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**2 February 2018****DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE****Summary Record of the 1033rd DAC meeting held on 29 September 2017**

The Draft Summary Record [DCD/DAC/M(2017)7/REV1] was approved under Item 2 of the Draft Annotated Agenda [DCD/DAC/A(2018)2] without modification at the 1st February 2018 DAC meeting and is now issued as FINAL. The Committee also agreed to declassify this final version.

Contact: Eric Bensel - Tel: +33 (0)1 45 24 76 52 - Email: [eric.bensel@oecd.org](mailto:eric.bensel@oecd.org)

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## *Summary Record of the 1033rd DAC meeting held on 29 September 2017*

### **Item 1. Welcome and Adoption of the Agenda**

1. The DAC Chair welcomed new DAC delegates from the European Union, Finland, France, Italy, Korea, Luxembourg, and Mexico. She also welcomed representatives from the key partners and accession countries, encouraging them to contribute to the day's discussions.
2. The chair then announced that the OECD Chief of Staff, G20 Sherpa and Special Counsellor to the Secretary General, Ms. Gabriela Ramos, was no longer available to present item 5 and that the Secretariat would therefore liaise with the Sherpa Office to reschedule the item for a future DAC meeting. The chair also proposed that item 7 on private sector instruments be moved up to a new item 4. The representative from the United Kingdom intervened to request the floor under Any Other Business to discuss Official Development Assistance (ODA) eligibility of islands devastated by hurricanes. The Committee accepted these changes and approved the agenda without further modification.

### **Item 2. Approval of Draft Summary Records**

3. The delegate from Australia asked the chair for details on follow-up to the recent visit from Gordon Brown (referenced in DCD/DAC/M(2017)3, paragraph 11). The chair responded that Mr. Brown's new education initiative is not DAC-driven but that the DAC has a seat on its governing board, which is shared by the DAC Chair's office and the DCD. When there is a reason to bring this work back to the DAC, they will do so. But issues will first be dealt with in the working group. The chair promised to include such details in a future issue of the DAC Chair newsletter.
4. The DAC then approved, without modification, the draft summary records from the 1026th DAC meeting held on 26 April 2017, the DAC Senior Level Meeting held on 14 June 2017, and the 1031st DAC meeting held on 10 July 2017. They further agreed to declassify the final versions of those three records.

### **Item 3. Briefing by the DCD Director and DAC Chair**

5. The DCD Director presented the latest developments from the perspective of the Secretariat. He highlighted recent missions conducted to New York and Brussels. In New York, he participated in a number of UN General Assembly high-level side events covering finance for the Sustainable Development Goals, the refugee crisis, and assistance for hurricane-affected small island states. In Brussels, he participated in a joint workshop between OECD and the African, Caribbean and Pacific Group of States (ACP) Secretariat. Countries were very keen to hear from the OECD on development finance topics.
6. The Director reminded the Committee that the updated Casebook on Conflict, Peace, and Security Activities was submitted for members' approval during the summer. The Secretariat received comments from three members and draft comments from a

fourth member. Most comments aimed at improving the description of cases and the rationale for assessing their ODA eligibility; the Secretariat will incorporate these changes in a final version of the casebook. However, two members also suggested more substantive corrections: for six cases (out of 54) assessed as non-eligible by the Secretariat, they proposed to change the assessment and categorise them as eligible. The Secretariat finds it difficult to change the assessment at this stage, as it was determined on the basis of the updated eligibility rules agreed in 2016, and the assessment was agreed in co-ordination with members concerned for each case (members who have provided the cases have agreed with the Secretariat assessment), and subsequently by a vast majority of the membership. The Secretariat's intention is therefore to discuss bilaterally the few pending cases with the two members who did not approve the casebook, better understand their concerns, and possibly adjust the presentation of the cases but without altering their assessment, as all other members agreed to it.

7. Several meetings of the DAC policy networks and hosted partnerships are scheduled between October and December 2017. These meetings will provide an opportunity to review the status of work under the PWB in policy areas, and discuss new issues of interest for the development agenda. These meetings include: ENVIRONET (19-20 October); the Global Partnership for Effective Development Co-operation Steering Committee (24-25 October, in Dhaka); GENDERNET (2-3 November); and INCAF (6-8 November).

8. As part of DAC private sector work, the Social Impact Investing (SII) initiative has advanced over the past several months. In July, the 5th OECD SII expert meeting was held back-to-back with the Global Impact Investment Steering Group Summit in Chicago. More than 70 industry experts participated and discussed progress on the data work stream. The expert meeting also included the launch of the SII policy work stream. The Secretariat is currently preparing a policy framework to assist governments in their efforts to facilitate SII in the context of private sector financing for the SDGs. This will be followed by a mapping exercise, to analyse existing SII policies in both developed and developing countries, with the aim of drawing lessons and recommendations on development co-operation. In partnership with the German Development Cooperation, the Secretariat is organising a workshop on “Financing Global Development - Policies to Promote Impact Investing” in Berlin, 22 November 2017.

9. The Director informed the DAC that Brazil has agreed to participate, as an observer, in the next peer review of Canada. This will be the first time that Brazil has observed a DAC peer review, which continues to be a successful way of bringing members and non-members of the DAC together to share knowledge and experience on managing development co-operation.

10. The Director then informed the Committee of the status of work and recent events on the Total Official Support for Sustainable Development (TOSSD) measurement framework outlined in the room document [DCD/DAC/RD(2017)11/RD1]. Members welcomed the document and encouraged the Secretariat to provide regular updates on TOSSD to the DAC. Australia and the US commented that they would wish to see an acceleration of the development of TOSSD and that the DAC should not wait until March 2018 to have a substantive discussion thereon; the EU requested that the DAC be informed ahead of UN meetings. Regarding engagement activities, the US welcomed continued discussions with all constituencies including CSOs and suggested further engagement with the private sector, potentially through the Global Partnership for Effective Development Co-operation. Australia also encouraged further socialisation of

TOSSD both in OECD countries and with other constituencies and noted that it will be important to report back on these activities to build ownership in DAC capitals. The Netherlands emphasised the importance of focusing on substance in engagement activities.

11. The Director thanked members for their support and confirmed that the Secretariat will schedule a discussion on TOSSD with the DAC before going to the UN. He highlighted the importance of carrying out developing country pilots in parallel with the TOSSD Task Force work to provide additional evidence. The Secretariat (Ms. Julia Benn) indicated that members can access all Task Force documents on the web<sup>1</sup>, in line with the commitment made in Addis to hold open, inclusive and transparent discussions on TOSSD. The DAC discussion could be scheduled after the 2nd or 3rd Task Force meeting.

12. The DAC Chair then intervened to present developments from her office, presenting a newsletter that she intends to issue regularly to keep the Committee informed of the latest activities. She mentioned her recent mission to New York for the UN General Assembly where she met with the President of ECOSOC and served on a panel to discuss DAC reform. She also participated in a summit organised by the World Economic Forum attended mainly by representatives from the private sector who expressed a strong commitment to work on SDG implementation.

13. In discussion, delegates asked about criteria for engagement with civil society. The chair highlighted that she and the director attended a meeting with civil society organisations on 14 September and that another consultation would be held on 10 October. Delegates asked that the full Committee be invited to the latter meeting.

#### **Item 4. DAC Reform**

14. DAC delegates were requested to share their comments on the DAC mandate and strategic vision following the decision of the 10 July 2017 DAC meeting, where members agreed to continue refining the vision and strategic priorities with a view to submit them to the October 2017 DAC High Level Meeting (HLM) for formal adoption. The Chair presented the strategic priorities in greater detail, in particular the action points.

15. Members agreed to put forth the documents on the mandate and strategic vision for final approval at the HLM. The Chair stated that the action points would be included as a working document as they are still undergoing changes. Members were invited to share additional comments on the action points, raised concerns around their budget implications on the PWB, and requested further clarification.

#### **Item 5. OECD Work in the G20 on Development**

16. This item was cancelled from this meeting's agenda and will be rescheduled for a future DAC meeting. See paragraph 2 above.

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<sup>1</sup> See <http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/tosssd-task-force.htm>

## Item 6. Refugees and Migration

17. The Director noted that following the DAC meeting on 10 July 2017, at which an agreement was not reached on proposed clarifications on in-donor refugee costs, the Secretariat had followed up with some members to determine their red lines with the aim of identifying possible solutions. He outlined the process for finalising the proposed clarifications prior to the HLM. The Secretariat will issue a revised proposal to members on 2 October, which will be discussed at an informal DAC meeting on 9 October, providing an opportunity for subsequent written approval in advance of the HLM.

18. The DAC Chair opened the floor for comments. Denmark, Greece, and the UK reiterated their positions on the need to include specific administrative costs in the list of ODA-eligible items. Austria also restated its position regarding the exclusion of costs for rejected asylum-seekers prior to the determination of status, while Finland and Ireland stated could not accept their inclusion. Austria noted that, while they do not question the need for transparency, they question the inclusion of a reporting requirement that focuses specifically on statistics for rejected asylum-seekers. The latter position was supported by the UK. Australia, Belgium, Ireland, the Netherlands, and the United States stressed the importance of transparency, noting that reporting separately on costs did not imply 'good' or 'bad' aid but was simply a reflection of choices made by individual donor countries. Australia and the United States noted that while full transparency to the public was preferable, they would be willing to support a provision that facilitated transparency to the Committee, not just to the Secretariat. The USA reminded members that significant efforts had been made to reach a compromise in the draft proposals and that re-opening discussions on a variety of topics could derail members' efforts to reach an agreement.

19. The DAC Chair took the opportunity to remind members that they should refrain from re-stating previous positions but rather focus on agreeing on a process for the way forward. Iceland confirmed that it remained open to negotiations. Finland noted that while they were unwilling to include costs of rejected asylum-seekers in their reporting, they remained willing to engage in further dialogue to reach a compromise. Italy emphasised its support for a process that would result in a viable solution for all members while Belgium voiced its concern about the expansion of in-donor costs and encouraged members to recall the exceptional nature of in-donor refugee costs during their negotiations. Austria, the Netherlands, and the Slovak Republic stated their support for a written procedure. Sweden encouraged members to reach agreement prior to the HLM or at the HLM and further advised that, if necessary, a compromise proposal reflecting all areas in which members have reached an agreement could be submitted (excluding specific issues on which members were unable to agree); Iceland supported this proposal. The Netherlands emphasised that it was important to have clarity about the final proposal to be put before the HLM and requested that the final document be shared in a timely manner as heads of delegations would require whole-of-government instructions in order to have a position prepared for the HLM.

20. The Secretariat thanked members for their endorsement and for providing a clear mandate to conclude this process in advance of the HLM. Members were reminded that trust is part of the process of consensus-building. It was noted that while the Secretariat had indeed worked bilaterally at different times with different members, all members had been engaged at various points and their positions fully taken into consideration during the course of the negotiations. The Secretariat noted that it was important to narrow the scope of the discussion and focus on the two issues at the centre of the dispute: rejected asylum-seekers and transparency. It was therefore clarified that these two issues would be

the main topics of discussion during the forthcoming informal meeting of the DAC (it was confirmed that the Temporary Working Group had completed its work and that discussions were now to be held at DAC level).

21. The Secretariat informed members that an updated copy of *Addressing Forced Displacement Through Development Planning And Assistance: Guidance For Policy-Makers and Practitioners* was available in hard copy form in the room. An electronic version of the guidance will be uploaded on O.N.E. and circulated to members on Monday 2 October for approval by written procedure in advance of the HLM.

## Item 7. Private Sector Instruments (PSI)

22. The Director introduced this item by noting that the Secretariat had issued document [DCD/DAC(2017)27] to inform members of the treatment that would be applied to PSI data in DAC statistics in case there was no agreement by the end of the year on the implementation details of the 2016 HLM principles. Such transparency on the treatment of PSI data in ODA was needed for the sake of budgetary predictability. He emphasised however that the document would only be valid in case of no agreement and was therefore not for discussion at this stage. For the time being, the Secretariat was totally committed to reach an agreement, and a process ahead of the HLM was proposed to that effect:

- A consultation meeting would be held on 4 October with a number of countries to focus on negotiations and discuss an alternative option for discount rates: Denmark, France, Germany, Japan, Norway, United Kingdom, United States. The representation should be at senior level, and selected countries should not only represent themselves but also consult with others and identify each other's limits.
- The full membership of the DAC would be consulted at a DAC informal meeting on 12 October.
- A written procedure would be launched ahead of the HLM.

23. The DAC Chair reiterated her and the Secretariat's commitment to reach agreement and urged members to focus on results. She highlighted that, in order to succeed, political will as well as members' engagement at high level in the outlined process were needed.

24. Several members found that there were unacceptable elements in the document (hybrid system for counting ODA, doing away with the consensus-based decision making, reverting to *status quo* which would have huge consequences for DFIs). For this reason, they requested the document to be withdrawn from O.N.E. (Austria, France, Korea, Norway, Poland, Sweden, and United Kingdom) or not to be used as a basis for discussion (Germany, Japan, Netherlands, New Zealand, Portugal, Slovak Republic, and Switzerland). By contrast, a few other members saw merit in the Secretariat's document: for Denmark, it could have been a way to take the PSI issue forward; for the United States, in case of no agreement, the treatment of PSI would have to revert to *status quo* and past figures would have to be revised which explained why many members were not accepting the Secretariat's document. The USA and Australia agreed that the consequences of not reaching an agreement would nevertheless need to be tackled at some stage.

25. Several members recalled their support for the proposal issued in July. Many urged for reaching agreement before the HLM. Members supported the process proposed to reach this objective, with Spain and the Slovak Republic expressing strong interest for participating in the consultation meeting on 4 October.

26. The Director noted the support for the proposed process and confirmed that Spain and the Slovak Republic would be able to participate in the consultation on 4 October. He also provided the reassurance that the revised proposal for discussion on this date would be drafted with the July proposal as the basis; discussions would focus on specific issues and on better understanding the reasons why a few members are not yet in a position to agree. As regards document [DCD/DAC(2017)27], he reiterated that it was not for decision but for information, and there was no reason to withdraw it. Noting members' disagreement with the document, he concluded that it would not be the basis for discussion in case there was no agreement. For the record, he also corrected perceptions in relation to section B: it was not moving away from a consensus-based decision making at DAC and was not proposing a hybrid system either.

#### **Item 8. Date of Effect of Graduation from ODA List**

27. As requested by the Committee in July, the Secretariat presented a paper describing possible consequences of changing the date of effect of decisions on the DAC List of ODA Recipients. It then invited the Committee to approve changing the date of effect so that decisions would no longer be retroactive.

28. With the exception of one member, there was broad support for the proposal to change the date of effect of decisions, on the basis that the advantages outweighed the possible negative consequence. While most members supported applying this change to the 2017 review of the List, one member suggested it should be adopted for a later review and also proposed more frequent reviews than the current triennial process. The United States initially opposed the proposal to change the date of effect, but then said it would revert to the Secretariat in the following days to state if it could support the proposal.

29. Several members emphasised their commitment to GNI as the sole criteria for graduation, but one member felt that per capita income should be complemented with other measures. Comments were also made on the need for greater transparency in the graduation process and on the desire for greater predictability around updates and revisions of World Bank per capita income data. The World Bank stated it would be happy to work with the OECD on issues related to the precision and revision of income data.

30. In response to comments and questions, the Secretariat confirmed that the current List, covering 2014, 2015 and 2016 would be extended another year to cover 2017 flows. The Secretariat also confirmed that if, during the interval between decisions on graduation and the date of effect of these decisions, any per capita GNI data for the last three years are revised downwards below the high income threshold for a country approved for graduation, the revised figures would be taken into account and the country would remain on the List until the next review. The Secretariat reminded members that today's discussion was about the date of effect while other issues related to the DAC List and graduation process would be taken up at a another date.

31. The Chair closed the discussion saying that the current decision was about the date of effect and not the whole graduation issue and concluded that members, with the exception of one who expressed reservations, had agreed with the proposal by the Secretariat, and the Secretariat would await the decision from this member.<sup>2</sup>

### **Item 9. Private Sector Work**

32. The Secretariat presented the draft blended finance principles that will be put forward for approval at the HLM. An overview of the consultation process undertaken, in particular in the three Senior Advisory Group meetings, was presented as well as other consultations. The Committee expressed appreciation for the development of the principles and affirmed that this would contribute to the DAC being at the forefront of this agenda.

33. The Secretariat also presented insights from a draft report ‘Making Blended Finance Work for the SDGs’ which builds on work discussed at the Informal DAC–AGID consultation on 19 October 2016. A number of members stressed their interest in this work and looked forward to the publication.

34. The Secretariat then presented a concept note on private sector work, including how synergies and linkages can be further developed in order to ensure a strong and mutually reinforcing set of outputs in this area. The Committee provided feedback and guidance on the path forward. Members commented that there was considerable cross-cutting work being undertaken and that any platform created should address this. Going forward there was the need for clarity on the ambition and resourcing.

### **Item 10. Draft Programme for High Level Meeting**

35. The DAC Chair opened the floor for comments on the draft agenda for the High Level Meeting [DCD/DAC(2017)31]. While there was overall agreement on the agenda, delegates raised concerns that the topics did not cover the core issues sufficiently. Delegates also raised concerns around the communication around the agenda topics to which one delegate proposed that a communications package be produced and circulated to delegations ahead of the meeting. This proposal enjoyed support from the rest of the Committee.

36. Non-members and observers raised concerns on how they could contribute during the HLM to which the Chair expressed interest in having them engage under all items. Delegates inquired about invitees and key speakers and requested clarifications on agenda items. Several delegations requested that the headlines be better aligned with the annotations and that issues such as the topics of countries in transition should be more prominent in the programme. The Chair concluded that a revised version of the agenda will be shared with DAC delegates ahead of the HLM.

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<sup>2</sup> The United States lifted its reservations on the proposal at the HLM end October, so that there was consensus to change the date of effect of decisions on graduation. It was agreed that this change to the date of effect would go into force for the decisions in the 2017 review.

### **Item 11. Election of DAC Vice-Chair**

37. In accordance with established practice, the Director chaired this session to elect a Vice-Chair. He reminded the Committee that on 13 July, he sent a letter to all DAC delegates to inform them that the EU delegate, Mr. Patrick Rabe, would be reassigned in his administration as of early September. In that same communication, he invited nominations to replace Mr. Rabe on the DAC Bureau as Vice-Chair, with a deadline of 6 September. By the 6 September deadline, the Secretariat had received a single nomination then issued a second letter to the DAC on 7 September, informing delegates of the one nomination and inviting the DAC to elect its new Vice-Chair on that basis. The Director then announced that the seat must be nominated and seconded by a peer from the DAC Membership. Germany intervened to nominate the representative from Canada, Mr. Darren Rogers. New Zealand seconded the motion. The DAC then approved this nomination by acclamation. The Director congratulated the Canadian representative for his election to the DAC Bureau and returned the floor to the DAC Chair.

### **Item 12. Any other business**

38. The UK delegate intervened to request an exceptional and time-limited waiver from the ODA rules for certain hurricane-affected states and territories in the Caribbean. She argued that ODA rules must be sufficiently flexible in the event of sudden, catastrophic shocks such as hurricanes to vulnerable economies. She asked that DAC members agree to a 36-month waiver on ODA rules for Anguilla, British Virgin Islands, and the Turks and Caicos Islands.

39. In response to the UK intervention, DAC members expressed caution about changing ODA criteria and questioned the possible consequences of such a decision. They affirmed the urgent need to help countries and territories affected by catastrophic shocks but felt that such responses need not always be counted as ODA. They requested greater detail from the UK on their proposal, in order to take an informed decision. The Secretariat confirmed that it was prepared to contribute to this discussion, should the Committee so desire, and the Chair confirmed that she had promised to the UK that this topic would be addressed at the HLM.