and recipients, the rationale behind aid untying shifted from easing the market distortion among the donors towards valuing the partnership between donors and recipient countries. The idea that aid recipients should make procurement decisions gained ground too.

Second, the setting up of informal meetings accelerated progress on untying because it allowed for a freer exchange of views and positions through “confidence-building discussion, finding our way forward without members getting off side” (Nicol, interview with DAC Secretariat, 2013). It helped the Secretariat understand the different levels of ambition among members, in its efforts to explore the possibilities for reaching some kind of agreement and establish the limits of any recommendation that could be agreed. One of the important tasks of the Secretariat is to understand exactly where the

main areas of conflict of interests among members lie, and to identify the scope for flexibility where some members may accept compromise. By using the first names in an informal environment, the tensions among the members were eased during the informal meetings, according to a DAC Secretariat official (Nicol, interview, 2012).

Third, there was an organisational disparity in the OECD, when both the DAC and ECA engaged with the issue of aid untying. The nature of discussions in the ECA and the identity of participants differ from the DAC. As shown in the Table 5.3, the ECA's remit is to tackle the issue of export credit, dealing with the commercial side of aid only, whereas DAC's role is to promote development cooperation. Therefore, policies agreed within ECA apply only to richer developing countries, whereas DAC policies target LDC/HIPCs. Participants of ECA meetings are from Ministry of Finance or Economy and Trade (METI), with the discussion focused on "banker's perspective" (Maeda, interview, 2012), using technical terms of finance. The atmosphere in the ECA meetings was purely commercial, as if "you were guilty until you prove otherwise", and members tried to bend the rules (Nicol, interview, 2013). A DAC Secretariat official who attended the ECA meeting recalled there were "invisible banners of suspicion" among the members, trying to reveal who were the cheaters (ibid). In contrast, the participants to the DAC are from Development Cooperation Ministries or equivalent agencies, whose focus is naturally on a 'development perspective'. Therefore, ECA and the DAC "share quite different DNA" (ibid).

Table 5.3: Comparison between the DAC and ECA

	<b>DAC</b>	<b>ECA</b>
<b>Commencement year</b>	1961	1978
<b>Purpose</b>	To promote development cooperation to increase living standards in developing countries.	To provide a level playing field, to eliminate subsidy and trade distortions relating to officially supported export credit.
<b>OECD Secretariat</b>	Development Cooperation Directorate	Trade and Agriculture Directorate
<b>Members/ Participants</b>	29 DAC members from aid agencies.	Nine Participants (Australia, Canada, European Union (EU), Japan, Korea, New Zealand, Norway, Switzerland and the US) from Ministry of Finance or Economy and Trade.
<b>Agreement type on aid untying</b>	Recommendation	Arrangement (Gentleman's Agreement)

Source: Author's compilation from OECD website (<http://www.oecd.org/dac/untied-aid/>, Accessed 20 Mar 2013).

The types and levels of meetings are not the only considerations relevant to identifying indicators of collective action. Intensity of the meetings could be measured by frequency of the meetings. Generally, meetings for each Working Party take place once or twice a year in the DAC. However, between 1998 when the WPFA was mandated to form consensus, and 2001 when agreement was made, the Working Party held at least ten meetings. In addition there were informal meetings, which were probably even more frequent. This was an exceptionally high number of meetings for the period of three years. This contributed to moving the agenda further forward, and helped maintain contacts and relationship among the member officials.



The number of participants taking part also reflects the interest that members had in achieving collective action. The number of participants to the WPFA almost doubled from 39 in 1997 to 64 in 2002, including officials from Ministry of Finance or Trade as a part of members' delegations.<sup>3</sup> The increase of Japanese delegation is noticeable during this period from three in 1997 (including two officials based in Paris) to nine in 2002 (including three directors from MoFA, METI and Ministry of Finance (MoF) from Tokyo) (OECD Archives, 1997, OECD Archives, 2002).

To sum up, institutional arrangements hosting the aid untying agenda existed for the transition from WPFA to WP-EFF, by establishing informal meetings and a division of labour between the DAC and the ECA. The large number of meetings and participants during the negotiation period from 1998 to 2001 shows a high level of interest in aid untying among member countries.

### *Agreement*

This section looks more closely at the process of agreement of the DAC Recommendation on Untying ODA in 2001 – the first and the most influential recommendation agreed, and a clear indicator of successful collective action. Intensive negotiation of the content of the recommendation took place over three years, which

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<sup>3</sup> These include observers to the meetings. It is also important to note that the recorded participants are those who were registered but may not correspond to the actual participants on the day of the meeting.

shows both a high level of interest and contentiousness among members.

The DAC Recommendation on Aid Untying agreed in 2001 was “a baby which was difficult to give birth to” (Nicol, interview, 2012), one reason being that the agreement was in the form of recommendation which is the highest level of non-binding agreement,<sup>4</sup> making the members more cautious about what they will agree to.<sup>5</sup> Also, the diversity of interests among DAC members made agreement difficult. During the period of most intensive negotiation between 1998 and 2001, members fell into two groups. One group comprised supporters of the recommendation who were united. Another group comprised several members who opposed the recommendation, but unlike the supporting group they had differences among themselves in regard to their reasons for opposing.

Among the first group, the strong supporters of the recommendation were the UK, Norway, Netherlands, Belgium, Switzerland and Sweden who were sometimes referred to as ‘like-minded’. During meetings of the Working Party, this group tried hard to convince by emphasising the urgency in reaching consensus and urging others that

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<sup>4</sup> According to OECD Legal Instruments (<http://www.oecd.org/legal/oecdlegalinstruments-theacts.htm>, Accessed 1 Jul 2014), ‘Decision’ is the only legally binding OECD agreement, which the DAC does not agree any. ‘Recommendation’ is not legally binding but there is an expectation that member countries will do their utmost to fully implement a Recommendation, involving political will and moral obligation.

<sup>5</sup> On the other hand, according to a DAC secretariat OECD produced many ‘recommendations’ during 1990s as a fashion and a calling instrument (Nicol, interview, 2013).

failure to reach agreement would undermine the collective effort and reputation of the DAC. At the HLM in 1998, the chair of the Working Party pointed out that a clear and strong political orientation was necessary, and continued failure to make progress would undermine the DAC donors' credibility (OECD Archives, 1998a). During the following HLM in 1999, a Director of Development Cooperation from Switzerland likened aid tying to a dinosaur, and Norway's Minister emphasised that continuation of tying would constitute an embarrassment to the DAC (OECD Archives, 1999). This was supplemented by a strong statement from Clare Short, UK's Secretary of State at Department for International Development (DFID):

Failure to reach such an agreement would damage the reputation of the DAC and the prospects of making aid more effective...the donor community would appear insincere about improved collaboration and effectiveness on untying aid. (ibid, p.5)

The advocates of reform also drew participants' attention to a sense of urgency and collective norms in reaching consensus. The Secretary of State for Belgium mentioned the group of like-minded countries were ready to start untying amongst themselves, if the DAC could not reach consensus (ibid). Implicitly this would have damaged the image of members who were not willing to join the consensus. By introducing ECG's work as a counter force, the chair of the Working Party at the HLM in 1998 also added to the collective sense of urgency, by insisting that continued absence of consensus in the DAC would result in the ECG addressing the issue from a purely commercial

perspective (OECD Archives, 1998a). Similarly, during HLM 1999, Clare Short brought members' attention to the *Development Partnership Strategy* which was agreed in 1996 in the DAC (OECD Archives, 1999), appealing to the members' commitment to aid as a moral issue (with a focus on recipient ownership and capacity-building) that the developing countries should be at the centre.

By the time of the HLM in 1999, the pressure from like-minded group became intense. As a political-level meeting, the usage of strong language during the HLM worked quite well in persuading other members to stop resisting. For instance the HLM meeting record indicates that the Norwegian Minister “*expressed her firm belief* in the logic and arguments in favour of untied aid” (ibid, p.5, italic by author). Similarly, “the UK strongly disapproved of any donors ‘opting out’” – words used by Clare Short in concluding her statement (ibid).

On the other hand, the opposing group including Denmark, Japan, US and France varied in their reasoning. The most contentious issues were effort sharing and the coverage of recommendation, especially the question of whether it should include food aid and TA. The notion of effort sharing emerged with regard to the Danish position. During the HLM in 1998, the Danish Minister said that accepting the untying proposal was difficult for domestic political reasons, insisting that Denmark's high ODA/ Gross National Income (GNI) ratio should be taken into account (OECD Archives, 1998a).<sup>6</sup> As a result,

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<sup>6</sup> In 1998, the ODA/ GNI ratio of Danish aid was 0.99% — the highest among all DAC donors, where  
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an effort-sharing composite indicator was created, solely for the purpose of advancing the chance of reaching agreement (ibid), by taking account of wider efforts made by the DAC members and mainly reflecting the proportion of ODA to poorer countries against GNI, and the proportion of multilateral aid which is regarded as untied aid.<sup>7</sup> By taking this position, Denmark also tried to present difficulties to others such as the US, whose ODA/GNI ratio is low, which led a DAC Secretariat official to say “Denmark was a good soldier” (Nicol, interview, 2013).

In terms of coverage, the US and Japan objected to the inclusion of food aid and TA respectively. Food aid supplied by the US has been nearly fully tied since it began its food aid programme in 1954 (Clapp, 2012, p.66), though this excludes food aid from the Department of Agriculture which was US \$1,890 million in 2011, and the US Agency for International Development (USAID)’s emergency food aid.<sup>8</sup> This suggests the real percentage for all food aid is much higher. In Japan’s case, about 30% of its ODA is provided through technical cooperation (MoFA, 2011), but the tying status of Japanese technical cooperation has not been reported. During the HLM in 1999, a Japanese representative requested for a fairer recommendation, emphasising that 80% of Japan’s aid was untied if technical cooperation is not included (OECD Archives, 1999,

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the average was only 0.23%.

<sup>7</sup> The indicator represents: (bilateral LDC-HIPC ODA/GNI times the bilateral LDC-HIPC ODA untying ratio) + multilateral LDC-HIPC ODA/GNI (OECD Archives, 2012, p.13).

<sup>8</sup> However, the proportion of reported food aid in total US ODA was approximately only 2% (OECD CRS data, <http://www.oecd.org/dac/stats/idsonline.htm> , Accessed 20 Mar 2013).

p.6). Japan's position on technical cooperation was joined by France, who also had other reasons for not wanting to accept the recommendation on untying.

One of France's other concerns was that untying might result in reduced aid flows to the LDCs – a point mentioned by some other members too. This relates to the domestic political environment of DAC countries, especially over how the untying recommendation would be perceived by policy-makers, politicians and the business lobby that usually supports aid if it envisages some commercial gain can be made from it. While the impact the recommendation might have had on the domestic environment in this way is difficult to assess, the DAC reported that the share of ODA to the LDCs actually increased from 17.2% to 23.0% between the base line of 1999-2001 and 2006 (excluding debt relief), while total bilateral ODA to LDCs almost doubled during the same period (OECD Archives, 2008, p.7). This is contrary to what might be expected if the reduction in aid tying had significantly weakened political support for aid at home and if a reduction in support then impacted on the actual budget.

Other points that France raised connect with positions that some other opposing members took but without always coinciding with them. For example, France wanted food aid to be included in the recommendation, which US certainly did not want. France also requested that members' aid contributions to the European Commission (EC) be excluded from the recommendation. Some members tried to minimise harm to their own image when they knew that others would be expressing opposition arguments anyway.

All these points were negotiated during the meetings of Working Party, including informal meetings. The recommendation was finally agreed at the HLM in April 2001. However, as some members such as Japan, Denmark and the EC had difficulty in committing themselves to join the consensus, agreement was reached on the basis of *ad referendum* with a grace period of another two weeks, at which point agreement on the recommendation was eventually made official.

To summarize, collective action can be observed during the process of reaching the agreement specifically between 1998 and 2001. Intensive diplomatic manoeuvring advanced the discussions; progress was served by the unity of those in support of the recommendation and the existence of differences among those who opposed it. Furthermore the recommendation to untie aid did not require so much effort in reaching agreement among the like-minded members because they had untied most of their aid already. Member-member relations among the opponents were more fraught than among the recommendation's supporters, which plausibly may have been helped the like-minded group to prevail.

### *Implementation*

Overall, the compliance of the recommendation by DAC members has been high, with an increasing proportion of bilateral aid being untied since 2001. However, a statistical breakdown of untied aid data over certain periods suggests that the strong promoters of

the recommendation, especially the like-minded countries, tended to have a higher untied ratio even before 2001. The scope for them to demonstrate further progress after 2001 was relatively limited. Also, in spite of successful formal untying, informal tied aid such as de facto tying remains one of the biggest challenges, to the present day.

Between 1999-2001 and 2007-2009, the proportion of untied bilateral aid for LDCs under the coverage of DAC Recommendation rose progressively from 54% to 93.5% (OECD Archives, 2011b, p.8). A DAC evaluation concludes that the recommendation on aid untying has had a significant influence in changing donors' behaviour towards formal untying of bilateral ODA (Clay, Geddes & Natali, 2009, p.viii). However, the donor practice differs among the members, as some DAC members had already untied most of their aid by 1<sup>st</sup> January 2002 when the recommendation came into effect.

When the recommendation was made, it was agreed that the DAC members would untie ODA to LDCs in most of the areas of aid (excluding food aid and technical cooperation) by 1<sup>st</sup> January 2002 (OECD, 2008). The first progress report noted that members had untied all categories of ODA to LDCs with only a few modest exceptions (OECD Archives, 2002a, p.2).<sup>9</sup> However, it is important to note that some members had started untying their aid already, especially among EU countries, as the EU moved to establish its single market policy (Clay, Geddes & Natali, 2009, p.18 & p.20; Desmet, interview, 2012). The fact that European countries had already discussed standardising public

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<sup>9</sup> Only those covered by paragraph 7i) of the Recommendation.



procurement regulations meant that untying in line with the DAC recommendation would impose no further additional cost for them anyway (Clay, interview, 2012).

Between 1990 and 2000, the percentage of untied bilateral ODA (commitment) of DAC countries rose from 59.4% to 80.4%,<sup>10</sup> and this was before the DAC recommendation was agreed.<sup>11</sup> Table 5.4 shows the top and the bottom seven members in terms of the proportion of their aid that was already untied in 2000, followed by rows showing the change of untied ratio for a decade *before* 2000 and for the decade *after* 2000 with the untied percentage in 2010. The table shows the top seven countries had already untied more than 90% of bilateral aid before the recommendation was agreed. For the bottom seven countries, it is noticeable that the untied ratio of the bottom four countries was below 50% in 2000.

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<sup>10</sup> This includes ODA to all countries that is beyond the coverage of recommendation.

<sup>11</sup> Comprehensive data for DAC members' aid untying ODA to LDCs (within the coverage of recommendation) is not available.

Table 5.4: Top and bottom seven countries of bilateral untied ratio in 2000 and change of untied ratio

1999-2000 and 2000-2010<sup>12</sup>

	1	2	3	4	5	6	7
<b>Top 7</b>	<b>Portugal</b>	<b>Norway</b>	<b>Luxembourg</b>	<b>Netherlands</b>	<b>Switzerland</b>	<b>Germany</b>	<b>UK</b>
<b>Untied % in 2000</b>	98.24%	97.73%	96.67%	95.34%	93.64%	93.16%	91.48%
<b>Change of untied % 1990-2000</b>	4.56%	36.46%	28.19%	44.18%	30.62%	49.55%	63.26%
<b>Untied % in 2010</b>	32.92%	100%	99.03%	93.19%	73.97%	96.04%	100%
<b>Change of untied % 2000-2010</b>	-65.32%	2.27%	2.37%	-2.14%	-19.67%	2.89%	8.52%
<b>Bottom 7</b>	<b>Greece</b>	<b>Canada</b>	<b>Italy</b>	<b>Spain</b>	<b>Austria</b>	<b>France</b>	<b>Australia</b>
<b>Untied % in 2000</b>	23.46%	24.91%	38.15%	47.16%	59.17%	67.98%	77.40%
<b>Change of untied % 1990-2000</b>	N.A.	-13.90%	21.56%	20.57%	20.40%	20.90%	61.64%
<b>Untied % in 2010</b>	62.20%	99.30%	58.46%	76.17%	67.66%	96.57%	90.84%
<b>Change of untied % 2000-2010</b>	38.74%	74.39%	20.31%	29.01%	8.49%	28.59%	13.44%

Source: DAC CRS data, commitment

Note: Data for period of change for Portugal was only available from 1991 and for Norway and Luxembourg from 1992.

Although the data in table 5.4 is for all bilateral ODA, not just bilateral ODA to LDCs that is covered by the recommendation, it reveals general trends: (1) at the time of

<sup>12</sup> Sufficient data on US is not available, but untied ratio was 28.4% in 1996 which increased to 69.81% in 2009.

agreeing the recommendation, there was a major disparity between those who untied most of bilateral ODA and those whose untied ratio was very low, (2) the majority of the top seven countries are in the like-minded group, (3) although the degree varies, all the bottom seven countries made progress in untying after 2000. It is reasonable to conclude from the data that the direct impact of the DAC recommendation for untying aid on members' compliance was greater on these bottom countries, as their changes of untied ratio are greater than for the top seven countries. This means that by the time when the recommendation was agreed, different DAC members differed in how much they had to adjust their aid behaviour in response to the recommendation. In 2002 the countries which did not yet meet the target of 60% of untied bilateral LDCs ODA were the United States (proportion of untied aid was 4%), Portugal (13%), Greece (20%), Australia (48%) and Germany (57%) (OECD Archives, 2004, p.11). The focus of monitoring compliance has been on these countries, whose progress fell behind the targets.

Apart from the untying ratio of ODA to the LDCs, an effort sharing composite indicator was also set up. As the indicator represents a multiplication of GNI ratio and untying ratio of bilateral ODA to LDC/HIPC added by GNI ratio of multilateral ODA to LDC/HIPC, a higher number for this indicator means a better level of effort made by a specific member. The indicator was meant to compensate for disparities of the impact the recommendation had on members, because "no matter how we cut the threshold the impact on countries varies" (Nicol, interview, 2013). By 2002, the average effort

sharing indicator among DAC members already exceeded the target of 0.04 (OECD Archives, 2004, p.11). Members below the target were the US (0.01), Greece (0.02), Spain (0.03), Australia (0.03); Japan (0.04) and Portugal (0.04) were not much better. The good performers, whose indicators were double the average, were Norway (0.34), Denmark (0.28), Sweden (0.26), Netherlands (0.24), Belgium (0.19), Ireland (0.19) and Finland (0.13), majority of these being like-minded countries. A general pattern emerges that many who were at the core of the group arguing for untying had already untied their aid and also performed relatively well in terms of effort sharing. They were not proposing anything that would require them to change their own behaviour significantly.

However, there is yet another issue in relation to implementation that clouds the picture. Although donors' aid to LDCs has increasingly been untied, as a recent progress report points out, some very high shares of procurement continue to go to enterprises in donor countries (OECD Archives, 2012, p.3). For instance there is evidence to support this especially for the UK aid. DFID reported to International Committee of House of Commons that 92% of contracts let by DFID Procurement Group in 2010/11 went to UK registered companies (DFID, 2012b). Similarly, a *Guardian* newspaper article revealed only nine out of more than 100 major DFID contract agreements went to non-UK firms in 2011/2012 (Provost & Hughes, 2012). An annual DAC report also indicates 85 out of 86 DFID contract awards went to UK companies (OECD Archives, 2012, p.16).<sup>13</sup>

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<sup>13</sup> The total amount of 86 projects was worth US\$ 656.8 million, including one project awarded to a

As Clay, Geddes & Natali suggest, even where international competitive bidding was adopted as a result of untying, the project planning and contracting processes of some DAC members still appear to work to the advantage of donor-based companies, either intentionally or unintentionally (2009, p.54). This practice is called de facto tying, meaning that contract awards are still won by a company in donor country under untied aid arrangements with open bidding process.

Two interpretations can be given to account for this. One is that when a company is highly competitive within the international market, it wins business for that reason. A former DFID Secretary of State thinks the UK's high level of contract bid by British companies can be attributed to this (Short, interview, 2012). However, this leads to a counter argument, that aid untying should also include consideration of a capacity-building component for the recipient countries, favouring support for local firms there. In the Paris Declaration on Aid Effectiveness (PD) it was agreed that developing countries must strengthen their public financial management including procurement and that donors should use developing countries' system to the maximum extent possible. A Secretariat in charge of aid untying also said "Our intention is to change donors' behaviour in a way that they change their aid policies to benefit developing countries" (Lammersen, interview, 2012). If it were in the ECG where 'fair competition' is respected, members' complying through open competition would be

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non-UK company worth US\$ 0.8million.

sufficient. However, the changing discourse in the DAC towards partnership and ownership has increasingly shed light on the importance of local procurement (i.e., the share of contracts that companies in developing countries can win).

A more jaundiced interpretation of why so much aid funded business still goes to donor companies infers some kind of loophole whereby the donor country's own companies still enjoy an advantage within the regulatory framework of untied aid, and sees this as unfair. Put simply, even if the donors formally abide by all the rules under which the aid can be reported as untied, there remain ways in which donors can promote companies of their nationality if they want to. Some see this is the case for the UK, as the procurement system has a bias towards UK firms (Rabinowitz, interview, 2012). The need to investigate procurement rules and regimes is recognised by DAC Secretariat, though in the case of the UK sub-contracting practice by procurement agency is complicated so the overall picture of procurement is difficult to see (Nicol, interview, 2012). Indeed, demonstrating that a certain contract is de facto tying is difficult, as the outcome may be either an intended or unintended consequence of the way in which the contract is organised (Clay, Geddes & Natali, 2009, p.41). In addition, the limited reporting by donors on contracts awarded prevents the DAC from having a comprehensive picture (Clay, interview, 2012; Nicol, interview, 2013). Hence, as an Overseas Development Institute (ODI) senior researcher who led studies of aid untying for the DAC says, DAC has not made any headway at least since 2010 in this area (Clay, interview, 2012).

And yet the DAC Secretariat has now begun to look at how this problem can be identified, for instance by comparing the proportion of ODA contracts awarded to companies in the donor country and those taking place under purely market economy arrangements, in a specific country (Nicol, 2013, interview). The result of the comparison did not reassure the DAC Secretariat that UK firms really were competitive enough to win most contracts, although the levels for Japan and France seemed appropriate (ibid). At the time of writing there is an increasing awareness in the DAC, especially in the DAC Secretariat, of a need to clarify what is really going on around de facto untying: more hard information is needed.

To summarize, the high level of untying ratio of the DAC members shows a high level of compliance. Nevertheless, members have differed in implementing the recommendation; like-minded countries who led the discussions faced little additional cost from implementing the recommendation, which may help explain their support. But the practice of de facto tying has emerged in recent years, which raises new questions about compliance.

### *Monitoring*

Since 2001, donors' progress on aid untying has been annually monitored and reported to the High Level Meeting (HLM). Also, members' compliance is monitored through a peer review mechanism. Therefore a well-established mechanism to monitor members'

progress does exist. Nevertheless, issues arising from the monitoring practice include discrepancies among members' reporting practices, which impede effective monitoring.

Progress reports for implementing the DAC recommendation on untying ODA have been published annually since 2002, and the reports are submitted to the DAC's HLM. The process of formulating annual report can be contentious, as members check the content of the report (Nicol, interview, 2013). The Secretariat tries to create an environment in which members could be guided or pressured to untie their aid through the monitoring process. For instance, by creating a third category of reporting by members (i.e., not only tied or untied but also 'not reported'), the Secretariat aims to pressure members to provide as much information as possible. This is significant in the case of Japan for example, where most of the "not reported" categories comprise technical cooperation that is excluded from the coverage of the recommendation.

One of the problems associated with monitoring is reporting. As a part of reporting of statistics on aid flows, DAC members are obliged to report on the tying status of their aid. However, members' reporting practices are not always standardised. For instance, the Japanese government has been criticised by the DAC for reporting their projects as untied when primary contractors are tied to Japanese companies, even though procurement of goods and services is untied for the projects. While Japan's government argues that the procurement of goods and services only matter when judging either tied or untied, similar cases have been reported by the US as tied aid (Nicol; Lammersen,



interview, 2012).<sup>14</sup> A different example that has been brought to attention by a Secretariat official relates to UK aid to or through non-governmental organisations (NGOs), as it is not recorded as tied aid though is tied to British NGOs (Nicol, interview, 2012).<sup>15</sup> The sums are not insignificant; In 2011/12 DFID disbursed £336 million through UK NGOs, which accounted for 8% of total bilateral UK aid (DFID, 2012a, p.30). These illustrate some discrepancies among DAC members in reporting on tying status.

The discrepancies occur partly due to the fact that the content of the DAC agreement on untying was not discussed in detailed when it was agreed. According to a Secretariat official, unlike ECA, the DAC does not set out the details of regulation because it is based on trust (Nicol, interview, 2013). There is also an aspect that final agreement could have been jeopardised if discussions had been held at that level at the time when the agreement on untying was negotiated: a trade-off existed between the level of detail and the probability of reaching consensus. More importantly now, however, these discrepancies on reporting could affect collective action in the DAC right up to the present time, if they generate suspicions among members about each other's compliance or undermine their sense of being treated fairly – that is to say equally – by the

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<sup>14</sup> It is important to note that the US seems not to be taking monitoring as seriously as it should, for they did not report untied aid in 1994 and from 1997 to 2005 (Carbone, 2007, p.104), and according to one source they did not care if the respective aid was counted as tied or conversely untied (Lammersen, interview, 2012).

<sup>15</sup> However, the DAC untying recommendation only covers the extent that NGOs are involved in procurement-related activities, and excludes donors' core support to NGOs (such as institutional overheads cost).

Secretariat.

By reporting annually the level of compliance to the HLM, the individual members' behaviour regarding aid untying is exposed to scrutiny at ministerial or head of agency level. Also, monitoring through the DAC peer review mechanism enables scrutiny by the wider public and CSOs, for peer review reports are published. For instance, after the peer review of Japan in June 2010, the Japan NGO Center for International Cooperation (JANIC) published a proposal to follow up on the content of the peer review report (JANIC, 2010). During NGO-MoFA periodical consultation meeting, five Japanese CSOs (including JANIC) posed about 20 questions including on aid untying to Japan's MoFA. All the information from the meeting including the minutes is then made public.<sup>16</sup>

To summarise, indicators of collective action discussed in this section lead us to conclude that while successful collective action has occurred, the road towards reaching agreement was very long, and unresolved issues remain. Discussions in the DAC started to move ahead from the end of 1990s. Both the frequency of meetings and level of participants show a high level of collective action among the members, especially during the negotiations on a recommendation. The recommendation was successfully agreed at the HLM in 2001. The untying ratio of all DAC members has risen since then;

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<sup>16</sup> All the meeting documents such as agenda, participant lists and meeting records are on MoFA website ([http://www.mofa.go.jp/mofaj/gaiko/oda/shimin/oda\\_ngo/taiwa/ek\\_koukankai.html](http://www.mofa.go.jp/mofaj/gaiko/oda/shimin/oda_ngo/taiwa/ek_koukankai.html), Accessed 1 Jul 2014).

but several challenges remain, most notably increasing the coverage of the recommendation, ending de facto tying; and standardising reporting practices. So, what are the reasons that have variously enabled and impeded progress so far? The next section will address these questions.

#### 5.4: Conditions for collective action

This section discusses the conditions for collective action in response to the issues explained in the previous section; namely why it took very long to agree on recommendation, what was the momentum for successful agreement, why members eventually complied with the recommendation, and why there are still remaining challenges.

##### *Secretariat*

As was discussed, aid untying involves a wider policy community than just the development agencies. Each DAC members had different positions, and there were conflicts of interests among them. Therefore, the Secretariat's role was to encourage every member to agree with the recommendation, while making it as ambitious as possible. In doing so, an approach that insists one size fits all would not work. The Secretariat therefore tailor-made the recommendation in ways that maximised the number of DAC members who could accommodate to it. Most notable in achieving this were the creation of an effort sharing index, the exclusion of food aid and technical

cooperation, and by allowing members to attach their ‘letter of intention’ as a part of recommendation. The letter of intention allowed the members to express their individual concerns, rather than feel they were being ignored or overridden. They could be given some leeway to interpret the recommendation in ways they felt comfortable with, although not so far as to make the final agreement meaningless.

For at least three DAC Secretariat officials, including a former director of DCD, who were heavily involved in the consensus making process, the final few minutes before the recommendation was agreed during the HLM in 2001 were probably the most dramatic moment (Carey; Nicol; Lammersen, interview, 2012). Just before the recommendation was agreed, they were still facing difficulty in convincing some members such as France and the EC. On the day when they were discussing the draft recommendation in a meeting, the DAC chair, the director of DCD and some Secretariat staff sat round a lunch table in a restaurant called ‘La Murette’ near the OECD building. Their focus was to formulate an effort sharing index that can be accepted by all the members. Understandably this is quite complex, as it would have to accommodate different members’ preferences in a balanced way. Nevertheless, the former director wrote his idea on a napkin on the table, and everyone said “Here it is!” This was how the final adjustment was made by the Secretariat towards agreeing the recommendation. As the DAC chair successfully convinced other members in the end, “the director brought the science and the chair brought the art”, according to a Secretariat who was involved in the process (Nicol, interview, 2013).

When asked by the writer if the Secretariat has power, one of the Secretariat officials answered “we have a power of persuasion” (Lammersen, interview, 2012). He metaphorically compared this power of persuasion in the OECD negotiation process and mechanism to completing a jigsaw puzzle:

The pieces of puzzle are willingness of members. Secretariat cannot complete the puzzle if some pieces are missing but what we can do is to think of the way in which all the pieces are put in the right places. Therefore, we need to create conditions under which members are willing to agree by understanding the right direction and timing members want to move, the right opportunity to put pressure on members such as giving threats of isolation to keep them in the same direction. (ibid)

From this statement, we can understand how the Secretariat approaches the task of getting members to take collective action. They can even try to manoeuvre the relationship among members, such as for example by using threats of isolation or, conversely, giving members an incentive to work together. In pursuing such tactics the Secretariat makes use of its privileged informational power concerning all the members. As each Secretariat official has their personal incentive to advance collective action in regard to the programme they are responsible for (otherwise their job could be in danger), these individual incentives may sometimes take priority over the neutral position that might normally be associated with the idea of a Secretariat. The formal

powers of the Secretariat are strictly limited, and this is why persuasion is so important; another commentator called it ‘influence’ (Clay, interview, 2012).

Therefore, for a Secretariat official, brokering consensus is a major part of their work, as well as one of their aims. In order to achieve their aims, the most important capacity they need is not language, nor a university degree in development or economics, but rather a *sense of balance*. In fact, the DAC Secretariat is seen as “having a good sense of how far donors would be able to agree on the proposed policies” (Riddell, interview, 2012). In order to acquire the sense of balance, the heads of divisions attend internal Secretariat meetings for peer review, “to seek opportunities to grab the momentum for a breakthrough by learning member countries’ individual situations” (Nicol, interview, 2012). Personal relationships with the officials from member countries also matter. A DAC Secretariat attributes the success of the untying recommendation to “an incredible mixture of personalities, politics, theories and evidence” (ibid).

As such, the Secretariat has played an important role in persuading members to agree with the recommendation and manoeuvred the negotiation process towards collective action. The Secretariat showed an ability to recognise and seize the right moment for pushing the agenda forward, and formulated the recommendation in a skilful way – combining what an official called a ‘mixture of science and art’.

*Delegate-headquarter relationship*

In general, all the meetings on untying aid have been attended by government officials from headquarters. Until consensus was reached, it was headquarters staff who attended meetings, whereas after the agreement, it is mainly the delegates in Paris who attended informal meetings, for the purpose of monitoring.

Officially, the delegates' work is to coordinate between headquarters and the DAC, by conveying the government's position to the DAC and the DAC meetings' progress to headquarters. Nevertheless, once informal meetings take over, ties among the participants' become stronger and seem to be influenced, either consciously or unconsciously, by the other participants — albeit so long as compatible with directions from headquarters.

#### *Member-member relationships*

In principle member-member relationships are no less important to securing collective action than are member-Secretariat relations, notably where members have conflicting interests in relation to a recommendation and where it falls to one or two members to take the lead in pushing an initiative forward. This section explores and compares the UK's leading role on aid untying and the contrasting position of Japan, in particular.

The core members of the like-minded countries were associated with the Utstein Group, which was formed in 1999. This was an informal alliance among women ministers in charge of development, in Norway, UK, Germany and Netherlands. As Clare Short

looked back, “The group started opportunistically from the World Bank (WB) governor’s meeting where women ministers gradually increased and we started to talk about importance of poverty reduction. There was a shared feeling that if we move together as women, we can make progress” (interview, 2012). The four ministers wrote about the establishment of the Utstein Group in an article posted in *The New York Times* (Herfkens, Johnson, Short & Wieczorek-Zeul, 1999):

We simply cannot claim success as international politicians if we cannot make progress on addressing poverty. This vision of the truth about our world today brought the four of us together at Utstein Abbey in western Norway recently.

With a clear focus on reducing poverty, one of the four priorities they tried to address was to improve coordination among donors in regard to untying donors’ aid. Subsequently, the Norwegian minister set out aid untying as one of the two future challenges for Norwegian aid (Johnson, 1999). The effect of this group formed at the political level goes beyond the fact that it provided a strong force pressuring other members towards untying aid. For as Short recalls, one minister of the Utstein Group wanted her (Short) to promote the untying aid agenda in the DAC because her own country was facing domestic deadlocks in pursuing untying (interview, 2012). This shows that politicians sympathetic to the recommendation were using international pressure to counter obstacles within their own country.

The members of the Utstein group were the core of like-minded countries during the process of untying negotiation, and the UK’s leadership was especially very visible. It



originated from a domestic scandal – British aid to Malaysia in constructing the Pergau Dam in the early 1990s was one of the factors behind the UK taking the initiative for untying its aid (Carey, interview, 2012). The project was very controversial because it aimed to secure Britain’s own commercial and political interests in Malaysia. There was a commitment to offer aid made at Prime Minister’s level before a detailed needs assessment had been made. Moreover the project was connected to British arms exports trade to Malaysia as a quid pro quo for supporting the dam project tied to British companies’ procurement. As Lankester who was a Permanent Secretary (PS) of Overseas Development Administration between 1989 and 1994 recalls, the Pergau project was taken up in the news both in the UK and further afield every week between October 1993 and April 1994, indicating the high level of (very critical) public attention on the project (2013, p.98). During that period, formal inquiries and questions were held in parliament, and the High Court eventually judged the aid project unlawful. This was a turning point for British aid in its movement away from commercial interests and towards focusing on poverty reduction, becoming a highly respected donor (ibid, p.141).

The turning point was not realised without the benefit of a strong reformist orientation at the newly created DFID. After Clare Short became the first Secretary of State of DFID in 1997 as a full cabinet Minister, DFID successfully kept the developmental purpose of aid from being greatly compromised by purely commercial or political purposes. This was achieved in part by legislating the International Development Act in

2002, which defined poverty reduction as DFID's core objective, which had given DFID the all the important power to control its own budget for reducing world poverty. The Aid and Trade Provision (ATP) – a tied aid scheme through which Pergau Dam project had been funded – was subsequently abolished. DFID's very first White Paper in the new government says it will strongly support the discipline which limits tied aid credit, and encourage concerted international effort on untying (DFID, 1997).

Short's personal initiative as minister was important, but a strongly pro-development ethos and orientation of the whole department that was formerly the Overseas Development Administration was important too. According to Lankester, the culture at the Administration was idealistic and professional, with most staff believing strongly in aid's power to assist development and reduce poverty (2013, p.42). The minister and bureaucrats shared the same objectives here. They were also shared by Prime Minister Tony Blair and the Chancellor of the Exchequer, Gordon Brown (Morrissey, 2005, pp.161-162). High level agreement across relevant political actors was extremely important to undertaking international leadership on an issue like aid untying.

Short's opportunistic approach worked well in domestic politics as well: "other departments were busy dealing with new issues under the new government, so we as a new department popped out of others with a strong focus on what we wanted to achieve, which in turn gave us stronger position among other departments" (Short, interview, 2012). The ATP had a long history of being influenced by various interests from other

departments, notably the Department for Trade and Industry (DTI) (Lankester, 2013), so it would be natural for DFID to want to end the scheme – if only so as to exclude further interference from other departments. Therefore, by 2002 the UK had gone further than almost any other donor in aid untying, when Clare Short announced that British aid was effectively fully untied (Morrissey, 2005, p.174).

While the above helps explain the UK's willingness to try to exert leadership, it does not provide a full explanation let alone explain why the UK should be successful in advancing the agenda in the DAC. Three further reasons need to be mentioned in order to understand what actually happened.

First, because aid untying involves competition between countries for shares of world trade and export markets in particular, countries always want to avoid losing out, by resorting to tied aid. For instance, the ATP scheme came about because of pressure from UK manufacturing firms, who said the UK government was standing idly by while foreign governments were giving their national firms an unfair advantage through aid provision (Toye, 1991, p.97). This debate was prominent under the Thatcher premiership. For instance, the second phase of the Bosphorus Bridge project in Turkey, where Japan made the successful bid, provoked Thatcher to agree to the previously mentioned Wallen Package in the OECD (Maeda, 2007, p.152). The UK government had assumed they would win the contract for the second phase as Britain had implemented the first phase, but Japan offered LDCs untied loan (allowing only Japan

and companies from LDCs to bid) and won the project. This is why Thatcher's attention turned to regulating trade distortions in the OECD. Similarly, it can be readily understood that once the UK unties its own aid, it would want other countries to do the same, in order to avoid placing itself at a disadvantage.

However, not even this classic interpretation of international relations (protecting national interest through competition) provides a complete account of the UK's leadership, which leads to a second point. Throughout interviews the writer came across evidence to support the idea that the UK's leadership is partly represented by the strong individual belief or self-belief of the staff who work for the DFID. As was discussed earlier, the staff in the Overseas Development Administration and then DFID generally adopt a liberal approach to international economic and commercial relations. Having been asked why DFID wants to exert influence, a British academic who has worked closely with DFID spoke about this strong belief or self-belief of DFID staff which leads them to promote their favoured approach abroad (White, interview, 2012). The strong personal commitment to development and poverty reduction of the DFID staff makes them think that what they are doing is right and that it is important to get others to follow what DFID does.

Third, the UK's strong leadership in development and its high profile reputation internationally has an influence on UK national leadership at a wider level. International development is one of the UK's important national policies as a factor

benefiting the country's international reputation. Until the DFID was set up in 1997, the political ambition of the UK to lead the world in development policy was moderate. For instance, Thatcher was convinced of the importance of development assistance only when she realised it underpinned the UK's access to, and guaranteed it seats at the 'top table' of international decision-taking and diplomacy, according to Adrian Hewitt who established the All-Party Parliamentary Group on Overseas Development in 1984 and headed the Secretariat for over 20 years (interview, 2012).<sup>17</sup> The evolution of DFID's influence was a creeping change that began from the late 1980s with the growing involvement of DFID staff in World Bank-led initiatives such as Structural Adjustment Programmes (White, interview, 2012). In the DFID White Paper the importance of UK leadership in reducing global poverty was clearly stated:

Our particular history places us on the fulcrum of global influence...Helping to lead the world in a commitment to poverty elimination and sustainable development is an international role in which all the people of Britain could take pride. (DFID, 1997, p.20)

Joining up with others internationally was seen as a policy of the Labour party when it came into office, and there has been a clear UK leadership since then (Evans, interview, 2012). The fact that UK had already untied its own aid provided motivation to promote the same to others, for as Clare Short noted, "it was obvious for me to say let's take it to

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<sup>17</sup> According to Lankester, Thatcher's disinterest in aid for developmental purpose was her blind-spot: she basically thought if there had to be aid programmes then they should be used for political or commercial purposes (2013, p.34).

the DAC and we might get progress across the world” (2012, interview). Hewitt goes further to argue that Clare Short had every incentive to go to the DAC and try to persuade others to follow the UK once UK aid was untied, because otherwise UK firms would lose out (2012, interview). Her leadership in persuading others most likely reassured other ministries, such as those for trade and investment, about creating a fairer international environment in which to do business. At the same time, as Short recalled, the UK had the space to make its own way in pushing aid untying forward after DFID was established, while other countries were watching and listening to us with sometimes envious feelings (interview, 2012).

On the other side of DAC were the countries who had problems with the untying aid agenda. These included the US, Japan, France, Denmark, and the EC. These members provided higher amount of ODA volume compared to others. Japan was the world’s largest donor in 2000 followed by the US, and total ODA disbursement of these two donors was US\$ 23,462 million, accounting for more than 40% of the total aid by all DAC members.<sup>18</sup> The EC and France were the 4<sup>th</sup> and 6<sup>th</sup> largest donors respectively. The high ODA volume of these countries presumably gave them negotiating power in projecting their positions in the DAC, because consensus is difficult to reach when some important and big countries oppose (Nicol; Riddell, interview, 2012). If Japan and the US had not been such large donors at the time when untying was finally agreed, it is possible that food aid and technical cooperation might have been included in the

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<sup>18</sup> OECD CRS data (<http://www.oecd.org/dac/stats/>, accessed 20 Mar 2014).

recommendation rather than deliberately left out.

While the UK was exerting its leadership through the DAC, Japan historically saw the DAC as an entrance to the West. As Japan became a member of the DAC three years ahead of its accession to the OECD, membership of the DAC was seen as a stepping stone to the accession to the OECD, as discussed in chapter 1.

Historically Japan was supportive of the aid untying agenda for particular reasons. In 1970 when the DAC HLM was hosted by Japan, many members declared themselves prepared to untie bilateral loans, including Japan.<sup>19</sup> This position of the Japanese government was decided during that time solely by MoFA, as it wanted to show tangible results as a host country, which later offended METI officials both because they opposed the substance of MoFA's position and because of the way METI had been sidelined from the process of deliberation (Maeda, interview, 2012). From the 1970s on, when the Japan's trade surplus with the rest of the world became quite prominent, aid untying was used as a means to relax tensions between Japan and its trade partners, notably the US. The Japanese government made a cabinet decision to untie its aid in 1972,<sup>20</sup> and the Ushiba-Strauss joint communique was announced by Japan and the US

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<sup>19</sup> However, it ended up as just "an attempt", following opposition from the US Treasury (OECD, 2006, p.15; Carey, interview, 2012).

<sup>20</sup> Minutes of the House of Councillors Finance Committee held in 9<sup>th</sup> November 1972, just before the decision was made, show some concern expressed by a president of the Bank of Japan on the necessity to respond to the needs of developing countries through untying. Parliamentarians' statements on Japanese aid being perceived unfavourably are also mentioned. These factors probably influenced Japan's decision

government in 1978 expressing Japanese intention to untie loan aid (Maeda, 2003, p.119; Lancaster, 2007, p.118). Since 1980s Japan's loan aid has increasingly been untied. 65.2% of Japan's ODA loans were untied in 1980, which increased to 97.7% in 1995 (MoFA, 1996). As such, the untying motivation of Japanese government primarily rested on such foreign or economic purposes as gaining international reputation and averting criticism of Japan's trade surplus.

All this shows that collective action can be arrived at, through a plurality of different reasoning relating to instrumental purposes, some more overtly self-interested than others. However, not all reasonings offer the same degree of stability of support. For as Japan began to experience economic downturn in the early 1990s it became more reluctant to endorse aid untying (Lammersen, interview, 2012). 1995 was the peak year for Japanese ODA, which started to shrink shortly after.<sup>21</sup> From 2002, Japanese government introduced a special scheme to accommodate tied aid called Special Terms for Economic Partnership (STEP), within the limits of the existing international agreement.<sup>22</sup> Soon afterwards, in 1998 negotiations on the untying recommendation started in the DAC, where Japan did little to push the agenda move forward.

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on untying as well (<http://kokkai.ndl.go.jp/SENTAKU/sangiin/070/1140/07011091140002c.html>, 1972).

<sup>21</sup> In 1995 Japan provided 25% of total ODA from all DAC members.

<sup>22</sup> The Scheme allows only Japan's companies to bid for specific loan aid projects provided to countries eligible for loans and tied aid under OECD rules (therefore, excluding HPICs or LDCs). ([http://www.jica.go.jp/english/our\\_work/types\\_of\\_assistance/oda\\_loans/step/c8h0vm000053zae9-att/c8h0vm000056jr3z.pdf](http://www.jica.go.jp/english/our_work/types_of_assistance/oda_loans/step/c8h0vm000053zae9-att/c8h0vm000056jr3z.pdf), Accessed 1 Jul 2014)



To sum up, this section detailed the UK's preparedness to take a lead on untying and Japan's rather different behaviour. UK leadership followed criticism of its aid and a change of government, while in Japan tied aid was linked closely with commercial and diplomatic interests which early on made Japan more receptive to engaging in collective action. The contrast between the UK's use of the DAC to show international leadership and Japan's rationale for becoming a DAC member helps explain differences in the two countries' involvement in the DAC.

#### *Domestic environment*

The domestic environment plays a crucial role in deciding members' position, and thereby influences their commitment to collective action and the chances of securing agreement in the DAC. As the untying of aid affects economic and political interests both in the business community and among national politicians, domestic pressures to take strong leadership either in favour of or against untying aid is an important factor influencing the possibilities for collective action. In addition, NGOs' influence in changing donors' behaviour is not negligible. However the domestic environment can change over time, and move in unfavourable as well as favourable directions, for the policy of untied aid.

Table 5.5 summarises domestic actors and related policy on untying aid both in the UK and Japan, by disaggregating the role of government (political power and bureaucratic organisation), commercial lobby (private sector) and development lobby (CSOs,

research community).

Table 5.5: Domestic actors on aid untying policy in the UK and Japan

	<b>Political power</b>	<b>Bureaucratic coordination</b>	<b>Policy related to (un)tyed</b>	<b>Commercial lobby</b>	<b>Development lobby</b>
<b>The UK</b>	Conservative (-1997)	Overseas Development Administration under FCO, DTI	ATP	<ul style="list-style-type: none"> <li>• Confederation of British Industry</li> <li>• Export Group for the Construction Industry</li> <li>• British Expertise (former British Consultants Bureau)</li> </ul>	<ul style="list-style-type: none"> <li>• Strong NGOs (Pergau Dam lobby by World Development Movement, untying aid by Action Aid)</li> <li>• academics</li> <li>• journalists</li> </ul>
	Labour (1997-2010)	DFID, FCO, DTI	100% untied, International Development Act (2002)		
	Coalition (2010-)	DFID, FCO, DTI	Business partnership, promoting aid contract		
<b>Japan</b>	Liberal Democratic Party (LDP) (-2009)	MoFA (JICA), METI, MoF	Untied loan aid in early days	<ul style="list-style-type: none"> <li>• Keidanren, Engineering and Consulting Firm Association (ECFA)</li> <li>• Advocates for tied aid less public support for ODA</li> </ul>	<ul style="list-style-type: none"> <li>• Weak NGOs</li> <li>• Weak academics</li> <li>• Weak journalists</li> </ul>
	Democratic Party (DP) (2009-2012)	MoFA (JICA), METI, MoF	No change in aid policy		

Source: author

In the case of the UK, as the table shows, the change towards aid untying policies reflected a change of government. Under the Conservative Party government up to 1997, tied aid through ATP was prominent not least in public debate and perceptions about UK aid, although in actual fact aid accounted for only a relatively modest component of

all UK expenditure on ODA.<sup>23</sup> The new Labour government's decision to untie all UK aid in 1999 enabled the UK to take a lead in promoting aid untying in the DAC. There was a push for this from bureaucrats as well as the political leadership, for as Clare Short remembers "DFID officials such as Richard Manning who was then the second-top DFID official had strong concern about tied aid, so I grabbed the moment and pushed it through in the DAC" (interview, 2012). So long as responsibility for Overseas Development Administration was under the control of the FCO, it was difficult for the aid budget to be protected from being used for largely political or business purposes.

However, the creation of DFID by the new Labour government, with a full-fledged cabinet minister in the shape of Clare Short who had a strong belief and commitment to reform, and the legislation of the International Development Act in 2002, were game changers. The Act has helped keep aid untied even under the coalition (Conservative Party and Liberal Democrats) government that succeeded the Labour government from 2010. This is because it prohibits the UK from using aid for purposes other than poverty reduction. Therefore, although Short's leadership encountered some resistance notably from the business community (Short, interview, 2012), the reforms adopted under her leadership have had a lasting effect.

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<sup>23</sup> For instance, the average percentage of ATP in UK bilateral aid commitments between 1980 and 1988 was around 9% (calculated based on Toye, 1991, p.108).

Even so, a shift in attitudes towards aid untying reflecting a stronger business orientation may be detected in the period since. In April 2011, guidance for the overseas staff of DFID, UK Trade and Investment (UKTI), and FCO was announced (DFID, UKTI & FCO, 2011), under the new coalition government. The guidance explains the new government's policy to promote UK commercial interests, and encourages three departments to work together to pursue commercial diplomacy, even while UK aid remains untied. In the end of 2011, when the then Secretary of State for International Development, Andrew Mitchell, announced a decision to allocate £1.2 billion over the next five years to India, he said it was part of a broader partnership that also included the hoped-for sale of fighter jets to India (Buncombe, 2011). His successor, Justine Greening, said in her speech that "what's good for companies comes first, rather than what's good for developing countries" (Greening, 2013). This seems to signal a departure from what would be expected of an altruistic motivation for aid-giving.

This recent shift of attitudes towards aid in the UK is linked with erosion of DFID's autonomy and growing links with other departments, signalling new priorities under the names of business partnership and a so-called win-win strategy. The World Development Movement – the NGO which took the government to court over the Pergau Dam project and won the case – has started campaigning for an independent parliamentary inquiry into how the DFID works with business (Ford & Provost, 2013). In reply to a question posed by a Labour Member of Parliament about the line separating tied and untied aid, Secretary of State Greening replied "Although there are

risks in working with business, we should see opportunities too” (House of Commons, 2013). While the coalition government committed itself to keeping aid untied from commercial interests soon after the election in 2010 (HM Government, 2010, p. 22), developments since then could be telling a different story.

In marked contrast, Japan’s political leadership on international development is weak, and this too owes in part to the domestic environment. “I had respect for Japan as I knew Japan had to make more effort than some of DAC members by agreeing to the recommendation, given its different environment”, answered Clare Short when asked about Japan’s policy towards aid untying (interview, 2012). Table 5.5 shows the difference of Japanese domestic environment compared to the UK. In 2009 there was a dramatic change of government after 55 years of rule by the LDP, but no change of Japanese aid policy occurred. In contrast to the UK where change of political leadership influenced the direction of its aid policy, the continuation of Japan’s same aid policy reflects the continuing low level of political interest in international development.

For a long time, Japanese policy making has been described as ‘dominated by bureaucrats’ without political leadership; and exactly because of that, the DP argued the need to break away from bureaucracy, and for government policymaking to be led more by politicians. In Parliament there has indeed been some recent debate on aid untying. According to a Secretariat official at the House of Councillors in charge of a cross-party

committee to discuss ODA,<sup>24</sup> politicians who speak about aid untying issue in the committee express their preference for tied aid to secure national interest, and those who are in favour of untying tend not to express their opinion in public (Kanda, interview, 2012). This is because speaking in favour of aid untying will bring no electoral benefits to politicians. As a result, debates in parliament now are more or less occupied with reversing the untied policy. For instance, during a Special Committee in February 2012, a LDP politician asked one of the expert witnesses “What would happen if we tie our aid by ignoring the regulation decided by the DAC?” (House of Councillors, 2012, pp.7-8).

Despite some expectations by the aid community in Japan that aid policy might change, along with a determination to exert leadership on aid – and notwithstanding the discussions in parliamentary forums – to date there has been no significant change in policy. The fact that international aid is not on the national agenda, and receives no attention from the public helps explain this.<sup>25</sup> Just as important is the deeply embedded nature of weak political leadership on international development, where for a long time the bureaucracy has exercised comparatively stronger power in deciding aid policy.<sup>26</sup>

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<sup>24</sup> The forum is named Special Committee on ODA and Related Matters.

<sup>25</sup> Former Minister Okada was widely esteemed by the development community for his endeavour to improve ODA policy, though it was rather seen as his individual initiative, and his LDP successor subsequently moved ODA policy closer to economic diplomacy.

<sup>26</sup> It is worth noting that the combination of weak political leadership and strong bureaucracy means continuity is very likely – the steady implementation of the DAC recommendation on untied aid, even though Japan does not take a lead. This is reflected in a DAC chair’s comment: “Frankly, Japan is an excellent country in fulfilling its commitments and this is exactly why the country is so reluctant to take

The domination of bureaucrats in aid policy decision-making has in fact long been pointed out (see Arase, 2005; Lancaster 2007). It is mainly the MoFA and METI who have influenced decision making for aid untying, albeit offering different points of view. As Arase points out, researchers have tried to explain Japanese aid either from the perspective of endogenous national interest (*kokueki*) or by exogenous membership obligations in international society (*tsukiai*), or by some combination of the two (2005, p.10).<sup>27</sup> Lancaster, for instance, analyses Japan's difficulty in converging its aid policy with the policy of major Western donors by examining factors of internal pressure (*naiatsu*) and foreign pressure (*gaiatsu*) (Lancaster, 2010). This dichotomy reflects the structure of bureaucracy related to aid untying; METI tries to maximise the national interests which can be gained from tied aid to the benefit of Japanese companies and its economy (*kokueki*), often representing internal pressure (*naiatsu*), whereas MoFA tries to align ODA policy to the international norms agreed in the DAC (*tsukiai*), and is more susceptible to foreign pressure (*gaiatsu*).

Japanese untying aid policy has been fought over by a divided bureaucratic structure that pits MoFA and METI against each other, reflected by a mixture of *kokueki* and *tsukiai*, or *naiatsu* and *gaiatsu*. Some examples are given here. First, the reason behind Japan's positive initiative on aid untying during the 1970s and 80s was to reduce strong

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on new commitments— because it's so true to its words" (Atwood, interview, 2012).

<sup>27</sup> The direct translation of *tsukiai* is "acquaintance".

international criticism due to Japan's economic strength during that period. The level of Japan's foreign reserve reached its peak in 1987, and export promotion was slowed down; Japan's government had to seek a path for international harmonisation (Araki, interview, 2012). Hence, there was an intention to hide *kokueki* by using *tsukiai* factor. Second, one year after the Wallen Package was agreed in 1987 Japan's government declared to untie its aid in the MoFA's ODA mid-term policy. According to Maeda, a former METI official, this measure was a strategic one, because the government tried to pretend the decision was its own will (even though the Wallen Package was the main reason in reality) in order to dodge criticism by business lobby (interview, 2012). This shows the government's endeavour to ease *naiatsu* by hiding *gaiatsu*. The third example illustrates MoFA's using *tsukiai* factor or *gaiatsu* to protect its aid from *kokueki* or *naiatsu*. In 1996, MoFA's ODA White Paper led growing public support for re-tying of Japanese loan aid, following a fall in the percentage of contracts awarded to Japanese firms below 30%. However, the Paper cautioned against re-tying, mentioning the likelihood of international criticism (MoFA, 1996, pp.56-57).

These examples show Japan's aid untying has always been determined by the balance and a mixture of *kokueki/naiatsu* and *tsukiai/gaiatsu* factors, often through a tug-of-war between METI and MoFA. MoFA certainly receives pressure from METI and politicians who represent commercial lobbies, but takes the view that tied aid benefits only a small group of companies supported by only some politicians.<sup>28</sup> Nevertheless,

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<sup>28</sup> A MoF official also expressed his opinion that what is good for Japan and what is good for these



the more recent economic climate in Japan could be thought to strengthen the internal pressure from commercial lobbies such as the Keidanren who advocate tied aid.

In Japan development lobbying by NGOs, academics and journalists is much weaker than in the UK. Although some advocacy NGOs are now growing, such as the JANIC, and they monitor government policy including on aid untying, the numbers as well as depth of their activities remain very limited as discussed in chapter 4.

The research community in Japan is weak too, as the link between academics and policy is weak (discussed in more detail in chapter 6). In contrast in the UK, the research community and NGOs often collaborate to push for government policy reform. For instance, Professor Oliver Morrissey at the University of Nottingham – an expert on UK ODA – not only criticised British tied aid practices in his publications but also provided some advice to NGOs, which they could then use in their lobbying.<sup>29</sup>

A commercial lobby to promote tied aid exists both in the UK and Japan. However, the strong political commitment to untie aid in the UK meant a confident approach to dealing with opposition from the commercial lobby. A report of the Select Committee on International Development in 1997 noted that the UK government's decision to abolish ATP was welcomed by all the parties apart from those by the business

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companies are two different issues (Kanayama, interview, 2012).

<sup>29</sup> A report published by Action Aid in 1998, *In whose benefit? : The case for untying aid* acknowledges additional input from Dr. Morrissey (Chinnock, 1998, p.1).

association (House of Commons, 1997), even though the business lobby remained active in discussions about tied aid (Chinnock, 1998, P.25). In the DFID's press release at the occasion announcing its decision to untie all aid, Clare Short's intention to comfort the business lobby is obvious: "British industry has nothing to fear from aid untying. DFID will continue to award consultancy contracts on the basis of quality and cost rather than price alone" (DFID, 2000).

The common point in all the discussion and argument in the UK around aid untying policy, whether carried out in parliament or by NGOs, researchers, and journalists outside, is the importance of the UK government keeping faith with the policy of untied aid. The Shadow Secretary of State for International Development recently said, "We are vehemently against tied aid" (House of Commons, 2013a); and a wide range of other actors monitor government behaviour continue to monitor the government's performance.

In Japan, the largest business lobby, Keidanren has been publishing its own proposals for Japanese ODA, for instance, in 2007, 2008 and 2011. Understandably, their main argument is that measures need to be taken to offset the impact of aid tying so as to make it possible for Japanese companies to win more of the contracts. Nevertheless, officials from the Keidanren understand that "It is not realistic that Japan would withdraw from DAC's membership" and, therefore, "we need to think about how we can deal with the current situation under the OECD rules" (interview, 2012). The

Keidanren's 2011 proposal suggests the government go out of its way to promote Japanese companies' success in winning untied projects, and send government officials who can take a leadership role in the OECD (Keidanren, 2011). ECFA, a group of engineering and consulting firms, advocates a return to tied aid. For instance, during the Special Committee on ODA and Related Matters held in May 2011, the president of ECFA referred to Chinese tied aid and suggested investigating the possibility of de facto tying through Public-Private Partnership (House of Councillors, 2011). The government's desire to promote Public-Private Partnership under the current national growth strategy offers an opportunity for the ECFA to drive home its argument.

Japanese advocates of tied aid all point to the fact that the ratio of contracts awarded to Japanese firms has dramatically decreased over time. This merits some comment. First, it is true that the de facto tying ratio of Japanese ODA is comparatively low, and in contrast to the UK companies other than Japanese are increasingly winning contracts for Japan's ODA. In 2011, out of 628 contracts reported to the DAC (worth US\$ 6,340 million) only 100 contracts went to Japanese firms (worth US\$ 1,358), which accounts for about 21% of the total (OECD Archives, 2012, p.16). This corresponds to JICA's annual report; which says 19.7% of ODA procurement went to Japanese firms; 17.3% went to firms in other developed countries; 24.1% went to firms in developing countries (JICA, 2012, p119). When making a comparison with the high rate of de facto tying enjoyed by the UK, one could choose to interpret the difference as a reflection of a low level of international competitiveness of Japanese companies. In fact, the percentage of

tied loan aid (20.6%) and the procurement rate from Japanese firms (19.7%) were almost identical in 2011, which means that almost all the untied aid contracts were won by foreign firms. Therefore, some informants both within and outside of Japanese government draw a very different conclusion that tied aid is unsustainable, and Japanese firms will simply have to become more competitive, without looking to more government support (interview, 2012).

This section has shown that a comprehensive account of the conditions for collective action on aid tying must factor in the relationships between relevant government departments in the member states and the extent to which aid policy is subject to firm political direction from the politicians. It must also take account of interested actors in the economy and society. These variables are shown to differ from one country to another, and they cannot be assumed to remain constant over time. Collective action happens (or does not happen) at the end of a long chain of conditioning influences, some more direct and others more remote or indirect. Relations among DAC members and their domestic conditions greatly influence the chances of there being collective action, not least through willingness to exercise leadership. However, even the part played by non-members must not be excluded from investigation, as the analysis in the next section shows.

#### *Member/ non-member relationships*

Requests by aid-receiving developing countries' for untying aid had an impact on

pushing the untying agenda, according to claims made in meetings by the promoters of untying aid, such as like-minded countries and by the chair. And yet with regard to such non-DAC countries like China and India, whose presence on the international aid scene is far more significant now than ten years ago, the fact that they continue to tie their own aid-giving might be thought to exert a negative influence on DAC members' attitude towards their own compliance.

One of the three objectives of DAC's aid untying is to respond to a preference expressed by developing countries for aid untying (OECD Archives, 1997a, p.3).<sup>30</sup> Developing countries repeatedly expressed their preference for untied aid even before the negotiation of 2001 Recommendation started. For instance, the United Nations Conference on Trade and Development (UNCTAD), where developing countries are in a clear majority, tried to address the tied aid problem ever since the 1960s (OECD, 1968, p.67). By the 1990s the DAC's publication of *Shaping the 21<sup>st</sup> Century* (OECD, 1996a) influenced the donors' discourse on relations between donors and developing countries, and from the mid-2000s onwards developing countries came to participate in various meetings in the DAC, most notably in the WP-EFF (discussed later in chapter 6). As before then "few developing countries have power to affect the restrictive procurement practices of donors" (Cassen & Associates, 1994, p.220), the inclusion of developing countries in the DAC's WP was an important opportunity to influence donor thinking

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<sup>30</sup> Two other objectives are giving real effect to the 21<sup>st</sup> Century and Partnership Strategies; and levelling the playing field among exporters.

and behaviour on aid untying.

Nevertheless, not all countries had identical views. Recipient countries showed mixed feelings towards tied aid; a few countries objected strongly (e.g., India), some thought it ‘not insupportable’, and others believed it to be inevitable (ibid). Recipient countries request untying at international form such as in DAC meetings, but may not always express it explicitly in their bilateral relationship with donors. “No partner country had requested France to untie its ODA” – this was said by France’s delegation at the SLM in 1999, in response to the like-minded countries’ pressure that cited aid partner countries’ preference for untied aid (OECD Archives, 1999a, p.10). The writer’s own informal conversation with a government official from a recipient country revealed a preference for tied aid compared to untied aid that might sometimes be badly managed and incurred long delays, resulting in extra costs to the government. We should be reminded that how aid is perceived can differ from one place to another, and recipients’ views may not always comport with those articulated by the donor.

The role of CSOs has been significant too. Action Aid, a UK based NGO, launched a campaign on the case for untying aid in 1996, a year before the Labour Party took office. For instance, they proposed several options for the British government to pursue on untying aid, including making announcements of aid untying, to show UK’s leadership (Chinnock, 1998, p.32). When the UK government announced it would untie all aid, Action Aid recognised it as a major victory and encouraged other donors to follow

suit.<sup>31</sup> Their campaign went beyond the UK, as Action Aid International together with 40 European NGOs launched a legal complaint against the EC for its aid tying. This received the support of the 900 members of the European NGO Liaison Committee (Carbone, 2007, p.107).

The Action Aid campaign with its well-researched analysis on untying aid reinforced the newly created DFID's intention to change both the UK's policy and that of other donors as well. Moreover, from the end of 1990s the level of interest shown by CSOs as well as journalists on the actual negotiations over untying aid in the DAC increased. NGOs started to gather around the OECD building during untying meetings and protested "We want untying!", which was rare to see such scenery around OECD events, as a DAC Secretariat recalled (Nicol, interview, 2012). The strong pressure from CSOs together with increasing public awareness on untying issue created a "sense of frustration and embarrassment" among the DAC members (ibid).

While in the UK as well as elsewhere in European CSOs advocated untying aid during the time when the DAC negotiations became more intense, nothing comparable happened in Japan. There is a structural difference between Japan and other OECD members in that a majority of Japan's NGOs concentrate on delivering services in developing countries, rather than engage in policy advocacy. Japanese civil society is

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<sup>31</sup> Based on Action Aid website on aid untying (<http://www.actionaid.org.uk/aid/untie-aid>, Accessed: 1 July 2014).

made up of members without advocates, because few professional advocacy organizations exist (Pekkanen, 2006). Yet, some efforts and improvements were made to foster dialogue between MoFA and NGOs; a periodical consultation meeting was set up in 1996, with a special policy consultation session after 2002. International aid policy only started to be discussed there from 2008, when the aid effectiveness agenda was included.<sup>32</sup>

Non-DAC countries too have indirect influence on the DAC members' aid untying policies. However, non-DAC countries' influence could work towards undermining collective action in the DAC, unlike that of CSOs who may promote collective action. Non-DAC countries' own increasing aid, most of which is believed to be tied (Kragelund, 2008, p.559; Grimm et al, 2010, p.48), potentially undermines the aid untying discipline which has been established among DAC donors. Compared to the early 2000s when the untying recommendation was agreed, the incentives of DAC members to continue striving for collective action are now reduced. In respect of aid untying, a sense of unfairness arises when DAC countries face competition from non-DAC countries who act outside the DAC's aid untying discipline, winning contracts funded out of DAC member country aid. An illustration is the winning of projects funded by Japanese loan aid by Chinese companies; Japanese companies are not allowed to bid for China's aid projects in developing countries. The total amount of

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<sup>32</sup> Based on Japan's MoFA website on MoFA-NGO Consultative Meetings. ([http://www.mofa.go.jp/mofaj/gaiko/oda/shimin/oda\\_ngo/taiwa/kyougikai.html](http://www.mofa.go.jp/mofaj/gaiko/oda/shimin/oda_ngo/taiwa/kyougikai.html), Accessed 1 July 2014).



contracts that Chinese companies won from Japanese loan aid rose significantly from 5.9 billion yen in 2000 to 31.8 billion yen in 2011 (JBIC, 2000, p102-108; JICA, 2012, p.193-196).<sup>33</sup> Resentment can be seen not only at government headquarters in Tokyo but also among Japanese diplomats based in developing countries when they witness Japanese ODA projects being constructed by Chinese workers. It is not surprising then that at least some Japanese diplomats have suggested reverting Japan's policy back in the direction of aid tying. It was partly in response to this that Japan's government created the new loan aid scheme of STEP in 2002, aimed at promoting Japanese technology by tying to Japanese companies, within the OECD rules.

This section has shown that collective action in the DAC cannot be explained solely in terms of the members and the Secretariat, and that even actors outside the DAC may exert an influence, positive or negative, indirectly and without even attending DAC meetings. Relevant outside actors can be of different sorts, including both non-governmental or CSOs and major non-DAC countries. The influence exerted by these actors on participating DAC members varies across DAC members, as shown by the comparison of CSOs in Japan and Britain or Europe more broadly, and Japan's exceptional sensitivity to the challenge of competition from China.

## 5.5: Conclusion

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<sup>33</sup> This excludes projects in China; and information is only available for projects above 1 billion yen for the main projects and 0.1 billion yen for the consultancy projects.

Aid untying has always been a contentious issue in the OECD. This is why in spite of a long history of discussion the DAC agreed a recommendation only in 2001, following substantial agreements in the ECA. Although there are some unresolved issues still, by and large the indicators of collective action show that DAC members reached agreement and have acted accordingly. A united leading force by a small number of countries with the UK at the front prevailed against countries who differed in their reasons for resisting reform. Even so, there seems to be uneven compliance among the members, once de facto tying is identified. That de facto tying can be observed among countries that have attained a high level of formal compliance suggests that tests to assess whether collective action is achieved (or not) may have to become more sophisticated.

In respect of the conditions for collective action, the chapter showed that domestic conditions inside member countries are influential on members' positions in the DAC. Since the late 1990s a shared commitment formed around the like-minded countries, and this was crucial to lending momentum to the process of reaching agreement. Other conditions also mattered, for example the Secretariat's ability to balance interests among the members on both sides of the debate. In addition, pressure from developing countries, as well as from NGOs inside the DAC member states, exerted leverage to counteract obstacles to change. However, integration of the untying aid agenda into an aid effectiveness agenda opened up the discussion to non-members, and this too played a role. It is to this issue of aid effectiveness that chapter 6 turns, providing the second of

two case studies that explore in detail the indicators of and conditions for collective action in the DAC with specific reference to the lessons that can be learned by comparing the UK and Japan.

## Chapter 6: Aid Effectiveness

### 6.1: Introduction

Chapters 3 and 4 discussed indicators of and conditions for collective action in the DAC. Chapter 5 and this chapter examine in closer detail the indicators and conditions discussed in chapter 3 and 4 by examining two specific issues: aid untying and aid effectiveness. They also make specific inquiry into two member countries, the UK and Japan, in relation to these two issues, in order to analyse members' conditions and incentives for collective action.

The two cases of aid untying and aid effectiveness demonstrate distinctive nature and types of collective action. While the chapter on aid untying showed successful collective action both in agreement and compliance, this chapter indicates low level of compliance even when policies are agreed. In addition, the scope and the actors involved in collective action was limited or targeted for aid untying because DAC Recommendation on Untying ODA (2001) only covers Least Developed Countries (LDCs), and non-DAC actors did not participate in the discussions. In contrast, this chapter on aid effectiveness demonstrates different features: the scope of the agenda has widened and increasing numbers and types of non-DAC actors have come to participate. Comparison of these two cases illuminates the evolving nature of collective action

(problems) in the DAC.

DAC is widely recognised to have led on aid effectiveness, with successive agreements of the Rome Declaration in 2003, Paris Declaration on Aid Effectiveness (PD) in 2005, Accra Action for Agenda (AAA) in 2008 and Busan Partnership in 2011 during its High Level Forum (HLF) on Aid Effectiveness. The agenda has influenced donor policies and raised the level of awareness among policy makers and practitioners in aid agencies. Overall, indicators show successful collective action up until agreement stage but the level of implementation of the agreed policies has been lower than the targets originally set. The increasing number of delegates from 100 during Paris HLF to over 3,000 during Busan HLF reflects the growing level of interest in this agenda. Also, different kinds of actors have become involved. While the Rome Declaration only dealt with donors' commitment, more representatives from non-DAC members such as recipient governments, emerging donors and civil society organisations (CSOs) have participated in the discussions since PD.

All this has inevitably made collective action more difficult. However, in spite of critical phases during the negotiations of outcome documents, the DAC as a (co)host of the HLF was successful in getting the actors on board and reaching agreement. In between each Forum, the Working Party on Aid Effectiveness (WP-EFF) advanced the work on aid effectiveness, backed up by monitoring frameworks such as indicators and targets set in the PD. Pressure from outside the DAC to achieve successful collective

action on aid effectiveness has shifted over time. At first, pressure came from the research community as well as CSOs, but during the last HLF (2011) the DAC reacted to changes in the global economy by trying to include non-DAC emerging countries. This, represented an attempt to sustain its legitimacy but at some cost to the DAC's own agenda. DAC's survival strategy as an international organisation means that it must remain relevant to the wider international community if its members are to continue to commit to participating in the DAC.

Nevertheless, compliance over aid effectiveness has been low. After five years from PD, only one out of 13 targets was met (OECD, 2012a). In his opening remarks at the Busan HLF, OECD Secretary General Angel Gurría referred to the level of implementation as "sobering" (Gurría, 2011), and many CSOs expressed their disappointments. So, this chapter examines the obstacles to implementation of the aid effectiveness agenda, by assessing the domestic conditions in Japan and the UK.

The pattern of leaders and followers which was observed in the case on aid untying has similarities for aid effectiveness. Again the UK led the discussions inside the DAC, together with the DAC chair and research community. However, this chapter will show that over time the pattern has changed, as more and more non-DAC actors began to participate in the meetings. The convening power and influence of the DAC Secretariat and DAC members were watered down; the pattern of leaders-followers is no longer simple but instead came to involve a complex dynamism of divergent relationships

among different actors.

In addition, while the main locus of collective action on aid untying lay between Paris and members' headquarters, a new focus on the recipient country level in developing countries has to be included in the case of aid effectiveness. This, again, makes collective action more difficult, as a community comprising recipient governments and donor actors active at the recipient country level generates its own logic and incentives, which may differ from those in Paris or at donor headquarters.

Aid effectiveness was a critical turning point for the DAC: it changed the types and levels of collective action, with new actors being involved, and also saw the beginning of change to the norms of the DAC. As aid effectiveness became such an influential agenda internationally, it has inevitably affected the works of other subsidiary bodies of the DAC as well. Nevertheless, DAC had to loosen its control of the aid effectiveness agenda once the Busan HLF set up a new platform of Global Partnership to host discussions outside DAC. The issue of which institutional setting should host the aid effectiveness agenda has opened a new debate on global governance for development, as elaborated later in the chapter.

This chapter begins with an overview of aid effectiveness – definitions and a snapshot of progress made in the DAC. Sections on indicators for and conditions of collective action follow, mirroring the structure of chapter 5. The indicators explain the level of

collective action: the conditions explain the collective action, as well as the particular ways and forms it took.

## 6.2: Overview

### *The aid effectiveness debates*

Most research (notably by economists) on aid effectiveness analyses the impact of aid mainly on economic growth (i.e., whether aid works and produces intended objectives), but the DAC's work dwells on how aid is provided (i.e., how to provide and manage aid in order to achieve intended objectives). The DAC does not discuss the allocation or effective level of aid volume in economic terms.

During the 1980s and 90s academic research was dominated by macro-level cross-country research investigating aid's impact on economic growth and then poverty reduction in developing countries. Many concluded that no positive correlation between aid and growth can be found (see Mosley, 1986; Burnside & Dollar, 2000), or aid works only in certain environments with certain conditions such as for countries with good governance (World Bank, 1998). Summer and Mallett note "a bewildering array of academic studies into aid effectiveness" during the last twenty years (2013, p.28), and by the end of 2004 ninety seven econometric studies on aid effectiveness were conducted (Doucouliagos & Paldam, 2009). But while some research concentrated on *whether* aid works, other strands started to examine *why* aid has been ineffective. Some



of the influential studies are; Cassen and Associates (1994) that systematically identified fragmentation and poor coordination of aid among donors, damaging aid's effectiveness; and Helleiner et al. (1995) which highlighted the negative impact of un-coordinated aid on the recipients' administrative capacity.

The DAC has in a sense responded to questions about *why* aid has not been effective by "identifying weakness in the way development resources are managed and delivered" (Chandy, 2011, p.8). Changing donors' behaviour for effective aid has become a core aim of DAC's work on aid effectiveness. This means the discussions and negotiations in the DAC came to focus on the process of aid delivery, as well as on relations between donors and recipients, rather than aid's actual impact on growth or poverty. Definitions of aid effectiveness are rare in official DAC documents (e.g., PD), but the DAC defines it as "the efforts of the development community to improve the delivery of aid to maximise its impact on development" (OECD, 2012b, p.289). This demonstrates the DAC's distinctive approach.

In recent years the debate has moved from aid effectiveness to development effectiveness. A common understanding of what "development effectiveness" means does not exist (Kindornay, 2011). The PD evaluation report says "aid effectiveness" is an "effect of the PD" in terms of intermediate outcomes whereas "development effectiveness" is the "impact of the PD" on longer term outcomes such as reducing poverty or inequality, increasing growth, building capacity and accelerating the

Millennium Development Goals (MDGs) (OECD, 2012a, p.4). Development effectiveness both has a longer term horizon and wider scope that includes other financing resources, such as those of non-DAC countries whose financial provisions linked to trade may not qualify as aid on the DAC definition of assistance.

#### *Overview of progress of the DAC's work on aid effectiveness*

It was only 2003 when the subsidiary body on aid effectiveness (i.e., WP-EFF)<sup>1</sup> was created in the DAC, in spite of awareness of the problems related to aid effectiveness since 1960s in the DAC (mainly about aid coordination). In 2012 the aid effectiveness work by WP-EFF was transformed into a Global Partnership for Effective Development Co-operation (Global Partnership), which is an independent open forum outside the OECD/DAC. This chapter will focus on the nine years during which the WP-EFF operated.

Table 6.1 shows the evolution of aid effectiveness over the period of four HLFs between 2003 and 2011, in line with the indicators of collective action. In spite of the increasing types and numbers of actors, each HLF was able to produce outcome documents that set out common understandings on future work on aid effectiveness. The agenda was originally led by the UK together with the World Bank (WB) and a small number of developing countries, supported by the research community, growing from an informal

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<sup>1</sup> Originally it was named Working Party on Aid Effectiveness and Donor Practices.

forum of Strategic Partnership with Africa (SPA) outside of the DAC.<sup>2</sup> Once the WP-EFF was set up and the actors started to increase, coalitions of interest were formed according to issue area. These discussions later came to be criticised for being too technical and intelligible only to insiders of the aid community. Partly because of this, the agenda shifted from aid effectiveness to development effectiveness during the Busan HLF, making the issues more accessible and relevant to a wider community.

Table 6.1: Indicators of collective action on aid effectiveness from Rome HLF to Busan HLF

		<b>Rome HLF (2003)</b>	<b>Paris HLF (2005)</b>	<b>Accra HLF (2008)</b>	<b>Busan HLF (2011)</b>
<b>Meetings</b>	<b>Members</b>	DAC donors	+ Developing countries	+ CSOs	+ non DAC donors
	<b>Numbers</b>		100	1,700	3,000
<b>Agreement</b>	<b>Outcome documents</b>	Rome Declaration	Paris Declaration (5 principles, 56 commitments, 13 indicators)	Accra Agenda for Action (AAA)	Busan Partnership
	<b>Agenda</b>	Harmonisation	Aid effectiveness	Aid effectiveness	Development effectiveness
	<b>Leaders</b>	UK, research community, WB, developing countries	UK, research community, developing countries	UK, European Union (EU), developing countries	?
<b>Implementation</b>			1/13 targets met (2011)		Global Partnership
<b>Monitoring</b>			Three monitoring surveys (2006, 2008, 2010)		Global Partnership

Source: author

<sup>2</sup> Established in 1987, the SPA is an informal association of donors and African partners at technical level that aims to improve the quality and increase the quantity of assistance to Africa by discussing emerging issues within the international aid architecture.

Table 6.2 is an overview of the conditions for collective action. In terms of agreement, some DAC chairs contributed to forming consensus during the HLF. In regard to members' relationships, the UK exercised leadership with like-minded countries progressing the aid effectiveness agenda; Japan and the US among others were not enthusiastic.

Table 6.2: Conditions for collective action on aid effectiveness from Rome HLF to Busan HLF

	<b>Rome HLF (2003)</b>	<b>Paris HLF (2005)</b>	<b>Accra HLF (2008)</b>	<b>Busan HLF (2011)</b>
<b>Secretariat</b>	Some DAC chairs contributed to reach agreement on outcome documents.			
<b>Delegate-headquarter relationship</b>				
<b>Member-member relationship</b>	Like-minded vs others UK leadership contributed to reaching agreement, while undermining trust between the members.			Divided groups as to how to respond to emerging countries.
<b>Domestic environment</b>	UK leadership is supported by domestic actors advocating for aid effectiveness internationally.			
<b>Recipient country level</b>	Key to implementation/compliance though different and new layers of incentives for collective action.			
<b>Member/non-member relationship</b>	Recipient countries	Recipient countries	CSOs	Emerging countries

Source: author

### 6.3: Indicators of collective action

In this section, the indicators of collective action (members and meetings, agreement, implementation and monitoring) are discussed in the context of aid effectiveness.

Overall, the numbers of members and meetings have expanded especially with the new actors, who have different positions in response to the DAC. The implementation of the PD has been slow notwithstanding the monitoring framework to assess members'

compliance.

### *Members and meetings*

The literature on aid effectiveness has little to say about the process of discussions in the DAC, which enables this section to add to existing knowledge of how meetings came to be organised and who attended. Unlike the case of aid untying, the structure of WP-EFF meetings has evolved in ways that exhibit the changing nature of the DAC itself. The participants to the WP-EFF were expanded to include non-DAC members, notably recipient countries and emerging donors.

The WP-EFF was set up only in 2003, but issues related to aid effectiveness had already been taken up in the DAC. Aid coordination was always the core concern of the DAC since its inception in the 1960s, but some guidelines and principles began to be agreed from mid-1980s: the Guiding Principle for Aid Co-ordination in 1986, and the DAC Principles for Effective Aid in 1992 (OECD, 1992a). During the 1980s aid coordination problems were increasingly taken up by other forums too. One which influenced the DAC's initiation of aid effectiveness work was the SPA, an informal donor coordination forum started in 1987 outside of the DAC. The SPA has been "a precursor in building a basis for collective action around African issues, and many ideas discussed in the SPA in 1980s were taken by the DAC in 1990s" (Evans, 2012, interview). With the growing recognition of the necessity to address aid effectiveness, the WP-EFF was created in

2003.<sup>3</sup>

The WP-EFF started from a small open forum but gradually grew into a large coalition of the willing (OECD, 2010b). From a donor-only forum, the Working Party evolved into a multi-stakeholder platform including non-DAC actors such as emerging countries, recipient countries and CSOs. Table 6.3 shows the meeting structure of the WP-EFF between 2003 and 2013. Plenary meetings were held a few times annually, whose members consisted of DAC members, non-OECD/DAC members and multilateral organisations (i.e., invited organisations). From 2005, the number of non-OECD/DAC members came to equal DAC members. An Executive or Steering Committees were formed to support Plenary Meetings, with small number of members representing their regional and political constituencies. Technical contributions were elaborated at the sub-groups level, where various joint ventures and clusters were formed, and in which more frequent and informal communications were made.

In addition to these layers, consensus groups were formed during the negotiation of HLF outcome documents. For instance, Table 6.3 lists 15 members of AAA Consensus Group and 18 Busan HLF so-called ‘sherpa’ who were elected to advance and negotiate the content of the outcome documents. The composition of the consensus group shows that over the period the number of recipient and emerging countries increased, while others such as the DAC members stayed constant. This is a sign that recipient and

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<sup>3</sup> This was at the occasion of the reform of DAC’s subsidiary body structure.

emerging countries gained more power to influence the outcome of the HLF.

Table 6.3: Meeting structure of the WP-EFF

	2003-2005	2005-2010	2010-2011
<b>Plenary Meeting (2-3 times annually)</b>	<ul style="list-style-type: none"> <li>Chair (Vice Chair): France (-2007) (Japan, Denmark)</li> <li>Members: 23 DAC members, 14 participating countries, 11 invited organisations</li> </ul>	<ul style="list-style-type: none"> <li>Chair (Vice Chair): Sweden (2007-) (WB, Ghana),</li> <li>Members: 23 DAC members, 23 Non-OECD members, 12 invited organisations</li> </ul>	<ul style="list-style-type: none"> <li>Chair (Vice Chair): Egypt, EC (WB, Korea)</li> <li>Members: 29 DAC and OECD/non-DAC members, 30 Non-members, 12 observers</li> </ul>
<b>Executive/Steering Committees</b>	11 (Asian Development Bank, Bangladesh, Denmark, Ethiopia, EU, France, Japan, Nicaragua, UN, US, WB (chair))	15 AAA Consensus Group members (WP-EFF Co-chairs, CSO advisory group chair (Canada), EU, Ghana, Japan, Nicaragua, Regional Development Banks, South Africa, UNDP, UK, US, Vietnam, WB, DAC Chair)	18 Busan HLF 'sherpa' members (WP-EFF Co-chairs, South Africa, Better Aid, Bangladesh, Rwanda, Mali, Timor-Leste, China, Mexico, Honduras, France, EC, Japan, US, UK, UNDP)
<b>Sub groups</b>	1 Task Team and 3 Joint Ventures (Task Team on Harmonisation and Alignment, Joint Venture on Public Financial Management, Joint Venture on Managing for Development Results, Joint Venture on Procurement)	2005-2007: 4 Joint Ventures (Joint Venture on Monitoring the Paris Declaration- Reference group for PD Evaluation, Joint Venture on Managing for Development Results, Joint Venture on Public Financial Management, Joint Venture on Procurement, and from 2007 Advisory Group on Civil Society and Aid Effectiveness)	2008-: 5 Clusters (Ownership and Accountability, Country Systems, Transparent and Responsible Aid, Assessing Progress, Managing for Development Results), 4 Workstreams (South-South Co-operation, Sectoral Approaches to Aid Effectiveness, Capacity Development, Private sector support for development)

Source: Compiled by author from Directory of Bodies of the OECD in respective years, OECD (2005a) OECD 2008a), OECD (2011b), Hayman (2012).

The participation by aid recipient countries was not straightforward. Recipient countries

were already participating in the Task Force on Donor Practices from 2001, which was a forerunner of the WP-EFF,<sup>4</sup> but the first WP-EFF plenary meeting was only attended by DAC members. The second plenary meeting held in 2003 concluded that the WP should retain its function as a donor forum, in which recipient countries participate only in task teams and joint ventures (OECD Archives, 2003, p.3). However, from the following year, the recipient countries started to participate in the WP-EFF plenary. They gradually gained confidence and the number of participants increased over the period. As shown in Table 6.4, the increase of Non-DAC participants is remarkable. The number of participating recipient countries rose from 28 in Rome HLF to at least 86 in Busan HLF.<sup>5</sup> A recipient country (Ghana) occupied one of the vice-chairs posts of WP-EFF from 2007. Also, recipient countries tried to form and then institutionalise a southern platform, such as an informal caucus meeting or contact group, in order to articulate and convey recipient country views (OECD Archives, 2005a, p.3; OECD Archives, 2009, p.3).

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<sup>4</sup> However, recipient countries are only referred in the Terms of Reference of the Task Force that “Task Force will interact with the partner countries” and not as members of the Task Force (OECD Archives, 2001a).

<sup>5</sup> 86 excludes 31 countries who are in the DAC’s ODA recipients but categorised as ‘upper middle income countries’, most of whom are emerging countries.



Table 6.4: Number of participants attending each HLF by categories

	<b>Rome HLF (2003)</b>	<b>Paris HLF (2005)</b>	<b>Accra HLF (2008)</b>	<b>Busan HLF (2011)</b>
<b>Total participants</b>	?	100	1,200	3,000
<b>DAC members</b>	23	23	23	24 (Korea joined in 2010)
<b>Non-DAC (emerging, recipients)</b>	30	72	114	160
<b>CSOs</b>	None	14	80 participated, 300 were associated.	300
<b>Others</b>	20			90 parliamentarians, over 100 from private sector and academia

Source: Compiled by author

Note: Circled numbers are the number of countries, not the number of participants.

In fact CSOs' participation in general deepened after the advisory group on civil society and aid effectiveness was created in 2007 (see Table 6.4). Table 6.5 details the original 14 CSOs who participated in the Paris HLF, representing both donor and recipient countries. The need to include CSOs was recognised in the DAC from the early days. For instance, the DAC chair sent a letter to the DAC members to invite discussion on whether WP-EFF should invite non-governmental organisations (NGOs) as informal observers (OECD Archives, 2005b, p.3). Nevertheless, it was only after 2007 that CSOs participation became more active because the advisory group was set up, and was followed by regional consultations or meetings between WP-EFF and CSOs. By 2008 CSOs representing the views of 3,500 organizations world-wide were more actively

involved than ever (OECD Archives, 2008a, p.6). After the Accra HLF (2008), an Open Forum for CSO Development Effectiveness was established in 2009, which connected CSOs across the world in sharing their understandings and knowledge of the issue. Since then, CSOs have organised their own initiatives to contribute to aid effectiveness, such as the Istanbul CSO Development Effectiveness Principles.<sup>6</sup> In the Busan HLF, the CSOs successfully occupied one of the 18 ‘sherpa’ positions for negotiating the HLF outcome document. The number of CSOs attending the Busan HLF reached 300 (Table 6.4).

Table 6.5: List of 14 CSOs participating in Paris HLF

Africa Humanitarian Action
AFRODAD
Bill and Melinda Gates Foundations
Canadian Council for International Cooperation
Comite Catholique contre la Faim et pour le Developpement
Cooperation Internationale pour le Developpement et la Solidarite
Comision Economica (Nicaragua)
ENDA Tiers Monde
EURODAD
International Union for Conservation of Nature and Natural Resources
Japan NGO Center for International Cooperation (JANIC)
Reality of Aid Network
Tanzania Social and Economic Trust
UK Aid Network

Source: OECD Archives (2005c, p14).

Non-DAC OECD members (e.g., Brazil, Turkey) participated from the first plenary

<sup>6</sup> This was agreed in 2010 among CSOs to increase effectiveness of their development activities (Open Forum for CSO Development Effectiveness, 2010).

meeting of the WP-EFF, though non-DAC and non-OECD members (e.g., China, India) participated only occasionally; six non-DAC non-OECD members including India and Russia attended in 2007, and the last meeting of the WP-EFF in 2012 was attended by officials of China and Russia from embassies in Paris. Participation by non-DAC governments created some confusion. Indeed, the original list of signatories of the PD was categorised either as donors or recipients – countries like Mexico and India were classified as donors but later requested to be categorised as recipients (Bracho, interview, 2011). From 2009, the DAC added a category of ‘donor/recipient members’ to accommodate countries that are both donor and recipient.

The expansion of participants in WP-EFF demonstrates growing interest amongst wider international actors. At the same time, it shows the flexibility of the DAC in changing its structure. Although the WP-EFF was just one of the many DAC subsidiary bodies, it gradually started to gain independence, for instance, selecting a co-chair from Egypt (a non-OECD country) and reporting to the HLF (an independent open forum situated outside the DAC). Jon Lomøy, the director of Development Co-operation Directorate (DCD), called this exceptional expansion of the WP-EFF as “true legal fiction”. This is because the number of non-DAC members exceeded official DAC members in the WP-EFF and in practice “the co-chairs of the WP-EFF did not probably feel the WP was a subsidiary body of the DAC as they had stronger power to set and define the agenda” (Lomøy, 2013a, interview). With the growing number of actors the WP gained more international attention, and the aid effectiveness agenda became central to the

DAC's work. This innovation was pioneering, making the WP "a training ground for the DAC to engage in real multi-stakeholders" (ibid).

This section has shown that under the aid effectiveness agenda, the meeting structure expanded under the WP-EFF. Over the period, issues discussed have evolved with various sub-groups. At the same time, the fact that the increasing number of participants both from the DAC and outside, such as emerging countries and CSOs, shows growing attention to the aid effectiveness agenda.

#### *Agreement*

As was shown in Table 6.1, four major agenda items were agreed by the heads of agencies and ministries during the HLF. However, the negotiation processes were hardly straightforward. In brief, the Rome, Paris and Accra HLF were led by like-minded countries, who advanced the aid effectiveness agenda, whereas a minority including the US and Japan took a contrary position. This mirrors the pattern of leaders and followers for aid untying discussed in chapter 5. However, the agenda shifted from aid effectiveness to development effectiveness during the Busan HLF, and the involvement of more actors dispersed the tensions between leaders and followers. The growing influence posed by emerging donors, most notably India and China, could not be ignored by the DAC if it wished to retain influence as a major international organisation.

Four outcome documents agreed during each HLF are clear evidence of collective action. The Rome Declaration on Harmonization and PD were agreed in 2003 and 2005 respectively. The PD was based on the Rome Declaration, and provided a foundation for expanding and developing the aid effectiveness agenda. During the Accra HLF, AAA was agreed in 2008, as a follow-up of the PD. The Busan Partnership agreed at the HLF in 2013 widened the scope of agenda. The process for reaching agreement was easier when the DAC was less complex (the agenda was simpler) and more homogenous (restricted to traditional donors) (Evans, interview, 2012), but this has changed in recent years. Nevertheless, once again there were some disagreements among some DAC members over aid effectiveness, just as there were over aid untying.

The aid effectiveness agenda originated from a combination of active donor members and strong nerve of recipient countries built from a very small modest platform (Rogerson, interview, 2012). Among others, the SPA provided a forum in which the like-minded countries pushed forward new policies such as Programme Based Approaches (PBAs) and budget support, and this initially influenced the aid effectiveness agenda in the DAC.<sup>7</sup> Among the like-minded countries, “the UK was a key mover and shaker in the SPA as well as in the DAC in 1990s” (Evans, 2012, interview). A UK representative commented during Rome HLF that the Department for

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<sup>7</sup> According to OECD’s definition, PBAs is the way for donors to engage in development cooperation based on the principle co-ordinated support for a locally owned programme (i.e., recipient government’s plan), and budget support is a method of financing a recipient country’s budget through a transfer of resources from an external financing agency to the partner government’s national treasury (OECD, 2005). In other words, they aim to provide support in line with the recipient priority.

International Development (DFID) played a full part in supporting the SPA to make progress on matters like budget support (OECD Archives, 2003a, p.52).

The Rome Declaration was focused on changing donors' behaviour through harmonizing donors' aid policies. The negotiations involved contestation over aid modalities. The new aid modality such as budget support was encouraged, to increase harmonization, yet some countries still felt uneasy with it. At the Rome HLF, the US representative said;

We would be concerned if our work on harmonization is used as a platform for making judgements on the priority of budget support over project support. The purpose of this exercise is to reduce inefficiencies and improve the effectiveness of development assistance, not to push one foreign assistance modality over another. (ibid, p.51)

Likewise, Japan expressed concern about the unification of aid modality, for this might reduce the options offered to recipient countries (ibid, p.31). This concern was echoed by France too.

During the initial period, there was a strong collision between the like-minded countries who tried to link aid modality to harmonization, and others such as the US, Japan and France. In fact, even before the WP-EFF was created the UK triggered a split among the DAC donors into two groups for budget support and project support: "They equated

budget support with better aligned modality, and alienated those who had difficulty in providing budget support” (Christiansen, interview, 2012). The US was very frustrated about the DAC being pervaded by northern Europeans’ ideology and lacking neutrality (Evans, interview, 2012). As discussed later, this collision produced distrust and misunderstanding between the two groups.

The PD was agreed in 2005 and it became a reference point for both the donors and recipients, as it set out the indicators for tracking progress. However, as the first draft of the PD was circulated only two months before the HLF, and “the indicators were proposed too suddenly by the Secretariat” (Rogerson; Christiansen, interview, 2012), the time for discussion was very limited. This resulted in an additional five months being taken to reach complete agreement among all the members, after the Paris HLF. This was because the US made reservations on some indicators.<sup>8</sup> Japan agreed to the PD in the end – though something that a Japanese government official later described as “a defeat” (interview, 2012). From the Secretariat side, there was serious disappointments, as the PD failed to get large donors like the US and Japan to agree on ambitious commitments. Roger Riddell saw a clear contrast between the rhetoric (i.e., positive about reaching the agreement) and serious disappointments among the

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<sup>8</sup> According to a DAC document, the PD indicators are subject to one donors’ reservations on (a) the methodology for assessing the quality of locally-managed procurement systems (relating to targets 2b and 5b), and (b) the acceptable quality of public financial management reform programmes (relating to target 5a.ii) (OECD, 2005, p.10). Guidance to USAID field missions (USAID, 2006) states that these points were not agreed because of US dissension.

Secretariat over failing to get large donors to agree on further commitments (interview, a British academic who was at OECD on the PD negotiation day, 2012).

During the preparation for Accra HLF, the negotiation of the outcome document (AAA) concentrated on setting the level of ambitions. The first draft of the AAA was presented in April 2008, but as in a chair's summary, everyone wanted a more ambitious one (OECD Archives, 2008b, p.5). Reflecting those views, the second draft was tightened up with clear wordings of commitments, which was shared in June. However, the sharpness was eliminated in the third draft, after being pushed back by donors and the WB and to the disappointment of CSOs (Tomlinson, 2008). The final negotiation started during HLF, and after three-days intensive negotiation an agreement seemed to be near. However, "a high drama" started in the evening of the day before the end of HLF (Maxwell, 2008). The agreement was turned over by EU members, as they thought their Ministers would not be satisfied with the current level of ambition, causing negotiations to continue into the Ministerial level meetings on the final day of the HLF. Together with pressure from CSOs and recipient countries that were pushing for further commitments (Tomlinson, 2008), the EU members finally managed to increase the level of ambitions in the AAA outcome document.

At the forum, it was rumoured that the US and Japan were opposing the EU countries (Maxwell, 2008; Kumaoka, Koshita & Endo, 2008). *Financial Times* critically reported that resistance by the US and Japan prevented further promises of improving aid,



describing as “a real shame” (Financial Times, 2008). Japanese government’s position was that a new draft put on the table by a group of donors on the final day of HLF overturned the lengthy and inclusive negotiation process, as there was not enough time for other donors and recipient countries to consider it fully. It expressed concern that the *Financial Time* article presented a one-sided view of the donors (Oka, 2008). Again, the DAC was divided into the Europeans on one side and the US with Japan on the other. A Japanese DAC delegate who was at the negotiation table remembered a criticism thrown by the DFID Secretary of State, who said “It is high time for Japan to learn how to concede” (Hoshino, interview, 2012). Some European ministers were well briefed and fully understood the aid effectiveness agenda including its technical jargons, which was a genuine surprise to a Japanese official who attended the meeting. It would have been difficult for a parliamentary vice minister of the Ministry of Foreign Affairs (MoFA), the head of delegation of Japan, to expect the same level of capacity on his side.

A year ahead of the Busan HLF, the agenda started to shift from aid effectiveness to development effectiveness. A Japanese government official recalls that during the WP-EFF meeting held in late 2010, Korea started to pick up on reflections contained in a joint publication, *Catalyzing Development- A New Vision for Aid* produced by the Brookings Institution in the US, Korean International Cooperation Agency, and Japan International Cooperation Agency (JICA), which emphasised diversity, differentiation and dynamic nature of aid providers and approaches (Mitamura, interview, 2012). By the time the Busan HLF was only six months away, the issue of how to get wider actors

on board had come to the fore. One important step was an outcome document of DAC Senior Level Meeting (SLM), *Welcoming New Partnership in International Development Co-operation*, agreed in 2011. This document recognises the dual status of emerging countries as both recipients and providers of development co-operation without applying the norms and rules required of DAC members (OECD, 2011c). It played an important role in creating a ‘comfort zone’ for the emerging countries, according to a Mexico’s DAC delegate who had contributed in bridging DAC members and emerging countries (i.e., China and India) (Bracho, interview, 2011).<sup>9</sup>

At the very last minute of Busan HLF, the Busan Partnership (outcome document) was agreed. It was widely understood among scholars and CSOs that enlarging the partnership and deepening existing commitments presented a trade-off whereby the DAC had to make a choice. The Busan Partnership was a compromise between reaffirming existing commitment to “common goals and shared principles” and inserting “differential commitments” for emerging countries (OECD, 2011d). China’s insistence that the document is a “reference for south-south partners on a voluntary basis”, with no intention of abiding by DAC rules and monitoring systems could not be ignored (Atwood, 2012b, p.23).

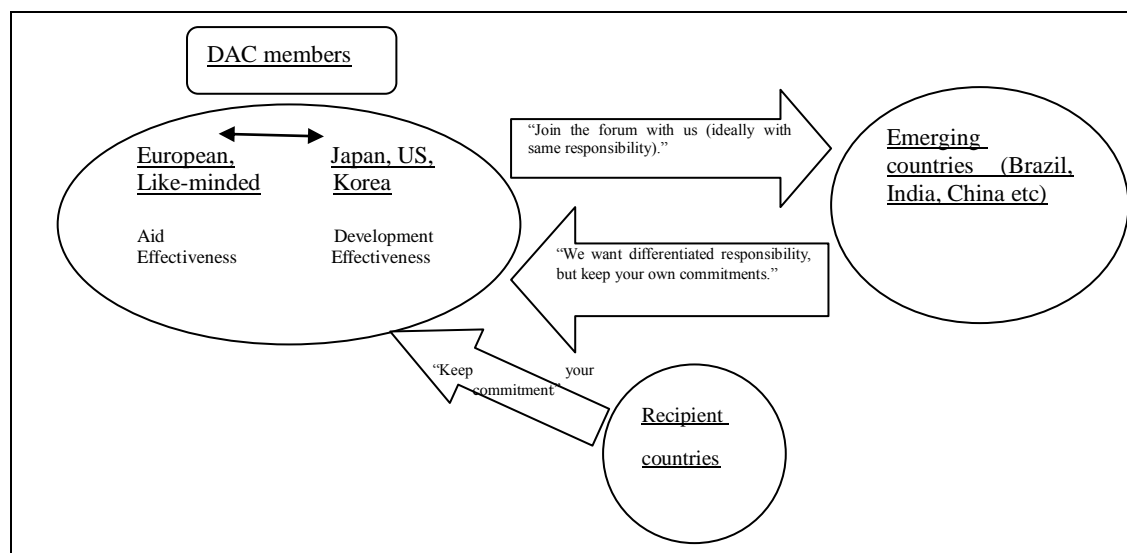
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<sup>9</sup> A former DAC chair commended Mexico’s DAC delegate who helped the committee’s effort to reach out to emerging countries by explaining the sensitivities, even the prejudices they had on the DAC (Atwood, 2012b, p.9).

The shift of agenda from aid to development effectiveness following the inclusion of non-DAC countries challenges DAC norms and standards on aid effectiveness. The like-minded countries had initially tried to protect the DAC's norms and standards by trying to push the aid effectiveness agenda forward, which led to tension. In the WP-EFF executive committee some members expressed concern about jumping from aid to development effectiveness as it might compromise the DAC's role (OECD Archives, 2009a, p.11).

Looming behind all this was the decreased legitimacy the DAC enjoyed owing to the increasingly influential position of emerging countries in the global aid architecture, as mentioned in earlier chapters. The DAC was faced with a challenge in adjusting a subtle balance between securing its legitimacy by being inclusive and protecting its existing norms and standards. As illustrated in Figure 6.1, different actors have tried to influence the balance based on their own positions. Although DAC members were divided into like-minded countries and others, it tried to invite emerging countries to take similar responsibilities. The emerging countries were clear that their responsibility differed from that of DAC members and, just like the recipient countries they expected DAC members to live up to their commitments.

Figure 6.1: Actors and their positions on aid and development effectiveness at Busan

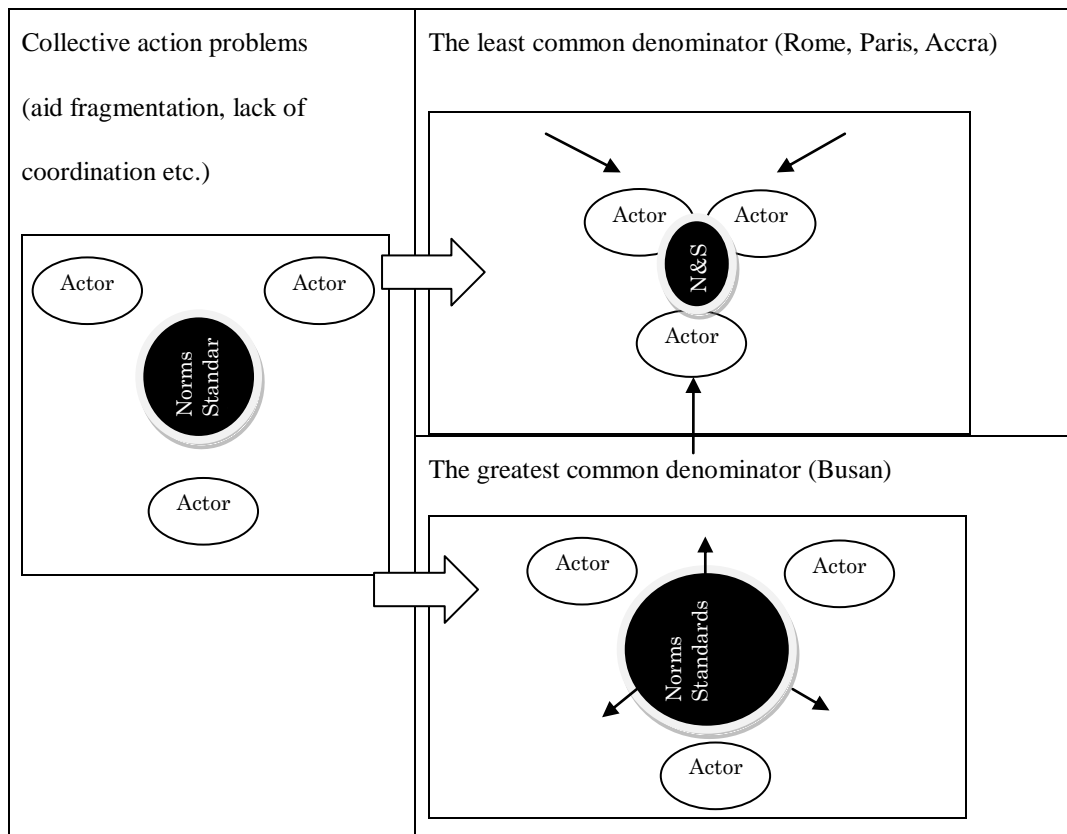


Source: author

The canvas of collective action has changed, as shown in Figure 6.2 which represents different ways of dealing with collective action problems. The aid effectiveness agenda started with the collective action problem of aid fragmentation and lack of coordination among multiple donors. This is shown in the left column of Figure 6.2, where norms and standards are not shared amongst donors. One way to rectify the situation is to set norms and standards that all donors must observe. As the upper right column shows, from early to late 2000s the Rome, Paris and Accra HLFs tried to push DAC members to conform to minimum standards. However, as the lower right column shows, as the actors became more numerous and diverse (at the Busan HLF) so the coverage of norms and standards broadened, in order to command buy-in from all the actors. The Busan outcome document is said to be “a crowning achievement,” by involving so many (new) actors, but it had to pay the price of softening of global commitments (Kharas, 2011). This can also be seen differently as a failure “if you think what matters are time-bound

measurable commitments” (Glennie, 2011a). Indeed, this was a result of the dilemma DAC had to deal with between “deepening” and “enlarging” the agenda (Klingebiel & Leiderer, 2011).

Figure 6.2: Different ways in solving collective action problems



Source: author

The ways that HLF meetings were staged also changed overtime. This was prominent during Busan HLF as most of the sessions were broadcasted online and accessible from anywhere in the world. Many reports and comments were posted through social media by those who were attending the forum. Some of the meeting documents were posted on the website of CSOs. Even the progress of closed-door ‘sherpa’ meetings to discuss the outcome document was partly posted on twitter and blogs simultaneously. This meant

that information formerly regarded as privileged to the DAC members no longer enjoyed that status.

To sum up the section, by successfully involving the emerging countries, the DAC was able to secure its legitimacy to some extent in the wider international policy arena. However, widening the actors as well as ‘the differentiated responsibilities’ inserted by the emerging countries implied that the norms and standards under the aid effectiveness agenda came under threat. The traditional DAC donors may be criticised for shirking the commitments they had signed up to “on the pretence that emerging countries cannot commit to such things” (Espey, 2011), or of moving the goal posts by changing the rules of the game (Hobbs, 2011). But seen from a different point of view, these changes had to be made in order to accommodate the new global realities, for as a DAC chair says, Busan HLF represents an effort to rationalize a global development architecture which needed to be fixed by integrating the recognition that the world has changed (Atwood, 2011).

### *Implementation*

After six years from PD, its monitoring survey found that only one out of 13 targets had been met – showing the slow pace of compliance by DAC members. This merits further comment.

The level of compliance can be traced from the PD Monitoring Survey conducted in

2006 to build the baseline, followed by the one in 2008 and 2010. Table 6.6 shows the progress of DAC members on PD indicators between 2005 and 2010. The first indicator measures the level of ownership of the recipients by the percentage of countries which have a national development strategy. Indicators between 2a and 8 show the level of alignment between donors and recipients by focusing on Public Financial Management (PFM), procurement system, co-ordinated technical cooperation, number of Project Implementation Unit (PIU), predictable aid, and aid untying. Indicators 9 and 10 measure level of harmonization among donors by PBAs, joint mission, and joint analytic work. Indicators 11 and 12 represent the level of managing for results and mutual accountability respectively. Most of the indicators (from 3 to 10) are supposed to be met by the donors, while 1 and 2 are for the recipients, and 11 and 12 are for both.

Table 6.6: Progress on PD indicators between 2005 and 2010

Principles	Indicators	Baseline (2005)	2008 Survey	2010 Survey	Targets (2010)
Ownership (Recipients)	1: Operational Development Strategies (% of countries having a national development strategy)	17%	24%	37%	75%
	2a: Reliable PFM systems (% of countries moving up at least one measure on PFM/ Country Policy and Institutional Assessment since 2005)	-	36%	38%	50%
Alignment (Donors-recipients)	2b: Reliable procurement systems (% of countries moving up at least one measure on the four point scale since 2005)	-	-	-	No target
	3: Aid flows are aligned on national priorities (% of aid for the government sector reported on the government's budget)	42%	48%	41%	85%
	4: Strengthen capacity by co-ordinated support (% of technical co-operation implemented through co-ordinated programmes consistent with national development strategies)	48%	60%	57%	50%
	5a: Use of country PFM systems (% of aid for the government sector using partner countries' PFM systems)	40%	45%	48%	55%
	5b: Use of country procurement systems (% of aid for the government sector using partner countries' procurement systems)	39%	43%	44%	No target
	6: Strengthen capacity by avoiding parallel PIUs (Total number of PIUs)	1817	1601	1158	565
	7: Aid is more predictable (% of aid for the government sector disbursed within the fiscal year for which it was scheduled and recorded in government accounting systems)	41%	46%	43%	71%
	8: Aid is untied (% of aid that is fully untied)	75%	88%	86%	More than 89%
	Harmonization (Donors-donors)	9: Use of common arrangements or procedures (% of aid provided in the context of programme-based approaches)	43%	47%	45%
10a: Joint missions (% of donor missions to the field undertaken jointly)		18%	21%	19%	40%
10b: Joint country analytic work (% of country analytic work undertaken jointly)		42%	44%	43%	66%



<b>Managing for Results</b>	11: Results-oriented frameworks (% of countries with transparent and monitorable performance assessment frameworks)	7%	9%	20%	36%
<b>Mutual Accountability</b>	12: Mutual accountability (% of countries with mutual assessment reviews in place)	22%	26%	38%	100%

Source: OECD (2006b, 2008b, 2012a).

Note: As the number of participating countries increased from 32 in 2006 and 2008 to 78 in 2011, and as some adjustments were made to historical data, some of the numbers are not precisely consistent. No targets are presented for indicators 2b and 5b because of lack of sample data.

Overall, indicator 4 was the only target met by 2010; and although all the indicators improved in 2008 some (e.g., 3, 4, 7, and 8) deteriorated by 2010. Although some progress was made, there is not much evidence here in support of collective action understood in terms of the level of implementation against agreed targets.

However the evidence does show differences among the efforts that countries have taken; and different PD targets were set for each donor, as was the case for the effort sharing index of aid untying. Notwithstanding the difficulty in comparing efforts amongst the members posed by the fact that the total volume of aid and the set targets differ from country to country,<sup>10</sup> some trends can be identified. First, the number of targets reached by individual members varies from seven (in the case of Denmark and Ireland) and five (Sweden) to just one (Belgium, Luxembourg, Switzerland, US) or zero

<sup>10</sup> The indicators were established in relation to the 2005 baseline (3, 5a, 7-8), and the targets were calculated on the basis of the donor's baseline value for each of the indicators (OECD, 2012a, p.163). Greece is a DAC member, though their data is not available in the Monitoring Survey, because their ODA flows granted to the recipient countries participating in the survey were too small to be comparable with other donors, according to the Greece Peer Review (OECD, 2011e).

(Korea), out of ten indicators.<sup>11</sup> A majority of countries reached one to four indicators, leaving the average rate of targets met by DAC members as 2.87 indicators. Second, among the ten indicators the donors made most efforts on indicators 4 (strengthen capacity by co-ordinated support), 5a (use of country PFM system), 8 (untying aid), and 10b (joint country analytic work). More than ten donors exceeded their targets, as shown in Table 6.7. These four indicators are easier to be implemented, compared to indicators 3 (on budget aid flows) and 9 (PBAs) where no donor and only two donors reached the targets respectively.

Table 6.7 shows the number of donors reached own targets and the top five donors for each indicator. Ireland appears in ten indicators followed by Denmark in six indicators. UK and Japan appears five and four times each, followed by Canada, Spain and Portugal for three times. This indicates that the like-minded countries do not necessarily all perform well.

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<sup>11</sup> The comparison was made with the data on 32 recipient countries.

Table 6.7: Donors' progress on PD indicators

Indicators	No. of donors reached own targets	Top 5 donors				
<b>3: Aid flows aligned on national priorities</b>	0	Denmark (60%)	Austria, Finland (55%)		Ireland (51%)	Netherlands (48%)
<b>4: Strengthen capacity by co-ordinated support</b>	13	Denmark (88%)	Spain (83%)	Japan (80%)	Ireland (76%)	Germany (74%)
<b>5a: Use of country PFM</b>	12	Ireland (80%)	France, Japan (69%)		Canada, UK (68%)	
<b>5b: Use of country procurement</b>	-	Ireland (89%)	Portugal (79%)	Denmark (78%)	Austria, Spain (77%)	
<b>6: Strengthen capacity by avoiding parallel PIUs</b>	7	Japan, Portugal (0)		Ireland (2)	Sweden (6)	Korea (11)
<b>7: Aid is more predictable</b>	0	Austria, Ireland, UK (53%)			Denmark, EU (48%)	
<b>8: Aid is untied</b>	15	Canada, Ireland, Norway, UK (100%)				Germany, Luxembourg (99%)
<b>9: Use of common arrangements or procedures</b>	2	Ireland (66%)	Denmark (65%)	EU, UK (52%)		Canada, France, Japan, NZ (50%)
<b>10a: Joint missions</b>	7	Ireland (72%)	Netherlands (50%)	Australia (47%)	UK (43%)	Sweden (42%)
<b>10b: Joint country analytic work</b>	10	Spain (81%)	Luxembourg (77%)	Ireland (76%)	Denmark (72%)	Portugal (71%)

Source: Compiled by author based on (OECD, 2012a)

In 2010, a new survey *Measuring the Quality of Aid* was launched by two major US research institutes, examining the quality of aid with the data on aid agency effectiveness (Birdsall & Kharas et al., 2010).<sup>12</sup> It covers four dimensions and 30

<sup>12</sup> Nancy Birdsall is a president of Center for Global Development and Homi Kharas is a senior fellow of

indicators including donors' adherence to PD and the AAA, and is the only quantitative survey linked to the PD apart from the one by the OECD.<sup>13</sup> The main findings of this survey are similar to the OECD survey, indicating that Ireland, the UK and Denmark are on average in the higher rankings.

Factors affecting the level of implementation include the following. First, some of the definitions and wordings agreed in the outcome documents were not clear enough to be shared among all the members. Some of the terminologies of the PD indicators had to be revisited because different actors interpreted them differently, for example in respect of the PBAs. "Ownership", the first principle of the PD, is measured by "a number of recipient countries which have operational national development strategies" (OECD, 2005), but this invited criticism as being too narrow, limiting to the government relationship (Zimmermann & McDonnell, 2008). In almost all countries that conducted PD evaluation, the definition of ownership was perceived as inadequate (Wood et al., 2008, p.8). These problems can be understood from the view that a trade-off exists between getting agreement and the tightness of wordings in the outcome documents (Rabinowitz, interview, 2012).<sup>14</sup> It might also be that the gap between the limited knowledge of officials negotiating in Paris and the reality on the ground makes

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Bookings Institution.

<sup>13</sup> The four dimensions (maximizing efficiency, fostering institutions, reducing burden, and transparency and learning) correspond to four principles of the PD (results, ownership, alignment, and mutual accountability). Some of the indicators corresponding to the principle of "harmonization" are incorporated in "reducing burden" dimension.

<sup>14</sup> Gideon Rabinowitz is ODI researcher formerly worked as a coordinator for UK CSO network on aid effectiveness.

disagreement on terminology during implementation process more likely, as was pointed out by a head of JICA France office (Shoji, interview, 2012).

Second, there are two types of suspicions among DAC members, preventing them from committing to aid effectiveness agenda fully. The first type relates to the members' concerns about the quality of the indicators. For instance, recipient countries raised concerns about the clarity, validity and purpose of some of the indicators of the PD, and challenged the perceived notion of "one size fits all", saying it is unhelpful or unrealistic (Wood et al., 2008, p.xiii). A different suspicion is whether implementing the PD would truly improve the situation of developing countries on the ground. A widely shared view amongst my interviewees was that the PD started without genuine evidence that it would result in better development (such as Evans; Glennie; Watanabe S., interview, 2012). This is a flaw in the aid effectiveness agenda, as PD only deals with the input side of aid but without the scope of development outcomes (Ishize, interview, 2011). As a former Overseas Development Institute (ODI) director says, ODI's work on aid effectiveness was based on hypotheses derived from possible alternatives to solve the problems of fragmented aid, so there is no evidence yet that the alternatives would actually improve aid effectiveness (Evans interview, 2012).<sup>15</sup> Already a decade ago an ODI researcher cautioned donors not to adopt a new aid agenda too quickly, arguing that they were not well based on empirical evidence (Killick, 2004). These doubts

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<sup>15</sup> As will be discussed later in the section on recipient country level, these unrealistic assumptions of the PD impeded successful implementation at the country level (See Andersen & Therkildsen, 2007).

undermine trust among members and can get in the way of a more determined commitment to implement agreed objectives.

In spite of the low level of implementation and the factors responsible for it, the PD is also seen as useful in changing donor behaviour, as many interviewees both from DAC member governments and research organisations commented (such as Lomøy, interview, 2013a). It provided leverage to push donors' aid reform (Honda, interview with JICA RI official, 2012), changing donors' mind-sets about aid quality and generating a valuable discourse on what effective aid is (Kharas & Chandy, 2011, p.3). The PD has changed the ways that aid is implemented on the ground, as illustrated well by a British academic:

Anyone who has been involved in aid implementation efforts for the past 20 or 30 years cannot help but notice the tangible differences these events and processes have had on the rhythm of aid work...official donors are devoting enormous resources at a scale unprecedented a decade ago on aid effectiveness (Riddell, 2007, p. 384).

As a result, the PD clearly gained ground as part of the new conventional wisdom (Armon, 2007, p.653), and understanding the Paris agenda has become a requirement for donor officials especially in country level offices (Asai, interview with JICA official, 2012).

This section has shown that the level of compliance of the PD against its targets has

been generally low but variable across DAC members and the indicators. Definitions in the outcome documents were not sufficiently shared among members, and members had suspicions about the PD indicators. These feelings suggest that collective action was not as strong as it might have been.

### *Monitoring*

Among the four outcome documents of HLF on aid effectiveness, only the PD contains a monitoring framework with specific time-bound. In addition, aid effectiveness has been integrated in the peer review, which also creates pressure for implementation. Yet, the monitoring process was not easy. One of the major challenges during monitoring has been donors' different understandings and interpretations of the indicators.

There are two ways by which members are monitored on their implementation of the PD. One is the peer review, where aid effectiveness has been included in its content guide since 2007. Aid effectiveness has been added as one of the reviewed issues. Another way is through the PD indicators, which was controversial. Even after the PD was agreed, there were disagreements around the issues on the indicators. For instance, the indicators and targets were continuously discussed during the WP-EFF plenary meetings after the Paris HLF, where the members discussed the appropriate level of ambition for each target (OECD Archives, 2005d, p.3). Some members wanted ambitious targets whereas others did not, making agreement difficult. Accepting the reasons for settling on a particular target also proved to be problematic.

In addition, the indicators created an accountability mechanism between the donors and the recipients, especially for the donors to be scrutinised. As Rogerson recalled, “the moment when the indicators were presented by the Secretariat was a turning point for the recipients to gain power over the donors”; Recipients can now push the donors to comply by using the monitoring results (interview, 2012), implying that the existence of indicators was more important than the content. Whether the recipients can fully use the opportunity or not, the indicators certainly added some value apart from measuring the level of compliance. By setting the time-bound indicators, PD has proven its worth in promoting accountability, knowledge and learning (Chandy, 2011a, p.1).

The PD monitoring process itself increased the level of awareness of the PD and issues of aid effectiveness well beyond what would have occurred without the evaluation, and, in many cases, induced greater commitment to and implementation of the PD (Patton & Gornick, 2011, p.3). The number of recipient countries voluntarily conducting PD monitoring survey increased from 34 to 76 between 2005 and 2011, which is clear evidence of growing interest. PD evaluations were conducted in 2009 and 2012 in order to supplement the quantitative survey from a rather longer-term qualitative perspective, in which 29 recipient countries and 18 donor countries participated. This level of participation and even the very existence of monitoring mechanisms are clear indications of collective action involving both DAC members and recipient countries.



Yet, PD indicators alone are not sufficient to capture the full picture of progress, as it contains room for “choice”, “adaptation”, “interpretation” and “judgement” by individual donors (Blunt, Turner & Hertz, 2011, p.179). Also, it creates space for donors’ divergence, by encouraging donors’ efforts “to the maximum extent possible” (Martens, 2005, p.661). Rogerson also says the indicators are unreliable guides, because of their unbalanced focus (i.e., too much on efficiency, not enough on development impact) and the short-cuts used in framing the indicators (2011, p.4). Exactly because of this aspect whereby different members could interpret the definition of effectiveness differently, suspicions can arise about whether all members are being honest in how they compile data on their implementation. For instance, one interviewee mentioned that one donor in a developing country submitted the data on PIUs as being zero, which other donors knew was untrue. In addition, some see Japan’s relatively strong performance of the Paris indicators as difficult to reconcile with perceptions on the ground (Barder & Perakis, 2011); others think the UK’s claim of 100% compliance on aid untying is not a fair reflection (Rabinowitz, interview, 2012). As such, PD indicators invite different understandings and critiques.

In sum the PD monitoring mechanism has been instrumental for collective action, helping reconcile different interpretations of the PD and creating an accountability mechanism for recipients to use against donors. This finding leans in the direction of the conditions for collective action as well as serving as indicators of collective action, and it is to a fuller consideration of the conditions that the next section turns.

#### 6.4: Conditions for collective action

This section discusses the conditions for collective action, both in regard to reaching agreement and translating that into actual implementation, where the record has been less impressive. As in chapter 5, the Secretariat, delegate-headquarter relationship, member-member relationships, domestic environment, recipient country level, and member/non-member relationships will each be discussed in turn.

##### *Secretariat*

The capacity and character of the DAC chairs is identified as beneficial for collective action by some interviewees, especially in forming a common position during negotiations.

Members saw Richard Manning, who chaired the DAC during Paris HLF as “an absolutely outstanding figure with whom unity of vision was shared” (Desmet, interview with Belgium DAC delegate, 2012). Especially during the initial stage of the aid effectiveness agenda, he was “very influential and persuasive” (Riddell, interview, 2012), as he deeply understood both technical issues and political sensitivity (i.e., listening to people whose voices were not heard) (Christiansen, interview, 2012). With him, “the DAC became a real forum” (ibid) by “getting donors on board to act together” (Riddell, interview, 2012), and “the whole DAC community moved towards the

direction of aid effectiveness” (Desmet, interview, 2012). Without Manning, it is very likely that collective action among the donors on aid effectiveness agenda would have been different. Having served in UK’s DFID for almost 40 years including as a Permanent Secretary, Manning had extensive knowledge on aid and an ability to understand members’ positions. He also collaborated closely with the Secretariat, especially Richard Carey who was the director of DCD, as “it was difficult to say where the boundaries between the views of chair and the director of DCD”; the two ‘Richard’ discussed the agenda on the daily and hourly basis (Rogerson, interview with former WB DAC delegate and DAC Secretariat, 2012).

Likewise, Brian Atwood is also recognised as having played a critical role as a DAC chair during Busan HLF. He served most of his career for the United States Agency for International Development (USAID) including as Administrator. The commonalities of both chair-holders are not just long-serving for major development agency but useful links with key political leaders (Clare Short for Richard Manning and Hillary Clinton for Brian Atwood), which increased their presence.

Apart from the chair’s influence in forming the collective action, there were tensions between the Secretariat and members, as well as within the Secretariat. For instance, as a former WB DAC delegate remembers, the monitoring indicators were initiated and quickly proposed by the Secretariat, which took members by surprise (Rogerson, interview, 2012). Yet, the Secretariat makes an important contribution to making

agreements happen, especially when the chances of reaching consensus at first look difficult. This was the case when disagreement was foreseen towards the Busan HLF and moving the agenda from aid effectiveness to development effectiveness.

The Secretariat too has its own internal tensions, as there appears to be competition among subsidiary bodies within the Secretariat. The WP-EFF has more power and resources relative to other subsidiary bodies who tried to influence the outcome documents for the HLF. For instance, WP-EFF did not initially allow the WP on Statistics to be involved in the discussions on PD indicators, although this was requested (Shoji<sup>16</sup>, interview, 2012). While the WP-EFF's resistance to interference by others is understandable, the expertise of WP Statistics certainly enhances the overall activities of the WP-EFF from a wider DAC point of view. This increased power of WP-EFF Secretariat was a source of tension with other subsidiary bodies, which contrasts with the case of aid untying where the Secretariat's size was very small.

This section showed that the Secretariat played an important role in forming collective action. Among all, the personality and capacity of the DAC chair affected the direction of successful agreement. Manning and Atwood both played major roles. But as the WP-EFF's profile grew, the Secretariat's own ability to exercise control and oversight declined. Co-chairs of the WP-EFF took over the handling and direction of the discussions. There may be lessons here for the Secretariat's ability to contribute to

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<sup>16</sup> Former vice-chair of the WP on Statistics.

collective action in the future.

### *Delegate-headquarter relationship*

As the aid effectiveness agenda became a flagship of the DAC, the attention and level of involvement by headquarters became stronger. Also, with wider participation from outside the OECD members, information sharing mechanisms such as an aid effectiveness portal and HLF special websites were created. This enabled the participants in the WP-EFF to gain easier access to necessary information.<sup>17</sup> The expansion of the WP-EFF beyond the structure of the DAC and the OECD diluted the role of the DAC delegates, and the delegate-headquarter relationship became weaker. On the other hand, as discussed later, the relationship between the headquarters and country offices became more relevant, in respect of aid effectiveness.

### *Member-member relationships*

Similar to the aid untying case, member-member relations counted as an important factor for successful collective action. The early 2000s was a critical period when the UK was trying to reform international aid policy through the aid effectiveness agenda, while others like Japan disagreed and tried to voice its own position by fostering a bilateral relationship with the UK. By focusing on Japan and the UK, this section will show how the members' relationships are influenced by trust and mutual understanding.

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<sup>17</sup> <http://www.aideffectiveness.org/index.html> (Accessed: 1 July 2014).

At the final meeting of WP-EFF in June 2012, the OECD Secretary General said “Trust is central to our collective action for development” (Gurría, 2012). As was discussed in chapter 2 briefly, trust encourages people to take an active role in their community, and active and virtuous people overcome collective action problems more readily (Uslaner, 1999, p.130). Ferguson (2013) argues that solving collective action problems requires establishing reliable commitments, which are in turn dependent on achieving sufficient coordination, enforcement and trust. Trust is often defined to be linked to (either a product, or component of) social capital, which generates cooperation, collaboration and collective action (Rathbun, 2012; Ferguson, 2013). Even when consensus is reached, the level of trust can still influence the level of commitment that members make in implementing the agreement and, hence, the level of compliance. This is especially so when there is only soft law without a true enforcement mechanism, and where implementation relies mainly on the good faith of the members, as in the DAC. The importance of trust building was evident during the early days of aid effectiveness agenda between the UK and Japan.

The strong lead that the UK took in promoting the aid effectiveness agenda came at the expense of other members who were unable or unwilling to change their aid policies so quickly. A gulf emerged not only in Paris and at the international level, because some donor coordination meetings were organised excluding those donors who do not provide aid in the form of budget support. These meetings shared information about recipients’ core economic policies. Asked about the UK and Japan’s relationship during this period,

some informants expressed that “There was a time when the British bullied the Japanese” (Evans, interview, 2012); the UK’s way of alienating Japan was “stupid without strategy, for it resulted in Japan being in the corner, slightly snarled” (Christiansen, interview, 2012).

However, it was also true that “Japan was misunderstanding the UK’s motives”, says the director of ODI. And she continues, Japan took a very purist position that “we only do what recipients want us to do through project aid”, insincerely trying to justify for not joining the international collective effort (Evans, interview, 2012). Behind this position, there was some kind of loathing among Japanese bureaucrats that the new types of aid such as budget support and Sector Wide Approaches (SWAPs) were too intrusive because donors monitor the recipients’ whole budget plan and execution in detail. Taking a slightly different stance on governance and democracy from other DAC donors by putting more weight on ‘non-interference’, some Japanese government officials see the aid effectiveness agenda as undesirable. The extract from Evans’s interview recorded below clearly illustrates the relationship between the UK and Japan during this period;

The idea that Japan is always taking this line which slightly makes us (Japanese) better people than you (British) because we simply do what countries are asking us to do....ah come on...and the British bashing Japanese delegates over the head for continuing their project aid is equally based on a deliberate misunderstanding. So, it’s been unfortunate and it was not handled well. (2012)

What this shows is that a breakdown in understanding on both sides of a relationship is always possible, and it cannot but get in the way of securing collective action – the lack of trust relationship. The origins of misunderstanding can be quite deep. For there always was a suspicion among Japanese that the rules of the game were already built by the UK, and Japan would anyway lose out as a latecomer. During the early 2000's some high-ranked Japan's government officials did not want to become actively involved in the aid effectiveness agenda as they thought Japan would be raising a 'white flag' by being coordinated by leading donors (Japanese official, interview, 2012). This Japanese perception reflects what Whittington and Calhoun say about aid more generally: "All donors want to co-ordinate, but no one wants to be co-ordinated" (1988, p.307).

There is also a clear difference between Japan and the UK with regard to the geographical distribution of their aid. Historically, Japanese aid has been concentrated on Asia, and the UK has prioritised Africa, chiefly its former colonies. This is relevant here because the aid effectiveness agenda was first conceived because of the problems with aid in Africa. Japan does not share this background and did not see this as their concern; on the contrary Japan is said to have strong confidence in its own ability to solve problems it encounters in Asia (Christiansen, interview, 2012). Yet those Japanese officials who have worked in Africa do tend to be supportive on the issue of aid effectiveness, unlike those whose experience is confined to working in Asia (Warrener, interview, 2012).



Because of these differences, the aid effectiveness agenda could be seen as a threat to MoFA officials who wanted to protect their “project aid regime” formed within Asia (Kurata, interview with a Secretariat of Japanese House of Councillors, 2012). Japan’s aid to Asia during the 1980s and 90s focused strongly on supporting economic growth through infrastructure investment. MoFA officials who were reluctant to support the aid effectiveness agenda saw these as being more important (Furukawa, interview with JICA-RI official, 2012). The failure to see eye to eye can be founded on genuine disagreement as well as on a perceived conflict of interest, and often these two sources intertwine, making collective action much harder to achieve.

Nevertheless there were some attempts to foster the mutual understanding between the UK and Japan. When Motohide Yoshikawa (Japanese ambassador to the OECD)<sup>18</sup> became deputy Director-General of the Economic Cooperation Bureau in MoFA in 2002, he made cooperation with the UK a priority, believing that “the UK could be Japan’s supporter rather than opponent” (Yoshikawa, interview, 2013). A few months after the Rome HLF in 2003, a high-level policy meeting between the UK and Japan was held in Tokyo, where concrete ideas of cooperation were discussed. For instance, Vietnam was decided to be a model country, with a special focus of infrastructure (and this later expanded to Tanzania), and personnel were exchanged between DFID and MoFA. At the same occasion, with Yoshikawa’s suggestion, DFID’s Asia regional meeting was

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<sup>18</sup> He has been a Permanent Representative of Japan to the United Nations (UN) since 2013.

unusually held in Tokyo, not London. Through these initiatives, a more friendly relationship was developed. Japan's peer review held in OECD in December 2003 was attended by DFID's Director-General, contrary to the normal practice of participation by DAC delegate level (ibid); and Japan won the UK over to its side. Japan-UK cooperation could then be described as win-win; Japan was a top donor in Vietnam with much experience there, which explains DFID's interest, whereas DFID was influential at the international level and could tone down its criticisms of Japan.

None of this prevented the UK from taking a lead on aid effectiveness internationally and trying to influence others. A DFID official who reconfirmed DFID's commitment to implementing the PD said "We will *influence others to do the same* through the DAC or EU" (UK government official, interview, 2012, italic by author). The DAC's UK Peer Review in 2006 commends the UK for inspiring the PD and motivating other donors to promote aid effectiveness, but also recommends the UK to be more inclusive in its approach by encouraging all donors to participate. Some donors felt DFID was more interested in promoting its own model of aid (e.g., budget support) than in encouraging complementarity of donor action (OECD, 2006c). This point was taken up at the UK Parliament House of Commons International Committee, where the DAC Chair reported "Maybe when a climate is created that is too pushy, it does not stimulate more cooperation" (House of Commons, 2008, p.10). Too much pressure to force the pace of change risks alienating others. This can damage the chances of securing collective action.

UK's approach to promoting aid effectiveness was seen as problematic not only by other donors but by certain UK stakeholders as well. The aforementioned Parliament House of Commons International Committee recommends DFID to reassess its engagement with other donors on aid effectiveness and secure some flexibility (ibid, p.11). A former DFID official was somewhat critical of DFID's 'influencing' approach, as "it is based on an assumption that DFID is always right which cannot be certain and this kind of confidence has the risk of sometimes slipping into arrogance" (Warrener, interview, 2012). Of course this kind of mindset might not be the mainstream in DFID, but research institutions like ODI who work with DFID may not be entirely exempt from criticism either. A former director of ODI confided that ODI is "rightly criticised for being a bit too bullying with ideas, too much telling mode rather than listening mode," continuing that "Other donors were feeling a hegemonic set of views coming out of DFID, ODI and Institute of Development Studies (IDS) that were all speaking the same language and disinclined to compromise" (Evans, interview, 2012). This shows the research community and UK government (are perceived to) work closely together, especially after "Claire Short took a lead in using more research both in the UK and abroad, recognising the importance of thinking and ideas in development" (Jolly, interview, 2012). This has been an asset for the UK's leadership on aid issues but also something that potentially can get in the way of collective action, if it generates unfavourable reactions among other DAC members.

The perceptions that British consultants are often contracted by the DAC to conduct studies can be seen in a similar light. In the view of a Japanese official who had long participated in DAC meetings, “In the DAC, when documents written by ODI are tabled, people think that it’s a DFID’s initiative again” (Shoji, interview, 2012). ODI is generally perceived to have a strong influence on the work of the DAC and shape its agenda among others (Hynes, interview with a DAC Secretariat, 2013). The DAC Secretariat is also relying on consultants such as ODI, as a director of ODI says “When the DAC’s head of aid effectiveness team confronts with challenges, she would most likely phone us first to ask for advice” (Evans, interview, 2012). In fact, a former director of ODI sees the DAC as “a Paris branch of the ODI” (Maxwell, interview, 2012). All these show the strong link between research institute and the DAC.

Although the UK’s leadership on aid effectiveness was occasionally felt intrusive both outside and inside the DAC, leadership is an important condition for collective action nonetheless: “it is hard to herd sheep without a sheep dog, and the UK was keen to set a path” (Evans, interview, 2012). Although some donors were sometimes annoyed, probably DFID could not have done it differently (Hudson, interview, 2012). An ex-DFID official and current DAC Secretariat sees the DFID as having global consciousness which is why it tries to influence others in addition to its own aid (Ward, interview, 2012). Japan, in contrast, is not proactive because it lacks a sense of obligation to pay the price for addressing global issues (Takahashi M., interview, 2012).

It is not only that the UK was leading others but also because it walked the talk: In this

sense, it is “a unique leader as a responsible actor” (Evans, interview, 2012). While many of these comments were made by interviewees who have worked closely with DFID and might be thought to be partisan, it is also the case that the DAC’s peer review commended the UK’s leadership in terms of implementation.

The strength of UK leadership came into question as more actors became involved and the agenda changed from aid effectiveness to development effectiveness as a result, notably during the Busan HLF. This echoed a more general shift in power away from Europe and towards Asia, which also meant that Japan’s prioritisation of aid for economic growth and infrastructure started to receive more interest than hitherto, among other DAC members.

This section has argued that weak trust between Japan and the UK from the initial stages of the aid effectiveness agenda probably made collective action in the DAC more problematic than it might have been; but a considered response by the actors can prevent this state of affairs becoming permanent. Behind this, there was a certain level of ignorance or misunderstanding of their different aid approaches. Even so, it is important that someone is prepared to take on the role of leadership if there is to be collective action.

#### *Domestic environment*

During the early 2000s in particular the UK government was backed up by the country’s

CSOs and research community when taking a leading role in the DAC. In Japan these actors are weak, and the government was left to respond to the effectiveness agenda largely on its own, although it is worth distinguishing component parts such as MoFA, JICA, and the country offices within the government.

A clear comparison can be observed from press releases about the Busan HLF between the UK and Japanese government. Most of DFID's press release is devoted to explaining how its Secretary of State, Andrew Mitchell, contributed to reaching agreement especially by persuading China to join the agreement (DFID, 2011a). Mitchell's report to the House of Commons also stressed the role played by the UK during the Busan HLF (DFID & Mitchell, 2011). In contrast, Japan's MoFA press release reports the Busan HLF but conveys little about the role Japan had played (MoFA, 2011a). This illustrates the different ways of the two government's public communication as well.

The UK's politicians are well aware of the problems of aid effectiveness. For instance, the Select Committee on International Development at the House of Commons held a session exclusively on the PD in 2008 and gathered responses from 14 organisations and individuals. In Japan no equivalent discussion can be found in the Special Committee on Official Development Assistance and Related Matters at the House of Councillors. Some Secretariat officials of the House of Councillors are concerned about the insufficient level of awareness in the Committee with regard to aid effectiveness

issue (Kurata, interview, 2012), but Japan's politicians are likely to be more interested in involving China in DAC activities rather than considering Japan's role in the DAC.<sup>19</sup>

In the UK many CSOs engage in advocacy work on aid effectiveness. UK Aid Network (UKAN), an advocacy coalition providing a platform to coordinate UK CSOs during the Busan HLF process, has 38 CSOs members. UKAN has brought its own research on implementing the PD to DFID's attention; and DFID has been interested to listen to UKAN and other CSOs (e.g., Publish What You Fund or ONE), because they share similar interests such as in transparency (Godfrey, interview with Oxfam GB Policy Advisor, 2012). For instance, UK NGO position paper for the Busan HLF states that given its leading role in the PD and AAA, the UK government has an opportunity to play a crucial role for the HLF (UK Aid Network & Bond, 2011). As Godfrey comments, the government was very open and interested in listening to CSOs' views during meetings with DFID officials including the Secretary of State (interview, 2012).

One of the assets CSOs have is their global network, which allows UK NGOs to collaborate with NGOs in other countries and encourage them to put pressure on their own government. Indeed, when the UK government and NGOs share the same interest, it is very likely that "DFID would ask us, why don't you lobby and push other governments as we are showing leadership while others are behind?" (Godfrey,

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<sup>19</sup> This was based on writer's experience at the Japanese Delegation to OECD, when a few Japanese politicians made an official visit to OECD/DAC in 2009.

interview, 2012). This is another way in which DFID can find CSOs useful, in addition to the long history and capacity of Britain's CSO which gives them a "stronger voice in influencing the UK government to be ambitious in pursuing aid effectiveness" (Rabinowitz, interview, 2012).

In Japan JANIC is a network NGO whose activities include advocacy for aid effectiveness. From 2010 on joint meetings on aid effectiveness was held between MoFA and NGOs six times, especially to discuss Busan HLF. Because the nature of government-CSOs relationship in Japan has traditionally not been particularly constructive – but rather "confrontational" (Hirata, 2002, p.128) – "the existence of such meetings was a progress by itself", says a former JANIC policy advisor (Endo, interview, 2012). Yet, there is also some structural limitation in the CSOs side as well. As was mentioned in chapter 4, most of the Japanese NGOs are categorized as 'service delivery type' rather than 'advocacy'; they are not interested in aid effectiveness unless discussions are directly linked to their own project activities (Endo; Takahashi K., interview, 2012). Japan's advocacy NGOs are few and have few financial resources compared to those of many other OECD countries (Reimann, 2010, p.46). As a result, advocacy on aid effectiveness relies on a few individual CSO staff. Yet, there are some positive signs regarding relations between the government and CSOs. MoFA began to put questions to CSOs, instead of always just responding to CSOs questions, during the joint meetings (Endo, interview, 2012). During Busan HLF, daily meetings between MoFA and CSOs were organised where MoFA explained the government's grounds for



not agreeing with some of the new proposals in an open way (Takahashi K., interview, 2012). These may suggest some positive changes in CSOs-government relationship in Japan.

The UK also has a strong research community on development, especially relevant since the late 1990s when the idea of evidence-based policy gained political currency at the expense of more ideologically-driven policy (Sutcliffe & Court, 2005, p.iii). This trend is reflected in DFID's research budget: In 2010, DFID had the largest budget among OECD of £ 220 million, nearly doubled from 2005. DFID also has a strong reputation in feeding useful research into international development community (DFID, 2008, p.13); DFID-funded research on gender equality, human rights and social inclusion were integrated into the aid effectiveness agenda, and was used to build international consensus in the run-up to the Accra HLF (DFID, 2009, p.196). Research institutions (e.g., ODI, IDS) and universities all contribute to the capacity of UK research as well.

The situation is very different in Japan, where the research budget for international development is very limited (in recent years the budget for JICA Research Institute (JICA-RI) has been around 500 million yen, equivalent to one sixtieth of DFID's research budget); lack of research capacity is identified by many interviewees right across the development community. Nevertheless, disseminating research output is a core activity for the JICA research institute. How far the aforementioned book

*Catalyzing Development- A New Vision for Aid*, published before the Busan HLF (Kharas, Makino & Jung, 2011) influenced the Busan HLF agenda towards the perspective of ‘development effectiveness’ and away from ‘aid effectiveness agenda’ is hard to measure, but the initiative it took at least shows Japan’s willingness to try to exercise influence. Tatsufumi Yamagata, researcher at the Institute of Development Economies-Japan External Trade Organization (IDE-JETRO), when summoned as a witness in a special session on Official Development Assistance (ODA) at the House of Councillors mentioned this publication as an example of aid coordination where Japan can take a lead (House of Councillors, 2013).

This section has shown the domestic environment of the DAC member countries plays an important role in backing up the capacity of the DAC members in contributing to collective action. The UK’s leadership draws support from the research community and from civil society too, but Japan’s case compares less favourably.

#### *Recipient country level*

While DAC used to focus on changing donor policy through the members’ headquarters, the aid effectiveness agenda has added a further locus for collective action at the country level. The additional level of collective action at the country level implies that actual implementation of the agreed-upon policies becomes more complicated, with the increase in number and type of actor involved.

The issue of recipient country level started to emerge in WP-EFF in the mid-2000s, when reservations were still expressed because of the limited capacity of Secretariat staff, limited finance and absence of direct relations with the field (OECD Archives, 2005e, pp.4-5). Nevertheless, during Busan HLF in 2011, a clear emphasise was put on monitoring at country level, rather than just changing donor behaviour at the global level. The shift was made as the DAC realised that the real motive for change must lie at the country level (Evans, interview, 2012). Behind this, there exists a mismatch between the realities at the country level and the global commitments of the PD (Sdewakiryanga, 2011); similarly, a ‘one size fits all approach’ of the PD does not always relate well when the context differed at country level (Kharas & Chandy, 2011). McGee and Heredia (2012) also caution about the risks of applying universalist and normative frameworks to the diverse context found at country level.

Country level experiences show the obstacles to implementation. Hyden argues that by adopting the PD the donors at country level are now a part of the political process, and this requires considerable attention if it is to be understood (2008). Responses to the writer’s own interview questions suggest that the PD is so technical (to the extent that only aid technocrats can understand the discussions) that it fails to engage politicians or make much sense to them. Put differently, the PD tried to solve political problems in a bureaucratic manner (Chandy, 2011a). However, as implementation process involves beyond technical and bureaucratic matter, as Martens (2005) or Barder (2009) suggest, donors still have multiple and sometimes competing objectives. This means they “want

to have freedom to operate unilaterally” (Riddell, interview, 2012). These are impediments to achieving collective action at the level of in-country implementation of the aid effectiveness agenda.

For donors, there are different aspects to making aid more effective. One entails information sharing among donors, which can be categorised as “aid coordination” (Woods, 2011) or “horizontal dimension” (Yamamoto, interview, 2012). Another aspect is harmonising donors’ system and policies, which can be categorised as “aid cooperation” (Woods, 2011) or “vertical dimension” (Yamamoto, interview, 2012). While it is ideal to harmonise donors’ policies vertically under the PD, “it is difficult to push donors to go beyond it” (Hattori, interview, 2012) and cooperation is limited in practice than coordination (Woods, 2011, p.119). To illustrate, a Division of Labour exercise that was promoted under the PD with the intention of reducing aid fragmentation by reducing the number of donors active in each sector, yielded not much success.<sup>20</sup> This lies beyond just information sharing (i.e., coordination), requiring the donors to take lead or to cede responsibility to other donors.

There is a gap between what is discussed globally and implementation at country level. The PD is often interpreted as aid coordination through holding meetings, as has been identified in Indonesia (Blunt, Turner & Hertz,, 2011), but what donor officials at

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<sup>20</sup> Division of Labour sets out to determine who would be a leading donor, who would be an active donor, and who would withdraw from each sector in recipient countries or delegate funds to be implemented by another donor.

country level can actually do to change donors' aid policy is limited. Problems persist in HQs in regard to their rules and practices, which can only be solved there, even when coordination is working well at the country level (Browne, interview, 2012). Notwithstanding that a "global light, and country heavy" approach was emphasised during Busan HLF (Ssewakiryanga, 2011), the reality remains that HQ too must be involved if donor behaviour is to change (Christiansen, interview, 2012). As such, the country level brings further complications to the endeavour of securing collective action.

Three points about implications for collective action stemming from the country level can be mentioned. First, because of the intensive communications and meetings on a daily basis, a 'donor community' is created there comprised of donor officials and recipient government officials. The structure of the donor coordination meetings depend on each country, though in general sector working group meetings in major sectors (e.g., education, water, agriculture) are attended by the line ministry officials. Economist group or budget support group discuss overall budget and national policy issues by donors and Finance ministry officials. The institutionalisation of the idea of a 'donor community' has shifted the code of conduct of donors at country level from a competitive to a more cooperative relationship. When the donors provided support largely on a project basis only, their main objective was to find the best projects to support, which often meant competing with other donors. But now that donor coordination has risen up the agenda, donor officials have begun to think about

developing whole sectors or the entire country.

Second, once the ‘donor community’ is established at country level, new collective incentives come into play. In terms of the PD, the more the donor community works with the recipient government in an attempt to improve aid effectiveness, the more they will be seen as a model both internationally and by donor headquarters. Consequently, the incentives of donor community converge around ‘showing good practice’ emerge. Once international targets are set, performance against these targets provides a benchmark both for future funding and international reputation, where donors and recipients alike have a mutual interest. On the other hand, the incentive to be seen as a model may exceed the level of aid coordination at country level, which donor staff at that level (not just HQ) feel as appropriate (Owa, 2011). For example the time spent in coordination meetings comes at a cost of donor officials’ time that can be spent on actually implementing projects that could deliver much needed support to poor people on the ground (See Blunt, Turner & Hertz, 2011, p.179).<sup>21</sup>

However, the collective incentive at the country level does sometimes help push other donors forward for collective action, as in Japan’s case. With the rise of the aid coordination mechanism at country level, it became more difficult for Japan to implement its project aid unilaterally, as can be confirmed from the writer’s own

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<sup>21</sup> Barder also reports that a country director of a donor agency spent more than half of his time in coordination meetings (2011).

experience working in Uganda. Japan's aid was affected especially in African countries where the aid effectiveness agenda developed quickly and where Japan's aid presence was modest. This explains why a horizontal informal network was established among Japanese embassies and JICA offices in Africa, to share problems the officials were facing. The network sometimes served as an advisory role, and sometimes became a force to push the HQ to comply with the PD, if only in order to resolve the practical problems they were facing. For instance, some Japanese embassies in Africa sent a proposal to Tokyo seeking improvement in Japan's ODA system including on aid effectiveness – a case of collective effort from field offices attempting to make up for a lack of institutional incentive at HQ in complying with the aid effectiveness agenda.

Third, in addition to the collective incentives, there exist individual incentives. Figure 6.3 summarises the different layers of incentives for aid effectiveness, at different levels. Importantly, the layers are not completely divorced from one another; Individual incentives are connected to country level incentives *in which* they work, and they are also connected to institutional incentives at donors' HQ level *for which* they work. Naturally, as the donor staff at country offices work for the donor agency the institutional incentive must be their main priority. And ideally, the institutional incentive aligns with the international targets, as has been the case for the UK.

Figure 6.3: Layers of incentives for aid effectiveness at country level

International targets (PD) at international level (DAC)	Policy making
Institutional incentive at donor HQ	Decision making
Collective incentive at country level	Implementation
Individual incentive at country level	Implementation

Source: author

For DFID staff at the country level, their individual incentives are set to be in line with institutional incentive. According to an ex-DFID official, around 40% of his job description at DFID country offices (in Uganda and India) was for coordination with other donors (Ward, interview, 2012). This means DFID officials have more time and capacity to coordinate others (rather than being coordinated), compared to other donors. More explicitly, DFID staff in country offices believe that demonstrating commitment to aid effectiveness will support their own career progression, as DFID rewards good performance of its staff in pursuit of corporate priorities (Thornton & Cox, 2008, p.36). DFID's decision-making power has also been decentralised, so that the country offices have greater flexibility and ability to act promptly than before, unlike donors such as Japan where the decision-making is more centralised. This explains how DFID can take the lead at the country level as well as in Paris. UK delegates at country level have been frustrated by other donors, whose commitments in the DAC were scrambled by the relationship between HQ and country offices, which can be the main reason for the low



level of implementation (Evans, interview, 2012).

This section has shown that the new dimension presented by the recipient country level has created new layers of incentives for donors to engage in collective action, but poses additional obstacles too. In the case of aid untying, it was the officials from HQ who joined the agreement and then had the task of implementing it. Donor officials at the country level were much less involved, but in the case of aid effectiveness they are the ones who have to implement the PD. In brief, there is potentially a principal-agent problem. The section has shown how incentives at the country level (and personal level) can both promote and undermine collective action, depending on their relationship to the institutional incentives at HQ, by comparing the UK and Japan.

#### *Member/ non-member relationships*

A combination of recipients, non-DAC countries, and CSOs was influential on the direction of the aid effectiveness agenda. DAC's relationships with these non-member actors have evolved to the point where they can affect the prospects for the nature and level of collective action in the DAC. This section looks at each type of non-members in turn. A further point is that debates have arisen around the issue of global governance on development, with relevance to determining which institutions should host what types of discussions.

Recipient countries put pressure on the donors to make progress on the aid effectiveness

agenda. This pressure also served to provide the DAC with a rationale to push more reluctant donors to move forward. One area they focused on was on the principle of alignment – to make donor policies better aligned with recipient policies. For instance, the opening remarks of Rwanda’s President during Busan HLF was noticeable: “There is still *resistance* on the part of some donor countries to channel their aid through national systems...there has been *reluctance* from some donors (to be accountable)” (Kagame, 2011, p.62, italics by author).

During Busan HLF, there was also an initiative to agree what a group of seven fragile states called a ‘New Deal’, which aims at tailoring aid goals and commitments to the needs of fragile states.<sup>22</sup> During the process of reaching agreement, donors initially pushed back the draft written by fragile states, but the DAC’s resistance was overcome. The leadership and initiative taken by fragile states urged the donors to reflect on their rhetorical commitment to ‘ownership’ by recipient countries as opposed to what they actually do (Massing, interview with DAC Secretariat, 2012).

Collective action among DAC donors can be seen as undermining the scope for ownership to be taken by recipient countries, in contradiction to the stated aim of the PD. Ideally aid coordination at the country level should be led by recipient government, as has been pointed out in DAC publications ever since 1960s, but some problems

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<sup>22</sup> Further information can be found at <http://www.newdeal4peace.org/about-the-new-deal/> (Accessed: 20 September 2014).

remain. For instance, it is often the case that recipient governments have less capacity to lead.<sup>23</sup> Furthermore, the more the DAC donors get to coordinate with each other, the prominence formerly given to their bilateral relationships with recipient governments comes to be challenged: “aid coordination” and “policy dialogue” may be perceived as “ganging up” by big donors on small governments in developing countries – already pointed out in the DAC chair’s report in 1980s (OECD, 1985, p.35). In any case DAC donors have long been seen as “an effective aid cartel, imposing a hegemony of ideas about aid practice and the content of aid programmes” (Brautigam, 2009, p.134). Aid coordination aims to reduce the transaction costs for recipient governments, but at the same time it may mean that recipient governments have less leverage in bilateral negotiations with individual donors – implying that recipients may not always agree that better aid coordination serves their own interests well.

Emerging donors comprise the second category of non-members of DAC who now have influence on collective action in the DAC, exemplified by their success in bringing about the shift from aid effectiveness to development effectiveness at the Busan HLM. The DAC was partly responsible for this in as much as it came to see that emerging donors must be engaged in the discussions and include even those who did not want to be labelled ‘donors’ and did not want to be bound by DAC norms and standards. However their influence touches on the DAC’s fundamental rationale by fact that some

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<sup>23</sup> Linn argues that such cases need a leader among donors in aid coordination to overcoming collective action problems (2010, p210).

are economically much larger than some DAC members and their impact on development cooperation activities as whole is now considerable.

The questions over whether and how to engage with emerging countries created divisions among DAC members. For some, priority is to maintain DAC norms and standards. The dialogue with emerging economies on the DAC norms and standard was important, but it should not lead to watering them down (Neergaard, interview, 2012). For others like Japan who always tried to involve them without requiring the same level of standards, a more open, gradual and flexible strategy makes more sense (Okano, interview, 2012). As the Busan HLF approached, DAC members converged around the conviction that emerging donors must be included for the sake of keeping DAC relevant to wider community, which meant agreeing to their demand for recognition of ‘differentiated responsibility’. It was “DAC’s tactic to involve new actors even by diluting norms and standards in the short run, with a hope that they will be persuaded eventually” (Riddell, interview, 2012). No clear answer can be given yet as to whether this will prove successful.

Even after Busan, the views of DAC members remain varied in regard to what kind of standards and to what extent emerging donors should try to conform (Okano, interview with Japanese DAC delegate, 2012), and over whether DAC donors should keep to the old norms and standards (Lomøy, interview with director of DCD, 2013a). The DAC’s comparative advantage on aid, compared to the WB or the UN, will decline if it fails to

attract emerging countries, especially now that DAC donors have experienced a severe economic downturn (2007 onwards) that hits their willingness to provide aid (Watanabe M., interview with senior Japanese government official, 2012). Therefore, DAC needs a reform to meet a changed global economic situation (the rise of emerging countries, in particular) – continuing to dwell on aid effectiveness will risk itself losing sight of the bigger global picture (Tamaki, interview with deputy Secretary-General of OECD, 2013). Yet, accommodating differences and evolving the norms and standards is very challenging (Evans, interview with director of ODI, 2012), and therefore, the DAC’s own future is at stake here.

The growing influence of emerging countries extends to individual donors as well. Take for instance Japan’s possible perception on China, which can be quite mixed. Japan’s government welcomes Chinese involvement in the DAC from the point of view of binding China to DAC rules (in the same way that Japan is bound), but also to increase Japan’s allies, because China (like South Korea) shares some similar values and approaches to Japan’s aid. The similarities among Asian donors in regard to their aid philosophies and aid approaches (e.g., emphasis on loan aid, sectoral allocation to economic infrastructure) are strongly influenced by Japan as the oldest donor (see Söderberg, 2010; Shimomura, 2013), although these Asian approaches are “fundamentally different from the mainstream view of the donor community” (Shimomura, 2012a, p.179). By involving China more, Japan’s government would gain both domestically (responding to the demands of its politicians) and internationally

(acquiring allies who might agree with positions that Japan wants to take in the DAC). However, from a wider diplomatic point of view, Japanese government is concerned about China's growing power in Asian geopolitics.

On the side of emerging countries, as discussed, while they insist on their 'differentiated responsibility' compared to DAC donors, they cautioned DAC donors not to use them as an excuse for failing to comply with existing DAC commitments such as by lowering the norms and standards (Bracho, interview, 2011; Hayashikawa, interview, 2012; Lomøy, interview, 2013a). Yet, emerging countries themselves are not a homogenous category, as some may see China cooperates less than others. This does not make it any easier for the DAC to remain a viable force for securing collective action among its own members, let alone make it easier to mobilise collective action on aid issues among this enlarged and increasingly diverse international donor community. In fact, in April 2014, the first Global Partnership meeting held in Mexico as a follow-up to Busan HLF was effectively boycotted by China and India, which shows "a clear manifestation of the emerging countries' less interest in the efforts of the DAC to get donors to attain aid effectiveness norms" (Browne, 2014).

CSOs are the third category of non-member to be considered. Their growing importance is demonstrated by the award of a seat at the negotiation table of the outcome document for the first time in Busan. But even during the Accra HLF, 'democratic' ownership was included in its outcome document partly because of their influence. Similarly, during the

Busan HLF, CSOs successfully inserted 'human rights' in the outcome document. CSOs' upgraded status as one of the negotiators really mattered. When a group of donors approached CSOs to support them in changing some language in favour of a specific issue, CSOs adopted the tactic of suggesting 'human rights' should be added in return for giving their support (Rabinowitz, interview, 2012). At the same time, the CSOs' involvement could be a source of new tensions, since Chinese delegates were openly critical of CSO perspectives on human rights and empowerment, during the Busan HLF (Mawdsley, Savage & Kim, 2013, p.33).

However, the CSOs too are not a homogenous or united community: different views separated CSOs from the south and the north. It was northern CSOs who originally advocated aid effectiveness; For instance, a few months before Paris HLF, a letter to the DAC chair suggesting some issues for discussion was sent by a coalition of 20 CSOs who all came from Europe (OECD Archives, 2004a). As the numbers have grown since then, coordination of CSOs has become more challenging. A number of NGOs were discontented during the Busan HLF, because a CSOs 'sherpa' does not represent all the CSOs (Mawdsley, Savage & Kim, 2013, p.33). According to Rabinowitz, who attended Busan as a coordinator of UKAN, a difference could also be seen between northern and southern CSOs, since the core aim of northern CSOs was to further aid effectiveness agenda, whereas southern CSOs were more concerned about human rights and freedom of their operation. Nevertheless, mutual learning between the northern and southern CSOs was nurtured; Northern CSOs eventually came to appreciate the southern

perspective that CSOs have most legitimacy in working for matters directly affecting them whereas primary responsibility for aid effectiveness lies with governments (interview, 2012).

This section examined the role played by non-members (recipient countries, emerging countries and CSOs) in relation to collective action in the DAC. Recipient countries and CSOs pushed for a change in donor behaviour, but emerging countries' undoubtedly exercised stronger influence in shifting the agenda. Mawdsley et al. analyse that the location of the Busan HLF in Korea represents a subtle signal of the two shifts: a new mainstream focus on building partnership with emerging countries as well as recipient countries, and a paradigm change in aid and development norms (2013, p.35). The first shift, involving emerging countries, was probably inevitable for the survival of the DAC. The second shift needs more time to be observed. What is certain is that the DAC has been increasingly influenced by non-DAC actors in a way that has changed the DAC members' position on aid effectiveness. This level of influence was not seen in the case of aid untying, where the DAC was a dominant player in the whole aid architecture.

## 6.5: Conclusion

This chapter presented a case study on aid effectiveness. The indicators of collective action showed that over the period the number of members to the WP-EFF and HLF dramatically increased, especially from non-official members of the DAC, and yet,



outcome documents for each HLF were successfully agreed during the HLFs. However, when it comes to implementation, achieving results is much more challenging even though a monitoring framework with time-bounded numerical indicators now exists.

The DAC was successful in championing the aid effectiveness agenda and offering the venue for actors to discuss and agree on collective objectives. The impact the PD has had especially at country level is well acknowledged among donor officials, researchers and recipient governments: it has changed the ways all the actors perceive how aid should be provided. In agreeing the PD as well as other outcome documents during the HLFs, the DAC Secretariat played a crucial role. However, the Busan HLF brought a significant change, by exposing DAC members to the need to respond to a changing global architecture influenced by the emerging countries. In spite of initial reluctance from some like-minded donors, the DAC seems to have moved from ‘aid effectiveness’ to ‘development effectiveness’, at the cost of possibly lowering the norms and standards.

The reasons that the PD has not been fully implemented can be explained from the conditions needed for collective action. Strong leadership by the UK was necessary to the process of reaching agreement, but agreement itself does not necessarily ensure faithful implementation. The addition of an extra venue for collective action in the form of the recipient country level poses further obstacles. Donor officials and recipient governments at the country level have experienced difficulties in implementing the PD.

The relationship between Japan and the UK has shown the importance of trust-building. Yet, emerging actors' influence and the shift of agenda have diverted the DAC members' collectiveness in implementing the PD.

Finally, what this chapter has shown in comparison to chapter 5 is that the nature of collective action has shifted from a simple type involving only DAC members to one where more and different kinds of actors are involved, bringing in different levels or venue for collective action as well. This is reflection of changes in the global aid architecture and global economic power more generally. The DAC has had to evolve. The role it plays or tries to play in the future, how it goes about this, the value that members will place on the DAC, and what the DAC can really deliver, are all topics that will merit much closer scrutiny in the future.

## Conclusion

### 1. Introduction

The beginning of this thesis quoted a statement by OECD Secretary General: “We need a collective jolt for collective action”.<sup>1</sup> The first chapter identified a pressing need for the DAC, as well as the OECD more generally, to respond to ongoing changes in the global economy. In spite of the well-established past contributions that the DAC has made to shape the global aid architecture, its role has been shrinking. Hence a jolt for collective action was called for in order to reposition the DAC.

Chapter 2 established the concept of collective action in order to assess the levels and forms of the DAC’s collective action, along with four indicators and six actor-oriented conditions. Overall, the thesis addresses the main research questions which are *whether; to what extent and in what forms collective action can be observed in the DAC (indicators); and how to account for them (conditions)*.

Detailed evidence to answer these questions was discussed throughout chapters 3-6. The aim of this final chapter is to address the overall research questions set out at the beginning by interpreting the evidence exhibited in the previous chapters and to draw implications for the general context of global governance and development aid.

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<sup>1</sup> See page 1 in the Introduction chapter.

The next section briefly summarises the rationale, aims and methodology that were set out at the start of the thesis. Then, the main findings and implications are discussed, followed by the limitations encountered in the course of this research, and suggestions for future research.

## 2. Summary of research

This thesis examined collective action in the OECD DAC by exploring the levels and forms of collective action and the conditions that promote or undermine collective action. Academic literature on the OECD and the DAC is scarce, and this thesis has contributed to fill knowledge gaps by providing detailed analyses of collective action in the DAC. In doing so the thesis offers insights into a search for better global governance by applying the lens of collective action.

Three aims were set out in the Introduction to this thesis. The first is to fill some academic knowledge gaps on OECD DAC. The second is to contribute to knowledge of global governance in respect of international aid, by applying the concept of ‘collective action’. The third is to unveil the complex reality of the DAC by revealing the intricate incentives and motivations of the actors in respect of collective action.

This thesis has proposed an original theoretical framework comprising: (a) four

indicators to assess the level and form of collective action drawn from policy processes (members and meetings, agreement, implementation, monitoring); and (b) six conditions for collective action drawn from an actor-centred approach (Secretariat, delegate-headquarter relationships, member-member relationships, domestic environment, recipient country level, and member/non-member relationships). By exploring these indicators and conditions the thesis has been able to identify where bottlenecks to collective action lie and how collective action can be formed.

Evidence for this analysis was drawn largely from 84 interviews conducted with staff officials at the OECD Secretariat and delegates of member governments, as well as other stakeholders both in the UK and Japan (politicians, government officials, researchers/consultants, NGOs and business sector). In addition, OECD archival documents were consulted. Extensive interviews with stakeholders in the DAC as well as in the UK and Japan revealed intricate incentives and motivations that these actors possess in their interactions with the DAC. By focusing on actors and their relationships, the thesis has highlighted both conditions that promote collective action and circumstances that hinder collective action in the DAC.

### 3. Main findings

The overall main finding of the thesis is that the DAC has achieved collective action, but only to some extent. The DAC is good at agreeing policies, but challenges emerge

during the process of implementation. Also, an increase in actors and differences among their involvement in the DAC affects the forms of collective action in the DAC – from closed to open and from homogeneous to heterogeneous. During the process of reaching agreement the main condition helping collective action is for some leading members to advance the agenda, but balancing members' relations is important to ensure all members feel fairness and build relationships of trust, which can be supported by the Secretariat. During the process of implementation, non-DAC actors and an additional locus of collective action (i.e., recipient country level) may provide significant undermining conditions for collective action through the DAC. Members' motivations and incentives are identified as a precondition for collective action, as they determine members' attitudes and interactions in the DAC.

#### *Indicators of collective action*

A central research question of this thesis is to inquire whether and to what extent there is collective action in the DAC. In responding to this question, this section identifies three points that represent the main indications of collective action.

First, the records and process of DAC's agreements show the existence of considerable collective action in that the members can agree on common policies. However, second, the extent of its collective action is generally limited during the process of implementation. In addition, third, the indicator of meetings and members shows transformation of the form of collective action in the DAC under the influence of new

non-DAC actors.

Elaborating on this first point, the DAC has achieved collective action by reaching a number of agreements during its history. Two studies of aid untying and aid effectiveness have confirmed this finding. The Recommendation on untying aid and the Paris Declaration on aid effectiveness were agreed successfully. However, a list of agreed DAC policies is not definitive evidence that collective action is always reached, as other policies that have been discussed may NOT have been agreed. Nevertheless, it was shown that once meetings on a subject are set up with a budget and Secretariat staff, the chances of it is less likely that the DAC ends the discussion without yielding an agreement, in order to be accountable for the cost it uses.

Some DAC policies have taken a long time to be agreed because of their controversial nature. Both aid untying and aid effectiveness (or aid coordination) were discussed in DAC meetings as early as the 1960s, but significant agreements were only made after four decades. The thesis examined the momentum that broke the long impasse: Namely, political momentum from within the UK, originated from CSOs' criticisms towards donors' tying practices; external pressure to advance the agenda, which was also strongly supported and led by like-minded governments.

Second, the thesis has found that achieving agreement in the DAC does not entail fully successful collective action. In order to facilitate and achieve successful consensus,

DAC agreements may be worded rather loosely or imprecisely. And because of this the implementation and monitoring processes may give rise to misunderstandings or gaps in the interpretations made by members.

With regard to the level of implementation, the thesis has shown that when agreement is not accompanied by specific monitoring mechanisms to ensure change in donors' behaviour or their policies, then it becomes more difficult to assess the actual level of implementation. The thesis showed that there is no way to attribute DAC members' policy reform or change to DAC policies. However, even in these situations there are other aspects of DAC activities that still contribute towards global public goods, namely a process of learning and sharing among members, based on knowledge and experiences. Peer learning and sharing of information or experiences may not be essential conditions for collective action but seem to be more highly valued by DAC members than full and faithful implementation of agreed policies. And this has encouraged the DAC to converge on altruistic norms, as in the case of aid untying, where members' willingness to agree was seen to be much more important than whether they would or could implement in full.

For the two case studies that are accompanied by specific monitoring indicators, the level of implementation was high for aid untying, but low for aid effectiveness where Paris Declaration indicators showed that donors made some efforts, but only one out of thirteen targets was met. In contrast, the aid untying ratio improved beyond the target



set. Nevertheless, the DAC is still challenged by members' practices on aid untying that do not appear in the statistics; there are issues on de facto tying. Therefore it can be concluded that the level of collective action in the DAC is achieved, but only to some extent.

Third, the thesis has shown that collective action is not only evident in agreements and their implementation, but also in other indicators such as meetings and membership. The comparison of the two cases shows that the forms of collective action have changed over the period. When the DAC had only limited membership, agreement was led by some members who wanted to advance their agenda in the DAC. The pattern of leaders-followers existed, though who the leaders and followers are does not have to be the same on every issue. Yet, this closed nature of the DAC has changed over time as more and different actors have become involved, including an increase in formal members. More importantly, as in the case of aid effectiveness, participants in one of the DAC subsidiary bodies (the Working Party on Aid Effectiveness) expanded to non-DAC actors such as recipient countries, civil society organisations (CSOs) and emerging countries. Nevertheless, the negotiation group for determining outcome documents was kept small in each case. Keeping the core group small may be a key to making the agreement process effective, confirming the theory of collective action.

#### *Conditions for collective action*

How can we account for the levels and forms of collective action summarised in the

previous section? In other words, what are the conditions for and obstacles to achieving successful collective action in the DAC? This section analyses the conditions by correlating the indicators with six actor-oriented conditions (Secretariat; delegate-headquarter relationships; member-member relationships; domestic environment; recipient country level; and member/non-member relationships).

In sum, four conditions are important in affecting the existence and the level of collective action in the DAC. One of the most important conditions for collective action is an internal condition relevant to member-member relationships and the role of the Secretariat. The existence of one or more members taking leadership promotes collective action, as the members who show positive interest in the DAC are the main drivers of change. This, however, needs to be supplemented by the Secretariat's important role in balancing the members' feeling of fairness and promoting trust relationship among the members. The second condition is more external, namely the influence exerted by non-DAC actors. Third, the recipient country level increasingly affects the level of collective action in the DAC. Fourth, domestic conditions in the DAC member countries also matter. These are reflected in the interest and motivations of member governments in interacting with the DAC. In addition to these conditions, a new condition is proposed (below), which was not taken into consideration in the beginning of this research. These five conditions are now discussed in turn.

First, successful conditions for agreement include the conduct of DAC members and the

Secretariat, who are at the centre of the decision-making. The fact that the DAC has been led by some members such as the UK is important. Especially after 1997 when the UK's leadership role in international development became strong, its influential role in the DAC increased. Without this, reaching agreement on aid untying and aid effectiveness would have been more arduous. This leadership role corroborates what collective action theory suggests.

In addition to the existence of the leaders, the Secretariat also plays an important role. Its ability to balance the different interests of members and head off feelings of unfairness among them is a supplementary condition to one or more members' leadership. The Secretariat's role in easing tensions among the members is an important contribution to achieving collective action. However, its role, even though essential, is still only supplementary because it cannot lead the agenda on behalf of the members.

For both the leaders and the Secretariat, building trust with other members is an important factor for successful agreement. As was discussed, the UK's strong leadership pushed Japan into a difficult position, which hindered trust between Japan and the UK. Similarly, a good relationship between the Secretariat and each member is important. If members were to have a sense of unfairness or mistrust towards the Secretariat, the result could be greater reluctance to accept proposed policies.

In fact, the level of implementation is largely affected by members' relationships with

other members, non-DAC actors and the recipient country level. From the two studies with contrasting implementation (i.e., higher for aid untying and lower for aid effectiveness), it can be seen that favourable member-member relationships are a condition for collective action. In the aid untying case, most of the European governments had already untied much aid, so they faced few additional costs in honouring the agreement. For other members, it is likely that peer pressure based on trust contributed to promoting implementation. When a majority of members implement, those who at first resist would feel more pressure. In contrast, the very different aid effectiveness case implies that when the majority do not implement, peer pressure may not operate or may be much less effective. In short, since peer pressure is the DAC's core working mechanism, when a majority of members do not implement agreements it does not work.

Second, the forms of collective action are significantly affected by non-DAC actors, especially during recent years. A stark difference can be observed between aid untying and aid effectiveness with regard to the meetings and members. For aid untying, a part of the agenda was transferred from the DAC to the OECD Export Credit Group, which helped ease the tough negotiations in the DAC. Therefore, DAC members were able to focus on a narrowly defined agenda. With non-DAC actors' involvement, however, the aid effectiveness case was rather different; the number and kind of meetings increased along with the increase in members.

What does this mean for collective action in the DAC? When the participants are limited to the DAC donors, the members are better able to understand each other's position. But as the new actors have different rationales for engaging with the DAC, they have changed the power balance within the DAC. Recipient countries pushed the DAC members to make progress on what they have committed to (notably the aid effectiveness agenda), whereas the DAC inevitably has now had to move from aid effectiveness to development effectiveness, in order to accommodate emerging donor countries like China who say they offer not aid but co-operation. Emerging countries have insisted they have a 'differentiated responsibility' from the DAC members, even as DAC members want them to share a level playing field. The CSOs' agendas, however, diverge from some emerging countries' policies on issues like human rights, which can cause conflicts.

All these complex relationships among the actors imply that collective action in the DAC has become more difficult than before. As new actors have different rationales for participating in the DAC compared to the traditional members, setting common objectives and norms now becomes more difficult. Rather than through the pattern of leaders and followers, it becomes harder to reconcile the different interests found among all the actors. Implementation may suffer where the process of agreement becomes more complicated. When the emerging countries become party to collective action by providing development cooperation, but do not abide by DAC rules, they may appear to be free riding in the eyes of the DAC members. The reasons for the low level of

implementation of aid effectiveness can be identified as the reduced level of DAC members' enthusiasm, when their attention to this agenda was diverted by the bigger influence of these new actors. More importantly, a shift of DAC norms away from altruism and towards more emphasis on national interests can be anticipated. We can see already that the UK continues with some de-facto aid tying practices, and that in Japan arguments are now being advanced by some politicians for tying Japan's aid in order to counter China's growing aid presence.

Third, as with aid effectiveness, the recipient country level came to be the centre of the implementation process. Until recently, the DAC was focused on changing individual donors' policies. However, with the increasing awareness that donors' aid activities in each recipient country should be better coordinated, implementation of DAC policies became more focused on recipient country level actors. Subsequently, the implementation process has been looked at from the perspective of collective effort rather than individual endeavour. What this means for collective action in the DAC is that some of the control exercised by donors' headquarters (and not just the DAC) must be devolved to actors at the country level, which means the recipient government and donor officials there. Therefore, a different *level* of actors is involved.

Fourth, this thesis has examined members' domestic conditions through a comparative analysis of two member countries, the UK and Japan. The UK is widely regarded in aid circles as a leader in the DAC and Japan is not. The thesis makes the comparison

explicit and pushes it further. Amongst the domestic conditions discussed in this thesis, the interest and capacity of politicians and bureaucrats are the most important, mainly because the DAC is an inter-governmental organisation. Nevertheless, other actors such as CSOs may play a role in supporting the government's international leadership and nurturing a broader domestic base for international development cooperation.

In the case of the UK, a strong interest in aid has been expressed consistently from the political level to government decision-makers and technical advisors. Perhaps because the US is more dominant in other international organisations such as the World Bank, the DAC has been a forum where the UK can exercise greater influence, which provides a good reason for the UK to utilise the DAC. For the UK the DAC is a forum where it can exert soft power, and the DAC's altruistic image makes this attractive. The UK is proactive, by taking chairs' positions and persuading other members to agree on policies.

As mentioned previously, leadership by one or more members may be a necessary condition, but this thesis has gone beyond that, by arguing that too much leadership – exceeding levels other members feel comfortable with – may jeopardises relations of trust and become counter-productive, as happened in UK-Japan relations at an early stage of the aid effectiveness agenda. Some members also felt the UK was trying to promote its own aid model. This too risks undermining the chances of achieving collective action.

Unlike the UK, Japan does not have similar enthusiasm for the DAC. There are several reasons for this. It is Japan's general attitude to be reactive towards international affairs, and the DAC is no exception. This is mainly due to Japan's loss in World War II, and also explains the restrictions on its use of military power. In addition to the historical reason, DAC's image as a Euro-centric, knowledge-based policy forum makes Japanese politicians, government officials and others feel at some distance. Rather than a forum where Japanese views can be reflected, the DAC is a place where Japanese government sees itself as having to defend its own position vis-à-vis Europeans who have a very different aid philosophy and aid arrangements; There is a general perception of the DAC among Japanese that it is a venue where Japan is criticised. This has created a sort of path dependence in Japan's conduct of relations with the DAC. Yet, even if Japan did want to take a lead there, Japan's lack of domestic political leadership on aid issues and bureaucratic divisions (on both horizontal and vertical lines) may still be impediments to making a strategic utilisation of the DAC.

Finally, in addition to the four conditions discussed, a new condition is developed as a result of this research. One of the aims of this thesis is to reveal the members' motivations and incentives, which are deeply related to the conditions for collective action. Members' motivations and incentives are not categorised at the same level as other conditions discussed in this thesis. Instead they may be understood as pre-conditions that determine members' attitudes and interactions in the DAC. In the



academic literature, donors' incentives are widely reported as a hindrance to collective action (Gibson et al., 2005; Barder, 2009; Geddes, 2011). And yet the DAC is known as a transnational network and policy forum characterised as an 'altruistic' and 'soft' mechanism (Kragelund, 2008; Ruckert, 2008), seemingly free from donors' national interest. How can these different perspectives be compatible, and in what ways are donors' motivations and incentives central to the DAC?

Throughout the thesis it was shown that the members' motivations and incentives cannot be explained solely by national interest or solely by altruism. A distinction between member governments' motivations or incentives and those of their individual officials is important to understanding the balance between rationality and social norms introduced early in the thesis. These factors are related to individual incentives and motivations with regard to the individuals' interest and capacity, as has been mentioned at several points in the thesis. However, distinguishing between the individual and institutions is not always easy in practice, because one cannot fully understand whether DAC members' comments are based on policy direction representing their government or on an individual's own opinion instead.

Table 1 presents one way of analysing this distinction, between rationality and social/global norms (pendulum of incentives and motivations), both at the individual and government levels (level of actors), affecting collective action in the DAC. As shown in the bottom row of the table, when individuals represent their government they

are influenced by government policy and instructions from headquarters. There is a strong element of rationality. But when the government does not assume a strong interest in or pay much attention to an issue, then individuals have more latitude for their own personal beliefs and motivations to come into play; and these variables will be affected also by their relationships with DAC colleagues from other member countries. This is the realm of social/global norms.

Table 1: Balance between rationality and social/global norms for collective action at individual and member government level

	<b>Rationality</b>	<b>Social/ Global Norms</b>
	←	→
<b>DAC</b>	Collective action towards global interest/global public goods	
<b>Member government</b>	National interest, Leadership, International Reputation	Global interest, Altruism, Belief
<b>Individuals</b>	Government policy, HQ instructions	Belief, Willingness, Human relationship

Source: author

The distinction between rationality and social norms also exists at the government level. Clearly national interest (both political and economic) counts as rationality, but member government's motivations to join and interact with the DAC (such as leadership in the UK's case and international reputation in Japan's case) can also be understood as a matter of rationality. And these are affected by the domestic environment including

domestic politics and pressures from CSOs. In contrast, member governments may also respond to such considerations as a genuine belief in serving the global interest, and altruism. Their aid rhetoric at times at least suggests this.

The balance between rationality and social/global norms both at government and individual level is an important influence on whether, how and how far member countries contribute to collective action in the DAC, as the DAC tries to move members' national self-interest/rationality closer towards the global interest in providing more and better global public goods. The balance between rationality and social norms varies among member countries. It also varies depending on which DAC meetings the individuals are attending. For instance, the sphere of social/global norms will be much larger at the subsidiary body meetings where technical advisors gather and share their knowledge, experiences and opinions on specific detailed issues. Individual capacity and interest matter there. On the other hand, at High Level Meetings where heads of agencies and department make big decisions and reach agreement on policies, the sphere of rationality is likely to be larger, as the participants are representing government and protecting the national interest when necessary.

It is also important to note that rationality does not inevitably or always obstruct collective action in producing global public goods and serving the global interest. Leadership and international reputation are rational factors for a government to contribute to collective action. Since taking a leadership role in international

development also serves as the UK's national interest, what the UK proposes may be in line with the global interest. This tendency was especially strong during the period between 1997 and 2010 under the Labour party government. This goes against a dogmatic belief that collective action theory must imply that public goods will be under-provided, as a consequence of individual rationality or self-interest. To put it simply, DAC members may be able to pursue national interest and contribute to global interest at the same time.

By the same token social/global norms such as beliefs may in certain cases actually hinder collective action. For instance, Japan's government and many of its officials believe that Japanese technical cooperation should not be untied. This is because Japanese specialists build strong working relationships with people in recipient countries, where they live for several years and come to share a work ethos based on Japanese culture and society. If technical cooperation is untied, then such factors are unlikely to be taken into account in the cost-benefit calculations of competitive international bidding for untied aid-funded contracts. A conviction in the value of Japan's traditional belief systems may be hard to reconcile with conformity to the global norms of the DAC in this case.

So, although the general perception may be that the DAC is a technical forum where members gather and share knowledge and experiences, in reality a variety of different incentives and motivations account for the members' behaviour. This is why the DAC

can be seen as a diplomacy forum on international development. The DAC has different faces; and it is impossible to conclude that it is either a technical forum purely based on expertise or a political forum in which members negotiate with recourse to political tactics. It has both aspects; and members' actual motivations and incentives will sometimes be only barely concealed behind a thin veil of altruistic norms.

To summarise, the indicators of collective action were stronger for agreement than for implementation; and from the indicator of meetings and members we can understand that the recent rise of non-DAC actors has changed the puzzle of collective action in the DAC, compared to its days as a rather closed, like-minded club. Conditions that help agreement can be found in favourable member-member relationships and in the Secretariat's contribution, especially trust. Undermining conditions during implementation can be identified as the impact of non-DAC actors and the complications of an additional level of collective action at the recipient country level. Members' incentives and motivations can be analysed both in terms of rationality-social norms and from individual-institutional perspectives and variables. These enter into an explanation of how members arrive at their attitudes and interactions in the DAC.

#### 4. Possible broader implications of the findings

What are the implications of these findings about the DAC for our understanding of collective action? This section expands the main findings and exhibits the ways in

which we can interpret them with regard to (i) implications for the broader context of aid, and (ii) implications for wider global governance, and (iii) implications regarding the UK and Japan.

First, the implication of this thesis for the broader context of aid is that donor relations affect relations between donors and recipient countries. The DAC has been a forum in which donors try to influence each other in a way of ‘peer learning’, but also where some try to persuade others through taking leadership. This is the ‘air fight’ among the donors, that reflects their views and preferences about the global aid architecture.<sup>2</sup> This implies that leadership among the donors also increases the possibility of taking leadership in donor-recipient relationships, because the ‘air fight’ will move to the ‘ground war’ at recipient country level during the implementation process. Those who can set the framework during the ‘air fight’ have an advantage in leading and winning the ‘ground war’, helping them take control at the recipient country level as well.

In spite of the DAC’s effort in inviting recipient countries to join the conversation, notably in the discussion of the aid effectiveness agenda, the fundamental structure of the ‘air fight’ among donors and ‘ground war’ among donors and recipient countries is likely to continue. Scholars argued for a new mechanism to recast the aid relationship (Riddell, 2007, p.391) and suggest a “Southern DAC” composed of recipient countries to counter the DAC (Browne, 2006, p146). As early as 1976, an “OECD for the Third

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<sup>2</sup> The words ‘air fight’ and ‘ground war’ are from Yamamoto (2012, interview) in chapter 4 (p159).

World” was proposed to provide a similar forum for recipient countries (Helleiner, 1976, p.20).

The recent movement in the DAC to invite and include other actors is a good sign, but the change was more a response to external influence than a purely DAC initiative, and issues such as whether the DAC is becoming a forum for all possibly at the cost of organisational efficiency, still remain. Also, the current shift in outlook of the DAC and the OECD as a whole is a reaction to emerging countries rather than to aid recipient countries (see chapter 1). It responds to the possibility that emerging countries may try to set their own territory for ‘air fight’ threatening a loss of status and influence at the OECD and DAC.

Second, the implication for wider global governance drawn from this thesis is the difficulty of setting a global governance mechanism that will suffice and include all relevant actors. As mentioned in chapter 1, the more actors we get, the more collective action nightmares we will have.<sup>3</sup> Organisational effectiveness can erode (see chapter 3, p90). Yet, this thesis has explained that collective action problems do not only exist among DAC members, but also now involve relations with non-DAC actors. The problems will have to be fixed by some kind of universal forum, even if that forum turns out not to be the DAC. One way is to work through smaller, regional forums such as the Asian DAC, as a stepping-stone towards a universal forum that might avoid

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<sup>3</sup> This is words by Alison Evans (interview, 2012) quoted in chapter 1 (p.56).

head-on collisions along the way.

Third, an implication of this thesis for Japan and the UK relates to the pattern of leader and follower and their contributions to global governance. This thesis showed the clear leadership of the UK in the DAC especially since the late 1990s and its interest in influencing others. The UK has borne the cost of being leader, contributing to collective action in global governance. Japan is a (sometimes reluctant) follower vis-à-vis the UK, with only weak interest and capacity in contributing to the construction of global knowledge about aid. Yet, the leader-follower relationship is not necessarily always negative; and, moreover, even followers can contribute to global governance within their own capacity.<sup>4</sup> Furthermore, as was mentioned by some Secretariat officials,<sup>5</sup> the pattern of leader and follower may change. In fact Japan's government recently started to increase its interest in being involved in the OECD. At the time of writing this thesis, Japan chaired the OECD Ministerial Council Meeting in May 2014 with a keynote address of Prime Minister Abe.<sup>6</sup> As such, collective action can be nurtured within the leader-follower relationship.

## 5. Limitations of this thesis and future research

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<sup>4</sup> For instance, Schirm (2009) argues that followership is a core condition for the success of global governance.

<sup>5</sup> See Jorgensen (interview, 2013) and Lomoy (interview, 2012) in chapter 4 (p136).

<sup>6</sup> This was Japan's second chairmanship after 36 years.



Along with the findings and implications above, there are some limitations of this research. First, only two studies of aid untying and aid effectiveness were investigated. They were chosen because specific targets and monitoring frameworks were set up, unlike other DAC agreements. The thesis adopted the DAC's own monitoring data to assess members' implementation, without consulting other ways in which DAC agreements may be utilised by its members (such as whether members take the knowledge learned during DAC meetings back to headquarters and incorporate it in future policy-making). How this compares with less binding agreements and looser forms of policy guidance would make an interesting area for further research. This thesis found that tracing the impact of DAC agreements and guidance on members' policy is not a straightforward exercise. There is scope to develop better methodologies for this. In respect of aid untying and aid effectiveness most of the DAC meetings were attended directly by members' officials from headquarters, which means that the delegate-headquarter relationship (which features in the conditions for achieving collective action) was not examined as closely as the DAC meetings themselves, but could be researched more in the future.

Also, the research did not analyse implementation beyond what is reported by the DAC. Collective action in implementation should be assessed first according to what is agreed to be implemented. But the fact that other ways of assessing the effectiveness of donors' aid have been proposed by academics and think tanks may mean there is a weakness in

the DAC's own monitoring.<sup>7</sup> The implementation process at recipient country level is one area that could be taken into consideration more. This was not fully examined in this thesis, because the interviews that were conducted concentrated on the OECD level and member countries' headquarters. So this suggests another area for future further research.

Third, although this research showed that the forms of collective action have expanded with the increase in number and variety of actors, its central focus was kept at the level of DAC members and their own collective action. Hence, interviews were not conducted with non-DAC donors or recipient governments. From one perspective this may have limited the inquiry into collective action, because these other actors now participate in international aid or development cooperation and contribute to the aid and development effectiveness agendas. Nevertheless, this restriction enabled a more in-depth comparison of two DAC members, namely the UK and Japan. Moreover, other actors outside the traditional DAC members were included in the analysis, which discussed their influence on DAC members, as well as on (changing) forms of collective action in the DAC.

Each of these limitations points to possibilities for future research. Compared to other international organisations, the DAC may be seen as a talking-shop which does not

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<sup>7</sup> For instance, chapter 6 introduced an alternative way to assess quality of donors' Official Development Assistance (ODA) conducted annually by Centre for Global Development.

yield practical results, because it does not have financial tools to provide aid to developing countries, and dwells on policy discussions instead. As the scope of this thesis is limited to studying collective action in the DAC – that is to say, whether it agrees on what it does and whether it does what it says – assessing the DAC’s impact on the volume and quality of aid provides yet one more important candidate for further research. There is at least a possibility that even when the DAC does what it says, the donors’ aid provision and/or its effectiveness might not actually improve very much in practice. In addition, and especially given the growing impact of non-DAC members, the question of how DAC policies are implemented at recipient country level with the involvement of non-DAC actors should be followed up, too. This could help furnish more insights into the interactions between DAC members and emerging countries on the ground.

## 6. Conclusion

This thesis has examined the existence, levels and forms of collective action by assessing four indicators (meetings and members, agreement, implementation, and monitoring), and concludes that the DAC achieves collective action to some extent. Evidence for the first two indicators supports this finding, though assessing implementation as part of collective action is more complicated. Agreement does not necessarily lead to implementation, and not all the agreed policies or guidance include specific monitoring mechanisms to establish the level of compliance.

The grounds on which the findings about indicators of collective action are based can be linked with the conditions for collective action: that is, the conditions that make it possible and help explain it when it does take place. Favourable relationships among the members facilitate agreement, because DAC's decision-making is based on members' consensus. The Secretariat's ability to balance the members' differences is a supplementary condition that can help dispel feelings of unfairness or mistrust between members, which would hamper collective action. Maintaining trust between members and the Secretariat is also important here. Leadership by some members in advancing the agenda may be necessary if agreements are to be initiated and reached, although when leaders run too fast or the gap between leaders and followers becomes too deep, the trust relationship may be undermined, to the detriment of collective action.

The implementation process brings complications; and this is connected to the gap that may exist between agreement and implementation. In order to achieve an agreement, the details of the content are not drawn too tightly, which makes it easier for all members to agree. But precisely because of this looseness, there is scope for misunderstandings and disagreements about the details of agreement to emerge later, casting a shadow on implementation and potentially making collective action much weaker.

In addition, the thesis demonstrated that while the DAC is a forum in which altruistic ways of aid provision are discussed, the processes of negotiation, agreement,

implementation and monitoring involve various motives of members and officials. Peer pressure on a country by other members is more effective when a majority of DAC members implement an agreed policy. The growing aid presence of non-DAC actors whose aid terms and conditions differ considerably from what the DAC aspires to achieve harbours the potential to harm DAC members' own implementation. The recipient country level becomes a centre of implementation process, and makes collective action more challenging to assess and to achieve. Collective action in the DAC is changing because of this and because of the DAC's transformation away from a closed donors' club with a very limited membership, which formerly allowed the DAC to reach agreement grounded on fairly widely shared norms among its members. Balancing members' sense of fairness as well as building relationships of trust among members and with the Secretariat will likely become more challenging in the future, owing to the structural transformation in the global aid scene that is underway. The thesis also maintained that both at the government level and the individual level, considerations of both rationality and social norms may exist. It is the mixture of these factors that represents members' incentives and motivations.

The three aims set out in the beginning of this thesis were achieved as follows. First, by examining collective action in the DAC this thesis has filled some knowledge gaps in academic literature on the DAC's operational mechanisms (i.e., origin, purposes and meeting structure), organisational issues (i.e., role of the DAC in the wider international context and within the OECD), and specific issues (*Shaping the 21<sup>st</sup> Century* report, aid

untying, and aid effectiveness). Second, this thesis has adopted an analytical lens of collective action in examining the DAC. The theoretical framework provided justification for using the collective action lens in analysing an international organisation like the DAC in the pursuit of global governance. It has been shown that this analytical lens is a useful tool to reveal the inner logic of the DAC, especially exposing the complex reality of the DAC and the intricate incentives of the actors, which is the third purpose of this thesis.

The thesis's research design was instrumental in achieving these aims. The comparison between aid untying and aid effectiveness chapters brought out some similarities in the conditions for collective action, such as favourable relations among members and the Secretariat's contribution. The studies also revealed some contrasts, such as in regard to policy implementation. The thesis built on these empirical findings to make theoretical points pertinent to (explaining) collective action. The comparison between Japan and the UK also brought some illuminating distinctions, most notably with regard to their incentives for interacting with the DAC, the roles they play in the DAC (i.e., leader and follower), and their domestic conditions that either underpin or undermine collective action in the DAC. The choice of research methodology – both the semi-structured elite interviews and the archival research – contributed substantial new empirical knowledge about the DAC and helped uncover some of the complex realities there. The interviews were especially helpful on the conditions for collective action; OECD documents provided firm evidence on what has happened mainly on the indicators of collective

action. These original empirical findings form an essential counterpart to the analytical framework provided by the idea of collective action.

As introduced in chapter 1, the global aid architecture is changing, and so is the DAC. Hitherto the DAC has played a major role in setting norms and rules for ODA, so that common objectives for global interest are shared. The DAC connected members around the image of altruism as being appropriate to the status of ‘proper’ donors. Some members (UK) exerted leadership to gain a good image, whereas others (Japan) joined in search of international status. For a long time, aid was provided almost exclusively by DAC donors, which is why the DAC could be at the centre of the global aid architecture: what was discussed and agreed there seemed relevant to all international aid. It is probably fair to say that the global aid architecture of the last fifty years would have been different without the DAC.

The arrival of new actors is changing this. Donors are now categorised into at least two groups (DAC and non-DAC), and aid recipients too are becoming more diverse (some low-income countries developed into middle-income countries, and emerging countries declare themselves as recipient countries). Other kinds of actors including civil society organisations (CSOs) have increased their activities both in aid provision and policy advocacy. The increase in numbers of different actors diversifies the motivations behind aid and development cooperation. The DAC moved members’ motivations towards more altruistic purposes, but the emerging countries’ aid is based more on self or

national interest.

The DAC will have to reflect anew on how best to achieve a common objective of providing global public goods (in the shape of more and better aid). The process of achieving collective action will be more difficult. The difficulties will likely begin at the very beginning of the process of setting up meetings and agenda-setting and continue through the involvement of new actors in the deliberative processes, as these actors have different interests or may not want to be formally a part of DAC processes anyway. Compared to the past the chances that the agreement process will be energised by a unilateral leader (such as the UK) with many followers look slimmer, in the face of a need to engage multiple groups of actors with divergent motivations and incentives.

Finally, what is the future of the DAC? As remarked in the thesis Introduction, some have called the DAC a classic sunset organisation, coming to the end of its role in the international aid architecture, while others think the DAC will remain relevant once reformed.<sup>8</sup> But the DAC will only survive if it can provide a forum that other organisations do not and cannot offer *and* if the members still find it useful. One possibility would be to restrict participation in DAC meetings to formal members only, but the already considerable impact made by non-DAC emerging countries makes this look untenable. Instead, the DAC will have to explore new ways of inviting and embracing new and different actors, and reflect on how the global public good of more

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<sup>8</sup> See page 5 in Introduction chapter.



and better aid can be served notwithstanding the overt presence of self or national interest. This is a challenge not just for the DAC, but in respect of global governance in international aid more generally, and it sets terms of reference for the continuing quest for collective action in aid and the global aid architecture in the future.

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**Annex A: Background on Japan and UK**  
**(OECD/DAC, aid profile, and literature)**

1. Basic information on OECD/DAC with regard to Japan and UK

	<b>Japan</b>	<b>UK</b>
<b>Year of DAC membership</b>	1961	1961
<b>Number of staff from HQs at Permanent Delegation to OECD (as of Jan, 2013)</b>	39 Diplomatic Staff 31 Administrative Staff	11 Diplomatic Staff 10 Administrative Staff
<b>Percentage shares of OECD Part I budget contributions (2014)</b>	12.86%	5.24%
<b>Voluntary Contribution to DAC activities (2011-12)</b>	EUR 107,000	EUR 1,624,000
<b>Number of times took (co) Chairmanship of DAC subsidiary body meetings (since later 1970s to 2012)</b>	3 vice chair's	17 (co) chairs

Source: OECD Event Management System (accessed Jan, 2013);

<http://www.oecd.org/about/budget/member-countries-budget-contributions.htm>

## 2. Brief Aid Profile of Japan and UK

	Japan	UK
<b>Aid administration</b>	<ul style="list-style-type: none"> <li>• Ministry of Foreign Affairs (Policy level)</li> <li>• Japan International Cooperation Agency (Implementation level)</li> </ul>	Department for International Development (Cabinet-ranked Secretary)
<b>ODA volume (2012, disbursement)</b>	USD 10,605 million <ODA/GNI: 0.17%>	USD 13,892 million <ODA/GNI: 0.56%>
<b>% of loan aid (2012 disbursement)</b>	41%	3%
<b>Geographical allocation</b>	1. Other Asia & Oceania (31.9%) 2. South & Central Asia (26.5%)	1. South of Sahara (37.3%) 2. South & Central Asia (20.5%)
<b>Sectoral allocation</b>	1. Economic infrastructure (41.5%) 2. Other Social Infrastructure (15.8%)	1. Education, Health & Population (29.6%) 2. Other Social Infrastructure (20.2%)
<b>Periodical trend of ODA volume (DAC ranking, disbursement)</b>	1980: 3 <sup>rd</sup> (USD 3,353 million) 1990: 2 <sup>nd</sup> (USD 9,068 million) 2000: 1 <sup>st</sup> (USD 13,507 million) 2010: 5 <sup>th</sup> (USD 11,057 million)	1980: 5 <sup>th</sup> (USD 1,854 million) 1990: 6 <sup>th</sup> (USD 2,638 million) 2000: 4 <sup>th</sup> (USD 4,501 million) 2010: 2 <sup>nd</sup> (USD 13,052 million)

Source: OECD Statistics (<http://www.oecd.org/dac/stats/idsonline.htm>)

Note: 2011-12 average unless otherwise stated.

### **3. Overview of literature on Japan and UK's aid**

As Japan's ODA volume was growing during 1960s and 70s, quite a log of monographs, edited books and articles are written in English on Japanese aid during 1980s and 90s, most of which were by American academics. There were myths about Japan's aid among the West nations (White, 1964, p.5), and trying to unpack its motives and aid provisions that were different from the West. The ways that these literature were written mirror current upsurge of academic research of emerging countries, notably China and India.

There are three main themes that characterise Japan's aid in these literatures. First, the main determinant of Japanese aid policy is its bureaucratic autonomy and interest of different Ministries involved in Japanese aid (see Rix, 1980; Orr, 1990; Arase 1995; Lancaster, 2007). For instance, Ministry of Finance, Ministry of Economy, Trade and Industry and Ministry of Foreign Affairs all have different responsibilities with regard to aid policy making based on each ministry's interest, and Japan International Cooperation Agency (JICA) takes the responsibility of implementation. Because of this, Japan's aid management system is regarded as "the most complicated and opaque system of aid administration of any donor" (Arase, 2005, p.6).

Second, the motive of Japan's aid has been referred to as commercially-oriented with a geographical focus of Asia (see White 1964; Koppel & Orr, 1993). The regional focus is

strongly related to the origin of Japan's aid as it started as compensation for the World War II to its neighbouring countries (Hook, 1995). However, as aid provision to Asian countries was combined with trade and investment by private sector (Söderberg, 1996), Japan's aid was seen as "Third World resource nationalism" (Arase, 1995, p.35). Tied aid was commonly researched and associated with Japanese aid.

Thirdly, however, recent literature indicate a shift and new trend of Japanese aid. From 1990s onward, Japanese government reformed its aid management system and policies towards converging into global norms such as human security (Arase, 2005; Leheny & Warren, 2010; Lancaster, 2010). Yet, most of these literature identify the peculiarity of Japan's aid which has been divergent from the DAC norms such as the concept of ownership (Jerve, Shimomura & Hansen, 2008; Takahashi, 2010) differentiating it from others as Japan's ODA model (Menocal, Denny & Geddes, 2011; Kim & Potter, 2012).

In contrast to large volume of literature on Japanese aid, UK's aid literature is surprisingly few not attracting so much academic interest on its own, presumably because it is a member of European Union and has been researched as one of the European countries. Also, unlike Japan's aid, most of British aid literature has been written by British academics.

During early decades, the British aid shared the common features as Japan's aid. British aid was prioritised to former colonial countries and the ways of aid provision was not so

much different from the colonial time (Little & Clifford, 1965). The self-interest component had constantly been associated with British aid (Bose & Burnell, 1991), and British tied aid was especially researched during later 1980s and 90s (May, Schumacher & Malek, 1989; Morrissey, Smith & Horesh, 1992; Toye, 1991)

The turning point of the UK's aid literature is in 1997 when the new labour government took power. Soon after DFID published its White Paper in 1998, *Journal of International Development* issued a special issue on the White Paper by academics offering critical perspectives as well as expectations (White, 1998). Scholars since then have emphasised the successes of British aid and DFID as a leading model among donors (Vereker, 2002; Barder, 2005; Morrissey, 2005). During 2013, two more important books were published by former high ranked civil servants on British tied aid (Lankester) and on British aid policies (Ireton).

Finally, literature making comparison of Japan and the UK exclusively is very few (see Seddon, 2005; Hashimoto, 2010).

## Annex B: List of Interviewees

Name of interviewee	Position of interviewee <sup>1</sup>	Place of interview	Date of interview
Motoyuki Ishize	Counsellor (DAC Delegate), Permanent Delegation of Japan to the OECD	Paris	18 <sup>th</sup> May, 2011
Gerardo Bracho	DAC Delegate, Permanent Mission of Mexico to the OECD	Paris	18 <sup>th</sup> May, 2011
Anna Paula Fernandes	DAC Delegate, Permanent Mission of Portugal to the OECD (DAC Vice Chair)	Paris	19 <sup>th</sup> May, 2011
Andrew Mold	Senior Economist, OECD Development Centre	Paris	20 <sup>th</sup> May, 2011
Naoki Yokobayashi	Special Assistant for Economic Cooperation Issues, Country Assistance Planning Division II, International Cooperation Bureau, Japanese MoFA	Osaka, Japan	30 <sup>th</sup> Dec, 2011
Motoki Takahashi	Professor, Graduate School of International Cooperation Studies, Kobe University	Kobe, Japan	6 <sup>th</sup> Jan, 2012
Takumo Yamada	Advocacy Manager, Oxfam Japan	Tokyo	10 <sup>th</sup> Jan, 2012
Yasutami Shimomura	Professor Emeritus, Hosei University	Tokyo	10 <sup>th</sup> Jan, 2012
Mamoru Endo	Senior Consultant, Because Institute Co., Ltd. (former JANIC policy advisor)	Tokyo	11 <sup>th</sup> Jan, 2012
Ikufumi Tomimoto	Visiting Senior Advisor, Japan International Cooperation Agency (former Chief Representative, Japan International Cooperation Agency, France Office )	Tokyo	11 <sup>th</sup> Jan, 2012

<sup>1</sup> The positions indicated both in this list and in the citations are at time of the interview date.



Michio Watanabe	Economist, Director, Operations Department, International Development Center of Japan	Tokyo	11 <sup>th</sup> Jan, 2012
Yasuo Kurata	Assistant Chief Researcher, Office of the Commission on the Constitution, House of Councillors	Tokyo	12 <sup>th</sup> Jan, 2012
Ryutaro Murotani	Research Associate, JICA Research Institute	Tokyo	13 <sup>th</sup> Jan, 2012
Kiyotaka Takahashi	Research & Policy Manager, Japan International Volunteer Center	Tokyo	13 <sup>th</sup> Jan, 2012
Sayoko Uesu	Research Associate, National Graduate Institute for Policy Studies	Tokyo	17 <sup>th</sup> Jan, 2012
Izumi Ohno	Professor, National Graduate Institute for Policy Studies	Tokyo	17 <sup>th</sup> Jan, 2012
Masaki Ijiri, Tatsushi Ogita, Isao Endo, Sosuke Ota, Kei Sato	Consultants, Social Security and Economics Division, Mizuho Information & Research Institute, Inc.	Tokyo	18 <sup>th</sup> Jan, 2012
Mitsuaki Furukawa	Senior Research Fellow, JICA Research Institute	Tokyo	19 <sup>th</sup> Jan, 2012
Yukiko Okano	Counsellor (DAC Delegate), Permanent Delegation of Japan to the OECD	Paris	21 <sup>st</sup> Feb, 2012
Tatsuhiro Mitamura	First Secretary (DAC Team), Permanent Delegation of Japan to the OECD	Paris	21 <sup>st</sup> Feb, 2012
Shoji Hitoshi	Chief Representative, Japan International Cooperation Agency, France Office	Paris	22 <sup>nd</sup> Feb, 2012
William Nicol	Senior Counsellor, Development Co-operation Directorate, OECD	Paris	24 <sup>th</sup> Feb, 2012

Masato Hayashikawa	Policy Analyst (Policy division of Aid for Trade), Development Co-operation Directorate, OECD	Paris	24 <sup>th</sup> Feb, 2012
Frans Lammersen	Principal Administrator (Policy division of Aid for Trade), Development Co-operation Directorate, OECD	Paris	28 <sup>th</sup> Feb, 2012
Chantal Verger	Senior Policy Analyst (Review, Evaluation and Engagement Division), Development Co-operation Directorate, OECD	Paris	29 <sup>th</sup> Feb, 2012
Stephan Massing	Policy Analyst (Policy division of Peaceful & Capable States), Development Co-operation Directorate, OECD	Paris	29 <sup>th</sup> Feb, 2012
Michael Ward	Senior Policy Analyst (Review, Evaluation and Engagement Division), Development Co-operation Directorate, OECD	Paris	1 <sup>st</sup> March, 2012
Kaori Miyamoto	Counsellor (Policy division of Policy Coherence for Development), Development Co-operation Directorate, OECD	Paris	1 <sup>st</sup> March, 2012
Frode Neergaard	Deputy Permanent Representative (DAC Delegate), Permanent Delegation of Denmark to the OECD	Paris	2 <sup>nd</sup> March, 2012
Richard Carey	Consultant (Former Director of Development Co-operation Directorate, OECD)	Paris	2 <sup>nd</sup> March, 2012
Debbie Warrenner	Consultant, Catalysing Change Agents (Former DFID official)	London	12 <sup>th</sup> March, 2012
Keiichi Yokota	Director, Development Assistance Policy Planning Division, International Cooperation Bureau, Japanese MoFA	Tokyo	9 <sup>th</sup> April, 2012
Yoshitaka Hoshino	Director, South America Division, Japanese MoFA (Former Japanese DAC delegate)	Tokyo	9 <sup>th</sup> April, 2012

Shunichiro Honda	Research Associate, JICA Research Institute	Tokyo	10 <sup>th</sup> April, 2012
Shinji Watanabe	Deputy Director, Development Assistance Policy Planning Division, International Cooperation Bureau, Japanese MoFA	Tokyo	11 <sup>th</sup> April, 2012
Norio Hattori	Former Ambassador, Permanent Delegation of Japan to the OECD	Tokyo	12 <sup>th</sup> April, 2012
Makoto Asai	Deputy Director, Office for Global Issues and Development Partnerships, Operations Strategy Department, Japan International Cooperation Agency	Tokyo	12 <sup>th</sup> April, 2012
Mitsuya Araki	President, The International Development Journal Co., Ltd.	Tokyo	13 <sup>th</sup> April, 2012
Keidanren officials (Kiyotaka Morita, Motohiro Sakai, Hiroyuki Soejima, Yumi Shimmyo, Tomoe Nishikawa)	Managers and officials, International Cooperation Bureau, Keidanren	Tokyo	13 <sup>th</sup> April, 2012
Shigeru Kanda	Chief Researcher, Research Office, Standing Committee on Foreign Affairs and Defence, House of Councillors	Tokyo	13 <sup>th</sup> April, 2012
Shigeaki Kanayama	Deputy Director, Development Policy Division, International Bureau, Japanese Ministry of Finance	Tokyo	17 <sup>th</sup> April, 2012
Tsuneo Sugishita	President, Foundation for Advanced Studies on International Development	Tokyo	17 <sup>th</sup> April, 2012
Mitsuhiro Maeda	Professor, Advanced Institute of Industrial Technology (Former Ministry of Economy, Trade and Industry official)	Tokyo	17 <sup>th</sup> April, 2012

Masato Watanabe	Vice President, Japan International Cooperation Agency (Former Deputy Director-General, International Cooperation Bureau, Japanese MoFA)	Tokyo	19 <sup>th</sup> April, 2012
Naoko Ueda	Principle Deputy Director, Climate Change Division, Global Issues Cooperation Division, Japanese MoFA	Tokyo	19 <sup>th</sup> April, 2012
Hiroshi Sato	Director-General, Research Planning Department, Institute of Development Economies (President, Japan Society for International Development)	Chiba, Japan	20 <sup>th</sup> April, 2012
Shinichi Takeuchi	Senior Research Fellow, African Studies Group, Area Studies Centre, Institute of Development Economies (Visiting Fellow, JICA Research Institute)	Chiba, Japan	20 <sup>th</sup> April, 2012
Mitsuru Kitano	Assistant Vice-Minister, Minister's Secretariat, Japanese MoFA	Phone interview	20 <sup>th</sup> April, 2012
Kimiaki Jin	Chief Representative, Japan International Cooperation Agency, UK Office	London	4 <sup>th</sup> July, 2012
Roland Fox	DFID official (Former DAC delegate of UK)	London	18 <sup>th</sup> Sep, 2012
Roger Riddell	Associate Consultant, Oxford Policy Management	Skype interview	24 <sup>th</sup> Sep, 2012
Richard Jolly	Research Associate (Honorary Professor), Institute of Development Studies, University of Sussex	Phone interview	25 <sup>th</sup> Sep, 2012
Alan Hudson	Director, ONE	London	25 <sup>th</sup> Sep, 2012
Adrian Hewitt	Senior Research Associate, Overseas Development Institute (Head of the ODI Fellowship Scheme)	London	26 <sup>th</sup> Sep, 2012

Simon Maxwell	Senior Research Associate, Overseas Development Institute (Former Director of ODI)	Skype interview	1 <sup>st</sup> Oct, 2012
Howard White	Executive Director, International Initiative for Impact Evaluation (3ie) (Former IDS fellow)	London	1 <sup>st</sup> Oct, 2012
Ed Clay	Senior Research Associate, Overseas Development Institute	Skype interview	3 <sup>rd</sup> Oct, 2012
Alison Evans	Director, Overseas Development Institute	London	5 <sup>th</sup> Oct, 2012
Jonathan Glennie	Research Fellow, Overseas Development Institute	Skype interview	5 <sup>th</sup> Oct, 2012
Nick York	Deputy Director and Chief Professional Officer for Evaluation, DFID	Phone interview	10 <sup>th</sup> Oct, 2012
Judith Randel	Director, Development Initiatives	Phone interview	10 <sup>th</sup> Oct, 2012
Andrew Rogerson	Senior Research Associate, Overseas Development Institute (Former Counsellor of Development Co-operation Directorate, OECD)	London	11 <sup>th</sup> Oct, 2012
Claire Godfrey	Policy Advisor, Oxfam GB	Phone interview	11 <sup>th</sup> Oct, 2012
Stephen Browne	Visiting Senior Fellow, Ralph Bunche Institute for International Studies, Graduate Center, City University of New York	Skype interview	12 <sup>th</sup> Oct, 2012
Kevin Gardner	Team Aid Effectiveness, DFID	Phone interview	12 <sup>th</sup> Oct, 2012
Tony Addison	Chief Economist/Deputy Director, United Nations University (WIDER)	London	3 <sup>rd</sup> Nov, 2012
Rosalind Eyben	Professorial Fellow, Institute of Development Studies, University of Sussex (Former DFID official)	London	3 <sup>rd</sup> Nov, 2012
Gideon Rabinowitz	Research officer, Overseas Development Institute (Former coordinator of UKAN)	London	4 <sup>th</sup> Nov, 2012

Karin Christiansen	General Secretary, Co-operative Party (Former ODI Research Fellow, Former Managing Director of Publish What You Fund)	London	5 <sup>th</sup> Nov, 2012
Clare Short	Former Secretary of State, DFID	Phone interview	13 <sup>th</sup> Nov, 2012
Aiichiro Yamamoto	Principal Representative to the European Union, JICA	London	16 <sup>th</sup> Nov, 2012
Brian Atwood	DAC Chair, Development Assistance Committee, OECD	Phone interview	10 <sup>th</sup> Dec, 2012
Myles Wickstead	Visiting Professor, Open University (Former DFID and Foreign and Commonwealth Office official)	London	11 <sup>th</sup> Dec, 2012
Dominic Martin	Director of G8, Cabinet Office (Former Ambassador, Permanent Delegation of UK to OECD)	London	18 <sup>th</sup> Dec, 2012
Martinus Desmet	Health expert, Belgium Ministry of Foreign Affairs (Former DAC Delegate, Permanent Delegation of Belgium to OECD)	Skype interview	26 <sup>th</sup> Dec, 2012
Rintaro Tamaki	Deputy Secretary-General, OECD	Paris	11 <sup>th</sup> Jan, 2013
William Hynes	Policy Analyst, (Policy division of Aid for Trade), Development Co-operation Directorate, OECD	Paris	14 <sup>th</sup> Jan, 2013
Karen Jorgensen	Head of Review, Evaluation and Engagement Division, Development Co-operation Directorate, OECD	Paris	14 <sup>th</sup> Jan, 2013
Jon Lomøy	Director, Development Co-operation Directorate, OECD	Paris	15 <sup>th</sup> Jan, 2013

Dirk Dijkerman	Special Advisor (OECD Development Strategy), Development Co-operation Directorate, OECD (Former DAC Delegate of US)	Paris	15 <sup>th</sup> Jan, 2013
William Nicol	Senior Counsellor, Development Co-operation Directorate, OECD	Paris	18 <sup>th</sup> Jan, 2013
Motohide Yoshikawa	Ambassador, Permanent Delegation of Japan to OECD	Paris	21 <sup>st</sup> Jan, 2013
Yukiko Okano	Counsellor (DAC Delegate), Permanent Delegation of Japan to the OECD	Paris	21 <sup>st</sup> Jan, 2013
Sungsoo Choi	Counsellor (DAC Delegate), Permanent Delegation of Korea to the OECD	Paris	22 <sup>nd</sup> Jan, 2013

Note: Yukiko Okano specified that her interview was given in a personal capacity and that her comments in citations do not represent official Japanese government policy.