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SUMMARY RECORD OF THE 1027TH DAC MEETING

held on 22 May 2017 at the OECD Conference Centre, Paris

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SUMMARY RECORD OF THE 1027TH DAC MEETING

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

1. The DAC Chair opened the meeting by proposing that an information point on private sector instruments be programmed as the first item in the afternoon session. The U.S. delegate also requested to intervene under Any Other Business to report on developments in the DAC International Network on Conflict and Fragility. The DAC approved the day's agenda without any further modification.

Item 2. Briefing by the DCD Director and DAC Chair

2. The DCD Director (Mr. Jorge Moreira da Silva) presented the latest developments from the perspective of the Secretariat. He reminded delegates that the Global Outlook on Financing for Development is being led by DCD in conjunction with partner directorates, in particular DEV, DAF and CTP. The Secretariat has engaged in an intensive internal, consultative process to ensure this work is carefully positioned in support of the Addis Ababa Action Agenda and the Financing for Development process. The Secretariat will propose a discussion at the 10 July DAC meeting, leading into an informal consultation in the margins of the High Level Political Forum, also in July. The Secretariat would strongly welcome an informal engagement point, for example a meeting of the DAC Facilitator Group on Major Policy Issues, in advance of the July meeting.

3. At the previous DAC meeting, delegates requested an overview of ongoing questionnaires submitted to the DAC with details on the deadlines. The Director therefore informed the Committee that two questionnaires were currently ongoing: one on decentralised development co-operation for which the deadline has been extended to 31 May and one on blended finance to be issued today directly to key fund managers in the blended finance market, for which the deadline is 12 June. Details on both questionnaires are available in [DCD/DAC/RD(2017)5/RD1]. Other questionnaires are likely to be issued this summer on: the peer review process, the DAC's results work, and members' programming in environment for peer learning exercise on global public goods.

4. The Director informed the Committee that Ms. Suzanne Steensen has been appointed the head of the Secretariat of the Multilateral Organisation Performance Assessment Network (MOPAN), effective 1 June. He expressed his gratitude to her for her contributions over these many years and said he looks forward to her leadership in MOPAN. He also thanked Ms. Chantal Verger for her tenure as acting head of the MOPAN Secretariat.

5. The Director then handed the floor to the Deputy Director (Ms. Brenda Killen) to provide an update on the work of the Temporary Working Group (TWG) on Refugees and Migration. Members have reached agreement on many issues. A few topics required some slight modification in terms of presentation and language; these are being redrafted by the Secretariat to reflect members' inputs. The Secretariat and Co-chairs also reaffirmed, with the support of most members, that some clarifications cannot be revised as they conform to accepted standards laid out in the Statistical Reporting Directives or to existing international legal standards. Finally, the Secretariat and Co-chairs took note of the need to work out a compromise in response to differences in opinion on the eligibility of costs for secondary education and accounting for costs for rejected asylum-seekers. The Secretariat is in the process of redrafting the sections of the proposal that required modification or further compromise. The revised document will be shared with members in preparation for the WP-STAT meeting on 20-21 June. Final approval of the proposals is

expected at the 10 July DAC meeting for onward transmission to the High Level Meeting in October. The Co-chairs and Secretariat are available to respond to queries from individual members.

6. The DAC Chair then intervened to present developments from her office. She reminded delegates that the Tidewater meeting would be held on 2-4 July in Lisbon and informed them that the UN Secretary-General is confirmed to attend along with Kristalina Georgieva. This year's event will be much more open than previous years' and discussions will take place on the international ecosystem.

7. The chair also mentioned a two-day workshop in Germany on the history of the DAC to which she was invited. The researchers present at the meeting are working on making the DAC better adapted for the future. The Chair expressed hope that the output of their work could be reviewed in the Committee.

8. In discussion, delegates thanked the Secretariat and TWG Co-chairs for having managed an inclusive, consultative, and transparent process. Many members called for a successful conclusion to the work at the July DAC meeting, which will require compromise. A few members asked if the TWG should be a topic of discussion at the SLM, to which the Secretariat responded that it would look at how the SLM could be used to build a consensus around this work, recognising that the final decision will be at the HLM in October. The Secretariat then commented that it will finalise the paper after consultation with a number of members and aims to issue it in the next ten days to two weeks.

Item 3. Chair Proposal for the DAC Reform: First Draft

9. The Chair introduced her first draft proposal for DAC reform [DAC/CHAIR(2017)1], which was prepared following informal consultations with DAC members as well as external stakeholders on the recommendations of the High Level Panel (HLP) report on a "New DAC in a Changing World" [DCD/DAC(2017)7] and of the In-Depth Evaluation (IDE) of the DAC [C(2016)84]. The Chair's proposal, once approved by DAC members at the Senior Level Meeting (SLM), will form the basis of three documents that should be produced by the DAC by the end of the year: a formal response to the IDE (due in July 2017), a new DAC mandate (by end 2017), and an action plan to implement the DAC reform (by end 2017).

10. Overall, many members agreed with the six strategic priorities proposed for DAC reform, i.e.:

1. The DAC will focus on mobilising resources and fostering development impact.
2. The DAC will learn from existing development approaches.
3. The DAC will explore new development approaches.
4. The DAC will reach out to development actors beyond its membership to influence and be influenced.
5. The DAC will proactively self-assess and hold itself to account.
6. The DAC will work in effective governance, systems and structures.

11. There was also support to several of the actions proposed to implement the strategic priorities, in particular:

- Explore the possibility of thematic reviews based on peer reviews to promote learning.

- Reform DAC peer reviews so they serve as core tools to monitor, trigger improvement and promote change in DAC members' efforts to support the implementation of the 2030 Agenda.
- Adopt an annual outreach plan to ensure DAC's activities are structured and predictable, include all major stakeholder groups and draw on work done by all relevant fora (e.g., the Global Partnership for Effective Development Co-operation).
- Explore how to become more involved in the global discussion on development through, for instance, the G20 and the United Nations.
- Develop an internal annual work plan for DAC activities focused on core processes in relation to the PWB.
- Ensure transparency by increasing access to DAC documents.
- Strengthen pro-active communication, focussing on social media.

12. However, many members raised concerns around the proposals to develop a new development league table and to broaden participation of civil society organisations, recipient countries and international organisation as reviewers in the peer review process. With regards to the latter proposal, several members supported increasing participation of partners in peer reviews, but not as reviewers.

13. Several members also asked for further clarification on several actions, including:

- Review the structure and scope of its subsidiary bodies and networks, and ensure they are resourced to deliver the DAC's core mandate and priorities.
- Explore new models of decision making, adapted to different types of issues/decisions to be made. Many members would like to keep DAC decision-making based on consensus.
- Establish a "High Level Peer Group" of eminent people on which the DAC could draw for strategic advice. Several members opposed the creation of a new structure above the Committee.
- Cluster peer review sessions with a final day of reflection. Many members considered that this proposal might prove difficult to implement logistically.
- Design the next PWB to ensure that activities around identifying and incubating new approaches to development co-operation are included and strengthened. One member mentioned that the DAC has a clear role as "broker" of partnerships rather than incubator.
- Set up a funding mechanism whereby the DAC Chair and his/her office are financed by all Committee members. Many members asked for a concrete proposal since agreement on such mechanism was not reached in past.

14. In addition to the feedback on proposals made, most members also asked the Chair to propose a clear vision for the DAC, which could be submitted for discussion and approval at the SLM. Many suggested that this vision could emphasise core DAC functions around defining and measuring ODA, establishing norms and standards in development co-operation, conducting peer reviews, exchanging information and promoting co-ordination around good practices in development co-operation.

15. Some of the other suggestions made by Members include:

- Devise more actions to strengthen horizontal work with other parts of OECD.
- Make greater reference to supporting countries most in need.
- Clearly refer to DAC's work and mission around policy coherence for sustainable development, aid/development effectiveness.
- Clearly recognise the value, good functioning, and good results achieved by the DAC over recent years.
- Prepare cost estimates for implementing proposed actions.

16. Following the feedback received during the meeting and in written format, the Chair will prepare two documents which will be submitted to the SLM for approval:

- a draft response to the In-Depth Evaluation. Once approved by the SLM, this response will be transmitted to the OECD Evaluation Committee.
- The second draft of the Chair proposal for DAC reform. This document will serve as an official background paper to forge consensus and guide the discussion at the SLM. Once approved, the proposal will then form the basis for revising the mandate and preparing the operational plan to implement the reform.

Item 4. Proposed Agenda for the June 2017 DAC Senior Level Meeting

17. The DAC Chair presented a proposal for the programme of the Senior Level Meeting (SLM) to be held on 14 June 2017. She said that the only topic for discussion in the plenary would be the reform of the DAC, for which a paper would be prepared. The SLM will be asked to give guidance and if possible approve the direction for the reform going forward. In the morning session, breakout groups will consider 3-4 specific topics on the reform. SLM participants will also be asked to approve a proposed action plan to respond to the DAC In-Depth Evaluation, which will be outlined in a separate paper. In terms of side events, a dinner on 13 June could address the Temporary Working Group on Refugees and Migration and/or private sector instruments (PSI). The lunch session on 14 June could feature an invited speaker on the DAC reform from a partner's perspective. The chair then reminded the DAC that they had in the past requested that documents for SLMs/HLMs be issued three weeks in advance (rather than the traditional two weeks) but pointed out that the three-week deadline would be within the next two days, i.e., by 24 May. She concluded that it would therefore not be possible to respect the three-week deadline but that her office would strive to meet the two-week deadline.

18. In discussion, members expressed doubts over the proposal of breakout sessions, arguing that all members must hear the perspectives of the others in a plenary format. They were open to a discussion on the TWG and PSI in the dinner and requested more details on the invited speaker for the working lunch. Some members expressed their difficulty in securing senior-level representation from capital for the meeting as currently configured. Members also requested clarification on the process for revising the DAC mandate.

19. In concluding the session, the chair asserted that the Committee was largely in agreement with the proposed SLM programme but preferred plenaries over breakouts for formal decision points. The SLM will guide the future reform process and approve the direction up to the HLM in October. A new version of the SLM agenda will be issued on 24 May with the substantive documents to be shared on 31 May.

Item 5. Private Sector Instruments (PSI)

20. The Chair recalled the status of the ongoing process on PSI. A new proposal had been circulated on 10 May for approval under the written procedure. Seven members had commented on the proposal before the deadline of 19 May. Four of them (France, Japan, Germany and the United States) had stated that they could not accept the proposal, while three (Denmark, Slovak Republic and Spain) had asked for a few clarifications subject to which they could join the compromise. In order to move the PSI issue forward, the Chair suggested reaching out to and calling a meeting between those members who could not approve the proposal. She further stressed that the meeting should be attended at high political level given that the PSI issue was no longer a purely technical one. The starting point for the meeting would be the proposal as laid out in [DCD/DAC(2017)18]. In the meantime, the Chair would also reach out to the Export Credit Group (ECG) to suggest that the proposal for joint DAC-ECG work be tabled at the ECG plenary meeting in June. The Chair further clarified that any member could join this political process but it was expected that the group remain limited in size, the objective being to narrow down the scope of the issues to be discussed.

21. The Secretariat (Mr. Schütte) urged members to reach an agreement on PSI to preserve the credibility of the ODA measure. If no agreement could be reached, the risk was that ODA figures become misleading with the coexistence of grant equivalent and flow-based systems. Seven members (Denmark, European Union, Germany, Japan, Slovak Republic, Spain, and the United States) intervened. There were no objections to the Chair's proposal.

Item 6. Transition Finance

22. The DCD Director introduced the session by reporting back on a meeting he had attended, under the invitation from the OECD Development Centre, the previous week in Brussels, co-organised by the EU, the Development Centre and ECLAC. He highlighted that during that meeting several participants had expressed frustration with income classifications as a main criterion for a country's eligibility to receive ODA, on the basis of the large development challenges still faced by middle income countries. The Director stressed that discussions on ODA graduation are occurring outside of the DAC, yet the DAC remains the custodian of the DAC List of ODA Recipients and the sole decision making body on ODA eligibility. Therefore, the DAC has a fundamental role to play, including to ensure that these discussions follow some basic principles. Discussions should be inclusive, so that the voice of Least Developed Countries and countries beyond the Latin America and Caribbean region can also be heard. Discussions need to avoid simplifications, going beyond a zero-sum-game approach where support to middle income countries is a one-to-one subtraction of support to LDCs, and be informed by evidence. Discussions also need to recognise that it is not just about financing – the majority of the countries which are due to graduate receive relatively low amounts of ODA. It is also about how DAC members can continue to support countries beyond ODA, through new strategic partnerships and innovative forms of co-operation.

23. The Secretariat (Ms. Piera Tortora and Ms. Aimée Nichols) then presented the document [DCD/DAC(2017)17]. In particular, Ms. Tortora provided a brief update on DCD's work on 'countries most in need', with a focus on recent achievements in the development and financing of Small Island Developing States (SIDS). She then illustrated how findings from this work and the overall changes in the nature and geography of development challenges worldwide call for a better understanding of countries' circumstances and needs along the development continuum. She highlighted the main features of proposed DCD work to unpack the implications of graduation processes (from LDC status, IDA, and ODA) and how the international community can better support countries as they transition through the development continuum.

24. Ms. Nichols discussed elements of the process for reviewing the DAC List of ODA Recipients that could be improved. She put forth some options for better transparency, communication and predictability of the process and raised some issues related to the availability and robustness of data used in the review. She explained recent concerns about using income data from the UN Statistics Division in the review, if GNI per capita (Atlas basis) published by the World Bank are missing for countries, and stressed that it is essential that the review of the List and decisions on graduation be based on reliable data. Members were asked what internationally recognised alternative sources can be used for this analysis. Finally, to analyse the impact of graduation on countries' access to finance, she suggested that assistance to countries that have graduated could possibly be captured in TOSSD.

25. On SIDS and countries most in need, DAC members expressed satisfaction with the solid analytical work and the effective engagement efforts undertaken by the Secretariat. They also emphasised the importance of continuing to focus DAC resources on the poorest and most vulnerable countries, and the need for the Secretariat to continue to produce analytical work on these countries to inform DAC members' decision making.

26. DAC members' expressed great support for the Secretariat's proposal to conduct work on the implications of different graduation processes and on how to best support countries' development pathways in the SDG era. In particular, members stressed the relevance and timeliness of this work and the need to unpack the consequences of graduation and to identify how co-operation approaches and instruments can be adapted to the new realities of global poverty and vulnerability. Some members expressed interest in being involved in the next steps of this work, for example to help identify future country case studies. Some members suggested to include in future analyses the indirect impacts of graduation, including on trade and on non-concessional finance. Spain suggested including a focus on inequality, as this represents a main challenge for many Latin American countries.

27. On improving certain elements of the review of the DAC List of ODA Recipients to facilitate pre- and post-ODA graduation processes, members generally supported changing the date of effect of decisions on graduation to year X+1, but a few requested more information on what possible negative or unexpected impacts could result from changing the date. Members also supported informing developing countries on course to graduate a year in advance, and New Zealand and France mentioned they could provide to the Secretariat contacts in the Cook Islands and Seychelles respectively. Members also generally supported capturing assistance to countries post-graduation in TOSSD. Several members reaffirmed their view that the current system using GNI per capita as the basis for ODA-eligibility was sound and that they do not wish to broaden or change the criteria. They also agreed that decisions on graduation must be made on the basis of robust data. One member suggested that it could be useful to consider two alternative sources of data in the absence of World Bank or UN data. Another member (Korea) asked for clarification on the decision process as regards the requirement of consensus for a country to graduate and also consensus for changing the methodology. The United States noted significant support for maintaining current graduation criteria and stated that the issues in the paper related to the process of reviewing the DAC List of ODA Recipients should be delegated to WP-STAT.

28. While fully supporting the use of GNI per capita as the criteria for ODA eligibility, New Zealand expressed its concerns about the availability and robustness of the income data for the Cook Islands which would be used as the basis for decision on graduation. The UN data are based on GDP and could be significantly different from GNI figures (as in the case of Nauru) which currently do not exist. The Secretariat informed members that it is working with a consultant to analyse available data and try to compile a GNI figure for the Cook Islands but that this will require several months of work. It asked the DAC to defer decision on graduation of the Cook Islands for 18 months until more accurate data are available and proposed that this issue be put on the agenda of the next DAC meeting. Australia shared the same concerns as New Zealand about the UN income data for Cook Islands, pointing out the case of Nauru

which was on course to graduate according to UN data, but will remain on the DAC List as a result of the IMF Article IV Consultations.

Item 7. Highlights from the DAC's 2015-16 Programme of Work and Budget

29. Since the meeting was running late, the DCD Director proposed to postpone this item to the next DAC meeting. He asserted that it is an important but not urgent discussion for the Committee. The Chair and a couple of members felt that the next DAC meeting, on 10 July, would be too late for this discussion and felt that an earlier slot would be preferable, possibly at the 19-20 June meeting of DAC network and partnership co-chairs. The Chair promised to look into options and revert to the Committee.

Item 8. Any Other Business

30. The U.S. delegate intervened to present the results from the meetings of the DAC International Network on Conflict and Fragility (INCAF) task team held on 15-17 May. The key outcomes included: clear support for the States of Fragility report as a key product for practitioners, a commitment to seek opportunities to promote linkages between global SDG 16 initiatives and the New Deal goals and principles and to work closely with GovNet's SDG 16 Panel of Experts, a recognition that further work is needed on financing for fragility and on defining what success in combating conflict and fragility looks like. INCAF also held a joint workshop with the DAC Network on Gender Equality (GENDERNET) to discuss the research findings of a forthcoming report on the quality of DAC programming on gender equality in fragile and conflict-affected situations. The next major meeting of the INCAF task team will be in November, followed by the Director's Level Meeting. Further details on the meetings are available in [DCD/DAC/RD(2017)5/RD1]. She also asked the DAC to save the date of 1 June at 16.00 for an update, over coffee, on how INCAF has been progressing this year. The U.S. delegate then asked the Committee how it preferred to be informed of results from subsidiary bodies; delegates are invited to share their suggestions with the U.S. and Greek delegates.

31. The chair then closed the meeting by informing the DAC of the date and venue for the next discussion on private sector instruments: 8 June in Brussels.