

IOs and Peer Pressure: An Examination of the Development Assistance Committee (DAC)

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Through a formal peer-review process, member states of the Development Assistance Committee (DAC) of the OECD have been reviewing each other's development aid programs for decades, under the auspices of the DAC secretariat. These peer evaluations are designed to facilitate information-sharing, transparency, and to scrutinize each member state's foreign aid program. The secretariat's goal in this process is to promote best practices and improve the quality of aid programs funded by OECD countries. However, DAC cannot enforce compliance with recommendations. Thus, to influence policies and encourage compliance, DAC uses "peer pressure" – and soft power – as a tool to engage member states. Although all member states are equal in official status, DAC's ability to exert influence is rooted in the inequalities that are characteristic of members.

This paper traces the interaction of DAC member states through the peer reviews over the last few decades. Specifically, I include analyses of DAC's relationship with DFID (UK), and an assessment of the pressure to meet Official Development Assistance (ODA) benchmarks and the standards set by various international agreements, which bind the development policies of member states (e.g. Paris Declaration, MDGs, and Busan). Based on archival research, interviews with officials, and quantitative analysis of members' aid programs, this study examines the obstacles IOs confront when setting international policy goals that can only be met via states' compliance.

INTRODUCTION

Alleviating poverty in developing countries, and the promotion of development through foreign aid, has been central to wealthy countries' security and economic interests for decades. And while motivation for these policies may have changed over time (e.g. during and since the Cold War), they nevertheless occupy a nexus that includes domestic government and non-governmental pressures, actions of international institutions and agreements, and pressures from the private sector. More recently, lines between the developed and the developing world have started to blur with respect to foreign aid, as longtime recipients of aid have joined the ranks of donors and have established aid programs overseas (e.g. China, Brazil).

Over the years, the developing world has offered promising markets, natural and human resources, and important security alliances in conflict zones. However, investment in development is necessary for these benefits to materialize and remain stable. While "aid" and official development programs are supposedly geared towards meeting the interests of the countries that receive the aid, donors have been struggling to ensure that their aid policy – at least in how it is perceived – is oriented to development and not to their own economic or political interests. Post WWII International Financial Institutions (IFIs) seek to achieve this neutrality via their shared institutional structure (Rodrik 1996; Milner 2006). However, the foreign aid disbursed by IFIs is small when compared to the bilateral programs and transfers of wealthy countries (see Graph 1). For example in 2011 the twenty-four countries that are members of the Development Assistance Committee (DAC) of the OECD disbursed \$94 billion, while the total multilateral disbursements to developing countries was \$34.4 billion.

[INSERT GRAPH 1 HERE]

In recent history, post WWII aid programs led by the US -- predominantly the Marshall Plan -- that were meant to propel Western Europe's and Japan's economies in the aftermath of the War's devastation, are the foundation of modern Official Development Assistance that constitutes mostly grants (rather than loans, which constitute the bulk of assistance from IFIs). Neoliberal economic ideas that were becoming dominant, ending an era of US isolationism, marked the start of a new wave of globalization. However, during the Cold War, hemispheric interests arguably were steering Western foreign economic policy. Since the Cold War ended, OECD countries have been striving to redefine their relationship with the developing world.

Aiding developing countries in their process of development poses many challenges.¹ Plagued with poverty and conflict, but also rich in resources and with potential for substantial growth, the developing world is only getting more intertwined with wealthy countries. Achieving the opportunities associated with development and globalization comes, then, with significant investment, and great risk. Domestic politics in OECD countries further complicate foreign aid policies: with pressures from NGOs, business interests, and political motivations, any balance between particular domestic interests and the demands of the various international regimes is inevitably an act of compromise.

¹ Creating a neat division of the world into OECD and non-OECD (developing) countries is conceptually very difficult: the variation in economic development, political institutions, stability, etc. is so vast among this large group of countries that finding any single formula that will fit all is extremely unlikely.

Most OECD countries engage in bilateral aid in addition to their membership in, and contributions to, multilateral institutions. As Graph 1 demonstrates, bilateral aid represents the bulk of ODA for many of these countries, and it is therefore the most significant component of Western assistance to poor countries. Unlike multilateral aid institutions that strive to appear as joint ventures, bilateral aid programs, devised and carried out by a single donor country, are usually considered to be subject to the policy preferences of the single country that administers them (Alesina and Dollar 1998; Schraeder, Hook, and Taylor 1998; Dollar and Levin 2004).

Bilateral aid is most commonly considered exclusively as a product of the relationship between a donor and the recipient of aid. Further, as a component of foreign policy, foreign aid is seen to represent the interests of the countries administering it, and it is unclear the extent to which international norms and pressures influence the decision-making apparatus within countries. But DAC membership, which is *voluntary* for eligible member countries under the auspices of the OECD, puts countries' bilateral aid programs under the scrutiny of their peers. The DAC is the only international organization that uses a formal mechanism to review bilateral aid policies of its member states, but even if it produces a critical report of a member state, DAC cannot enforce its recommendations.

This paper examines whether the DAC has been able to influence member states' foreign aid policy through its formal process of peer review. The analysis that follows examines (1) whether a formal process undertaken by an IO can impact the policy decisions of individual member states, and if so, how it does so; and (2) specifically,

whether peer reviews – the formalized oversight of peer states under the auspices of an IO are a conducive mechanism to affecting individual countries' bilateral aid programs.

CONTEXT & METHODOLOGY

Realists point out that foreign policies are naturally a reflection of states' interests and that cooperation can be effective only to the extent that those vital interests are not compromised.² And although neo-liberal institutionalists and constructivists criticize this position – and they are especially convincing when it comes to explaining the actions of IFIs and IOs – realism is not easily challenged when examining the policies of individual states.³ From a realist perspective, then, foreign aid would be dominated by the fulfillment of the donor state's interests. Institutionalists contend that states create and join IOs to coordinate policies, share information, provide transparency, and pool resources for more efficiency.⁴ Mandated peer reviews under the umbrella of the DAC push the envelop on the information and transparency front: member states are closely scrutinized for a designated period of time – something that is not commonplace for wealthy states as part of their IO commitments.

Even when they compete for resources and dominance, donor states also share interests. Recognizing this, the DAC was created as a voluntary agency within the OECD with the mandate to evaluate member states' development programs and improve overall aid initiatives of OECD/DAC countries. More specifically, DAC was established in 1961 (in the OECD's foundation year) as an institutionalized forum for members that facilitates transparency and conducts reviews, critiques, and makes recommendations for

² Krasner 83; Gowa 84; Mearsheimer 95

³ Grieco 90; Koremenos, Lipson, and Snidal 2001

⁴ Ruggie 93; Checkel 2001

aid policy of individual member countries. Affording donor countries the opportunity to examine each other's aid efforts should, presumably, make bilateral aid more effective. DAC's mechanism is, then, driven by the notion that shared ideas provide a common grounds for coordinating expectations and behavior (Garrett and Weingast 1993). If ideas shape preferences and interests, (Abdelal, Blyth, and Parsons 2010) then cultivating them as shared among member states should lead to compliance through constructive dialogue. As state-sponsored bilateral aid programs likely cross paths with those of peer states, transparency and coordination, as well as a setting of some common standard, could greatly contribute to the efficiency and impact of these policies.

Since 1961, the OECD has been a central focal point for research and analysis of its members' economies, in addition to its global research initiatives. It has functioned as a facilitator of knowledge and transparency over many decades – during the Cold War and in its aftermath. In fact, the OECD was created as an international “think tank” with the intention that member countries would benefit from the transparency of information and knowledge sharing. From the start, its main function has been a “standard-setter” through its public documents that assess member states economic policies and indicators, and its innovative peer review procedure.⁵ Even though its staff routinely publishes studies, data, policy papers, and recommendations, the OECD has no enforcement mechanism and no formal method for supervising members' compliance with recommendations. The peer review mechanism was established to provide a forum for member countries to have a direct dialogue, facilitated by the institution's staff and

⁵ “Mutual examination by governments, multilateral surveillance and a peer review process through which the performance of individual countries is monitored by their peers, all carried out at committee-level, are at the heart of our effectiveness.”
(http://www.oecd.org/pages/0,3417,en_36734052_36761681_1_1_1_1_1,00.html)

managers (secretariat). In addition to offering accountability to each other, peer reviews and the process they generate provides information that is publicly displayed. Although many IOs extend “peer forums”, the Peer Review at the DAC is a unique mechanism in that it formally established a requirement of reviews that each member country must undergo. The review is conducted by peers and although the process has evolved over the years, the Peer Reviews have always been thorough, well researched, and multi-faceted.⁶

This process relies on the expectation that states would have to respond in some way to their peer’s demands. Failing to comply, at least partially, may result in strained relations and compromised status within the group of peers. This can be manifested in numerous ways, including “naming and shaming” – making public the criticism of a country’s policy in a way that is harmful to its reputation. Since membership in DAC is voluntary and member states commit to fully cooperating with this process when they join, there is an underlying assumption that members are genuinely interested in the substance of the reviews and respect their conclusions and recommendations. Moreover, the scrutiny of its peers should make donors wary of engaging in aid projects that are driven exclusively by political interest and lack development effectiveness.⁷

Within this context I examine the oldest institution that provides its members with the opportunity to cooperate and coordinate their foreign economic policy. The OECD (and specifically, the DAC) with its peer-review function is a multilateral space where

⁶ This unique aspect of the Peer Review can be attributed to its centrality for the organization (DAC), and the process, that was initiated from the start, whereby the reviews follow a format (6 months, expert participation, visits to aid recipients, visit to capital of donor, etc.), produce a written report, and are then scrutinized by other members.

⁷ See Checkel 2001 for more on the Constructivist argument that explains why agents comply with norms embedded in regimes and international institutions.

ideas and norms can be shared, and where member states allow their peers to examine their policies and critique them without the threat of enforcement. It is innovative in that it relies on states' desire to maintain a certain reputation, their response to "peer pressure," and their ability to learn from the ongoing interaction they have under the DAC's umbrella. What's more, the reputation that the OECD has gained over these years yields certain clout when it comes to making policy recommendations – its importance as an "international economic think-tank" gives credence to the studies it produces, including those that suggest improvements and changes to states' development programs. And finally, the bureaucratic nature of the OECD and DAC and its inability to enforce compliance with recommendations make it easier for states to participate in the process.⁸

This paper studies whether or not the DAC has gained some success over the years at influencing states' policies. Specifically, the Peer Review mechanism and DAC's unique "exclusive club" status, have played a part in its ability to set norms with a dedicated staff who act as a focal point for monitoring, coordinating, and holding accountable member states' foreign aid policies. In other words, the DAC has positioned itself as an essential source of information and ideas for states, thereby increasing the likelihood for cooperation under its sponsorship. The secretariat of DAC and the diplomats who represent the member states are invested in meeting certain goals: they are eager to ascertain their influence and show that they are capable of delivering promises. Moreover, the staff at the secretariat is strategic about how they conduct the review, write

⁸ Some argue that this makes the DAC marginal at best – because policy makers at high levels may only be vaguely aware of it, and dismiss its recommendations when they are politically or economically costly to them. This paper examines whether overtime DAC's ability to set standards for development assistance has generated norms that penetrated members' foreign aid policy decisions.

the report, and make recommendations – they want to facilitate policy change by presenting their position in a way that makes it possible for states to comply.⁹

The next section presents an overview of DAC's history and the process of peer reviews. The section that follows demonstrates member states' interaction within the DAC and its influence on their foreign policy. It delves into a case study of the UK, and its policy makers, development agencies and foreign officers' collaboration with the DAC and its secretariat.¹⁰ I examine archival materials (from the OECD archives) and interviews with former and current Secretariat officials, ambassadors, and UK officials, and demonstrate the extent to which DAC has developed a mechanism for influencing foreign aid policy by generating ideas and norms that become integral to causes advanced by domestic constituencies of member states.

Interviews with current and former OECD officials and development specialists reveal that bureaucrats take the peer evaluation carried out by experts very seriously despite the lack of institutionalized enforcement mechanism (i.e. they are well aware that their hard work in following the formal process of DAC peer evaluations, presenting reports, and concluding with recommendations, may amount to little or no policy change at the country level). For them, this is one of the few opportunities to make an impact and they consider it an important part of their reputation and effectiveness at their jobs.

In addition to the many interviews I conducted at DAC offices and OECD headquarters, I examined the OECD's archives. Specifically, I recorded the official documents (some confidential) produced by the DAC, and I also examined correspondences between member countries' foreign offices' and the secretariat,

⁹ See Rixen 2008 for more on how the OECD functions as a focal point.

¹⁰ A second case study, of Germany, will be included in a subsequent paper.

arranging meetings and passing information. Some of these documents are merely formalities to set up meetings or coordinate the arrival of high-level officials. But others are less formal and include specific policy information and recommendations, pointing to the position espoused by country representatives to the OECD/DAC, who attempt to convey to their superiors back home the importance of the DAC and its evaluation process, including providing them information and studies laced with ideas advanced by the experts at the OECD. It is imperative to examine the importance that policy makers attribute to the peer-review process – from simply having awareness of its existence, to engaging with DAC officials in an effort to comply with the recommendations – policy makers charged with aid policy can potentially steer their states toward or away from the recommendations (and norms) advanced by the DAC (to that extent I interview both delegation representatives from member countries and aid officials/ministers of member countries).

Finally, since peer reviews are mutual, I develop a typology of this process. The peer review foundation may have an impact on the degree to which the ideas generated at the DAC make their way into the policy corridors of states. Furthermore, the extent to which the epistemic community of DAC (secretariat and diplomats) can effectively set an aid and development agenda despite the absence of enforcement mechanism is examined. Theoretically, this paper contributes to the literature on the role of institutions in shaping ideas and norms, but it specifically focuses on the formal process of peer review (and peer pressure) as it relates to states.¹¹

¹¹ Note that I am not making a statement about the quality of the aid programs themselves or their impact on development. This study is focused on the way in which members review each other – taking as a given their own assessments and recommendations – and testing whether the review has an impact on states' policies.

OECD/DAC BACKGROUND AND PROCESS

The OECD's statistical and financial indicators, as well as economic reports and studies, have been made widely available to academics, political elites, and anyone involved in social and economic policy work. The DAC, one of the OECD's oldest and major agencies, was designed to exchange information, provide transparency, and serve as a platform for member countries to coordinate their aid efforts. Originally the DAG (Development Assistance Group), which was founded in 1960, the DAC began reviewing members' aid efforts in developing countries in 1962. DAG was created to provide a discussion forum for aid donors to coordinate their efforts to assist less developed countries.

DAC's function as a collector and provider of economic indicators is widely known. However, from the start of its operations, DAG/DAC also formalized an aid review process for its members. The peer reviews are one of DAC's major functions, with a secretariat that is devoted to preparing and overseeing the process. Every year, peers review five DAC member countries' foreign aid programs. The review process includes visits to two program/project sites in developing countries and interviews with aid officials, elected officials, and relevant civil society leaders. Over a period of six months representatives from the reviewing countries and DAC's secretariat collect information, and produce a report that is then circulated internally and discussed at a closed-door, confidential, high-level meeting at OECD headquarters. The country that is being reviewed has an opportunity to respond to the report, and two days later, a final report that is a result of negotiation between the peers, is made publicly available.

A personal recommendation letter of the Chairman reinforces the impact of DAC recommendations after the peer review, as well as a follow-up visit to the capital of the member country that has been reviewed six months after the report had been issued. Since 2009, DAC implemented a change to this procedure, with the Chairman's (or senior Secretariat representative) follow-up visit to the capital of the country that has been reviewed 18-24 months following the Peer Review meeting – a “mid-term review.”¹² Although, according to these new recommendations, countries may opt-out of this mid-term review process, they have not yet done so. This is another change to the process that is voluntary, but due to “peer pressure”, reputation, and other pressures, has transform to become part of the process that generates compliance. Furthermore, as mentioned above, the day following the high level meeting the memorandum is negotiated between the DAC team and the reviewed country delegation. Sometimes the reviewed country obtains its desired revisions to the report on points where there is disagreement. It is a game of give and take.

According to the DAC guidelines, the main objectives of the Peer Reviews are:

“To monitor DAC Members’ development co-operation policies and programmes, and assess their effectiveness, inputs, outputs and results against the goals and policies agreed in the DAC as well as nationally established objectives. To assist in improving individual and collective aid performance in both qualitative and quantitative terms. To provide comparative reporting and credible analysis for wider publics in OECD

¹² DCD(2009)6/REV1

countries and the international community. To identify best practices, share experience, and foster co-ordination.”¹³

DAC’s Secretariat initiates peer reviews in consultation with the DAC members. Two members are designated as “Examiners” for each review. The Examiners, DAC Chairman, and members of the Secretariat form the review team. They are considered representatives of the DAC as a whole, assigned both to contribute to, and to learn from, the Peer Review process. “In this regard, they are expected to take an active role during all stages of the process: planning; field visits; missions to the capital; contributing to the Peer Review reports, Issues Paper for the review meeting and the Chairman's Press Release. Finally, they lead discussions at the Peer Review meeting itself.” (Ibid.)

The Peer Review process involves seven fairly distinct stages: (i) Preparation, (ii) Visits to the Field, (iii) Mission to the capital, (iv) Peer Review Meeting (v) Editorial Session, (vi) Publication, and (vii) Follow-up. In addition, there is interaction on a continuous basis between Examiners, the reviewed country, and the Secretariat during this period.

DAC’s secretariat’s role in coordinating this process is central to the spread of ideas about development. Specifically, over the years, the guidelines for peer reviews and recommendations have changed markedly. The secretariat has undergone a learning process and has produced studies and reports aiming to alter how bilateral aid programs are assessed. It is DAC that generates the recommendation that members allocate a certain percentage of their GDP’s for foreign aid – and issues reports on it. DAC also, historically, determines what constitutes foreign aid (for example, military aid is not

¹³ www.oecd.org/dac accessed 9/20/14)

counted as foreign aid). Some of the changes in policy recommendations generated by the secretariat are a direct product of an attempt to remain relevant when the development and aid landscape has undergone profound changes (Rosalind Eyben, 2012).

[INSERT TABLE 1]

Most notably, DAC's secretariat promoted the notion of "untying aid" starting in 2001, when criticism of multilateral and bilateral aid both from activists in donor countries and from NGOs based in developing countries, had already become widespread.¹⁴ This effort has shed light on the shady practice of providing aid tied to financial interests based in the donor country. For example, in a 2009 report DCD/DAC concludes: "79% of all ODA is now untied, 17% is still tied and the tying status of only 4% of aid is not reported."¹⁵ And although the effort is still ongoing, the language of tying and untying aid has taken root in in policy circles of DAC members (as well as non-members).¹⁶ This is noteworthy as over time recipients of aid are aware of this agenda set by DAC and they contribute to the pressure placed on bilateral aid projects and programs

¹⁴ See 2001 Untying Recommendation (DCD/DAC), DCD/DAC(2008)13/REV2, and Accra Agenda for Action 2008.

¹⁵ DCD/DAC(2009)21/REV2 p. 2 and Section IIIa.

¹⁶ This is particularly interesting, although not the central topic of this paper – the ideas generated by DAC about aid strategy – have penetrated non-DAC members as well. One reason for this can be that once its taken root among members, non DAC members with foreign aid programs are pressured to acknowledge these issues. It is also the result of including non-members in DAC-sponsored conventions such as the Paris Declaration 2005, Accra 2009, and Busan 2011 that have been central in shaping global discourse on development assistance.

to report procurement awards and conduct their contract allocation process in a transparent manner.¹⁷

In sum, OECD, in its function as a think-tank that collects information and makes it public, is a knowledge community that affects norms and the ideas guiding the policy preferences of its members. Interaction of DAC members over time and the fact that every member country is a reviewer as well as the subject of reviews contributes to member countries 'learning' and willingness to support the institution by implementing at least some of its recommendations. This is partly because they have developed a stake in the institutions to the extent that it is in their interest that it maintains a positive reputation. And since maintaining such a reputation requires their compliance, they do so whenever there is no major conflict of interest with national policies.

UK – DEPARTMENT FOR INTERNATIONAL DEVELOPMENT (DFID)

The United Kingdom is one of DAC's original seventeen members. With a long history of foreign aid, rooted in its colonial period, the UK's presence in the developing world has been well established for almost a century. With many colonial ties in the developing world, the UK certainly faces scrutiny when it comes to its development program. Because of this, the UK's interest and involvement in shaping and participating in DAC has been central. In addition to helping shape recommendations for development policy, transparency of peer governments serves the UK well. And, it has been reviewed twenty-four times between 1961 and 1994.¹⁸ The UK's foreign aid program and

¹⁷ I base this analysis on DCD/DAC documents, archival research, and interviews with DCD/DAC officials (including former DAC Chair, Director, and two country ambassadors).

¹⁸ Note that in the early years, when the process of review was different (no filed visits, reports that were much less detailed), and there were fewer DAC members, countries would get reviewed by peers on a

development assistance were originally conducted by the Overseas Development Administration (not a ministerial portfolio). DFID, the UK's Aid Agency with a ministerial status, was not created until 1997. This section of the paper examines the UK's relationship to the DAC via official (formal and informal) exchanges, dating back to the 1970s, and demonstrates how the DAC was instrumental in promoting DFID to a ministerial status,¹⁹ as well as communicating central aid and development policy concerns to the highest ranks of the department.

In a June 14, 1972, press release, the OECD praised the UK's official development assistance (ODA) program, noting that it was in compliance with the 1969 DAC Supplementary Recommendations on the terms of official development assistance (PRESS/A(72)30, OECD Archives). The review of the UK, prepared by Australia and the Commission of the European Communities (for 1971), noted that although the UK has not accepted the 0.7 percent of GNP target for ODA, it has nonetheless, improved its record by increasing its net disbursements during 1971 by 25 percent. The only veiled critique to be found in the press release document concerns the portion of ODA that is in the form of "officially guaranteed private export credits" that could raise the debt incurred by developing countries.

The next Peer Review of the UK, in 1973, was conducted with Japan and Italy as examiners. In his report concluding the Peer Review, DAC's Chairman writes to British Ambassador to the OECD F.G.K. Gallagher:

yearly basis. In the mid-70s reviews began to be less frequent – once every two or three years, with more recent addition of a mid-term assessment.

¹⁹ A ministerial status affords increased visibility, political capital, and more access to financial resources. It also sends a signal that *development* is a central government concern/policy area.

“.... However, I must express my concern about the only slight improvement in the ODA-GNP ratio which can be expected to take place over the next years in light of the current projection of public expenditures. I hope, therefore, that in spite of the clouds which are now hovering over the British economy as a result of the oil situation, it will be possible over the course of the future yearly reviews of these forecasts to aim at substantial progress rather than at mere stability. One of the consequences of the inadequate level of ODA is that in 1972 the UK did not reach the one per cent target for total net flows.”

(Comments by the Chairman of the Development Assistance Committee on the 1973 Aid Review of the United Kingdom, OECD Archives).

Noticeably, in this personal correspondence that was not intended for the press, there is room for harsher critique. The Chairman’s comments, although not lengthy, are very specific and poignant. Although he goes on to praise the UK for its overall compliance with DAC Terms and Recommendations, including excluding transaction that do not meet qualifications for ODA – which “adds to the credibility of ODA statistics” (Ibid.) In this exchange, as well as others, it is evident that the DAC Secretariat in collaboration with the country examiners considers the Peer Review as an opportunity to level the playing field when it comes to the benchmarks and guidelines defined by the DAC. Even if states do not comply with recommendations, this is an opportunity to create a written record that lays out DAC’s expectations of its members.

It is important to note that examined countries wear two hats, which may pull them in different directions: on the one hand they are DAC members and helped shape its

overall mission and recommendations. And on the other hand, by subjecting themselves to peers' scrutiny of foreign aid programs, DAC members are ostensibly putting limitations on their own policies. And, in fact, by the 1974 Peer Review Chairman's Comments (November 27, 1974), the UK had accepted the 0.7 percent GNP target. Also it is notable that over the next few years the UK makes the loan portions of its ODA "softer" (lower interest, longer maturities) as a consequence of DAC recommendations.

From the late 1970s until the mid 1990s, the UK's Peer Reviews were laced with praise and "encouraging" findings, as well as a thinly veiled critique that centers around ODA amounts, procurement results (tying aid and 'aid for trade'), and the quality of aid to the poorest countries. For example, in a 1981 Press Release (PRESS/A(81)5, OECD Archives), following a Peer Review conducted by Denmark and Germany, DAC publicly expresses "serious concern about the considerable cuts in ODA volume in future years....While appreciating the economic difficulties faced by the UK, the Committee regretted....in view of urgent needs of the developing countries which are receiving British aid....The Committee expressed concern that cuts in the aid program of this proportion would have wider implications for the North-South dialogue."

And while the Chairman's Recommendations that are a result of the Peer Review have no political claws, each review demonstrates that overall, the UK's development programs have reacted positively to DAC's agenda. Indeed, the UK's political climate of the 1980s was not conducive to improving and augmenting its foreign aid program (with ODA dropping to 0.32 percent of GDP in the mid-1980s – near the bottom of DAC ranks), but at the same time, following a harsh critique in 1980 and 1981, the Committee

noted that in 1984 the UK took substantial steps to augment and improve its aid to Sub-Saharan Africa. However, a very harsh Chairman note in 1986 states the following:

“Most DAC Members are unhappy that you include aid to dependencies in your ODA figures and were particularly struck by the large projects in Gibraltar and Falkland Islands. Members did not insist on the separate identification of these amounts along the lines practiced by France; but should the relative importance of these contributions continue to expand, the Committee will no doubt wish to return to this question.” (written by DAC Chair Joseph C. Wheeler to Nicholas Bayne, Head of UK Delegation to the OECD, September 25, 1986).

The critique engendered in the official press release as well as the customary Chairman’s Comments, seem to be intended, according to further analysis of correspondence between diplomats at the DAC and the Overseas Development Office, to provide the Foreign Aid bureaucracy in the UK with ammunition to demand reforms from its government. Thus, mid-level diplomats and the Permanent Secretary of the ODA in the UK, often side with DAC rather than with their government’s policies and they welcome harsh Peer Reviews as they try to negotiate with their superiors at the British government.

Finally, in February 1994 DAC issued a particularly damning Peer Review of the UK’s aid program. DAC Chair, Bernard Wood, in his letter to the OECD’s Secretary General notes that “It came in the midst of a major, drawn-out political controversy over a particular aid project (Pergau hydroelectric dam) and over the practices of linking aid to commercial and foreign policy interests, with the added complication of an unusual public breach between ministers and officials.” He further notes that the British press

took liberty in lashing at the OECD, whereby the Peer Review Committee made an effort to protect its professionalism and dispel exaggerations of its “investigative” role.

From the documents and exchanges, it can be deduced then, that the creation of DFID at the Ministerial level in 1997 came at a ripe political moment: (1) following more than a decade of critique of the UK’s development program, especially when compared to its peers at DAC, culminating with the most tense exchange in DAC history in its 1994 Peer Review, and (2) the change in British government with the Labour Party in power. In a letter dated June 19, 1997, the Head of British Delegation to the OECD, Paul Vereker, writes to the Secretary General of the OECD: “The new British Secretary of State for International Development, Ms. Clare Short, will be visiting Paris... she had expressed an interest in visiting the OECD in particular to meet those responsible for the DAC Strategy for the 21st Century. Since taking office she has already referred to the Strategy in several of her speeches and fully supports the OECD in this sphere.” In a recent interview, Ms. Short confirmed that her acquaintance with Vereker and having read the document “DAC Strategy for the 21st Century” made her aware of the efforts as well as the overall recommendations of the international organization. Her goal was to work with the organization and use its expert knowledge to promote policies in the UK. This, despite the fact that her awareness of – and involvement in – the Peer Review itself (the first of which, during her tenure, took place the same year she entered her position) was minimal at best.

Ms. Short emphasized that the experts and diplomats working at DFID were responsible for much of the ongoing work and she trusted them with informing her of important developments. She saw her role as an overseer – responsible for steering

policy in a direction that is aligned with her ideals as well as the British government's interests. She emphasized that domestic political interests steer the agenda, while officials and experts are "working away" (interview with Clare Short, January 30, 2013). That work, she went on to say, is the basis for the information that is available to the politicians and influences their approaches. She notes that as a head of a portfolio, particularly one that was newly created in the Ministerial level, she was interested in reading analysis and reports and taking a hands-on approach of making DFID relevant and effective.

OVERVIEW OF PEER EVALUATION

The Peer Review process of DAC has evolved significantly since 1961. As Richard Carey, former DCD/DAC Director for many years put it "the OECD espouses "soft law" and the language in the reviews, which are a big struggle, reflects this." (interview conducted at DCD/DAC Headquarters, July 2010). The delicate nature of this process which requires a creative approach – one that does not alienate, but still uses its potential clout to "name and shame" when it comes to commitment violations -- has taken many turns, and at times, over the years it, has appeared futile: "in the 80s coming to DAC for peer review was like being whipped with a feather." (Carey). Yet The ideas and norms espoused by DAC seem to have an impact on government policy when political climates are receptive (and the UK in the 1980s demonstrates this). As Jon Lomoy, DCD/DAC Director stressed: "when peer reviews interact with national political agendas the chance for success increases." (Lomoy interview)

Graphs 2 and 3 demonstrate the number of times DAC members were reviewed in the 1961-1994 period and the number of peer-to-peer reviews (when a country is an examiner of another, and later on the examined country is an examiner of the former):

[INSERT GRAPHS 2 AND 3]

The fact that countries review each other – they interact as peers both in the role of examiner and in being reviewed – they are well aware of the limitations and difficulties associated with both functions. This aspect of the peer review interaction ensures that the “shadow of the future” – a continuous relationship, where, regardless of a size and relative power, any two countries can find themselves in the position of examiner and examined, and vice versa – even multiple times. Interacting in this way further enhances the shared norms that form the epistemic community of officials and diplomats alike. Chantal Verger, administrator at the Peer Division of DCD/DAC with decades of involvement in Peer Reviews, explains that “we have become much clearer in presenting evidence to our statements, since the reviews are not binding we need to build credibility of the process.” (interview conducted at DCD/DAC Headquarters, July 2010). In that, DAC has made notable changes over the years in creating a more professional and objective review process. It supplements the Peer Reviews with studies and strategy papers that aim to provide information and induce member countries to commit to a certain agenda (this is evident in the Paris Declaration, Accra and Busan conferences).

CONCLUSION

DAC's formal, institutionalized approach, supported by an expert bureaucracy has been the foundation of an epistemic community. And although enforcement of the recommendations proposed by the reviewers is not possible, it seems that there is a certain peer-pressure component to this process that makes it worthwhile for the country being reviewed to seriously consider altering its aid programs as suggested.²⁰

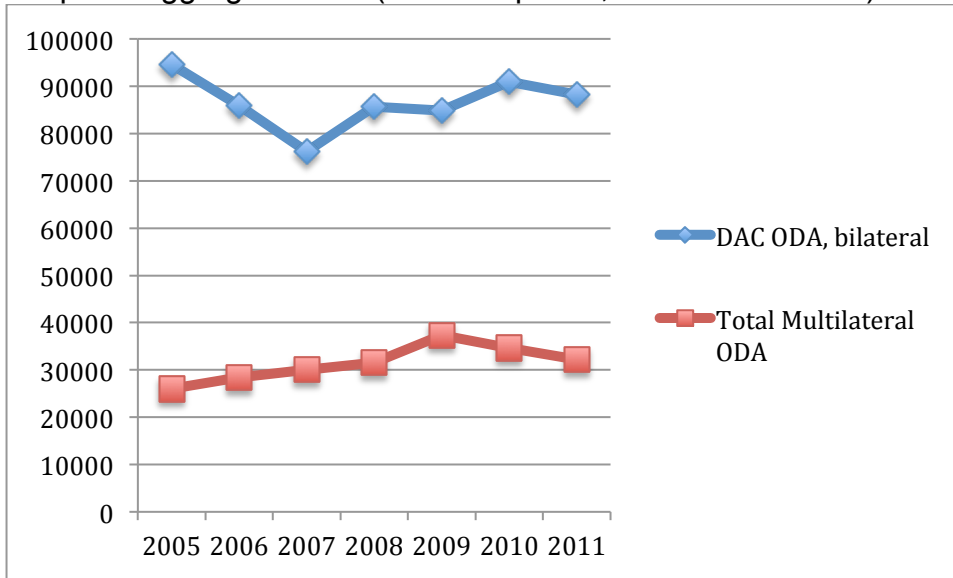
In establishing the impact that peer reviews make on the bureaucrats that are entrusted with implementing policies and on mid-level diplomats entrusted with communicating findings and recommendation, this paper laid a foundation for demonstrating the extent to which DAC has succeeded in forming a network that includes both OECD professional staff and member country diplomats. These people have in common varying degrees of development expertise (including, often, years spent as diplomats in developing countries) and they share a passion for designing bilateral aid programs that perform effectively on the mission of development and poverty alleviation. In short, they form an epistemic community (Haas 1992) that transcends beyond the representation of their countries, where the member country ambassadors to DAC often see their role as influencing their respective governments to adopt DAC guidelines for development, rather than to defend their governments' policies in the face of DAC criticism.

The case of the UK and its formation of DFID demonstrates how the ideas, language, and terminology associated with development goals and strategies, found their way from DAC to the policy making corridors of the British government. Originating in research, policy papers, and a product of experience rooted in the hundreds of Peer

²⁰ See Carroll 2012 for more on DAC's role in altering Australia's foreign aid policy.

Reviews conducted over the years, DAC has established a certain ‘culture’ where officials at the Secretariat and members of country delegations alike share knowledge, exchange ideas, and seek to promote these shared ideas with respective governments. A close assessment of DAC is an excellent example of the way in which an IO serves a double purpose: that of a platform for information sharing, making an effort to influence governments to accept its recommendations, and also that of an ally to officials responsible for foreign aid policies in their country – in giving them “ammunition”, through Peer Reviews, to alter their government’s policies. This paper laid the ground for empirical work that scrutinizes the circumstances that enable the DAC to affect the foreign aid policies of members’ governments via the pressure of peers.

Graph 1: Aggregate ODA (constant prices, 2010 USD million)

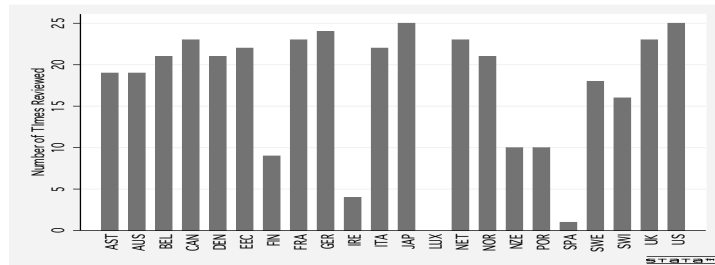


Source: OECD.stat

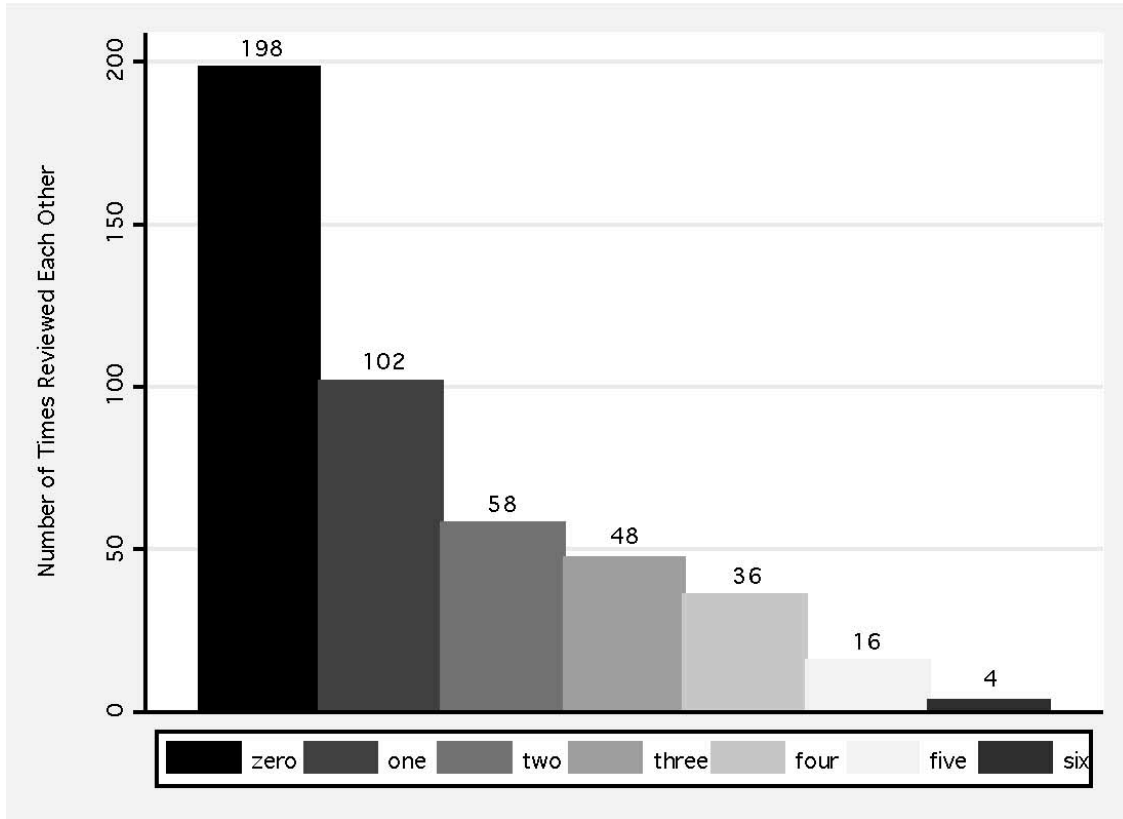
Table 1: DAC members (2009)

	Year joined	ODA (NET) (current \$US million)	ODA/GNI %
Australia	1971	2761	.29
Austria	1961	1146	.30
Belgium	1961	2601	.55
Canada	1961	4013	.30
Denmark	1961	2810	.88
Finland	1969	1286	.54
France	1961	12431	.46
Germany	1961	11982	.35
Greece	1961	607	.19
Ireland	1961	1000	.54
Italy	1962	3314	.16
Japan	1964	9480	.18
Korea	1996	816	.10
Luxembourg	1961	403	1.01
Netherlands	1961	6425	.82
New Zealand	1973	313	.29
Norway	1961	4086	1.06
Portugal	1961	507	.23
Spain	1961	6571	.46
Sweden	1961	4546	1.12
Switzerland	1961	2305	.47
UK	1961	11505	.52
US	1961	28665	.20

Graph 2: Number of reviews of each DAC member, 1961-1994



Graph 3: Peer Review Dyads



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