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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

REPORT ON RECENT MEETINGS

Room Document 1

DAC Meeting, 10 February 2014

This Room Document is submitted for INFORMATION to the 10 February 2014 DAC Meeting under item 2 of the Draft Annotated DAC Agenda [DCD/DAC/A(2014)2].

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International Network on Conflict and Fragility (INCAF) Director Level Meeting: New York, 16-17 January 2014

1. The DAC International Network on Conflict and Fragility (INCAF) held its Sixth Director-Level Meeting (DLM) from 16-17 January 2014 in New York. The DLM was preceded by a meeting of the INCAF Task Team on Knowledge and Policy on 14 January and a side event on engaging the private sector for job creation in fragile states on 15 January. INCAF also held a reception, co-hosted by the Permanent Mission of Liberia to the United Nations, on 16 January to launch its recent report *Gender and Statebuilding in Fragile and Conflict-Affected States*.

2. The DLM focused on three substantive topics: building a better evidence base on conflict and fragility; issues of peace, conflict, and governance in the post-2015 development framework; and challenges and progress towards implementation of the New Deal at the country level, with an in-depth focus on the lessons learned from developing the New Deal compacts in Somalia and South Sudan, and a frank discussion on the ongoing crisis in South Sudan. Members also discussed INCAF priorities, the work of the Task Teams (Implementation & Reform and Knowledge & Policy), their contributions to the International Dialogue, and ideas for how to profile fragile states at the Global Partnership Ministerial meeting in Mexico.

3. Following a welcome by the DAC Chair, the meeting opened with a provocative presentation by Harvard University researcher James Robinson which pointed to the need to find more nuanced ways of engaging with the local political economy in fragile contexts. This presentation set the stage for a discussion on how to build a better evidence base on conflict and fragility, to inform both programming and policy-making. Members previewed the 2014 Fragile States Report, which focuses on domestic revenue mobilisation, and endorsed the concept for the 2015 report, which will be released in Fall 2014 to help shape discussions on the post-2015 development framework.

4. A substantive session was devoted to discussing the importance of ensuring that issues of peace, conflict, and governance are included in the post-2015 framework. This session, which also engaged UN representatives from missions in New York, focused on the current state of the debate, areas of emerging consensus, and potential challenges. Members were also briefed on the process, which will include a thematic segment during the eighth meeting of the UN Open Working Group on Sustainable Development Goals in early February, as well as a thematic discussion organised by the President of the General Assembly in April 2014. INCAF members overwhelmingly support the need for the post-2015 framework to incorporate issues of peace, justice, and governance. Members discussed the need for goals and targets specifically focused on peace and conflict, as well as the need to mainstream issues of conflict sensitivity throughout the framework. However, the political landscape in New York is delicate, and these issues are likely to be contentious. It is important for INCAF countries to build coalitions with other member states, including the G7+ and beyond.

5. Members held a videoconference with lead donors and government actors in Somalia to discuss the process of implementing the compact agreed in September 2013. Despite what is still a fragile political environment, donors reported that the compact in Somalia has become a useful framework for discussion and action, and that priorities identified in relation to Peace Building and State Building (PBSB) goals have helped focus decision making. Members also heard from lead donors and government actors in South Sudan, where efforts to develop a compact were derailed by the political crisis and renewed conflict. Donors had a very frank discussion about lessons learned from this experience, particularly the tendency to

be overly optimistic and not read the warning signs. When re-engaging after the crisis, it will be important to focus on issues of political inclusion and reconciliation. More generally, the first results of the New Deal monitoring survey are expected in early March, and should paint a clearer picture of progress and challenges on the ground in all New Deal countries. In particular, donors still struggle with issues of risk management and use of country systems.

6. In terms of practical business, INCAF confirmed Finland's Minister of Development, Pekka Haavisto, as the INCAF co-chair of the International Dialogue, replacing Denmark's former minister Christian Friis Bach. The International Dialogue Secretariat will be launching a New Deal help desk, which will partner with UNDP to provide practical support for New Deal implementation in-country. Finally, members expressed their interest in engaging with the Global Partnership in the lead-up to their First High-level Meeting in Mexico and called for fragile states to figure prominently in the agenda.

The Expert Reference Group on External Financing for Development: Paris, 23-24 January 2014

7. The OECD DAC Expert Reference Group on External Financing for Development, comprising 16 senior development finance experts, met 23-24 January 2014 to discuss recommendations to the DAC on new ways to measure and monitor development finance. The meeting's agenda and documents can be found at on the OECD's External Financing for Development webpage.

8. With respect to modernisation of the Official Development Assistance (ODA) measure, the experts debated options outlined in document DCD/DAC(2014)3: *Options for Modernising the ODA Measure*. The paper outlines three main options. A combination of options 1 and 2 presented was preferred, with general support for the idea of measuring loan efforts in the form of grant equivalents. There was little support for option 3, i.e. shifting the measurement of ODA from a net to a gross disbursement basis.

9. ODA country eligibility was also discussed, against options outlined in a paper DCD/DAC(2014)4: *The Future of the DAC List of ODA Recipients*, including whether to lower the graduation threshold. Conclusions were that ODA eligibility would be best guided by a clear narrative as to ODA's purpose in a post-2015 world. In the present UN context, taking influential Middle Income Countries off the list could have significant political downsides and may also run against the anticipated inclusion of global public goods into a new and comprehensive narrative for sustainable development. Experts felt that a valid alternative to modifying the list would be for DAC members to agree to target more of their ODA towards Least Developed Countries (LDCs) and other countries in need. Experts also agreed that it would be worthwhile to investigate the use of criteria other than Gross National Income (GNI) per capita to determine eligibility; and whether the graduation process could be made faster while ensuring countries do not re-join the list after having graduated.

10. Concessional loans was also discussed, with experts expressing a preference for replacing the current method of a minimum 25% grant element, using a 10% discount rate, for calculating concessional loans by applying risk-adjusted rates. They also suggested moving to counting grant-equivalents of all concessional loans, rather than disbursements and repayments on qualifying loans, as at present. Such an approach would, by including risk in the calculation of concessional loans upfront, avoid the need to score debt forgiveness as ODA.

11. Experts also discussed issues and options for a proposed new measure of Total Official Support for Development. They stated that a clear narrative as to its purpose will be essential. The discussion focussed on how to capture efforts beyond ODA; including support for global public goods such as UN peacekeeping operations. Experts also debated how far to go with regard to recording private flows

mobilised through public efforts, while agreeing that remittances and tax concessions should not be included in a new measure of total official support for development.

12. A third and final meeting of the Expert Reference Group will be held towards the end of June 2014 at which time Experts will agree on a short list of strategic recommendations to DAC members.

DAC Network on Governance: Brussels, 28-30 January 2014

13. The 18th DAC Network on Governance (GovNet) Plenary Meeting, hosted by the European Commission, was held in Brussels on 29-30 January 2014. The Plenary Meeting was preceded by a Workshop on “Accountability and Media” on 28 January 2014. Fifty participants attended the meeting, including governance experts from donor and multilateral agencies, members of think-tanks, research centres and CSOs, experts on media issues and members from the OECD-DAC Secretariat.

14. The main objectives of the meeting were to share information and experiences on political approaches in development agencies, to learn more about governance measurement and results-based approaches, to discuss the GovNet study on results-based approaches in the governance sector, to learn more about and provide inputs to the GovNet on innovation, and to share information on how agencies are envisaging international processes such as the Global Partnership for Effective Development Co-operation and the post-2015 agenda.

15. During these meetings, GovNet members agreed on the Terms of Reference for the studies on “Results Based approaches on the governance sector” funded by the UK and “Innovation on public sector reforms” supported by Switzerland. The OECD Secretariat was requested to prepare 1) a summary of governance indicators that exist so far and an assessment or survey of indicators needed in the governance work of development agencies; and 2) a summary note on current initiatives and a menu of options on Political Economy Analysis (PEA) issues. The network also agreed on contributing to the ongoing international processes, such as the Global Partnership for Effective Development Co-operation and the post-2015 agenda, and networks, in particular the Effective Institutions Platform (EIP). It was decided to develop arguments around governance and post-2015 to be used in official and informal dialogues, rather than preparing an official OECD/GovNet position paper.

16. The next GovNet plenary meeting will be held during the fourth quarter of 2014, probably in Paris. It will include a discussion on a two-year work plan for the network and a thematic day on accountability (including media issues) at sector level, linked with service delivery.