



**DEVELOPMENT CO-OPERATION DIRECTORATE
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Working Party on Aid Effectiveness and Donor Practices

Draft Work Programme of the Joint Venture on Public Financial Management

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DRAFT WORK PROGRAMME OF THE JOINT VENTURE ON PUBLIC FINANCIAL MANAGEMENT

I. INTRODUCTION

1. In concluding its work, the financial management subgroup of the former DAC Task Force on Donor Practices, noted that there were a number of areas arising from its mandate that would require further work. The DAC Working Party on Aid Effectiveness and Donor Practices established the Joint Venture on Public Financial Management (JV-PFM) to address these areas as well as emerging areas that warrant attention. This document describes the activities planned by the Joint Venture and the organisation of its work.

II. OBJECTIVES

2. The objective of the Joint Venture is to support government-led efforts for improving management of public finances including accounting for the use of external resources. The purpose of the Joint Venture is not to decide on fundamental policy questions related to individual donor agencies' choice of modalities for supporting the development process in partner countries. Rather, the Joint Venture will look at the most appropriate practices where such modalities are applied.

3. The Joint Venture notes the importance of pro-active measures by the development community to strengthen the capacity of developing countries to manage public financial management, and will examine ways in which it might more effectively support partner country efforts in this regard.

4. In pursuing these objectives, the Joint Venture will not duplicate the work being undertaken by others (within or outside the DAC), but rather will foster and draw on this work as much as possible. In this connection the Joint Venture might provide a platform to discuss the results and proposals emerging from studies and initiatives undertaken by other organisations such as the MDB Financial Management Harmonisation working group, the SPA¹, PEFA², the OECD network of Budget Officials and the WP-EFF Task Team on Harmonisation and Alignment (Task Team).

III. SCOPE OF WORK

A. Monitoring commitments made at Rome

5. In common with all other areas discussed in Rome, there is a need to monitor progress with the commitments made in financial management. The Task Team is currently in the process of elaborating a concise set of indicators that demonstrate progress towards the commitments made at Rome which would include those in the area of financial management. Guidance and support will be provided to the Task Team on indicators that fall within the ambit of the Joint Venture.

B. Performance measurement

6. The DAC Good Practice Paper on *Measuring Performance in Public Financial Management* largely focused on diagnostic reports. It noted that an accepted set of performance measurement indicators

¹ Strategic Partnership with Africa.

² Public Expenditure and Financial Accountability programme.

to track progress over time is not yet in place. It there called on “donors [to] support work in the development of a robust performance measurement framework for public financial management.” The framework should build on elements that are already in place, ensuring that developing country conditions and voice are appropriately reflected. Where available, existing international standards, codes and approaches should guide the formulation of country specific performance targets.

7. In this connection, the PEFA programme is currently developing a performance measurement framework. The framework identifies a set of critical objectives of a public financial management system, and a standard set of high-level indicators to assess performance against those objectives. The Joint Venture will support and review this work as progress is being made with a view to coming to a broad agreement on a framework and set of indicators.

C. Predictability of aid flows

8. It has been agreed that aid flows need to be programmed in a way that is consistent with the partner countries’ budget cycle and that disbursements need to be made in accordance with an agreed framework. Major concerns for partner countries include the discrepancy between commitments and actual disbursements and the difficulty of obtaining donor commitments on a three year rolling basis. The challenge is to increase predictability taking account of, and attempting to relax, constraints on both the donor and partner country side.

9. The Joint Venture will elaborate a good practice note on how to improve overall predictability of aid flows by building on the DAC Good Practice Paper on *Framework for Donor Co-operation*. Guidance will cover: commitments, budgeting and the recording of expenditure.

10. It will also produce a good practice note on how donors can more effectively support partner country efforts to strengthen the performance of their public financial management institutions. This would include measures to improve integration of aid flows into partner country budgets and reduce “off budget” flows to ensure that Governments have a comprehensive picture of all the resources at their disposal and are able to make allocation decisions accordingly.

D. Budget support

11. Budget support has a number of features that make partner governments potentially more vulnerable to any lack of coherence in their provision. Some of the issues related to the provision of budget support were addressed in the DAC Good Practice Papers. Others are being examined by the SPA, the IMF and the World Bank, especially in the area of alignment of budget support behind PRS priorities and processes on the annual PRS reviews. In this connection, the Joint Venture will elaborate a Good Practice Paper on the financial management issues related to budget support.

12. In doing so, it will collaborate with the DAC Network on Development Evaluation which is undertaking a multi-donor evaluation of general budget support.

E. Accounting standards

13. The Chair of the former Task Force on Donor Practices (TFDP), on behalf of the DAC, and the Vice President and Controller of the World Bank, on behalf of the MDBs, submitted a joint request to the Public Sector Committee of the International Federation of Accountants (IFAC-PSC) to explore the preparation of an accounting standard for development assistance. IFAC-PSC then prepared an approach paper, which was discussed by the financial management working group. They have since commenced work on the preparation of the standard, which is planned to be finalised by the end of 2004.

14. The Joint Venture will engage in this process, and will decide on appropriate mechanisms for endorsing the final standard once they have been produced.

IV. WORKING MODALITIES

A. Membership

15. The Joint Venture is open to all Members of the DAC, as well as its regular observer organisations (World Bank, IMF, UNDP). In addition, the Joint Venture will invite participation from a range of development organisations including the Regional Development Banks and the SPA (Strategic Partnership with Africa). There will be broad interaction with other DAC bodies, especially with the DAC Network on Development Evaluation whose Chair is an ex-officio member of the Working Party. Other organisations may be invited as deemed desirable by the Joint Venture.

B. Interaction with Partner Countries

16. The Joint Venture will invite participation from the following developing countries:

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|---------------------|------------------|
| 1. Bangladesh. | 5. Senegal. |
| 2. Kyrgyz Republic. | 6. South-Africa. |
| 3. Morocco. | 7. Tanzania. |
| 4. Nicaragua. | 8. Vietnam. |

17. Representatives of these countries will be invited to participate in Joint Venture meetings. They will interact throughout the stages of the Joint Venture's work in various ways as deemed efficient and effective.

C. Time frame and reporting procedures

18. The Joint Venture will report to the DAC Working Party on Aid Effectiveness. The products emerging from the Joint Venture, in particular good practice notes, will be forwarded to the Working Party and where appropriate to the DAC before they are finalised and disseminated.

D. Support and finance

19. The Joint Venture will receive staff support from the OECD Secretariat. For work that needs to be commissioned, the Joint Venture will rely on its members for financing and taking responsibility for carrying out the agreed tasks.

E. Frequency and venue of Joint Venture meetings

20. The Joint Venture will convene as often as members deem necessary and feasible. In order to facilitate interaction with the Task Team on Harmonisation and Alignment the Joint Venture will, when appropriate, organise its meetings back-to-back. In principle the venue will be the OECD in Paris.