



Briefing Paper

12/2013

50 Years of Peer Reviews by the OECD's Development Assistance Committee: an Instrument of Quality Assurance and Mutual Learning

Summary

In December 2012, the OECD's Development Assistance Committee (DAC) celebrated 50 years of reviewing its members' development cooperation. The reviews form part of the DAC's initial mandate, which called for an increase in resources for development, an improvement in their effectiveness and periodic reviews of the members' aid programmes. Although the DAC mandate has been repeatedly updated (most recently for the period 2011–2015), it has remained basically unchanged.

In fulfilling its mandate, the DAC performs four tasks: (i) It records all resource and official development assistance (ODA) flows to developing countries in line with common criteria. (ii) It sets ODA standards (e.g. definition and terms of ODA; list of ODA recipients; rules on aid-tying; evaluation principles; anti-corruption proposals). (iii) It develops principles and guidelines for important areas of ODA (policy coordination). (iv) It reviews the application of the common standards, principles and guidelines (referred to as DAC standards in the following) and of other international and national commitments made by its members in relation to development cooperation.

The DAC has 25 members from the ranks of the OECD plus the European Commission representing the EU's ODA. The work of the DAC is largely done by the members and supported by the DAC Secretariat (a directorate of the OECD Secretariat). The DAC takes decisions by consensus, i.e. all agreements reflect the consent of all members.

The aim of the Peer Reviews is to improve the quality and effectiveness of ODA through the DAC members' individu-

al and collective learning. They assess the entire ODA system and are unrivalled in this respect. Each member is reviewed every four to five years by the DAC Secretariat and one or two examiners from each of two other members. The team's main findings and proposed recommendations are submitted to the DAC for discussion and approval, whereupon they gain DAC status. The implementation of the recommendations is checked 18 to 24 months later at a mid-term review and at the next Peer Review.

The Peer Reviews are meant to be critical and constructive. In an evaluation of the DAC, more than three-quarters of its members assessed the quality of the Peer Review reports as high or very high. The Peer Reviews have an impact: over 90 percent of DAC members rated their policy impact as "medium to very high". According to the DAC Secretariat, 88 percent of recommendations have been partly or fully implemented in the last two years.

The DAC has repeatedly adjusted the Peer Reviews. In doing so, it has not always been able to avoid trade-offs. The Peer Reviews have also met with interest outside the DAC and OECD (requests from non-DAC OECD donors for special reviews, participation of non-DAC and even non-OECD countries and institutions as observers).

International development cooperation is experiencing changes which not only require adjustments to the Peer Reviews but also affect the basic role of the DAC and its Reviews. But, as long as there are no equivalent alternatives, the DAC should retain its Peer Reviews, since they have proved their worth as a quality assurance and mutual learning instrument.

Standards, aims and status of the Peer Reviews

The Peer Reviews assess the performance of DAC members against DAC standards and other international and national commitments made in relation to development cooperation and make recommendations, whose implementation is similarly reviewed. The international commitments include the Millennium Development Goals and the Paris (2005), Accra (2008) and Busan (2011) commitments to enhance the effectiveness of international development cooperation.

The Peer Reviews seek to improve the quality and effectiveness of development cooperation through individual and collective learning. They are meant to help members improve their ODA policies and systems as well as their mutual learning and coordination through exchanges of experience and the identification of good practices. A further aim is to provide credible analyses of members' ODA that can be used by the public and the international community.

The mutuality of the process is achieved through the involvement of two other members in each review and the discussion of the findings in the DAC. Once approved by the DAC, the main findings and recommendations of the reviews have DAC status. Membership of the DAC entails the obligation to apply the jointly agreed standards, to undergo Peer Reviews, to implement the recommendations derived from them and to serve as examiners in reviews of other members.

The DAC standards and recommendations are international "soft law", i.e. they are politically rather than legally binding and lack any legal sanctions. They are politically binding because of the members' obligation to respect the rights and duties they assume on joining the DAC. Furthermore, each member has agreed to observe the joint standards. As a consequence, other members and the Committee can call for compliance and so exert political pressure, known as peer pressure because all members have equal status. In the academic debate, the Peer Reviews have sometimes been referred to as an instrument of global governance.

Peer Review reference guide

The DAC's Peer Reviews are the only international mechanism to assess the whole development cooperation system of its members. The reviews are conducted on the basis of a reference guide drafted by the DAC Secretariat and adopted by the DAC. Box 1 gives an overview of the areas to be analysed. This applies to all reviews undertaken in 2013–2014 to ensure comparability and to enhance collective learning. The areas are specified by (mostly non-quantitative) indicators in the reference guide and, after the two-year review cycle, are adapted to changes in international development cooperation, if necessary.

Each review takes account of the circumstances of the member under review, and the reference guide is used flexibly. The assessment criteria are applied to the extent that the members are able to fulfil them. A member who joined the DAC only a few years ago, for instance, cannot be expected to perform in the same way as long-standing members. However, the criteria contained in the reference guide indicate the direction in which members are to move.

Box 1: DAC Peer Review reference guide (2013–2014)

- 1. Towards a comprehensive development effort:** (i) Global development issues; (ii) Policy coherence for development; (iii) Engaging in partner countries: coordinated government approach at country level; (iv) Other development finance
- 2. Policy vision and strategic orientations:** (i) Policies, strategies and commitments; (ii) Decision-making: rationale for allocating aid and other resources; (iii) Policy focus: prioritisation of fighting poverty, especially in least developed countries and fragile states; (iv) Mainstreaming cross-cutting issues
- 3. ODA allocations:** (i) Overall ODA volume; (ii) ODA geographic and sector allocations; (iii) ODA channels (bilateral/multilateral channel, international aid architecture)
- 4. Organisation fit for delivering the aid programme effectively:** (i) Institutional system (leadership and management, internal coordination, structure and systems, administrative system); (ii) Innovation and behaviour change; (iii) Human resources
- 5. Delivery modalities and partnerships help deliver quality aid:** (i) Budgeting and programming processes; (ii) Partnerships (use of country-led coordination, division of labour, programme-based approaches, delegated cooperation, partnerships with CSOs, foundations and the private sector, triangular cooperation); (iii) Fragile states
- 6. Results, transparency, accountability:** (i) Results-based management system; (ii) Evaluation system; (iii) Institutional learning; (iv) Communication, accountability and development awareness
- 7. Humanitarian assistance:** (i) Strategic framework; (ii) Effective programme design; (iii) Effective delivery, partnerships and instruments; (iv) Organisation fit for purpose; (v) Results, learning and accountability

Source: OECD, DAC Peer Review Reference Guide, DCD/DAC(2012)23 FINAL, 10 September 2012

Peer Review process

The DAC Secretariat plays a crucial role in the Peer Review process (Box 2). This may be surprising since the reviews are assumed to be mutual: DAC members are reviewed by their peers. Yet the representatives of the two examining members do not have the capacity to conduct the reviews on their own, let alone draft the review report. Furthermore, someone is needed to ensure that the reviews are comparable and meet the same quality standards.

Box 2: DAC Peer Review process

Peer Review team: It consists of one or two representatives of each examining country (acting on behalf of the DAC as a whole) and three or four Secretariat staff members. The DAC Secretariat's Peer Review division is responsible for the review process, providing for overall guidance and quality assurance.

Peer Review missions: The review team discusses all relevant areas of the aid system of the country under review in its capital and how policies are implemented on field missions to one or two partner countries. These discussions are held with the key institutions of the member and its partner countries and also involve other donors in the field.

Draft report: In consultation with the examiners, the Secretariat drafts the two parts of the report. Part 1 contains the review team's main findings and proposed recommendations and is submitted to the DAC for discussion and approval. Part 2 is the detailed report, for whose subsequent publication the Secretariat takes responsibility.

Peer Review meeting: The review process culminates in a one-day DAC meeting at which the draft of the main findings and the proposed recommendations are presented and discussed.

Approval and publication of the report: The agreed results of the meeting are incorporated in Part 1 of the report, which is then sent to the DAC delegates for their final approval and published with Part 2.

Mid-term review: 18 to 24 months after the Peer Review meeting, the DAC Secretariat discusses the implementation of the recommendations with the reviewed member and submits a report to the DAC.

Source: OECD, Information Note on the DAC Peer Review Process, DCD (2012)4, 24 July 2012

However, the role of the examiners is by no means marginal. They lead all the discussions during the missions to the country under review and its partners. The Peer Review report is drafted in consultation with the examiners, who present the team's main findings and proposed recommendations at the Peer Review meeting.

This procedure strikes an interesting balance. The DAC (and the OECD as a whole) is an intergovernmental organisation whose members coordinate and review their policies and decide by consensus. Decision-making competence rests with the members. To ensure the effectiveness of their joint work (in this case, the Peer Reviews), however, the DAC Secretariat performs functions that go beyond merely supporting the members and in practice (though not in law) constitute an element of supranationality. The involvement of the examiners and the DAC's seal on the main findings and recommendations then restore the balance in favour of the DAC members.

How critical are the DAC Peer Reviews?

According to the DAC Secretariat, the Peer Reviews are meant to be critical, helpful and respectful, characteristics derived from the aim of the reviews of both acknowledging achievements and recommending improvements rather than encouraging any general questioning of development cooperation. The critical faculty of the reviews depends on how clearly they spell out weaknesses.

In this context, it might be presumed that the reciprocal nature of the reviews would result in the statements they made always being very benign: after all, "birds of a feather stick together". Yet this concern is not justified. According to an evaluation of the DAC conducted in 2007, more than three-quarters of its members rated the quality of the Peer Review reports high or very high (OECD: In-Depth Evaluation of the Development Assistance Committee, C(2007)99, 30 October 2007, 50). In the interests of quality assurance and credibility, careful reviewing and reporting are required of the DAC Secretariat and the examiners. Furthermore, an examining and a reviewed member do not follow each other (i.e. when member A examines member B, member B will not examine member A in the next round).

German development cooperation can be taken to illustrate the critical faculty of the Peer Reviews. Among the weaknesses highlighted by the DAC in 2010 were the following: fragmented institutional system, need for further decentralisation of responsibilities to the field, still wide geographical and sectoral range of operations lacking a clear strategic purpose, no more than modest progress in monitoring, analysing and reporting on policy coherence for development, failure to meet several targets set in the Paris Declaration on Aid Effectiveness. While commending some progress, the DAC Secretariat's report of 23 November 2012 on the mid-term review of Germany's implementation of the 2010 recommendations similarly referred to shortcomings.

What impact have the Peer Reviews had?

According to the aforementioned evaluation of the DAC (p. 53), the Peer Reviews have had a "medium to very high" policy impact in more than 90 percent of DAC members.

The DAC Secretariat reports that in the last two years 88 percent of DAC Peer Review recommendations have been partly or fully implemented. How far this is true of individual DAC members can be seen from the Peer Review reports, which document in an annex the implementation of the recommendations made in the previous review. The German Government, for instance, repeatedly referred to DAC recommendations when reforming its aid system, as when it merged three technical cooperation organisations.

There is evidence, then, that the Peer Reviews have an impact. How great that impact is depends on whether the recommendations address specific or fundamental aspects of a member's development cooperation. The extent to which DAC recommendations alone have prompted reforms or were just another factor can be determined only in the individual case. Conversely, there have been cases of partial or complete failure to implement DAC recommendations for various reasons (e.g. the government's unwillingness, insufficient parliamentary support, change of government). It is here that the Peer Reviews reach their limits, but such cases are not the rule.

Spill-over effects of the Peer Reviews

The DAC Peer Reviews have met with increasing interest outside the DAC and the OECD. (i) Quite a number of OECD members who do not (yet) belong to the DAC, and such non-OECD countries as Bulgaria, Romania, China, Indonesia, South Africa and Tanzania have participated in Peer Reviews as observers. (ii) In the last few years, several non-DAC OECD members have asked the DAC to conduct special reviews of their aid policies and systems (Poland, Slovenia, Slovakia as well as the Czech Republic and Korea before they joined the DAC). (iii) Countries engaged in the growing South-South cooperation are considering the introduction of peer reviews.

Changes to the Peer Reviews

Content: The thematic range of the Peer Reviews has widened considerably with the growing number of DAC standards and other international commitments related to development cooperation. The Peer Reviews have long since gone beyond development cooperation in the narrow sense in that they also assess DAC members' approaches to global issues, the impact of non-aid policies on development (policy coherence for development) and the promotion of non-ODA financing for development (aid as a catalyst; see Box 1, point 1). In doing so, the Peer Reviews recognise that supporting the development of partner countries requires more than just ODA ("beyond aid").

Frequency: The interval at which DAC members are reviewed has increased from one year (1960s and 1970s) to two or three years (1980s and 1990s) and to the current four or five years. There are three reasons for this: the enlarged membership of the DAC (initially 11 members, now 26), the wider thematic range of the reviews and the capacity of the DAC Secretariat, which has not kept pace with this twofold enlargement.

Publication: Since 1994 the Peer Review reports have been published and thus made accessible to other governments, the public and partner countries as a reference.

Process: To improve the substance and impact of the Peer Reviews, a number of changes have been introduced. They include a memorandum to be submitted by a member under review before the review team's missions, field visits, the use of the same reference guide throughout a review cycle, and mid-term reviews.

Collective learning: An independent review of the Peer Review mechanism conducted in 2002 revealed, among other things, that DAC members had not fully tapped the potential for collective learning. The DAC Secretariat has since distilled key lessons from Peer Reviews in a number of areas, such as capacity-building, effective aid management, humanitarian aid, policy coherence for development, and partnering with civil society.

Trade-offs in the Peer Review process

To some extent, the changes made to the review process reflect trade-offs between competing goals. Such goal conflicts exist, for example, between the thematic breadth and depth of a review (consideration of all or selected DAC standards and international commitments), between continuous quality assurance and longer intervals between reviews of individual members, and between the principle of peer reviews and the strong role played by the DAC Secretariat as a result of the examining countries' limited capacities.

The future of the DAC Peer Reviews

The international aid system is undergoing changes which the DAC and its Peer Reviews must take into account.

- The "beyond aid" dimension is gaining in importance, as the OECD, too, emphasised in its 2012 Strategy on Development. The DAC should step up its exchange of experience in this regard with a view to identifying good practices, using the findings of the Peer Reviews (Box 1, point 1), which should be distilled to that end into comparative lessons learnt.
- Replacing the international Millennium Development Goals (MDGs) with Sustainable Development Goals (SDGs) or integrating MDGs and SDGs post-2015 will change an important reference point for the Peer Reviews. Although the DAC does not analyse its members' contributions to the achievement of the MDGs in detail, it does assess their MDG orientation. When reviewing the SDG or MDG/SDG orientation of its members in the future, the DAC must take advantage of the expertise of other relevant OECD committees and international organisations.

• The Peer Reviews need more precise criteria to enable them better to assess the implementation of various commitments made by the DAC members. An example is policy coherence for development (PCD), which has been a feature of the Peer Reviews for quite some time, without their having indicators to measure incoherencies and progress towards PCD. The Paris, Accra and Busan Declarations contain numerous commitments without any monitoring indicators. In some respects, such indicators have yet to be developed. In others, think tanks and private initiatives have developed indicators which have not, however, (yet) been officially endorsed by the DAC or in the post-Busan process. The DAC should assess existing indicators to see if they can be used in the Peer Reviews and/or develop its own indicators.

• The *Global Partnership for Effective Development Cooperation* established in Busan in 2011 may have a major impact on the DAC. The DAC was founded as a "club" in which the OECD donors were to coordinate and review their aid policies. In practice, however, the weight of its members and its standard-setting have resulted in the DAC having a growing influence on the international aid system, particularly in the Paris-Accra-Busan process. Although the commitments made in this process have been almost universally endorsed, the DAC has often been criticised for its lack of universal legitimacy. As a consequence, the *Global Partnership* was created as the new forum for all stakeholders in the international aid system. Its mandate is to maintain and strengthen the political momentum for more effective development cooperation, to ensure that the Busan commitments are honoured and to facilitate the sharing of knowledge and lessons learnt. This resembles the DAC mandate. If the *Global Partnership* is thought through to its logical conclusion, setting standards for international development cooperation and ensuring compliance with them is a task for all concerned. The DAC's functions and its Peer Reviews would then have to pass to the *Global Partnership*. This would bring global governance to the international aid system. Whether this comes to pass depends not only on the political support for and acceptance of the new forum, but also on its institutional capacities.

The last of these prospects is, of course, highly ambitious. But until there is an equivalent alternative to the DAC Peer Reviews, the DAC should not abandon them, since they have proved their worth as an instrument of quality assurance and collective learning.



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