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

**DCD/DAC/EFF/A(2004)3  
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**Working Party on Aid Effectiveness and Donor Practices**

**DRAFT ANNOTATED AGENDA FOR THE SECOND MEETING OF THE JOINT VENTURE ON  
PUBLIC FINANCIAL MANAGEMENT**

**To be held on 25 February 2004 (15h00 — 18h00) and 26 February (9h00 — 18h00) at the OECD, Paris.**

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**DAC WORKING PARTY ON AID EFFECTIVENESS AND DONOR PRACTICES**

**JOINT VENTURE ON PUBLIC FINANCIAL MANAGEMENT**

**DRAFT ANNOTATED AGENDA OF THE SECOND MEETING**

To be held on 25 February 2004 (15h00 — 18h00) and 26 February (9h30 — 18h00) at the OECD, Paris.

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|---|---|
| <b>1. ADOPTION OF THE AGENDA AND SUMMARY OF LAST MEETING</b>    | DCD/DAC/EFF/A(2004)3<br>DCD/DAC/EFF/M(2003)5/PROV |
| <b>2. MONITORING COMMITMENTS MADE AT ROME</b>                   | Room Document No 1                                |
| <b>3. PERFORMANCE INDICATORS IN PUBLIC FINANCIAL MANAGEMENT</b> | Room Document No 2                                |
| <b>4. PREDICTABILITY OF AID FLOWS</b>                           | Room Document No 3<br>Room Document No 4          |
| <b>5. BUDGET SUPPORT</b>  | Room Document No 5                                |
| <b>6. ACCOUNTING STANDARDS OF DEVELOPMENT ASSISTANCE</b>        | Room Document No 6                                |
| <b>7. LINKS WITH OTHER PROCESSES</b>                            |   |
| <b>8. OTHER BUSINESS AND NEXT STEPS</b>                         |   |

## ANNOTATIONS

### **Item 1: Adoption of the agenda and summary of the last meeting**

1. Members will be invited to adopt the agenda [DCD/DAC/EFF/A(2004)3] and the summary of the last meeting held on 23 October 2003 [DCD/DAC/EFF/M(2003)5/PROV].

### **Item 2: Monitoring commitments made at Rome**

2. A framework of indicators on progress in harmonisation and alignment is currently being developed jointly by the Task Team on Harmonisation and Alignment (TT-HA) and the Joint Venture on Public Financial Management (JV-PFM). This has led to the elaboration of a three part questionnaire designed to capture progress on the harmonisation and alignment agenda (**Room Document 1**).

3. The Secretariat will inform members on progress underway in this area and will invite members' guidance more specifically on indicators of public financial management. This includes:

- *Indicator 6* — Development assistance is programmed and disbursed in accordance with partner country's budget cycle (See Parts 1, 2 and 3 of the questionnaire).
- *Indicators 7A & 7B*— Donors rely on a) supreme audit institutions to audit donor funds and b) partner country procurement systems (See Part 2 of the questionnaire).
- *Indicator 12* — Number of financial reports partner governments prepare solely for donors (See Part 1 and 2 of the questionnaire).
- *Indicator 13A* — Donors disclose information on planned and actual disbursements (See Part 1 and 2 of the questionnaire).

4. Members' contributions would be particularly helpful in achieving the following three objectives. The first is to help identify objective criteria that reflect progress in a specific area. For example, what does it mean for a donor to disburse its aid in accordance with partner country's budget cycle? What questions would be most effective in establishing a measure of this? The second is to improve wording of questions and indicators so that they are clear and elicit useful and reliable information. The third is to help establish appropriate definitions when required (e.g. definition of financial reports prepared solely for donors).

5. In addition, Members will be invited to suggest how Indicator 3 ("Partner Country reform their systems and procedures and adopt international principles and good practices") might make use of PEFA's framework of indicators on public financial management to capture progress in this area.

### **Item 3: Performance indicators in Public Financial Management**

6. At the last meeting, Nicola Smithers, Head of the Public Expenditure and Financial Accountability programme secretariat (PEFA), presented their work on a framework for measuring performance of public financial management systems. The framework identifies critical objectives of a PFM system and a standard set of high-level indicators to assess performance against those objectives.

7. Nicola Smithers will present progress accomplished in this area by PEFA, and an overview of the broader approach for strengthening diagnosis and reform of PFM (**Room Document 2**). Members will be invited to provide comments on the presentation and a revised set of performance indicators.

8. **Please note:** A special session on the indicators of PFM, and the related work that has been done on the development of an integrated, standardised assessment of PFM, will be organised at the OECD on Friday 27 February in the morning from 9h00 to 13h00. This will provide an opportunity for PEFA to inform Members in more detail of work that it has undertaken in this field.

#### **Item 4: Predictability of aid flows**

9. At the last meeting, it was agreed that the Joint Venture would elaborate two good practice notes. The first would deal with improving overall predictability of aid flows by building on the DAC Good Practice Paper on Framework for Donor Co-operation. Guidance would cover: commitments, budgeting and recording of expenditure. To this end, the UK (DFID) —who volunteered to play a key role in this area— has asked Crown Agents to identify the good practice principles that underpin aid flows. The results of this study will be presented at the meeting (**Room Document 3**).

10. The second good practice note should focus on how donors can more effectively support partner country efforts to strengthen the performance of their PFM 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.

11. The UK will be presenting a scoping note that covers both strands of work (**Room Document 4**). Members will be invited to provide comments on the note and guidance on how the work should be taken forward.

#### **Item 5: Budget Support.**

12. At the last meeting, it was agreed that the Joint Venture would elaborate a Good Practice Paper on the financial management issues related to the provision of budget support. In this connection, the European Commission (EC) volunteered to take the lead on the good practice paper in close coordination with the World Bank and the IMF.

13. The EC will be presenting a brief scoping note on work that is envisaged in this area (**Room Document 5**). Members will be invited to provide comments on the scoping note and guidance on how the work should be taken forward.

#### **Item 6: Accounting Standards.**

14. The Public Sector Committee of the International Federation of Accountants (IFAC-PSC) has commenced work on the preparation of an accounting standard for development assistance. Paul Birmingham will be updating members on progress accomplished in this area (**Room Document 6**). Members will be invited to comment on the status of the work to date, the process of involving donors and partner countries in setting the standard, and guidance to the DAC representative on the Project Advisory Panel.

#### **Item 7: Links with other processes**

15. The Joint Venture will be addressing some important linkages with other processes.

#### **Item 8: Other business and next steps**

16. The Joint Venture will be addressing important issues not covered under other agenda items. It will also decide on appropriate next steps that will support advancement of its work programme.