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

#### DRAFT SUMMARY OF THE FIFTH MEETING OF THE JOINT VENTURE ON PUBLIC FINANCIAL MANAGEMENT

Held in Paris on 2-3 February 2006

*This draft summary is submitted FOR APPROVAL to the Joint Venture on Public Financial Management on 29 June 2006.*

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**TABLE OF CONTENTS**

Adoption of the agenda & summary record .....	3
Monitoring adoption of the harmonised PFM performance measurement frameworks .....	3
Accounting standards on external assistance (IPSAS ED 24).....	4
Good practice in PFM reforms .....	4
Joint training in PFM and sharing information on training.....	4
Guidance on Paris indicators.....	5
Next steps and other business.....	5
Annex: List of Participants.....	6

**JOINT VENTURE ON PUBLIC FINANCIAL MANAGEMENT**  
**KEY ACTION POINTS AGREED AT THE FIFTH MEETING**

**Adoption of the agenda & summary record**

1. The Co-Chairs (Gilles Hervio and Omowunmi Ladipo) welcomed participants to the fifth meeting of the Joint Venture on Public Financial Management. Members adopted the agenda of the current meeting and the summary of the last meeting.

**Monitoring adoption of the harmonised PFM performance measurement frameworks**

2. The PEFA<sup>1</sup> Secretariat (Frans Ronsholt) made a presentation on the PEFA programme and the review that is underway in the implementation of the PEFA performance measurement framework at country level. Following this presentation, members were invited to examine how best to strengthen the JV relationship with PEFA in order to:

- Monitor and support the adoption of harmonised performance assessment frameworks for public financial management systems, notably the Public Financial Management Performance Measurement Framework developed by the PEFA programme.
- Collaborate in connection with: (i) Paris Indicators: approaches to shifting indicators 2 from being anchored in CPIA ratings to those based on PEFA assessments; and (ii) PFM Reforms: collaborating in conducting studies and collecting of lessons learned and developing good practices based on experiences that are emerging as result of the application of harmonised performance assessment frameworks.

3. Following the ensuing discussion the Chair noted that there might be a need for a more in-depth discussion on some of the technical issues related to the PEFA performance measurement framework and how it is conducted at country level. It was agreed that ahead of the next JV-PFM meeting a day would be devoted to addressing these technical issues.

4. The second key question was how donors might provide feedback on the PEFA programme. To this end, it was agreed that **Denmark** would coordinate and collate the feedback JV members would provide to the PEFA Secretariat as input to the monitoring and review process. Specific interest on this topic was expressed by **Sweden, Norway, Netherlands, France & Japan**.

5. It was agreed that there would be real benefit in the PEFA Secretariat making available on its Website information (e.g. links, contact details, list of countries) on where finalised reports on PEFA country assessments are currently publicly available.

6. In response to questions on the linkages with the Joint Venture on Procurement, the Secretariat (Micheal Lawrance) updated members on work underway and focusing more specifically on the indicators being developed to measure performance of the countries' procurement systems. It was suggested that at the next meeting of JV-PFM an agenda item would be devoted to this issue.

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<sup>1</sup> Public Expenditure and Financial Accountability Programme (PEFA).

### **Accounting standards on external assistance (IPSAS ED 24)**

7. The Chair reminded members that following an initiative taken by the JV-PFM and the Multilateral Development Banks (MDBs) the IPSAS Board had elaborated an exposure draft (ED 24) on accountings standards for recipients of external assistance. The ED had been presented at the last meeting of the JV in November 2004 and it had been agreed that there would be benefit in field testing the ED. Following this brief introduction, the Chairman of the IPSAS Board, Philippe Adh mar, provided more information on the ED and the process leading to its elaboration.

8. While there was broad support for the initiative and its field testing, members generally thought these standards were very complex and expressed concerns about the cost of compliance. It was also suggested that there would be value in merging two standards: the standards on cash basis and the standards on external assistance.

9. The JV agreed to establish a technical sub-group including two multilateral development banks (**African Development Bank & IADB**), two bilaterals (**Canada & Sweden**) and two partner countries (to be suggested by the Co-Chairs). The group's task would be to propose to the JV a position on the standard (including a set of specific amendments) to be agreed upon and delivered to the IPSASB.

### **Good practice in PFM reforms<sup>2</sup>**

10. The Chair introduced this topic by stressing the importance and the complexity of introducing reforms in public financial management. Members were reminded that the JV had already elaborated a good practice paper on capacity development in PFM and the PEFA strengthened approach.

11. The importance of this topic was emphasised by most members and interest in contributing to this agenda was specifically expressed by the **African Development Bank, Sweden, Denmark, Canada, Japan, Belgium, UNDP, UK (on stock-taking) and Germany**. In concluding this agenda item the chair noted the importance of being simple, pragmatic and taking non-prescriptive approaches in moving this agenda forward. It was suggested that one way of taking this agenda forward would be examine the scope of application of the already agreed good practice in PFM in order to have a better understanding of why it has, or has not, been implemented. The Chair also signalled the importance of consulting partner countries and suggested that there might be value in hosting a future JV session (or a dedicated technical workshop) in a partner country.

12. Members were invited to send specific proposals by 4 March 2006 as well as suggestions concerning partner country cases (and officials to be contacted). On these bases, the Chairs would submit to the JV an inclusive and specific working proposal.

### **Joint training in PFM and sharing information on training**

13. The Netherlands (Henk van Trigt) introduced the agenda on joint training and sharing information on training. In response to this, the OECD Secretariat agreed to establish a dedicated website for the JV-PFM in order to share information on training initiatives and events. **The Netherlands** would take leading responsibility for this task with the active participation of the **World Bank** (liaising with the World Bank Institute) and the **IMF** (liaising with the IMF Institute).

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<sup>2</sup> Good Practice in PFM reform and sharing information on training were covered under the same agenda item at the meeting on 2-3 February. For the sake of clarity, this summary covers them under two separate headings.

### **Guidance on Paris indicators**

14. The OECD Secretariat briefed members on on-going work the aid effectiveness indicators agreed in Paris. Members' guidance was invited on four of the indicators (Indicators 2a, 3, 5 & 7) that have special relevance for the Joint Venture.

15. On Indicator 2a (Quality of Country PFM systems) and the linkage between the CPIA ratings (CPIA rating 13) and the PEFA framework, the Chair noted that currently PEFA did not provide a feasible alternative to CPIA ratings. However, there was a general agreement on the need to look at the possibility of using the PEFA framework at some future stage. On Indicator 3 (aid on budget) it was suggested establishing the indicator on the basis of actual disbursements rather than on planned disbursements. On Indicator 5a<sup>i</sup> (use of country systems — % of aid) it was agreed that in an effort to simplify the methodology the disaggregation would not be based on funding modalities (budget support, sector support or project support). Relative thresholds should be adopted and a descriptive table should be used for the purpose of Indicator 5a<sup>ii</sup>.

16. Members were invited to send additional comment or proposals to the OECD Secretariat by 4 March. These comments would inform final version of the framework to be released on 2 May 2006.

### **Next steps and other business**

17. It was agreed that the co-chairs would seek expressions of interest from a group of potentially interested PFM experts from partner countries. The next meeting of the JV would be scheduled at the end of June.

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