SUMMARY RECORD OF THE 1025TH DAC MEETING

held on 9 March 2017 at the OECD Conference Centre, Paris

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Item 1. Welcome by the Chair and Adoption of the Agenda [DCD/DAC/A(2017)3]

1. In opening the meeting, the DAC Chair handed the floor to the DCD director, who proposed to reverse the order of agenda items 7 and 8. The Committee approved the agenda with this one modification.


2. The DAC Chair invited the Committee to approve the summary records from the DAC Senior Level Meeting held on 10-11 October 2016 and the 1022nd DAC meeting held on 6 December 2016. She reminded delegates that, following the February 2017 DAC meeting, a number of members provided written comments to these summaries. The versions proposed for approval today incorporate those changes. The Committee then approved both records as proposed.


3. The DCD Director provided a summary of recent and ongoing developments. He informed the Committee that the Secretariat had issued a room document [DCD/DAC/RD(2017)3/RD2] that provides details on many of the latest developments including in the DAC subsidiary bodies and work currently in the Secretariat. He announced that the Secretariat has been able to secure rooms for a DAC Senior Level Meeting (SLM) on 14 June and a High Level Meeting (HLM) on 30-31 October. He also highlighted that on 24 February, the Secretariat issued a proposal to the DAC [under cote DCD/DAC(2017)8] to respond to an OECD Ministerial Council Meeting (MCM) request to review legal instruments. The Secretariat has liaised with the Legal Directorate to prepare this proposal, which is submitting to the DAC for approval via the written procedure on a no-objection basis. The Legal Directorate is required to submit a progress report to this year's MCM and therefore needs a response from all Committees before the end of March.

4. On 8 March, The OECD marked International Women's Day by launching a "Policy Dialogue on Women’s Economic Empowerment" in developing countries. The new dialogue will create practical guidance to improve policies and development co-operation towards achieving SDG 5. This dialogue was launched by the DAC Chair and the Chair of the Development Centre Governing Board at the Development Cluster’s first High-Level Event on gender equality.

5. The Director then informed the DAC that, since the last Committee meeting, he conducted outreach missions to the headquarters of the European Union, Belgium, Germany, and Denmark. He has shared the mission reports with the DAC chair. Further missions are coming up to the United Kingdom and Switzerland later this month. In addition, the Secretariat travelled to New York recently for meetings on Small Island Developing States (SIDS), discussions with UN officials, and a side event on Total Official Support for Sustainable Development (TOSSD) in the margins of the UN Statistical Commission. The latter event was in particular very fruitful; the success of TOSSD ultimately depends on the UN system's capacity to remain engaged, recognising that the process needs to be global.
6. The Director ended his intervention by reminding delegates of the brown bag lunch to be held later in the day to discuss the work of the Temporary Working Group (TWG) on Refugees and Migration. That lunchtime discussion will include participation from civil society organisations and prepare the formal discussion in the TWG for the following day.

7. The DAC Chair then intervened to report on developments from her office. She mentioned her mission to New York to meet with the UN’s new Secretary-General. They agreed that their different-but-common mandate has important synergies and that the two institutions must work together to deliver on the consensus development agenda. While in New York, she also met with the heads of several UN bodies. There is a clear interest in collaboration between the UN and DAC.

8. The Chair then reported on the launch of the Polish peer review that she attended in Warsaw. She announced that she and Iceland are looking into launching the Icelandic review in the near future. She commented that it would be useful to reflect on how to use the peer reviews to make the DAC’s work more visible.

9. She highlighted how she attended the Barcelona Global Mobile Industry meeting at which all the major mobile operators attend. She participated in a panel on delivering the SDGs with this community. The opportunity for the DAC to be present at such “non-development” events is high. She will try to bring lessons from this to the Global Forum on Development on 5 April.

10. The Chair announced that the Bureau agreed to hold DAC meetings in April and July and three in the autumn, in addition to those already confirmed. The Bureau will confirm precise timing of meetings at a later occasion. She highlighted great interest outside the DAC to convene meetings or working groups around certain issues, as partners are looking to the DAC to provide a platform and initiate ideas.

11. In discussion, the Swiss delegate reminded the DAC that the Arab-DAC Dialogue on Development will take place on 27 March in Bern and will be hosted by the Swiss Development Agency. Back-to-back with the Dialogue, Switzerland will organise a “Water Day” on 28 March. He encouraged the DAC to send a senior representative from capital to the meeting.

12. Delegates highlighted the very important work on TOSSD and SIDS and requested further discussion in the Committee on both. The Secretariat underscored the importance of arriving at a consensus very soon on the role of the DAC in TOSSD so that data are ready when needed. The SIDS workstream is more relevant than ever as it provides important insight for discussions on triangular co-operation, development in transition, and vulnerability.

13. Regarding the standard setting review, many members intervened to request a substantive discussion in the Committee to exchange views and arrive at an agreed action plan. In consultation with the Secretariat, the Chair announced that an additional two-hour session would be added to the informal meeting on 15 March, after which a formal written procedure could be re-initiated if necessary to agree the plan before the deadline of end March.

**Item 4. Revised Methodology for DAC Peer Reviews [DCD/DAC(2017)5]**

14. The Secretariat (Ms. Karen Jorgensen) provided a recap on the process to date for updating the peer review reference guide, noting the priority to provide clarity for upcoming reviewed members. There was broad support for the updated framework and recognition of this as a concrete example of the DAC adapting to the new consensus development framework.
15. Members called for some additions, for example on countries most in need and on leaving no-one behind, and requested that key references be highlighted. Not all members agreed on the suggestions made in discussion on incorporating the 'SDG Wheel' or on interpretations around policy coherence for sustainable development. Members were also keen to return to the peer review reference guide once actions have been agreed for DAC reform. On this basis, members approved the reference guide in concept. Comments from the discussion – as well as any final written comments received by 15 March – where there is clear consensus, would be incorporated before issuing a final reference guide on 17 March.

16. The revised reference guide will be applied to all reviews from now, starting with Luxembourg. At the same time, members will be invited to provide further written comments over a longer period. These comments will be considered alongside experience in applying the new framework when reviewing the peer review tool and reference guide at an appropriate time in 2018, once DAC reform actions have been agreed.

17. Members were also asked to comment on proposals for revising the peer review process, including the report and meeting format. Whilst expressing the wish to also return to the peer review process in light of the DAC reform agenda, members agreed to the following revisions:

- conduct field visits as a standard part of the peer review process, with the possibility of gaining a field perspective through other means on a case-by-case basis;
- making the Part 1 report more balanced, strategic and shorter, which would also serve as an executive summary;
- adding description of member's development co-operation systems to Part 2;
- adding an innovation theme to the meetings, potentially with outside speakers; and
- disseminating peer reviews at country level (by member) and piloting a launch of a peer review in a partner country

18. The Secretariat will return to the Committee shortly on the learning agenda.

**Item 5. Private Sector Instruments [DCD/DAC/RD(2017)3/RD1]**

19. In her introductory remarks the DAC Chair stressed the role of the private sector instruments (PSI) task force in building greater understanding between the development and export credit communities and bringing in views of civil society, which had improved the proposals in comparison to those presented last year. She also emphasised the importance of the agreement in defining future DAC work on PSI and recalled the urgency for taking decisions, given the context of the Addis Ababa commitments on financing for development and the sustainable development goals, to safeguard ODA but also use it catalytically. She recalled that the framework for PSI had been set by two HLMs and one SLM and that the discussion now was about the implementation details which needed to be in line with the objectives set i.e., to stimulate additional PSI without inflating ODA and to safeguard that the investments are developmental in nature in line with the core principles of ODA. In her view the task force had been successful in developing proposals and the matter was no longer technical but a decision was needed. She commented on the three elements of the Secretariat’s proposal – additionality, competition safeguards, and ODA credit calculation – and encouraged the Committee to take a decision in April.

20. The Korean co-chair of the task force on PSI ODA modernisation (Ms. Koo) described the work of the task force and emphasised that all members had been informed of its work through the dedicated community space and debriefing calls. She explained that the task force had not arrived at a final recommendation but had thoroughly discussed the concerns of the different stakeholders.
21. The Secretariat (Mr. Schütte and Ms. Benn) introduced the document DCD/DAC/RD(2017)3/RD1 and invited members’ comments on i) the DCD’s assessment of the options on the ODA credit calculation as well as competition safeguards and additionality; ii) the proposal to pursue work in a second phase on broader conceptual issues that can only be solved in collaboration with the export credit bodies and the Investment Committee; and iii) whether the DCD's assessment can form the basis for the implementation package to be presented for decision at the DAC meeting in April. Members provided their comments as follows:

- **Australia** requested clarity on the simulations and encouraged dialogue between the DAC and ECG Secretariats, which had worked well so far.
- **Austria** would send written comments after a meeting with its ECA mid-March. The decision should not be rushed.
- **Belgium** expressed the view that, regarding the ODA calculation, option D went beyond the HLM mandate and should not be presented on the same footing as the other options. It supported the family of options A-B-C but expressed two concerns: the calculation should be presented as an ODA credit, not a grant equivalent, calculation; the new component in the discount rate could lead to double counting risk as risk was already reflected in the country premiums and the private surcharge. Regarding safeguards, Belgium stated it supported the objective of maintaining a clear line between export credits and trade-related aid and was open to looking at the proposed options. Regarding additionality, Belgium thought option 1 should be sufficient if financial additionality was clearly demonstrated, but could go for option 2 if it helped reaching consensus. It emphasised that the review in two years’ time would allow for adjustments.
- **Canada** generally agreed with the Secretariat’s assessment but still needed to hold consultations in capital and would provide written comments.
- The **Czech Republic** stated the document formed a good basis for negotiations and that it favoured option D for the ODA calculation.
- **Denmark** agreed with the urgency of the decision but also noted the need to be thorough and get it right. On the ODA credit calculation, it favoured option A but was open to study other options and their implications. On transparency, it could look into option 1 as a short-term solution and, on additionality, could accept both options. It stressed the need to continue the collaboration and dialogue between the development and trade communities, and possibly look at the institutional set-up within the OECD in this regard to ensure better co-ordination of efforts. It would send further comments in writing.
- The **European Union** noted that a lot of progress had been made on export credit-related issues, safeguards, and transparency. It recalled that the DAC had discussed the issue since 2012 and that an agreement was needed in light of the 2030 Agenda. It thought the Secretariat’s paper provided a basis for compromise, signalling the importance of consistency with the 2014 HLM agreement. On transparency, the needs of export credit agencies, but also DFIs’ limitations, needed to be taken into account. It also noted that the agreement was about policy coherence, but needed to result in catalysing more resources for development.
- **Finland** thought the task force should be given more time to go into the detail of the options proposed. It favoured option D for the ODA calculation and found that ex-ante transparency provisions were necessary for untied aid.
• **France** expressed the view that the ODA calculation method should not reopen decisions made at HLMs; it should be simple and understandable and provide a clear dividing line between export credits and ODA. With options A-B-C, there was a danger of double-counting risk; the parameters were too far away from the HLM decisions and should be simplified. Option D could work, in the form of flat coefficients by income country groups, e.g., 5% for UMICs, 15% for LMICs and 25% for LDCs and other LICs.

• **Germany** doubted if options A-B-C would be in line with HLMs 2014 and 2016 and, if the IMF rate was not reflected in them, it was worth investigating option D further as it would be more in line with the HLM decisions. The narrative for option D would not necessarily be more complex as the earlier decision to count ODA on an institutional basis had already introduced a non-orthodox way of counting ODA.

• **Italy** thought more time was needed to reach a decision. It did not yet have a whole-of-government position and would communicate it in writing.

• **Korea** noted a shift in the discussion from a concern on compliance with WTO rules (which seemed to have been lifted) to a concern of competition between ECAs and DFIs. It favoured option C for the ODA calculation and raised the question of how the dispute would be solved in practice in case an ODA loan was found to be a hidden export credit.

• **Japan** stated that, for ODA calculation, it favoured option B which was most in line with the 2014 and 2016 HLMs, but it can also seriously contemplate option C, provided a right discount rate be set. The threshold should be 5% which would encourage mobilisation and not over subsidisation. It agreed with the proposed safeguards, mindful of confidentiality constraints. For additionality, it agreed with option 1, but could go with option 2.

• **The Netherlands** stated it was leaning towards the compromise proposed by the Secretariat but was still working on its whole-of-government position. Option C seemed the most realistic for the ODA calculation. For additionality, it was flexible but favoured option 1.

• **Norway** emphasised the positive outcomes of the task force, as different sides (development, export credit) had now a much better understanding of each other’s concerns. It was now important to come to an agreement, as ODA counting of non-concessional instruments would incentivise finance for the SDGs. If finance was untied, there would be no competitive issue. It favoured option 1 for safeguards (with the proposed sanction of excluding from ODA a DFI found to de facto tie its activities), option D for ODA calculation, and found both options acceptable for additionality.

• **Portugal** agreed that the Secretariat’s proposal could form the basis for a compromise. It asked for clarification on the reporting methodology that would be used during the transition period.

• The Slovak Republic was of the view that open questions relating to gaps in knowledge on additionality and compatibility with multilateral arrangements had been narrowed, but the Committee should take the time needed to develop a robust, consensus-based package with safeguards. It saw mutual accountability through ex-ante transparency (i.e., among members) as a pre-condition for this package. The parameters for discount rates used in the ODA credit calculation should reflect the market and not allow market-distortive operations to take place.

• **Spain** expressed the view that the DAC was close to reaching a conclusion on this topic. As regards the ODA calculation, there was a need to complement options A-B-C with a proposal on thresholds, as the discussion on discount rates and thresholds could not be dissociated. The rationale for the new “market failure” component was not clear, and blurred the lines further between export credits and ODA. There was a need for strong ex-ante provisions and, in any
case, the existing norms should not be undermined. During the interim period, there should not be a mix of cash flows (instrument approach) and grant equivalents (institutional approach).

- **Sweden** saw the Secretariat's proposal as a good basis for a compromise, but the introduction of "market failure" could lead to double counting risk, already reflected in the country premiums. The trial period would be an important feature of the agreed package.

- **Switzerland** agreed that the Secretariat's proposal could form the basis for a compromise. It noted that the efforts put into the task force had paid off and that the DAC should strive to conclude at its April meeting.

- The **United Kingdom** stated that, for the ODA calculation, it favoured option C, which was entirely clear and in line with HLM decisions (for long tenors, the base factor of the discount rate was still set at 5%). Option D had some advantages (protects ECAs) but also disadvantages (reduces ODA credibility) and would anyway open up another negotiation process. It preferred option 1 for safeguards and option 2 for additionality.

- The **United States** could agree with option C but stated this was a big movement since its original proposal; it asked other members for flexibility in their positions too.

22. The Secretariat explained that the market failure component had been added to introduce an incentive for investing in riskier countries and avoiding overlap with export credits. For practical reasons, the participants’ risk categories had been used, but other classifications could be used as well, such as the World Bank index of "ease of doing business". The alternative method, option D, was not presented on the same footing as other options. The Secretariat would need a mandate to develop this option further, as it was not in line with HLM 2016 which explicitly described a grant equivalent methodology using risk-adjusted discount rates.

23. The DAC Chair summarised the session by noting that most members had stated agreement could be reached. As regards the ODA calculation, some had said they could live with option C (but one member was against) and a few supported the alternative approach; some would get back with written comments. On timing, the Chair noted that the Committee wanted to take the right decision but that it also needed to take a timely decision i.e., when it was still relevant. Moreover, whether the decision was right or not would not necessarily be judged by the Committee but by others. She would therefore continue pushing for an agreement in April. In her view no further work from the task force was required at this point but consultations with members would continue as needed. She emphasised that the trial period would allow collecting real data (as opposed to simulations), allowing adjusting the system if dysfunctions were spotted.

24. Written comments were invited until 23 March 2017.


25. The Secretariat (Mr. Schütte) informed members of the results from the meetings of the Working Party on Development Finance Statistics (WP-STAT), held from 28 February to 1 March 2017. He touched on points related to in-donor refugee costs; the ODA Casebook on Conflict, Peace and Security Activities; ODA grant equivalents; ODA-eligible international organisations; and the ODA coefficient for UN peacekeeping operations. Further details on the meeting can be found in the official summary record [DCD/DAC/STAT/M(2017)1].

26. In its presentation of the 2017 Untying Report, the Secretariat highlighted a consecutive drop in untying performance over the two last data years, after a previous upward trend. The overall picture masked a situation in which a growing majority of members performed strongly, against other DAC members underperforming and showing further slippage. Moreover, the worrying decline in the adherence to transparency provisions of the Recommendation was stressed. This is of particular concern given the importance of transparency in relation to ongoing discussion on ODA modernisation.

27. The Committee welcomed the report. Members raised some specific points on which more clarification or information would be welcome, including the effect of small size and geographical remoteness of some recipients on procurement patterns, the threshold for contracts for which ex-post award data are to be reported, and the tying status of imputed student costs. Two members asked to adjust language or add reference to enhance clarity and avoid misperception. There was also general support to explore further structured work on the relation of untying in light of the increased focus on private sector engagement, on the understanding that prior to advancing with concrete work, approval by the Committee would be sought.

28. The Chair concluded by asking members to provide written comments by 16 March close of business, following which a revised version will be issued for endorsement under the written procedure.


29. The presentation by the Secretariat situated blended finance work in the context of the Committee’s work on private sector engagement including tracking flows (ODA reform, mobilisation, private philanthropy surveys) and policy recommendation (social impact investment, green finance). The Secretariat explained the orientation for its work on blended finance on crowding-in additional commercial flows for the financing of SDG-aligned investments. DAC members welcomed and expressed strong overall support for the orientation of further work by the Secretariat as set out in the note and presented during the session. Several members were interested to identify and support a participant for the informal stakeholder group in developing principles for use of blended finance for sustainable development. Most members also confirmed they would participate in a survey to review priorities and strategies on blended finance.

30. In response to members’ questioning, it was noted that the definition for blended finance was not yet final. In particular, surveys and expert meetings would fuel discussion on principles and on vehicles for blended finance and bring insights for refining the boundaries of blended finance.

31. By the end of 2017, two major deliverables are planned to be finalised: the principles and the publication. First, the principle will provide a framework for donors’ decision making on blended finance strategies. Second, the publication aims at sharing a better understanding of blended finance, highlighting best practices and building evidence base of data. These objectives appear to be in line with the expectations of members advocating for collecting best practices, focusing on a landscape of the different instruments and more generally producing a “toolkit” report.

32. In addition to that, most members identified development additionality as a critical outcome for blended finance. Members also considered different stakeholders particularly relevant to engage in the course of blended finance work. DFIs, CSOs, NGOs, people in the field, private enterprises, the EU and the World Bank were mentioned in this context.
Item 9. Financing Low-Carbon, Resilient Development

33. The objective of this session was to inform the DAC about a new horizontal study being undertaken by the Secretariat in support of Germany’s G20 Presidency – OECD-G20 study on “Growth, Investment and the Low-Carbon Transition” – and share preliminary results.

34. The Secretariat (Mr. Anthony Cox, project lead from the Environment Directorate) introduced the study. The objective of the project is to analyse if, and how, low-emission, climate-resilient development consistent with the aims of the Paris Agreement, and the infrastructure investment required to support it, can help G20 countries escape their current low-growth trap without compromising competitiveness or well-being. Summaries from the report will be fed into different channels of the G20 this year, and the final report will be launched at the Petersburg Climate Dialogue in Berlin in May 2017. The report was circulated to Committees on the 6th of March.

35. As part of this study, the Secretariat contributed an analysis of the role of development finance in mobilising investment for low-carbon, climate-resilient infrastructure. The analysis focuses on development banks and development finance institutions, including National Development Banks, Multilateral Development Banks and bilateral development banks and finance institutions. The Secretariat (Mr. Haje Schütte and Ms. Naeeda Crishna Morgado) presented preliminary findings from the analysis, noting that these institutions have a key role to play in supporting countries to deliver on their Nationally Determined Contributions by mobilising private investment, and many have adopted climate targets and put in place climate screening and disclosure systems. However, in order to deliver on their potential, they will require strong mandates and will need to work with countries to raise awareness and build demand for low-carbon, climate-resilient infrastructure, facilitated by access to concessional climate finance. Delegates welcomed the opportunity to provide detailed comments on the analysis in writing.

Item 10. Any Other Business

36. The Greek delegate intervened to remind the Committee of chair vacancies in facilitators groups, emphasising that the deadline for applications is tomorrow.

37. The Committee warmly thanked the Israeli delegate for her service to the Committee, as this was her final meeting, and wished her the very best in her next position.

38. The Chair provided an overview of the deadlines for comments on the topics discussed over the course of today’s meeting: written comments are invited on the peer review methodology by 15 March, with an opportunity to provide further comments at a later stage. Written procedures are in place for the following topics: untying aid (16 March); blended finance (16 March); financing low-carbon, resilient development (22 March); and private sector instruments (23 March).