



1. We, the members of the OECD Development Assistance Committee (DAC), convened at high level in Paris on 18-19 February 2016. We met in the wake of a series of agreements in 2015<sup>1</sup> that will reshape development and development co-operation. Last year, the international community agreed an integrated, universal, and transformative framework for sustainable development which we are all committed to deliver – the 2030 Agenda for Sustainable Development – along with plans for financing and other important means of implementation.

2. The new Sustainable Development Goals (SDGs) will require efforts and commitment by all. An increasingly broad range of development actors must work together more effectively, adapting approaches and working methods in support of developing countries' efforts to strengthen national ownership and institutional capacity to drive their sustainable development agendas. The DAC has long recognised the world's transformations and in recent years deepened its engagement and dialogue with other development actors, including by welcoming new members and participants into the Committee. In this spirit of inclusiveness, we are grateful to the partners beyond our membership who participated in and enriched our deliberations today<sup>2</sup>. Furthermore, we recognise that the DAC must continue to evolve in order to better align with the new realities of the 2030 Agenda and development co-operation. Achievement of our common sustainable development goals will require wider and deeper collaboration with non-DAC partners. To this end, the DAC will make proposals and recommendations for enhancing its representativeness and maximising its relevance and impact so as to better support sustainable development efforts.

3. We affirm that DAC tools, products, and partnerships remain essential contributions to global development and SDG implementation. For example, our peer reviews, guidance on good practice and policy frameworks, promotion of development effectiveness, and tracking of development financing flows all support improvements to our efforts. The DAC stands ready to contribute to the OECD's efforts toward SDG implementation, including on policy coherence for sustainable development and mainstreaming gender equality and women's empowerment. These contributions must continue to evolve to reflect changing circumstances and the needs of a far larger array of development actors.

4. We acknowledge the substantial technical work undertaken since our last meeting to adapt the DAC statistical system and its Reporting Directives in response to the Addis Ababa Action Agenda (AAAA) on financing for development and the 2030 Agenda. In addition to progress made in better tracking support to

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<sup>1</sup> These major events include the World Conference on Disaster Risk Reduction in Sendai; the Universal Exposition on Feeding the Planet, Energy for Life in Milan; the Third International Conference on Financing for Development in Addis Ababa; the United Nations Sustainable Development Summit in New York; and the Conference of the Parties on the United Nations Framework Convention on Climate Change in Paris.

<sup>2</sup> Present at our meeting were Brazil, Chile, China, Colombia, Costa Rica, Estonia, Hungary, Indonesia, Israel, Latvia, Lithuania, Mexico, South Africa, Turkey, the United Arab Emirates, as well as representatives from the African Development Bank, the European Network on Debt and Development, the Bill and Melinda Gates Foundation, the host of the Second High Level Meeting of the Global Partnership for Effective Development Co-operation (Kenya), the International Monetary Fund, the OECD Business and Industry Advisory Committee (BIAC), the OECD Trade Union Advisory Committee (TUAC), the United Nations, and the World Bank.

gender equality and tax systems, updated guidance for applying the Rio Markers for climate change adaptation and mitigation has been agreed, enhancing the quality and coverage of international reporting on finance flows targeting the objectives of the Rio Conventions. We note continued dialogue with multilateral development banks and development finance institutions on tracking approaches for environment-related development finance, with particular attention to reporting to the United Nations Framework Convention on Climate Change and the Convention on Biological Diversity without prejudging future discussions. For the next HLM, we request that an assessment be produced of how further improvements in the quality, transparency, comparability, and coherence of reporting on these flows might be achieved.

5. The ambitious goals of the 2030 Agenda will require significant resources to implement them. Fortunately, the range of funding options and providers of development co-operation to which developing countries now have access has expanded significantly. Financial flows such as domestic resources through taxation, public and private investment, remittances, and philanthropy all contribute to an increasingly diverse funding picture. International public finance will continue to complement the efforts of developing countries, especially countries most in need, to mobilise their own public resources and foster private investment. In fact, Official Development Assistance (ODA) can play the dual role of supporting sustainable development where it is most needed and catalysing the mobilisation of other public and private resources. To ensure that DAC statistics suit the needs of the 2030 Agenda, we agreed today to a number of updates to the way we measure development finance.

6. We recognise the importance of strengthening private sector engagement in development and wish to encourage the use of ODA to mobilise additional private sector resources for development. The private sector is fundamentally important in driving growth, creating jobs, generating wealth, and increasing public revenues through taxation. Public resources, appropriately and effectively deployed, can mobilise significant private investment for development, crucial for achieving the SDGs. At our last meeting, we agreed “to urgently undertake further work to reflect in ODA the effort of the official sector in catalysing private sector investment in effective development.” We acknowledge the work undertaken by the DAC to better capture in ODA the effort undertaken by the development assistance community in deploying private sector instruments. We agree to a series of principles (see Annex I) designed to ensure that the DAC statistical system reflects the effort of the official sector in providing private sector instruments in a credible and transparent way while offering the right incentives and removing disincentives in the use of these instruments. We will now develop proposals for the implementation details of these principles (inter alia, thresholds, assessment criteria, definition of additionality, definition of a lock-in period, risk premium, discount rates and reporting requirements and data disclosure) for decision by the 2016 Senior Level Meeting. After the first two years of the implementation of the new system, the DAC will review whether it adequately captures ODA comparability between the two approaches and decide on any necessary adjustments.

7. Development, human rights, and peace and security are indivisible and interrelated. We are committed to supporting peaceful and inclusive societies for sustainable development, access to justice for all, and building effective, accountable, and inclusive institutions. We maintain that financing of military equipment or services is generally excluded from ODA reporting and that development co-operation should not be used as a vehicle to promote providers’ security interests. We remain committed to measuring and monitoring our support in a transparent manner, while maintaining the coherence and integrity of ODA. We agree to update and modernise the ODA reporting directives on peace and security expenditures (see Annex 2), to clarify the eligibility of activities involving the military and the police as well as activities preventing violent extremism, and to set the boundaries for development-related training of military personnel. Clear safeguards have been developed to ensure proper use and increase the transparency, accountability, and due diligence of the Directives. We agree to revise the Casebook on peace and security-related activities, in accordance with the updated ODA reporting directives, and to complete, in collaboration with the UN Department of Peacekeeping Operations, the technical review of the ODA

coefficient applied to UN peacekeeping operations and review a proposal for approval at the latest by the next HLM.

8. We agree to ensure that the DAC ODA system remains relevant and credible. In that context, necessary reforms will be considered – as appropriate – at subsequent HLMs.

9. We acknowledge the inclusive work being undertaken to clarify the concept of the Total Official Support for Sustainable Development (TOSSD) framework and welcome the new measure's potential in capturing the totality of resource flows originating from official sources and interventions to developing countries and multilateral institutions in support of sustainable development. The AAAA calls for the TOSSD measurement framework to be developed in an open, inclusive, and transparent way and not to dilute commitments already made. We agree to further develop, with the participation of representative external stakeholders, a proposal for a comprehensive TOSSD measurement and monitoring mechanism for endorsement at the DAC Senior Level Meeting in October 2016.

10. We affirm that smart and strategic use of official donor support to catalyse private capital, as well as other sources, is a growing priority for most DAC members' development co-operation efforts. Blended finance – the strategic use of official funds including concessional tools to mobilise additional capital flows (public and/or private) to emerging and frontier markets – is widely recognised as a powerful financing modality for countries to strengthen economies and deliver development goals. To ensure the realisation of the full potential of this approach, there is need to ensure markets are not distorted and can effectively benefit from the available tools. We agree to develop in the course of 2016 an inclusive, targeted, results-oriented work programme on finance mobilised. The objective of this work will be to distil and promote best practice and develop guidance that could assist the development co-operation community in delivering development impact.

11. We reaffirm our respective ODA commitments – including those of us who have endorsed the UN targets of 0.7 per cent of Gross National Income (GNI) as ODA to developing countries and 0.15-0.20 per cent of GNI as ODA towards countries most in need – and agree to continue to make all efforts to achieve them, taking into account our specific circumstances and recognising that geography will contribute to a provider's decisions on allocations to partner countries. We welcome the ongoing effort by the membership to develop and implement policy actions in accordance with the 2014 mandate on reversing the declining trend of ODA to countries most in need, such as least developed countries, low-income countries, small island developing states, land-locked developing countries, and fragile and conflict-affected contexts. We call on the DAC Secretariat to continue its analytical work to help identify countries where ODA is most needed and where additional actions may be required.

12. The world is experiencing multiple refugee crises, which have applied pressure in countries/regions of origin, transit, and destination. Developing, middle-income, and OECD countries alike are struggling to address the humanitarian, budgetary, security, political, and development challenges that these present. These crises require comprehensive and co-ordinated international responses, since they are global challenges which no single member can address alone. The World Humanitarian Summit to be held in Istanbul in May 2016 presents a key opportunity to advance consensus on a new approach to address humanitarian needs and reduce human suffering. In situations of protracted crises, co-operation providers need to develop models for multi-year planning and funding. Such situations also require better co-ordination and planning between development and humanitarian actors and host countries to make the use of humanitarian ODA most effective. We will strive to balance humanitarian needs with longer-term development assistance priorities and commitments. We agree to enhance the effectiveness of our ODA to respond to the refugee crises and to sharpen our focus on identifying and addressing the root causes of conflicts, forced displacement, and refugee flows. It is necessary to improve the consistency, comparability, and transparency of our reporting of ODA-eligible, in-donor refugee costs, by aligning the respective methods for calculating these costs. We therefore agree to set up a clear, transparent, and inclusive process to this aim.

13. We recommit to peacebuilding and statebuilding, good governance, and effective institutions as crucial means to support the 2030 Agenda in fragile and conflict-affected contexts. We look forward to the International Dialogue Global Meeting at Ministerial Level in Stockholm in April 2016, which will be a unique opportunity for us to engage directly with countries affected by fragility and conflict as well as civil society. The Stockholm meeting will also enable us to discuss the root causes of fragility, conflict, and violence and to reconfirm our commitments to achieve SDG16<sup>3</sup> and to the principles of the New Deal for Engagement in Fragile States.

14. The effective use of financial resources plays a crucial role in implementing the 2030 Agenda. The AAAA welcomes “continued efforts to improve the quality, impact and effectiveness of development co-operation ... including adherence to agreed development co-operation effectiveness principles” and acknowledges the contribution of the Global Partnership for Effective Development Co-operation (GPEDC) in this regard. We reiterate our strong support for the GPEDC and its monitoring framework in enabling stakeholders to achieve concrete development results; reinforce country ownership; promote transparency, inclusiveness, mutual accountability, and policy coherence for sustainable development; forge new inclusive partnerships; and track and encourage progress to strengthen the impact of development co-operation. We stress that the UN High Level Political Forum (HLPF) is the central follow-up and review platform for the 2030 Agenda and that the GPEDC can make significant contributions to the HLPF. We reaffirm our commitments made at the Busan High Level Forum on Aid Effectiveness and will identify and pursue measures to support member efforts to implement all commitments taken in Paris, Accra, Busan, and Mexico City. We commit to participate in the GPEDC’s monitoring exercise and to support partners in doing so as well. We look forward to the active participation of all stakeholders at the highest level at the GPEDC’s Second High-Level Meeting in Nairobi in late 2016. This will be an important opportunity to review mutual progress on commitments and to demonstrate how effective development co-operation, in all its forms including South–South flows, can accelerate the achievement of the 2030 Agenda. We will work through the GPEDC to collaborate with the broad range of development actors in order to invest in mutual learning and identify priority areas where more effective co-operation is needed to deliver transformative results. With our partners, we will strengthen our efforts to promote development effectiveness principles and the GPEDC to the wider development co-operation community and will propose ways to design effective modes of delivery in order to fully achieve the SDGs.

15. We will reconvene in 2017 or 2018 to take stock of progress in implementing the decisions we have taken today.

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<sup>3</sup> SDG16: Promote just, peaceful and inclusive societies.

## Annex I: Principles of ODA Modernisation on Private Sector Instruments

The private sector is fundamentally important in driving growth, creating jobs, generating wealth and increasing public revenues through taxation. Private businesses and banks operating in both national and international markets will play a key role going forward in providing the ideas, the ingenuity and the entrepreneurial energy required to find new, innovative solutions to sustainable development challenges in line with the transformative vision embodied in the Sustainable Development Goals (SDGs). They will also provide essential development finance. Shifting to another order of magnitude in financing sustainable development – from mobilising billions to mobilising trillions – in order to leave no one behind, calls for redoubled efforts to engage the private sector in development, as has been foreseen in the Addis Ababa Action Agenda, which sets out the financing strategy for achieving the SDGs.

But in order for the development assistance community to engage the private sector in the 2030 agenda, donors need to be able to continue to reach them, to interact with them, and to work with them on a greater scale than before. For this reason, many DAC members have established special public sector vehicles<sup>4</sup> which have similar objectives and working methods to those of private sector operators. These vehicles employ a range of financial instruments and arrangements (including equity, credit enhancements and guarantees). Scaling the resources required for the 2030 agenda will call for a better valorisation of the efforts to support private sector development. Vehicles dedicated to private sector will continue to play a major role in this regard.

Over the past two years, the DAC has undertaken work to modernise its statistical system to better capture in ODA the costs of risks undertaken by the development assistance community in deploying private sector instruments.<sup>5</sup> One of the main objectives of this work has been to remove the disincentives for using these instruments and define a balanced and coherent system that would promote longer-term support to the private sector where needed, ensuring efficient use of scarce public funds and targeting projects with high expected social returns, without creating market distortions. The work also aims to maintain a clear distinction between ODA and commercially-motivated flows. Any adjustments to the statistical methods will take into account the need to avoid artificial increases and volatility in ODA volumes.

It is expected that the modernised system would create incentives for increasing the use of these instruments – and by extension boost efforts to scale up engagement by the private sector in development finance. The text below summarises general principles in this regard, outlines associated ODA eligibility and measuring arrangements and specifies relevant transparency and monitoring provisions.<sup>6</sup>

### A. *General principles*

i. **The effort of the official sector in providing PSI will be counted as ODA, while the financial flows themselves will be tracked in the broader measures on flows for sustainable development (TOSSD).** Pending the exact definition of these broader measures – a key element of the modernised DAC statistical framework – PSI will be reported in the existing statistical category of

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<sup>4</sup> The term “vehicle” covers DFIs, investment funds and other special-purpose programmes that members have established to extend financing to private sector entities in developing countries.

<sup>5</sup> Such instruments may also be extended to public or public-private entities.

<sup>6</sup> Treatment of contributions to international organisations extending PSI remains unchanged.



other official flows (OOF) or, in the case of guarantees, the recently created category of amounts mobilised through official sector interventions.<sup>7</sup>

ii. **The effort may be measured either at the point of transfer of funds to a vehicle providing PSI to developing countries or for each PSI transaction between the vehicle and the private enterprise or institution in the partner country.** The two methods of calculation are referred to as institutional and instrument-specific approaches respectively. Members may choose to apply in their ODA reporting one approach or the other but need to explicitly indicate for each vehicle the approach chosen. Members may change the approach chosen, but this is subject to a prior notification and verification by the Secretariat that ODA will not be double-counted. In addition, a lock-in period during which the approach may not be changed will be defined. The purpose of the lock-in period is to preserve the credibility of ODA and comparability of members' reporting over time (see principle xiii). The two approaches are implemented with the joint understanding that they should generate, over time, comparable ODA figures for comparable donor efforts and not inflate ODA. *HLM follow-up: elaborate a proposal for the lock-in period.*

iii. **Reporting on PSI as ODA will be subject to a specific procedure consisting of i) an assessment of the mandate and objectives of the vehicle providing PSI, in particular the extent to which it has the economic development and welfare of developing countries as the main and primary objective of its operations (developmental criterion of ODA) and provides finance which is additional<sup>8</sup> (characteristic of operations for PSI to be in line with the concessional in character criterion of ODA<sup>9</sup>); ii) provision of flow data in the CRS at the activity level; and iii) publication of data on PSI under agreed transparency provisions and rules on data disclosure.** All members' reporting will be subject to the procedure detailed in principles ix and xiv.

iv. **The measurement of donor effort will be based, whenever possible, on the grant equivalent method.** However, equity investment in a DFI or other vehicle is treated as a sunk cost, initially counted in ODA at face value (applying an ODA coefficient if need be – see principle x), with reflows, if any, counted as negative ODA.

v. **Under the instrument-specific approach, the measurement of donor effort will be based on the system of risk-adjusted grant equivalents. However, the system will be adjusted for the fact that i) PSI are non-concessional in nature and that application of the concessional thresholds agreed in the sovereign loan context in December 2014 could incentivise unnecessary subsidisation of finance; and ii) financing the private sector is generally riskier than the official sector, in principle necessitating a risk premium in the discount rate additional to the already agreed sovereign risk premia, based on evidence and with due consideration to not inflate ODA.** Moreover, in the case of PSI, the ODA characteristic is conveyed by – besides the primary development objective – the “additionality” of the finance provided. This suggests there should either be no threshold or a purely technical threshold (to filter out PSI with very small ODA shares). At the same time, there is a need to avoid blurring the lines between developmental and commercially-motivated operations (trade and investment) with the private sector, hence a need for safeguards (see principle xv). *HLM follow-up: elaborate recommendations on what would be the*

<sup>7</sup> These methodologies are work in progress and will be duly reviewed by the WP-STAT.

<sup>8</sup> I.e. extends finance to companies in countries and regions where the private sector would not invest in developmental projects without official support.

<sup>9</sup> The Reporting Directives will be updated to take into account the fact that the “concessional in character” criterion is not appropriate for assessing the ODA characteristics of PSI.

*appropriate technical threshold and the differentiated risk premia (which could vary by country income group) for the private sector.*

vi. **Under the institutional approach, donor effort involved in extending PSI to developing countries is measured at the point of placement of funds in the DFI or other vehicle in the donor country.** The ODA eligibility assessment of the vehicle (see principle x) determines the share of the funds that can be counted as ODA.

vii. **Under both approaches, any dividends or profits on PSI paid back to the government will count as negative ODA.** Profits reinvested by the vehicle are not counted as negative ODA, but are reportable in the CRS at aggregate level for transparency purposes (see principle xiv). This principle only applies in cases where the capitalisation of the vehicle has been originally reported as ODA.

viii. **The two approaches are implemented with the joint understanding that they should generate, over time, comparable ODA figures for comparable donor efforts and not inflate ODA. The DAC will fully review the system on the basis of first two years of implementation and consider whether any adjustments to this agreement are required.**

#### **B. ODA eligibility assessment**

ix. **The ODA-eligibility assessment will be carried out for all bilateral DFIs and, upon request, for other vehicles, using a common template.** The Secretariat will undertake the necessary analysis and present a recommendation on ODA eligibility for consideration by the DAC or a body designated by the DAC. *HLM follow-up: elaborate a proposal for the template.*

x. **The assessment will be based on an examination of the DFI's mandate, project portfolio, investment strategy and due diligence mechanisms.** It will consider the extent to which the institution allocates its finance to ODA-eligible countries, promoting the economic development and welfare of developing countries as its main objective. If necessary, i.e. if the institution is active also in non ODA-eligible countries and/or activity areas, the share of ODA-eligible activities in the institution's total portfolio will be estimated, to establish a coefficient for ODA reporting. Information on the institution's investment strategy and due diligence mechanisms will serve to assess additionality of the finance. *HLM follow-up: develop a proposal for the assessment criteria.*

xi. **In their ODA reporting on PSI all members will provide, in addition to the standard CRS data items, information on the developmental objectives and additionality at the activity level in the CRS.** The compliance of data reported with the principles hereby agreed, regardless of whether a member reports under the institutional or instrument-specific approach, will be assessed by the DAC through peer reviews and the regular (biennial) report on PSI. This will secure transparency and allow for peer learning among members (see principles xiv and xv). *HLM follow-up: work on a definition of additionality; elaborate a drop-down menu to report on additionality in the CRS.*

#### **C. Method for calculating ODA**

xii. **The ODA calculation varies depending on the financial instrument used as follows:**

**Grant contributions are counted at their face value.**

Reimbursable grants are hybrid debt instruments with different types of agreement and initial investment profiles. In cases where enough information is available to estimate the reflows and risk undertaken, measurement will be on a grant equivalent basis; in other cases an ex-post calculation will be applied. *HLM follow-up: elaborate a method for reporting on reimbursable grants, taking into account their hybrid nature.*

Loans are counted on a grant equivalent basis. The discount rate for the grant element calculation will be differentiated by income group as in the 2014 DAC HLM agreement, in principle with an additional risk premium (see principle v) reflecting the fact that lending to private sector entities is generally more risky than lending to the official sector. *HLM follow-up: elaborate i) a proposal for the risk premium (the additional risk premium could vary by income group) and ii) a recommendation on whether loans to the private sector should be exempted from a threshold or whether a technical threshold should be set (see principle v).*

Equity investment in a DFI or other vehicle is treated as a sunk cost, initially counted in ODA at face value (applying an ODA coefficient if need be – see principle x), with reflows, if any, counted as negative ODA.

Equity investments by DFIs or other vehicles in private sector entities in developing countries are counted on a grant equivalent basis ex post, i.e. they are initially counted at face value and their reflows discounted ex post, upon exit. The reflows will be discounted using differentiated discount rates by income group, applying a cap on reflows corresponding to the original investment. In specific cases and where enough information is available to estimate the reflows and risk undertaken, measurement will be on a grant equivalent basis calculated ex ante, adjusted ex post. *HLM follow-up: work with DFIs to determine the appropriate discount rates for this calculation.*

Guarantees are counted on a grant equivalent basis, applying differentiated discount rates and, when appropriate, an additional risk premium for the private sector (see principle v). As guarantees are non-funded instruments, the discount rates will only take into account operating costs and risk adjustment factors (not the funding cost). *HLM follow-up: work with DFIs to establish the relevant discount rates and the risk premia for the private sector. Also formalise the grant equivalent methodology to be applied on public guarantees, and on guarantees other than credit guarantees.*

xiii. To maintain the possibility of comparing ODA figures across members – key feature of DAC statistics – the donor effort involved in each individual PSI will also be reportable, for memorandum, by members applying the institutional approach. This will allow the estimation of the time span over which the two approaches result in equal ODA amounts, and thereby defining the length of the lock-in period to ensure the credibility of the system. In this context, the background of each vehicle (e.g. maturity, capitalisation) should be taken into account.<sup>10</sup>

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<sup>10</sup> Given that only the donor effort is included in ODA, and not the flows, the impact of using different approaches is expected to be statistically insignificant for cross country comparisons (e.g. ODA/GNI ratios).



**D. Transparency provisions and rules on data disclosure**

xiv. ODA reporting on PSI is subject to specific transparency provisions and rules on data disclosure. It follows the key principles listed in the table below:

Reporting requirements	Data disclosure
<b>Private-sector instruments</b>	
<ul style="list-style-type: none"> <li>○ <b>Data should be reported as much as possible on the same basis by all donor countries.</b> This means that regardless of the approach followed to measure the donor effort (i.e. institutional vs. instrument-specific approach), all members report on their PSI in the same format.               <ul style="list-style-type: none"> <li>○ <b>Reporting on PSI flows is requested in the CRS at the activity level</b> including on financial terms regardless of the approach and whether the activity is ODA-eligible or not.</li> <li>○ <b>Data on inflows to DFIs</b> are collected from all members. These elements will only be for the Secretariat’s analysis for countries choosing the instrument approach.</li> <li>○ <b>Reporting on capital returns and dividends is requested at aggregate level.</b></li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>○ <b>Apply the same data rules on the information disclosed at activity level regardless of the approach followed to measure the donor effort</b> (i.e. institutional vs. instrument-specific approach).               <ul style="list-style-type: none"> <li>○ <b>Present PSI flows at the activity level, but in compliance with confidentiality obligations with respect to clients</b> (e.g. name of client, financial terms).</li> <li>○ <b>When the instrument-based approach is chosen, data on capital flows to and from DFIs are not shown in regular DAC statistical presentations</b>, but will be collected by the Secretariat for analytical purposes and will be part of the biennial Secretariat report on PSI, for all members.</li> </ul> </li> </ul>

*HLM follow-up: specify rules on reporting requirement and data disclosure jointly with DFIs.*

**E. Monitoring, safeguards and disciplines**

xv. To ensure the credibility of ODA reporting on PSI, it will be subject to safeguards and regular monitoring by the DAC. The Secretariat will undertake and present for consideration by the DAC or a body designated by the DAC a regular (biennial) report on PSI covering both quantitative and qualitative aspects. The report will analyse the additionality of DFI financing and seek evidence that PSI have not led to crowding out private investors. Questions such as DFIs’ evaluation and reporting structures and corporate governance standards will also be addressed. Based on the first report, the DAC will consider whether minimum standards and disciplines for PSI will be developed. *HLM follow-up: develop a proposal on safeguards and disciplines required for the purpose of monitoring PSI.*

## Annex II: Boundaries of ODA in the Field of Peace and Security

### REVISED REPORTING DIRECTIVES ON ODA IN THE FIELD OF PEACE AND SECURITY

Text for updated and clarified directives, to replace section II.8. of the current Directives [[DCD/DAC\(2013\)15/FINAL](#), paragraphs 76-81]

#### Peace and security-related activities

1. In order to facilitate the assessment of ODA eligibility of activities in the field of peace and security, specific rules and principles are defined.

##### **Box. Overarching principles to guide ODA reporting on peace and security-related activities**

As for all ODA, the reporting of peace and security-related activities is guided by the general statement that the main objective of ODA is the promotion of the economic development and welfare of developing countries. When assessing the ODA eligibility of activities in the field of peace and security, the primary purpose must therefore be considered.

Financing of military equipment or services is generally excluded from ODA reporting. This blanket exclusion is to avoid channelling ODA funds to the partner country military, thus strengthening partner countries' military capabilities.

Development co-operation should not be used as a vehicle to promote the provider's security interests. Hence, when assessing the ODA eligibility of activities involving engagement with the partner country military, specific rules and exclusions apply, and are detailed below. Specific reporting rules and exclusions also apply to the exceptional cases where the military are used as delivery agents of development services or humanitarian aid.

The supply of equipment intended to convey a threat of, or deliver, lethal force, is not reportable as ODA.

#### *i) Rules governing ODA reporting in relation to the military*

2. For the purpose of these Directives, the term military refers to all armed forces (land, navy and air forces) reporting to government departments charged with national defence or the projection of armed force (normally "the Ministry of Defence"). The term "military" also covers the Ministry of Defence itself, and state funded and controlled armed bodies not falling within the category of "police" (see paragraph 5).<sup>11</sup>

3. ODA excludes the provision of aid to the military in partner countries. However, there are circumstances, outlined below, where engagement with military institutions, in addition to other actors, is necessary to provide effective support to security sector reform and is recognised as ODA. Also, the use of (usually donor) military personnel and equipment to deliver development services and humanitarian aid is included in ODA (additional costs only, see below). To assess the eligibility of an activity involving the military, it is necessary to distinguish between provider and partner country military.

#### **ODA eligibility of activities involving provider country military:**

- The additional costs incurred with the use of military personnel or existing equipment provided by the donor, when used exclusively to a) deliver humanitarian aid in accordance with the humanitarian principles of humanity, neutrality, impartiality and independence or b) perform development services, are included in ODA if and only if a

<sup>11</sup> Non-state armed factions are covered in paragraphs 12 and 19.

specific capability or asset requirement that cannot timely and effectively be met with available civilian assets has been identified<sup>12</sup>.

- The rationale for not counting the regular costs is to acknowledge that the primary objective of the provider armed forces is the provider’s own defence, and their role in delivering humanitarian aid or other development services for developing countries can only be a secondary objective. In this context, only additional or “extra” costs associated with the ODA-eligible task are reportable as ODA.
- Additional costs are not part of the regular (military) budget and are in excess over what the personnel or equipment would have cost to maintain had they not been assigned to the development activity concerned. Therefore, regular salaries and expenses are not eligible, nor the regular equipment costs (e.g. maintenance costs). Additional costs are reportable as ODA, when it is feasible to clearly isolate these costs from the regular costs.

#### **ODA eligibility of activities involving partner country military:**

- The provision of aid to the partner country military is not reportable as ODA. This exclusion covers the direct participation in military expenditures, assistance directly benefitting counterpart military structure and other contributions linked to a specific defence effort e.g. assistance that contributes to the strengthening of the military or fighting capacity of the armed forces (including the provision and use of equipment and/or services that contribute to developing the kinetic, offensive and/or lethal capabilities of partner countries).
- Generally, provider engagement with the partner country’s military forces is not eligible, except for support for civilian oversight and democratic control of the military system.
- In exceptional circumstances, the operating environment renders necessary the delivery of humanitarian aid or development services through the military of the partner country. In these cases, the activity design needs to clearly describe the expected role of the military as a delivery agent.<sup>13</sup> The regular costs of the military forces involved cannot be counted as ODA. Only the additional costs associated with the use of military personnel or existing equipment of the partner country’s military forces, when used exclusively to a) deliver humanitarian aid in accordance with the humanitarian principles of humanity, neutrality, impartiality and independence or b) perform development services, are reportable as ODA (and not for example the donation of military equipment) provided a specific capability or asset requirement that cannot timely and effectively be met with available civilian assets has been identified<sup>14</sup>.
- Training of partner country military personnel, including in non-military matters, is generally not eligible, except for training, under civilian oversight and with a clear developmental purpose for the benefit of civilians, in the limited areas below. Training

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<sup>12</sup> It is the obligation of members to undertake and make available, on request by the Secretariat, evidence that demonstrates that such an assessment was made on an objective basis.

<sup>13</sup> Upon request, members need to demonstrate that the design met the criteria prior to the intervention.

<sup>14</sup> It is the obligation of members to undertake and make available, on request by the Secretariat, evidence that demonstrates that such an assessment was made on an objective basis.

should be preferably by civilian actors, jointly by civilian and military actors or, by way of last resort, by military actors<sup>15</sup>, in:

- human rights and rule of law;
  - protection of women in conflict and prevention of sexual and gender-based violence;
  - international humanitarian law;
  - humanitarian response and disaster relief preparedness;
  - prevention and treatment of communicable diseases;
  - anti-corruption, including prevention of predatory behaviour against civilians; and
  - transparency, respect of civilian oversight and democratic control.
- Training in the use of equipment intended to convey a threat of, or deliver, lethal force, is not eligible.
  - Training that contributes to the fighting capacity of the armed forces is excluded.

#### Additional safeguards

4. In addition, the following activities involving the military are explicitly excluded from ODA:

- The use of military personnel to control civil disobedience, even in emergency situations.
- Activities to protect the security of persons or property through the use or display of force, including in the context of humanitarian aid.

#### *ii) Rules governing ODA reporting in relation to the police<sup>16</sup>*

5. For the purpose of these Directives, the term police refers to all civilian (non-Defence Ministry) law enforcement agencies that exercise police powers, especially the power of arrest and detention within a broader rule-of-law system (such bodies may include immigration/border, customs and other specialist civilian law enforcement agencies). The term also covers actors such as the gendarmerie, the guardia civil and the coast guard in their civilian police law enforcement functions even if they are administratively under the Ministry of Defence.

6. As with the military, to assess the eligibility of an activity involving the police, it is necessary to distinguish between provider and partner country police.

#### **ODA eligibility of activities involving provider country police:**

- The use of police personnel or equipment provided by the donor to perform development services is included in ODA although only the costs in relation to the mission concerned and in addition to the regular budget can be reported (*e.g.* premia for expatriation, travel costs). In practice, when policemen are assigned to a developmental task in a developing country,

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<sup>15</sup> It is the obligation of members to provide an explanation of the programme design process on request by the Secretariat.

<sup>16</sup> Support to police is not exclusively provided in relation to security, and ODA eligibility rules in this section apply to the police as a whole. Such support may be primarily aimed at security system reform [report under purpose codes 152xx] or legal and judicial development [purpose code 15130].

their regular pay is not reportable as ODA unless the policemen were specifically recruited to carry out these activities or replaced at home. (The costs of substituting the policemen in the provider country are not reportable as ODA.)

**ODA eligibility of activities involving partner country police:**

- Financing for routine civil policing functions (i.e. pursuant to preventing and addressing criminal activities and the promotion of public safety – see exclusions in paragraph 7) and the provision of related non-lethal equipment, or training, is reportable as ODA. Training in the governance and management of police equipment is eligible including the safety, security and storage of equipment intended to convey a threat of, or deliver, lethal force.

Additional safeguards

7. In addition, the following activities involving the police are explicitly excluded from ODA:

- Training in counter-subversion methods, suppression of political dissidence, or intelligence gathering<sup>17</sup> on political activities.
- The supply of the donor’s police services to control civil disobedience.

*iii) List of ODA-eligible items in a context of peace and security*

8. Keeping the above principles and rules of eligibility in mind, this section defines the eligibility of items in the peace and security sector.

**A. Provider engagement in partner country’s security sector**

**1. Security system management and reform [CRS purpose code 15210]**

**1.1. Management of security expenditure**

9. Technical co-operation provided to government to improve transparency, accountability, civilian oversight and democratic control of budgeting, financial management and auditing of security expenditure, including military budgets, as part of a public expenditure management programme is reportable.

**1.2. Enhancing civil society’s role in the security system**

10. Assistance to civil society to enhance its competence and capacity to scrutinise the security system so that it is managed in accordance with democratic norms and principles of accountability, transparency and democratic governance is reportable. This includes support to NGOs and other civil society organisations, the media, universities, and research institutions.

**1.3. Security system reform**

11. Technical co-operation provided to parliament, government ministries, law enforcement agencies and the judiciary to assist review and reform of the security system to improve good governance and civilian oversight. Eligible assistance is limited to civilian competence/capacity building and strategic planning/advice activities that promote political, institutional and financial

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<sup>17</sup> Intelligence gathering does not refer to data collection for development purposes nor to preventative or investigatory activities by law enforcement agencies in the context of routine policing to uphold the rule of law, including countering transnational organized crime.

transparency, accountability, civilian oversight, as well as respect for human rights and inclusive, gender-sensitive security institutions. Furthermore, any such support to defence ministries must be part of a national security system reform strategy and be approved by the partner country ministry with overall responsibility for co-ordination of external assistance. Any other assistance to the Ministry of Defence or armed forces is excluded.

## *2. Reintegration and small arms and light weapons (SALW) control; mine clearance for civilian purposes; child soldiers*

### 2.1. Reintegration and SALW control [CRS purpose code 15240]

12. Reintegration of demobilised military personnel into the economy; conversion of production facilities from military to civilian outputs; repatriation and demobilisation of armed factions, and disposal of their weapons; technical co-operation to control, prevent and/or reduce the proliferation of small arms and light weapons (SALW). SALW activities under this directive are defined as:

- i) development of laws, regulations and administrative procedures for the control and reduction of weapons proliferation;
- ii) development of institutional structures for policy guidance, research and monitoring;
- iii) public awareness campaigns on SALW;
- iv) promotion of regional co-operation and information exchange on SALW programmes;
- v) weapons collection and destruction. (Funding of action to seize arms by force is excluded.) The provision of these activities by military actors is reportable as ODA (additional costs only).

### 2.2. Removal of land mines and explosive remnants of war [CRS purpose code 15250]

13. All activities related to land mines and explosive remnants of war which have benefits to developing countries as their main objective, including removal of land mines and explosive remnants of war, and stockpile destruction for developmental purposes; risk education and awareness raising; rehabilitation, reintegration and assistance to victims, and research and development on demining and clearance. Only activities for civilian purposes are ODA-eligible; the provision of these activities by military actors is reportable as ODA (additional costs only).

### 2.3. Child soldiers [CRS purpose code 15261]

14. Technical co-operation provided to government – and assistance to civil society organisations – to support and apply legislation designed to prevent the recruitment of child soldiers. This excludes the costs of military operations against groups that may have recruited child soldiers. Assistance to improve educational or employment opportunities for children so as to discourage their recruitment as soldiers and build capacity (including advocacy) within civilian government and civil society to prevent children from becoming soldiers is eligible. Efforts to demobilise, disarm, release, reintegrate, repatriate and resettle (DDRRR) child soldiers are eligible. On the other hand, support to the armed forces themselves is not eligible. Assistance that contributes to the strengthening of the military or fighting capacity of the armed forces is excluded.



## ***B. Provider engagement in peacebuilding and peacekeeping***

### *1. Civilian peacebuilding, conflict prevention and resolution [CRS purpose code 15220]*

15. Support for civilian activities related to peacebuilding, conflict prevention and resolution, including capacity building, monitoring, dialogue and information exchange. This excludes engagement in military strategy and defence co-operation.

16. This category includes bilateral participation in international civilian peace missions such as those conducted by the UN Department of Political Affairs (UNDPA) or the European Union (European Common Security and Defence Policy), and contributions to civilian peace funds or commissions (e.g. Peacebuilding Commission, Peacebuilding thematic window of the MDG achievement fund etc.). The contributions can be financial or in kind, taking the form of provision of equipment or civilian or military personnel (e.g. for training civilians).

17. In the event that civilian peacebuilding activities supported include disclosure of military strategy, such assistance is eligible except where military staff or ministry of defence officials benefit from such funding. Direct assistance to the defence ministry or the armed forces is excluded. However, assistance can indirectly be used by civilian organisations/authorities, excluding the ministry of defence, for participation by defence ministry or armed forces staff in the above activities.

### *2. Participation in international peacekeeping operations<sup>18</sup>*

#### **2.1 Bilateral participation**

18. This item covers bilateral ODA-eligible peacekeeping expenditures within a UN context. It includes the cost of a donor's bilateral participation in ODA-eligible activities (see examples below), net of any compensation received from the UN, when they are part of an international peace operation mandated or authorised by the United Nations through a Security Council resolution and conducted by international organisations (the cost of bilateral activities is calculated as the excess over what the personnel and equipment would have cost to maintain had they not been assigned to take part in a peace operation).

19. Typical ODA-eligible activities carried out in a peacekeeping context include: human rights and election monitoring; rehabilitation of basic national infrastructure; monitoring or retraining of civil administrators, penal/corrections personnel and police forces; security sector reform and other rule of law-related activities; training in customs and border control procedures; advice or training in fiscal or macroeconomic stabilisation policy; reintegration of demobilised soldiers; repatriation and demobilisation of armed factions, and disposal of their weapons; explosive mine removal; humanitarian-type activities.

20. Costs for military contingents participating in UNDPKO peacekeeping operations are, for the time being, not reportable as ODA.

#### **2.2 Multilateral contributions**

21. The List of ODA-eligible international organisations (see Annex 2 of the Reporting Directives) sets out the ODA eligibility of core contributions to international organisations active in the field of conflict, peace and security. In particular, an ODA coefficient is applied to members' assessed

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<sup>18</sup> Paragraphs 20 and 21 in this section are subject to a technical review clarifying the eligibility of costs in participating in international peacekeeping operations under a UN mandate.

contributions to the UN peacekeeping budget. Note that, as indicated on Annex 2, not all UN peacekeeping operations are ODA-eligible and that multilateral contributions to UN peacekeeping operations should be reported operation by operation in the DAC activity database (CRS++). Financing of international engagement in post-conflict peacekeeping by non-UN international forces, e.g. African Union or others is, for the time being, not reportable.

### **C. Preventing violent extremism<sup>19</sup>**

22. Preventing violent extremism through non-coercive, intentional and targeted use of development assistance approaches aims at providing positive alternatives to those most at risk of violent extremism in partner countries and countering the narrative of violent extremism that incites support for violence.

23. Financing activities combating terrorism is generally excluded from ODA. For example, activities to combat terrorism through kinetic activities and the use of force, and support for armed response or combat operations, whether by military or civilian police are excluded. In the spirit of the recommendations of the 2016 UNSG Plan of Action to prevent violent extremism, activities preventing violent extremism in developing countries are reportable as ODA, as long as they are led by partner countries and their primary purpose is developmental. Activities targeting perceived threats to the donor country, as much as to recipient countries, rather than focusing on the economic and social development of the partner country, are excluded (e.g. protection of developed countries' nationals not engaged in humanitarian or development activities).

24. ODA-eligible activities for preventing violent extremism must be undertaken in accordance with respect for the peaceful exercise of political, social and economic rights, including the right to non-violent forms of political expression. Intelligence gathering is excluded from ODA<sup>20</sup>. In addition, training in counter-subversion method or suppression of political dissidence is excluded from ODA.

25. Eligible activities include:

- Education.
- Activities that support the rule of law.
- Working with civil society groups specifically to prevent radicalisation, support reintegration and deradicalisation, and promote community engagement.
- Building the capacity of security and justice systems in specific skills required for the prevention of extremist or terrorist threats, such as in the collection and correct use of evidence or fair trial conduct, to ensure more effective and human rights-compliant behaviours.
- Research into positive alternatives to address causes of violent extremism in developing countries.

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<sup>19</sup> For the purposes of these Directives, violent extremism is defined as promoting views which foment and incite violence in furtherance of particular beliefs, and foster hatred which might lead to inter-community violence.

<sup>20</sup> Intelligence gathering does not refer to data collection for development purposes nor to preventative or investigatory activities by law enforcement agencies in the context of routine policing to uphold the rule of law, including countering transnational organized crime.