

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

Working Party on Aid Effectiveness and Donor Practices

JOINT VENTURE ON PUBLIC FINANCIAL MANAGEMENT

Draft Annotated Agenda of the First Meeting

To be held at the OECD in Paris on Wednesday 22 October 2003 from 9 am to 5 pm.

In concluding its work, the financial management sub-group of the former DAC Task Force on Donor Practices noted that there were a number of areas arising from its previous mandate that would require further work. It also indicated areas that might benefit from attention in the future. These include:

- 1. Monitoring commitments made at the Rome High-Level Forum on Harmonisation.*
- 2. Performance indicators in Public Financial Management.*
- 3. Predictability of aid flows.*
- 4. Integration of aid flows into government budgets.*
- 5. Issues associated with budget support.*
- 6. Accounting standards for development assistance.*

It is suggested that the new Joint-Venture on Public Financial Management -- a component of the Working Party on Aid Effectiveness -- might address these issues. The purpose of the first meeting is to come to an agreement on a work programme/outputs and a timeline for producing deliverables.

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JT00149907

DAC WORKING PARTY ON AID EFFECTIVENESS AND DONOR PRACTICES

JOINT VENTURE ON PUBLIC FINANCIAL MANAGEMENT

DRAFT ANNOTATED AGENDA OF THE FIRST MEETING

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WEDNESDAY 22 OCTOBER 2003

1. **Adoption of the agenda**
2. **Monitoring commitments made at Rome** DCD/DAC/EFF/M(2003)3/PROV (*)
DCD/DAC/EFF(2003)4(**)
3. **Performance indicators in Public Financial Management** Room Document 1
4. **Predictability of aid flows** Room Document 2
5. **Integration of aid flows into government budgets** Room Document 3
6. **Issues associated with budget support**
7. **Accounting standards for development assistance** Room Document 4
8. **Collaboration with the MDB Financial Management Working Group**
9. **Agreement of Joint-Venture work programme** Room Document 5
10. **Other business**

(*) Draft summary of the first meeting of the DAC Working Party on Aid Effectiveness and Donor Practices – includes the mandate and work proposals agreed at the meeting.

(**) Proposal for a framework of indicators on harmonisation and alignment

ANNOTATIONS

Item 1: Adoption of the agenda

1. Following adoption of the agenda, the Secretariat will brief participants on the recently created DAC Working Party on Aid Effectiveness and Donor Practices (WP-EFF).

Item 2: Monitoring commitments made at Rome

2. In common with all other areas discussed in Rome, there is a need to monitor progress with the commitments made in financial management. The WP-EFF Task Team on Harmonisation and Alignment of Donor Practices 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.

3. The Secretariat will inform members on progress underway in this area. A decision is needed on how the Joint-Venture might contribute to the work on indicators.

Item 3: Performance indicators in Public Financial Management

4. The DAC Good Practice Paper on *Measuring Performance in Public Financial Management*¹ largely focused on diagnostic reports. It noted that an accepted set of performance measurement indicators 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. There is considerable interest in this area of work within the World Bank, the IMF, and the Public Expenditure and Financial Accountability (PEFA) programme (www.pefa.org), and in collaborating with the DAC to take this work forward. A decision is now needed on how the Joint-Venture will engage in this process. A background paper will be made available in advance of the meeting.

Item 4: Predictability of aid flows

5. It has been agreed that transfers 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. Building on the Good Practice Paper on *Framework for Donor Co-operation*, further work could usefully be done in setting out more detailed good practice which would cover commitments, budgeting and the recording of expenditure. The IMF and the World Bank will make a short presentation on work already underway in this area as background information to assist the group in focusing the its discussions.

¹ See the OECD publication on Harmonising Donor Practices for Effective Aid Delivery.

Item 5: Integration of aid flows into government budgets

6. There are still wide differences between the volume of donor flows into a country and the volumes reflected in the budget. It is important to develop good practices which will seek to 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. The Joint Venture will consider the value of undertaking work in this area.

Item 6: Issues associated with budget support

7. Discussion on this topic will focus on the additional work required to reach an agreement on the financial management issues addressed in the context of budget support. In doing so, it would also take into account work already underway in the Task Team on Harmonisation and Alignment and other fora such as the Strategic Partnership with Africa (SPA). Members might want to consider how this topic might be addressed effectively without duplication of work.

Item 7: Accounting Standard for Development Assistance

8. 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. There is a need for a decision on how the Joint-Venture will engage in this process, and whether and how the final standard would be endorsed by members. A progress report will be available for distribution in advance of the meeting.

Item 8: Collaboration with the MDB Financial Management Working Group

9. One of the strengths of the TFDP financial management sub-group was how it worked together with the equivalent MDB group. The MDB group is re-focusing its efforts to go forward with implementation at the country level. It is open to a continuing working relationship with the WP-EFF. An issue for discussion, therefore, is how to re-define and give effect to this relationship. Participants will receive a report from the meeting of the MDBs to be held in Manila on 14-15 October.

Item 9: Agreement on Joint Venture Work Programme

10. This session will bring together the main conclusions from the preceding agenda items in the form of specific agreements as to the outputs to be produced by the Joint-Venture, the timeline for doing so, and responsibility and budget for each task.

Item 10: Other business