



Organisation for Economic Co-operation and Development

DCD/DAC/M(2017)3/FINAL

Unclassified

English - Or. English

8 December 2017

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

SUMMARY RECORD OF THE 1026TH DAC MEETING

held on 26 April 2017 at the OECD Conference Centre, Paris

The Draft Summary Record [DCD/DAC/M(2017)3] was approved under Item 2 of the Draft Annotated Agenda [DCD/DAC/A(2017)11] without modification at the 29 September 2017 DAC meeting and is now issued as FINAL.

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JT03424439

Summary Record of the 1026th DAC Meeting held on 26 April 2017

Item 1. Welcome by the DAC Chair and Adoption of the Agenda

1. The DAC Chair opened the proceedings by commenting that the Committee is accountable for implementing its decisions. She highlighted the crucial decisions still to be taken on private sector instruments, refugees/migration, and DAC reform. She asked that delegations assist her to be constructive in taking decisions and implementing them. She then asked the Committee to approve the day's agenda, which they did without modification.

Item 2. Approval of Draft Summary Records

2. The Chair presented a minor modification in the draft summary record from the 9 March 2017 DAC meeting [DCD/DAC/M(2017)2] that Japan had requested to paragraph 21, replacing "... but it was also seriously considering contemplating option C" with "... but it can also seriously contemplate option C, provided a right discount rate be set".

3. She then invited the Committee to approve the draft summary records from the 1023rd meeting held on 2 February and the 1025th meeting held on 9 March 2017, the latter with the Japanese revision proposed above. The Committee approved both summaries. The Chair then requested that the Committee agree to have both summaries declassified, to which the DAC agreed.

Item 3. Briefing by the DCD Director and DAC Chair

4. The DCD Director (Mr. Jorge Moreira da Silva) presented the latest developments from the perspective of the Secretariat. He mentioned that the OECD Council Meeting on the 2030 Agenda on 4 April was very useful for the DCD. At that meeting, the Director had intervened to highlight the work that the Secretariat is doing on financing for development, results and under the Global Partnership. Ambassadors were very supportive of this work in particular on Total Official Support for Sustainable Development (TOSSD), blended finance, the Global Outlook on Financing for Development, climate finance, social impact investment, and ODA modernisation.

5. This year's OECD Global Forum on Development was dedicated to the dialogue with the private sector. It was a major success; the debates were lively and very well attended. Over 1,000 people registered for the event. The Forum was the top event in social media in France that day with more than 2 million people following the proceedings and the Forum's hashtag was the most trending in the country that day. The director thanked the German delegation to the OECD for having provided financial support.

6. The director then thanked DAC members for their assistance in checking their data in advance of the 11 April release of the 2016 ODA figures¹. Details from the press release were shared very broadly, including on the first page of the *Financial Times* of 12 April. An article signed jointly by the Director and the DAC Chair was published on the OECD "Development Matters" blogspace. The Secretariat also organised a webinar to explain how to interpret the data. This event was useful to ensure that before the release, the media was aware of key technical elements.

7. While attending the Spring Meetings of the World Bank and IMF in Washington, the Secretariat organised an event on blended finance, a topic which is increasingly becoming a key element in the financing for development agenda. He reminded the Committee that at the DAC meeting on 9 March, members advocated for a toolkit report on blended finance to share best practices and build the evidence base. The Secretariat is currently undertaking research on blended funds and facilities, which are increasingly popular tools to pool public and private capital for development purposes. A survey questionnaire will be launched in the coming days targeting donors, donors' agencies, DFIs and fund managers to update previous research on quantitative data and market trends and perform additional work on development impact of the funds.

8. While in Washington, the Director also participated in a Small States Forum at which he shared the results from the OECD's SIDS climate resilience report and in a climate and energy event hosted by the Center for Strategic and International Studies. The Steering Group of the International Dialogue on Peacebuilding and Statebuilding (IDPS) also had a successful meeting in Washington, officially agreeing on a five-year strategy and beginning to refine its two-year work programme. Its new five-year strategy and emerging work programme point to a dual role of: a) more work at the country level on the New Deal principles on aid effectiveness which will support the Global Partnership for Effective Development Co-operation as well; and b) greater alignment and focus on the Agenda 2030, Goal 16 on peaceful and inclusive societies and peace dialogue and conflict prevention with the integration of the SDGs in its work. IDPS members are considering ways to resource and run the Dialogue most effectively in this new phase. Current funding only takes its operations to late 2017 and does not cover all activities such as a Global Ministerial Meeting in 2018.

9. The DAC Chair then intervened to present developments from her office. She echoed the Director's assessment of the meetings in Washington as having been highly successful. She mentioned a breakfast meeting held there for DAC delegations to discuss the new ODA figures, decisions to take in the Committee, and DAC reform. She also highlighted several recent meetings of interest to the DAC, including the Gordon Brown event that presented a new approach to catalyse financial flows for education, a discussion on the Sustainable Development Investment Partnership, and an event of a clean battery initiative with the World Economic Forum. She also pointed out that the recent reaction from civil society on the DAC's private sector instruments decision is likely the result of improved outreach with this community.

10. In discussion, the delegate from Switzerland intervened to highlight the very positive results from the Arab–DAC dialogue that took place in Bern in late March. There was interest from both sides to continue the thematic discussion on water held on day two. Both parties suggest going forward with this topic at next year's meeting. The

¹ <http://www.oecd.org/newsroom/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm>

delegate from Australia requested that the Secretariat provide a mapping of the surveys/questionnaires that have been issued to delegations, along with the corresponding due dates for response. The director agreed to this proposal, commenting that he recognises that these processes can be burdensome but that they are vital to collect the information required to inform our discussions in the Committee with solid evidence.

11. A number of delegates requested clarification on the way forward with the Gordon Brown work; the chair responded that she plans to develop a structured way to engage and will come back to the DAC with a proposed follow-up. A few delegates also asked about the programme for the 14 June Senior Level Meeting (SLM). The chair responded that the meeting will address DAC reform and propose a decision on the action plan for the In-Depth Evaluation. A draft agenda for the SLM will be discussed at the 22 May DAC meeting. The DAC reform will also be discussed at an informal meeting on 27 April; this will not be a decision making meeting but rather an initial testing of the Chair's proposals following the informal consultations in March.

12. The chair closed this agenda item by emphasising the importance of arriving at a decision within the Temporary Working Group (TWG) on Refugees and Migration, which will hold its next meeting on 15 May. She underscored the need to get a decision before the summer break on the group's two work streams (i) learning from best examples to support refugees on the ground and (ii) clarifying standards on refugee costs. She asserted that there is a very high reputational risk for the DAC if it does not come to a decision.

Item 4. Private Sector Instruments

13. The Chair urged members to take a decision on ODA modernisation of private sector instruments. There was no expectation that further technical work would improve the quality of the proposal, and a political decision was therefore required also to demonstrate the ability of the DAC to take such decisions. The DCD Director (Mr. Jorge Moreira da Silva) also made a plea for consensus, highlighting that the solution package one was a solid proposal and had been well received by both DFIs and the civil society. The Secretariat (Mr. Haje Schütte and Ms. Julia Benn) presented the two alternative solution packages proposed in the note [DCD/DAC(2017)13].

14. Twelve members (Belgium, Canada, Denmark, European Union, Finland, Hungary, Italy, Portugal, Slovenia, Sweden, Switzerland and United Kingdom) were ready to approve solution package one although with caveats in some cases (see details below). The United States were ready to approve the proposal for loans only but not for equities and guarantees. In addition, New Zealand, Ireland, and Iceland indicated they had no PSI and would go along the consensus reached by the rest of the membership (both Ireland and New Zealand urged to safeguard ODA in this process). Eight members (Australia, Czech Republic, France, Germany, Japan, Netherlands, Norway and Spain) were not ready to take a decision. Members commented on the various aspects of the solution packages as follows.

ODA calculation: members' views diverged on the appropriate parameters

- Belgium was in favour of solution one (solution two was not in line with the HLM agreement) bearing in mind that this would be a compromise that would be reviewed in two years' time.

- The Czech Republic, Germany, Norway, Poland and Slovak Republic regretted that an alternative ODA calculation (former option D), for which many delegations had earlier indicated a preference, was no longer part of the proposals.
- The European Union signalled that guarantees were not necessarily non-funded instruments (their guarantees came from blocked funds with a direct cost to the guarantor).
- France expressed the view that solution package one did not provide the right incentives for PSI loans and was too complex (too many discount rates, too frequent updates); the 5% threshold was too high (not compatible with the notion of a technical threshold).
- Finland commented that discount rates should be linked to market rates; for loans with maturities of less than 10 years the US 10-year bond yield was not the right benchmark; the 5% threshold should also be applied to guarantees.
- Poland and Spain found the 5% threshold too low (not an effective safeguard).
- United Kingdom asked for a clear statement – at the SLM, HLM or in the Directives – to clarify that the approach for PSI had no bearing on the treatment of official ODA loans. They thought that solution one gave the right incentives for investing in the riskier countries and over a long duration and that a departure from the grant equivalent methodology would appear arbitrary, lack credibility and require a revision of the 2016 HLM.
- United States commented that solution package one for loans provided the right incentives for poorer and riskier countries where the private sector was lagging but instruments other than loans had not been discussed in sufficient detail and decision should therefore be postponed to phase two. On guarantees, they could not agree with the 0% threshold, the high discount rates, and the 2% private sector surcharge whatever the risk category. Discount rates for guarantees should follow the same construction as for loans (but with different funding costs). They indicated that they could be open to an alternative methodology for the ODA calculation, not based on discount rates.

Ex-ante transparency provisions: members' views diverged on the appropriate requirements

- Canada, Italy and France were in favour of reinforced ex-ante transparency provisions (should not be limited to certain country risk categories).
- Australia, Austria, Belgium, European Union, Finland, Norway and United States were in favour of more limited ex-ante transparency provisions highlighting the practical difficulties (business confidentiality).
 - Australia proposed to apply the ex-ante reporting requirements only where there was high risk of reporting export credits as ODA, and for at least the first two years.
 - Finland flagged that several DFIs had national interest requirements in their statutes or strategies but still did not tie their PSI financing to exports. This should not disqualify them from ODA eligibility.
 - Norway was concerned that the DAC had lost sight of the goal to incentivise PSI in poor countries; the proposed reporting system had turned into a control system for competition issues between rich countries; the interfaces between export subsidy and PSI instruments were very limited (particularly in the case of untied DFIs such as Norfund), they should be handled in isolation and not shape the entire ODA system at the expense of right incentives and efficiency.

- Spain expressed the view that competition safeguards in package two should be applied to package one; EU regulations should be taken into account in work on transparency which should also cover equities.
- Poland and Slovak Republic stated that the Arrangement on export credits does apply to PSI and that this should be reflected in the proposal. Poland explained that the statement "export credits are excluded from ODA" is not sufficient as the definition of export credits was too limited, and the key point was whether the operation benefited from a public support or not. They also asked why credits below SDR two million would be excluded from the reporting requirements.

Additionality

- Belgium thought that "financial" additionality should be mandatory.
- Canada expressed the view that a robust assessment of additionality is key to ensure PSI bring real benefits to the poorest; it would work best based on ex-ante reporting (instead of ex-post reporting as proposed); a compromise could be to conduct, as part of the biennial assessments, an in-depth evaluation of a representative sample of DFI additionality assessments to ensure they are informed by evidence as opposed to a box-checking exercise.

Sanctions

- Austria and Korea requested clarifications on the way sanctions would be determined and applied.

Treatment of reflows from DFIs to the Government

- France noted that the Secretariat's interpretation was still problematic. Reflows should only concern newly created DFIs or situations when a member moved from the instrumental to the institutional approach.

Phase two: members welcomed this work

- Members noted that the PSI process had made the Committee aware of the externalities of its decisions in other fora like WTO; maintaining a separation between PSI and domestic industry support was vital for the credibility of ODA and export credits. DAC and ECG communities had learned from each other and the planned joint work would be crucial to avoid undermining the export credit Arrangement. Denmark asked for the phase two process to be spelled out in more detail; it was an integral part of the solution package that would bring the necessary trust for the DAC to reach consensus while there was still some uncertainties on the impact of the decision. Australia proposed that existing resources within the Secretariat be reallocated to phase two work, instead of asking for additional funds.

Review after two years

- Canada and the United States were in favour of a hard "sunset" and renegotiation of parameters of the solution package after two years. France agreed with the importance of a review procedure for ex-ante transparency rules which were still unclear.

15. Several members (Austria, Finland, Germany, the Netherlands, Norway, Poland and Slovak Republic) disagreed with the proposal in paragraphs 51-52 of the Secretariat's document to phase out PSI work if no decision was reached at the present meeting, and to subsequently exclude PSI from ODA. They noted that OECD was a member-driven organisation and the Secretariat should pursue work on the technical details of the PSI package until an agreement was reached. Norway recalled that this work was guided by the 2016 HLM; it was of utmost importance for the ODA system to give strong incentives to use PSI given the developmental challenges at stake and the financing needs. France and Portugal supported the proposal to proceed with retroactive corrections of data unduly reported.

16. Several members (Austria, Denmark, Spain, Portugal and Slovenia) indicated that further iterations of the proposal should ideally be produced jointly by the DAC and the ECG Secretariats. Denmark would also wish the proposal be approved by both DAC and Export Credit committees. However, the Export Credit Secretariat (Mr. Drysdale) noted that it was not possible for them to be part of this exercise without a mandate from their group.

17. The Director wrapped up the discussion by acknowledging the lack of compromise but also noting a large majority in favour of solution package one. This was also the Secretariat's preferred solution in terms of preserving ODA integrity, credibility of DAC work and providing the right incentives to mobilise PSI. As regards paragraphs 51-52, he took note of members' strong disagreement and clarified that the Secretariat's intention was not to stop working on PSI but to highlight the consequences of no decision. Over the last year, the Secretariat had exhausted all options that could possibly foster a consensus; it still stood ready to support members but needed a clear mandate for direction of work. The issue was now for the DAC to show ability to converge; this was no longer a technical but a political and diplomatic exercise.

18. The Chair supported this view and indicated that PSI work also created a governance issue for the Secretariat which needed to fulfil other tasks on its PWB; her expectation was that members could reach a compromise in the near future. She concluded the discussion by presenting the next steps: members would send written comments by 27 April noon; the Secretariat would organise a final "drafting session" on 2 May, using solution package one as the basis and integrating comments made at the present meeting and received in writing; a revised proposal would then be submitted for approval under the written procedure starting on 10 May and ending on 19 May, just before the DAC meeting on 22 May.

Item 5. Total Official Support for Sustainable Development (TOSSD)

19. The Secretariat summarised outcomes from a variety of recent events and international discussions regarding TOSSD that had provided greater clarity and definition regarding next steps in its development. These insights and conclusions were outlined in the meeting document entitled "Developing the total official support for sustainable development (TOSSD) measurement framework: political and technical forward-looking strategic plan - launching an international multidisciplinary TOSSD Task Force [DCD/DAC(2017)14]. This document, in combination with the TOSSD Roadmap document discussed by the DAC at its 2 February 2017 meeting [DCD/DAC(2017)2], provided a comprehensive overview of future work on TOSSD, including the composition and work of the Task Force, interaction with the UN system,

possible statistical issues for further work by the Task Force, a forward timeline of Task Force meetings and decision points, and future TOSSD-related outreach activities.

20. The Committee welcomed UN engagement efforts, the participation of National Statistical Offices in the next phase of work on TOSSD, and the supportive role to be provided by the OECD Statistics Directorate in mobilising expertise and providing guidance for future work by the Task Force. They agreed to the parameters underpinning the composition of the Task Force e.g. statistical and development policy experts, representation from North and South, including South-South providers and key multilateral institutions. Some concerns were expressed by a few members regarding challenges to secure broader international buy-in for TOSSD, particularly in the UN context, and several called for more clearly defined efforts to continue outreach efforts with developing countries, civil society and geopolitical groupings in different international fora. Members underlined the importance of maintaining regular and substantive updates to the DAC (including through the Major Policy Issues Facilitator Group), creating opportunities for the DAC to discuss the emerging conclusions of the Task Force, and ensuring the role of the DAC in endorsing the TOSSD Reporting Instructions.

21. In response to questions, the Secretariat – noting that a core objective of TOSSD is to provide comprehensive data on officially supported cross-border flows to developing countries – considered that the possible eligibility of some export credits would need to be further explored by the Task Force. The Secretariat recalled that all TOSSD documents circulated to DAC members are intentionally unclassified in order to ensure OECD work on TOSSD is carried out in an open, inclusive and transparent way in line with the request from the international community in the Addis Ababa Action Agenda, and that this approach would continue in future regarding both Task Force work and DAC discussions on TOSSD. Finally, the Secretariat confirmed that the table in Annex 1 setting out possible orders of magnitudes of TOSSD flows was merely illustrative and did not preclude treatment of different types of resource flows.

22. In concluding the discussion, the Secretariat highlighted the fundamental importance of DAC ownership of the TOSSD development process, and recalled the text in paragraph 18 noting DAC approval of the TOSSD Reporting Directives. The Secretariat underscored the value of DAC members – both as a Committee and as individuals – engaging in a supportive, collaborative way with the international community on TOSSD development. Outreach efforts combining both the technical and political dimensions of TOSSD will be vital by all concerned, particularly in the UN context (e.g., UNSC, ECOSOC, G77 countries).

23. Following a brief exchange to clarify members' positions, the Chair noted that the Committee had approved both the roadmap as set out in meeting documentation and the establishment of the TOSSD Task Force.

Item 6. Global Partnership for Effective Development Co-operation

24. The DAC Chair, the Director, the representative of the German Co-Chair of the Global Partnership, and the Secretariat briefed the Committee about the outcomes of the 13th Meeting of the Global Partnership Steering Committee, held on 23-24 April 2017 in Washington, D.C. (see the meeting agenda² and summary³) and discussed next steps to

² <http://effectivecooperation.org/wp-content/uploads/2017/04/SCM13-Draft-Agenda.pdf>

ensure strong engagement of the DAC in support of the Global Partnership 2017-18 Work Programme⁴.

25. The DAC Chair welcomed the energy Steering Committee members displayed and the productive and frank discussions at the meeting and encouraged the DAC to forcefully engage and support the implementation of the Work Programme. The DCD Director highlighted the strong leadership shown by the three new co-chairs – the Minister of Finance from Bangladesh, the Minister of Finance from Uganda, and the State Secretary for Economic Cooperation and Development from Germany – and the successful adoption by the Steering Committee of the 2017-18 Work Programme, the first of its kind for the Global Partnership. He mentioned that discussions in Washington already showed the positive impact of a work programme, elevating strategic discussions, instilling a sense of accountability, promoting a more robust evidence base and mobilising members around new forms of dialogue and outreach, in particular with the private sector and emerging economies.

26. The representative of Germany urged DAC members to engage in the implementation of the work programme through more continuous exchanges and by taking up responsibilities, including by engaging in the work around the strategic priorities in the work programme. She called on members to provide financial support and to refer prominently to effectiveness at the UN.

27. The Secretariat presented the six strategic priorities of the agreed Work Programme and next steps to implement them, including working sessions to mobilise the respective expertise and outreach capacity of different constituencies and to generate influential work that forges a common vision and actions to advance effective development co-operation in the respective priority areas.

28. DAC members echoed the sentiment that the work programme was an ambitious and important tool to implement the Nairobi Outcome Document. They highlighted the continued importance of the Global Partnership monitoring framework and evidence generated, as well as its revision to maintain relevance. Members also signalled strong support to use the Global Partnership for engagement with private sector and emerging economies. There was interest towards more substantive DAC discussion on effectiveness building on ongoing work, for example on blended finance, and forging closer links to other DAC networks and subsidiary bodies. There was broad recognition of the importance to resource the Work Programme and to ensure strategic, upstream contributions from the DAC to its implementation and to forthcoming Steering Committee meetings.

Item 7. Any Other Business

29. In closing the meeting, the DAC chair presented her new advisor, Ms. Anna Sundström. She is a Swedish diplomat currently on a leave of absence. She was previously in the Swedish embassy in Brazil and the Swedish DAC delegate. The chair then reminded the Committee that she was convening an informal meeting on DAC reform tomorrow, 27 April, from 13.30 to 16.30.

³ <http://effectivecooperation.org/wp-content/uploads/2017/05/SCM13-Summary.pdf>

⁴ <http://effectivecooperation.org/wp-content/uploads/2017/05/2017-18-Global-Partnership-Work-Programme.pdf>