



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

DCD/DAC/EFF(2003)1
For Official Use

Working Party on Aid Effectiveness and Donor Practices

**Draft Mandate, draft work programme and proposed modalities
First Meeting 19-20 May 2003**

To be held on Monday 19 May at 10h00 and continuing until Tuesday 20 May at 18h00 at the Chateau de la Muette, Paris.

Contact: Ms. Stephanie Baile, Tel: 33(1) 45 24 90 30; E-mail: stephanie.baile@oecd.org

JT00143748

TABLE OF CONTENTS

| | | |
|------|--|---|
| I. | DRAFT MANDATE | 3 |
| II. | DRAFT WORK PROGRAMME..... | 3 |
| A. | Donor practices: harmonisation and alignment | 4 |
| a) | Implementing the Rome agenda on harmonisation and alignment..... | 4 |
| b) | Monitoring the PRS process..... | 4 |
| c) | Public financial management..... | 5 |
| d) | Procurement..... | 5 |
| B. | Aid untying | 6 |
| C. | Measuring and managing for results..... | 7 |
| III. | PROPOSED MODALITIES FOR ORGANISING THE WORK | 7 |
| A. | Guiding principles..... | 7 |
| B. | Organisation of the Working Party | 8 |
| a) | Officers and Bureau | 8 |
| b) | Meetings | 8 |
| c) | Support and funding | 8 |

DAC WORKING PARTY ON AID EFFECTIVENESS AND DONOR PRACTICES

DRAFT MANDATE , DRAFT WORK PROGRAMME AND PROPOSED MODALITIES

ISSUES FOR DISCUSSION

FIRST MEETING, 19-20 MAY 2003, OECD, PARIS

I. DRAFT MANDATE

1. The DAC Working Party on Aid Effectiveness and Donor Practices was established by the DAC in March 2003 for four years until December 2006 [DCD/DAC(2003)12/REV1]. Its creation was approved by the OECD Council on 24 April 2003 [C(2003)80]. Based on the broad terms of reference endorsed by Council, it is proposed to formulate its mandate as follows:

“The DAC Working Party on Aid Effectiveness and Donor Practices is set up in the context of the international consensus reached at Monterrey on the actions needed to promote a global partnership for development and accelerate progress towards the Millennium Development Goals. For DAC Members, this entails improving the content, management and delivery of development co-operation activities to ensure the highest development impact. As part of its mandate, the Working Party will focus on donor monitoring of harmonisation and the PRS process; follow-up on untying and procurement; aid allocation and instruments; and work on results monitoring and management.

There will be broad interaction with the DAC Network on Development Evaluation whose Chair is an ex-officio member of the Working Party. The Working Party should propose task force approaches as appropriate in responding to particular DAC tasking and/or decide to use informal task teams as a working method.”

II. DRAFT WORK PROGRAMME

2. Starting from the mandate set out above, the following priority areas and related outputs have been identified for discussion and approval by the Working Party on 19-20 May 2003 (see the Agenda [DCD/DAC/EFF/A(2003)1]). After reaching agreement on its overall work programme, the Working Party is expected to submit it to the DAC for general endorsement.

A. Donor practices: harmonisation and alignment

- Implementing the Rome agenda on harmonisation and alignment
- Monitoring the PRS process
- Public financial management
- Procurement

B. Aid untying

C. Measuring and managing for results

A. Donor practices: harmonisation and alignment

3. Several strands of work have been pulled together under the broad rubric of donor practices. For some of these areas, the proposed work programme takes into account activities agreed under existing or previous initiatives. The Working Party will consequently need to consider how best it can organise itself to deliver expected outputs in each of the following areas:

a) Implementing the Rome agenda on harmonisation and alignment

4. Work in this area will build on the Good Practice Papers on Harmonising Donor Practices for Effective Aid Delivery produced by the former DAC Task Force on Donor Practices (TFDP). It will focus on implementing the commitments made in the Rome Declaration on Harmonisation endorsed at the Rome High Level Forum on 24-25 February 2003. In this connection, it will also monitor alignment with poverty reduction strategies (PRS) as set out in the DAC Guidelines on Poverty Reduction, in particular efforts to align donor procedures and timetables with partner country systems and processes.

5. DAC Members recognise that there is a need to shift the focus from discussion of principles to actual implementation of harmonisation and alignment at country level. Achieving this will require a continued and strong commitment, at headquarters and in the field, to implement the Rome agenda. Priority will need to be given to ways of monitoring progress at the country level such as through reporting from a panel of interested partner countries. In pursuing this objective the Working Party may wish to focus its work on the following activities and products:

Proposed Outputs

- Support and monitor donor and partner countries' efforts to implement the Rome agenda (Dissemination of Good Practices Papers; country-level Action Plans on Harmonisation; self-reporting by donors on commitments made at Rome; Website).
- Elaborate a framework of key indicators on more effective delivery of aid (alignment/harmonisation).
- Explore how existing peer review mechanisms might be used or supplemented to help maintain peer pressure for implementing agreements made at Rome.
- Preparing a draft for a formal DAC Recommendation on the co-ordination and harmonisation of donor practices.

b) Monitoring the PRS process

6. DAC members are strongly committed to support country-led poverty reduction strategies (PRS), including through encouraging enhanced aid co-ordination, monitoring partnership in the PRS process, interacting with multilateral donors and exchanging good practice in the choice and use of aid instruments adapted to differing country contexts. Building on the *DAC Guidelines on Poverty Reduction* and the work of the DAC Network on Poverty Reduction (POVNET), the Working Party will need to identify its role in monitoring the PRS process. There are numerous institutions and agencies currently involved in assessing progress with PRS implementation including DAC Members, WB, IMF, UNDG, SPA, the Nordic PRSP initiative, the ECA/PRSP Learning Group, CDF pilots and evaluation work, the PRSP monitoring and Synthesis Project, PRS Watch, Eurodad and Eldis Aid Reporter. It will be important, therefore, to avoid duplication of effort.

Proposed outputs

- On a global level, initial work might focus on extracting and synthesising the findings of a variety of monitoring and evaluation exercises that are being undertaken by different development actors (see list above).
- There may be value also in monitoring the PRS process at the country level integrating it into work under a) above on reporting from a panel of partner countries.

c) Public financial management

7. Enhancing financial management in partner countries is critical for improved effectiveness and transparency in the use of public finances including aid funds. The objective of the Working Party in this area will be to help strengthen partner country capacities for effective public financial management. Building on the work accomplished by the TFDP Subgroup on Financial Management, the Working Party may wish to consider pursuing work in the following four areas.

Proposed outputs

- Identify and/or develop performance indicators for assessing public financial management, including interaction with similar international initiatives, bearing in mind the objective of elaborating agreed country-level action plans and follow-up activity.
- Develop accounting standards for development assistance in collaboration with IFAC-PSC.
- Co-ordinate with other harmonisation initiatives (MDBs, PEFA etc.).
- Explore the creation of a virtual network of accounting and finance professionals in development and shared learning programmes.

d) Procurement

8. The objective will be to assess progress in strengthening partner countries' procurement capacities and building procurement systems around which donors can harmonise their procedures. This will require assistance from donors in:

- Reinforcing partner country responsibility for managing aid-related procurement.
- Promoting local and regional procurement.
- Supporting efforts to harmonise and align donor procedures around strengthened procurement systems in partner countries.

9. Implementation of this component will be done through the process begun by the Joint DAC/World Bank Roundtable on Strengthening Procurement Capacities in Developing Countries held on 22-23 January 2003. The Roundtable, which brought together a network of procurement experts, agreed on the essential areas of activity and the key products to produce over the Roundtable process in 2003-2004. The business plan sets out the following main issues and outputs, mostly in the form of good practice papers.

Proposed Outputs

- *Mainstreaming procurement as a strategic aid management function* — a “benefits study” on the savings from good procurement and a communication strategy for mainstreaming procurement reform into national development strategies, as a core component of public financial management.
- *Standards and benchmarks to assess and monitor progress towards good local procurement systems* — a benchmarking framework and ways to implement and use it.
- *Procurement capacity building* — a strategy for capacity building efforts, including targeted efforts in specific areas.
- *Monitoring and evaluation* — a monitoring and evaluation framework and its associated indicators.

10. Progress reports on each of these work areas will be prepared for the next Roundtable provisionally scheduled for late 2003. Final products including guidance to donors and partner countries should be ready for the 2004 Roundtable. Work in this area will be carried out by the existing network of procurement experts involved in the Roundtable process. They will periodically report back to the Working Party in plenary meetings.

B. Aid untying

11. The Working Party will take over responsibility from the former DAC Working Party on the Financial Aspects of Development Assistance (WP/FA) for monitoring the implementation of the DAC Recommendation on Untying ODA to the Least Developed Countries and for preparing annual progress reports for the DAC. Over time, these reports will also:

- Assess the impact of the Recommendation on the volume, quality and dimensions of ODA flows.
- Review information on the awards of contracts.
- Evaluate progress in promoting a balanced effort-sharing among Members.

12. A comprehensive evaluation of the implementation and impact of the Recommendation will be conducted in 2009.

Proposed additional outputs

- Implement the built-in programme of work on issues such as food aid and improved statistical reporting and monitoring; provide inputs into the peer reviews of DAC Members’ development co-operation policies; and maintain and develop further the ‘untying’ website.
- Explore the scope for broadening the application of the Recommendation.
- Address issues raised in respect of the DAC disciplines on tied aid and continue, as appropriate, with periodic, informal joint sessions with the “Participants to the Arrangement on Officially Supported Export Credits” on matters relating to tied and untied aid.

C. Managing and measuring for results

13. The need to demonstrate results from donor funding is a fundamental challenge for donors and partners. A number of aid agencies have established systems for tracking the results of aid activities. However, these monitoring systems are in their early stages, and experience with them will have to be checked.

14. Work in this area would focus on issues of aid quality and results, (i) identifying measures that DAC Members are taking to support increased aid effectiveness, and (ii) monitoring process improvements. This will involve links between implementing quality assurance systems and standards, results based measures and aid allocation practices, taking into account partner country perspectives.

15. In the initial phases, work should build on the *DAC Development Partnership Forum on Managing for Development Results and Aid Effectiveness* (December 2002), the *DAC Expert Seminar on Aid Effectiveness and Selectivity* (March 2003), DCD work on linking ODA inputs to the MDGs as well as the monitoring and reporting work on donor harmonisation and alignment. It will carry forward the broader international discussion initiated at the *WB/OECD/MDB/UN Seminar on Better Measuring, Monitoring and Managing for Results* held in Washington in June 2002. The work will also build on the Peer Review synthesis reports and comparative studies on joint country assessments, aid management systems, and the use of outcome oriented indicators that will be produced in 2004. It will be closely linked to the relevant activities of the DAC Network on Development Evaluation

Proposed outputs

- An analysis of approaches to measuring development impact, also setting out attribution problems, to be done in conjunction with multilateral donors, in particular the UN system.
- A report on recommended indicators of effective aid.
- A review of Members' experience with results-based management approaches and with quality assurance systems leading to good practice papers.
- An analysis of links between ODA inputs and the MDGs.

16. There will be a need for setting of priorities and selectivity in objectives and outputs within this very broad area.

III. PROPOSED MODALITIES FOR ORGANISING THE WORK

A. Guiding principles

17. In pursuing its mandate the Working Party will be guided by the following principles:

- The focus of the Working Party will be primarily on facilitating the implementation of agreed policies and good practices and monitoring progress on the ground. The approach will be pragmatic and results oriented, taking full account of experiences, both successes and failures, and of the range of different contexts in partner countries.
- The Working Party will draw on relevant work undertaken by others — within or outside the DAC — avoiding duplication. Inputs are expected from the DAC Network on Development Evaluation, the Working Party on Statistics, and Paris 21.

- The Working Party recognises the value of collaborating with a broad range of development organisations as a means of fostering implementation of the aid effectiveness agenda and increasing collective impact. In this connection, the Working Party would invite participation from other relevant partners, including the Regional Development Banks, the UN Development Group, and the SPA.
- The Working Party will involve partner countries throughout the stages of its work in various ways as deemed efficient and effective. In doing so, it will interact with a representative panel of partner countries.
- Given the breadth of its mandate and the range of expertise required, the Working Party will mobilise as necessary relevant experts and resources from participating agencies. It will normally operate through task teams of interested participants to carry out components of the work programme. It has also been specifically provided by the DAC with the option to constitute more formal “Task Forces”.

B. Organisation of the Working Party

a) Officers and Bureau

18. The Working Party will elect a Chair and Vice-Chair(s) and nominate task team leaders as necessary to perform the work. These officers and others interested members would form the Bureau of the Working Party. The Chair of the Working Party will report to the DAC once a year at the meeting of the Subsidiary Body Chairs and represent the Working Party in other DAC subsidiary bodies as appropriate.

b) Meetings

19. The Working Party will convene normally three times in two years. It will establish task teams who will meet as often as Members deem necessary to carry out specific components of the work programme. Each task team will agree on specific outputs to be contributed to the Working Party.

c) Support and funding

20. The Working Party will receive support from the OECD Secretariat. In addition, it is critical that Members and other participants interested in specific aspects of the Work Programme take an active role in leading and implementing work in these areas. Voluntary contributions will be needed for strengthening current staff resources (e.g. consultants, project post, support staff); financing the participation of partner country representatives; organising meetings in the field; and funding Secretariat travel. While each area of work will require specific support, a high degree of fungibility will be necessary for the management of voluntary contributions.