

**For Official Use**

**DCD/DIR(2000)11**



Organisation de Coopération et de Développement Economiques  
Organisation for Economic Co-operation and Development

**OLIS : 31-May-2000**  
**Dist. : 02-Jun-2000**

PARIS

**DEVELOPMENT CO-OPERATION DIRECTORATE**

**Or. Eng.**

**DCD/DIR(2000)11**  
**For Official Use**

**ARCHITECTURE OF DAC SUBSIDIARY BODIES: NOTE ON OUTSTANDING ISSUES**

**92053**

Document complet disponible sur OLIS dans son format d'origine  
Complete document available on OLIS in its original format

**Or. Eng.**

DIRECTION DE LA COOPERATION POUR LE DEVELOPPEMENT  
DEVELOPMENT CO-OPERATION DIRECTORATELe Directeur  
The Director

DCD/DIR(2000)11

31 May 2000

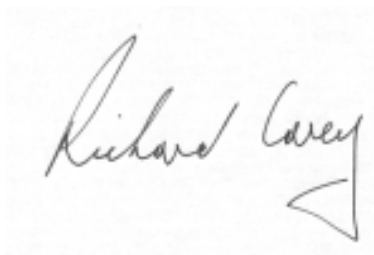
To the Heads of Delegations represented  
on the Development Assistance Committee

Madam, Sir,

**Architecture of DAC Subsidiary Bodies: Note on Outstanding Issues**

Further to the meetings of the DAC on 29-February-1 March and 10-11 April 2000, please find attached a note on the remaining outstanding issues with respect to the future architecture of DAC subsidiary bodies. This note is scheduled for discussion at the DAC meeting on 20 June 2000 under agenda item 3 on the draft Programme of Work and Budget for 2001-2002.

Yours sincerely,

Richard Carey  
Acting Director

## ARCHITECTURE OF DAC SUBSIDIARY BODIES

### NOTE ON OUTSTANDING ISSUES

#### Introduction

1. At the DAC meeting on 10-11 April 2000 the Committee discussed the follow-up to the review of DAC subsidiary bodies' mandates and architecture. Some important decisions on mandates and principles were taken, including the decision to hold an annual meeting of Chairs of DAC subsidiary bodies. Some matters were left open pending further consideration, namely arrangements in the following areas:

- Poverty reduction.
- Conflict, peace and development co-operation.
- Institutional and capacity development and participatory development and good governance.
- Implementing partnership principles.

2. The following proposals are put forward for consideration by the Committee.

#### *(i) Poverty reduction*

3. The discussions at the DAC meetings of February and April, as at the Senior Level and High Level Meetings, have reaffirmed the continuing importance of the work of the Poverty Network (POVNET). It is precisely because of this importance that there has been considerable discussion and reflection as to how best to structure this ongoing work. One issue has been the scope of the agenda to be covered by the poverty reduction group. Another has been whether it should be a formal Working Party or continue as an Informal Network. Finally, there is the question of the length of the mandates.

#### *Scope*

4. The question has been whether the poverty reduction group should take on, via specialised sub-groups, work programs on strategic development themes, in particular those relating to participatory development and good governance (PD/GG) and institutional and capacity building (I/CB).

5. This note proposes that the POVNET continue as at present, with new but separate arrangements for work in the governance and capacity development areas (see below), for the following reasons:

- The work program of the POVNET, without taking on additional areas, is already ambitious.

- A broad mandate for the POVNET would imply an overall co-ordinating function that a number of DAC Members felt should be the role of the DAC itself, strengthened by the annual meeting of the subsidiary body chairs.
- The participation of senior experts from Members and observers in work on PD/GG and I/CB would be at risk with another layer between them and the DAC.
- PD/GG and I/CD topics go beyond poverty *per se*, embracing areas such as corruption.

6. The POVNET's work program is set out in the DAC's Programme of Work and Budget 2001-2002 [(DCD/DAC(2000)8/REV2)]. Consistent with the discussions at the February and April meetings, it is proposed that:

- The POVNET and other relevant subsidiary bodies -- not limited to those just mentioned -- would be asked to co-ordinate their activities closely.
- Poverty should be a key organising theme for the annual DAC meeting with chairs of DAC subsidiary bodies. This would also help to promote the co-ordination of work relating to poverty across subsidiary bodies.

#### *Formal versus Informal*

7. It is proposed that the POVNET continue as an Informal Network through the HLM of 2001, with a recommendation to be made at that time as to whether the group should become a Working Party. The POVNET Chair and other members have made a convincing argument that its current structure increases productivity by tapping into an NGO-like enthusiasm and breadth and depth of participation at the technical and policy level among Members and observers, while still maintaining consistent and high-quality standards.

#### *Mandate*

8. There is basic agreement that the poverty issue will be one where it is important to have an interchange of policy and best practice among Members and observers over at least the next several years. The time horizon of the POVNET should be seen in this light, and should it become a Working Party, its mandate should run until end-2004 as for other Working Parties. In either case, there would be an important signal of certainty in the DAC commitment to exchange of policy and best practice on poverty as the Guidelines are implemented.

#### **(ii) *Conflict, peace and development co-operation***

9. By December 2000 the Informal Task Force on Conflict, Peace and Development Co-operation (CPDC) will have completed its task of extending the DAC Guidelines on CPDC. The main focus of the expected output, an Addendum to the DAC Guidelines, will be conflict prevention, security sector reform and the role of development co-operation incentives and disincentives in conflict situations and conflict-prone areas.

10. Building on the recommendations made at the 29 February-1 March meeting of the DAC, the Secretariat has facilitated an ongoing process of consultation with Members of the CPDC Task Force to determine whether there is sufficient value-added to justify the group's continuation, as well as to define

the possible components of a new mandate on conflict issues. (The Secretariat will report on any additional results of these consultations at the 20 June meeting.)

11. General support from Members and observers has been expressed for the work of the group, as an Informal Network with a clear mandate focused on policy issues of high priority and salience. Support is evident for a work programme consisting of four interrelated components:

- ***Dissemination and testing of the DAC Guidelines and Addendum***
- ***Conflict prevention and peace building.*** This component aims at contributing to best practice in assistance in conflict prevention, response to outbreaks of violence, and peace building. It would *inter alia* address the issue of the “gap” between humanitarian assistance and development assistance.
- ***Conflict-prone countries and strategic development challenges/ co-operation frameworks.*** The recent High Level Meeting stressed that further work is needed on how best to address development challenges in “poor performing countries”. Within this broader mandate, the Network would focus on conflict-prone states, taking account of regional dimensions as well, and possible new sources of conflict. The Network would contribute to the organisation in Spring 2001 of a proposed DAC seminar on “poor performers”, and to the drafting of a possible HLM policy statement on approaches to strategic development challenges/co-operation frameworks in such countries.
- ***Conflict, corruption and policy coherence.*** The new mandate would also deal with governance-related issues in conflict situations, notably those involving corruption and illegal transactions. Policy coherence issues for OECD countries would be identified (*e.g.* in the areas of investment, trade, financial and anti-corruption policies of OECD countries).

12. The Network would work closely with relevant OECD and other groups, further developing the Task Force’s role and reputation as a unique forum for the development co-operation community on conflict-related issues. In particular, the Network would:

- Exploit opportunities for synergy with the Conflict Prevention and Peace-building (CPR) Network.
  - The CPR Network participation overlaps with but is broader than the CPDC Network membership, notably involving NGOs. CPDC participants felt that the two networks should remain separate, with the CPR Network focusing on operational issues and CPDC on policy issues. However, close collaboration -- including “back-to-back” meetings -- can provide synergies on substance, cost, and ownership.
- Collaborate with DAC work on governance and capacity building (see below), particularly in the areas of governance and corruption, but also in institutional strengthening.

**(iii) *Participatory development/good governance and institutional/capacity development***

13. Participatory development/good governance and capacity building are increasingly recognised to be at the heart of development and poverty reduction. The DAC has been undertaking important work in these areas for the last decade.

14. Brainstorming meetings between some members of the I/CD Network and the Secretariat were held on the occasion of the Maastricht Working Conference on Anti-Corruption in late April. The results of this consultation led to the circulation of a draft proposal to merge the members of the PD/GG and I/CD Networks (see Annex 2). Initial reactions to the proposal have been positive. As in the case of the CDPC, the Secretariat will report on any additional reactions at the June 20 meeting.

15. The proposal also presents a short list of topics that had commanded strong support in the consultations and asks participants to work to narrow the list further and define a time-bound work program. Topics that attracted strongest support included corruption, human rights and democracy, public sector reform, institutional and governance aspects of country-level development frameworks and sector-wide approaches (SWAPs), and the implications for good governance of globalisation. The Network would collaborate closely with the Strategic Partnership for Africa (SPA) and relevant DAC (and other OECD) subsidiary bodies.

*(iv) Implementation of partnership principles*

16. In the Statement on *Partnership for Poverty Reduction: From Commitment to Implementation*, participants at the DAC High Level Meeting called upon the DAC to consider the guidance needed to implement the partnership agenda. In this connection they recognised the need for further efforts to facilitate the public management tasks of partner countries. This should include work -- together with the UN and the Multilateral Development Banks -- towards simplification and, where relevant and possible, harmonisation of donor procedures.

17. As can be seen in Annex 1, a considerable amount of work is already in train in the development co-operation system on the range of issues involved. What is needed, however, is a forum designed to:

- Draw together the analysis and results of this work.
- Work on the issues involved for bilateral agencies.
- Produce an agreed and consistent set of guidance for DAC Members.

18. It is therefore proposed that this topic be a major item on the DAC agenda, with special attention and supervision by the Senior Level Meeting. It is proposed that an *ad hoc* DAC meeting be held in October, bringing together DAC Members and others who are actively involved in the work described in Annex 1, to prepare terms of reference and a work programme for a Task Force, with a two-year mandate, for submission to the Senior Level Meeting in December. The decision to establish the Task Force could be made definitively at the SLM.

19. The Task Force would be established at a policy level, with participation from capitals and international institutions, mobilising as necessary relevant experts (including from financial and auditing departments of DAC Members' aid agencies). The Task Force should include representatives of the World Bank (including the SPA unit) and UN system who are actively engaged in this agenda. There would be close collaboration also with the Club du Sahel, which has a major project underway on the reform of aid management. Interaction with developing country aid managers, and country-level reform pilots would be particularly important.

## Annex 1

### Ongoing or Planned Work in the Area of Harmonisation of Donor Procedures

#### *Multilateral Development Banks*

The 1996 Task Force Report on Multilateral Development Bank (MDBs) ("*Serving a Changing World*") urged MDBs to co-ordinate across a broad front, including operational policies and procedures. Partly in response, MDBs formed *inter alia* six thematic working groups -- on procurement, evaluation, environment, governance/corruption/capacity building, the financial sector, and private infrastructure -- to explore the scope for harmonisation. The Procurement Group has made the most significant progress so far. It has reached agreement on a Master Bidding Document for goods for use by all MDBs. This document will cover about 70 per cent of all contracts that use MDB financing.

In June 1999 several MDBs, UNDG and OECD/DAC began a parallel Roundtable that complements the work of the thematic working groups. While the participants in the thematic groups are subject matter specialists, participants in this exercise are officials with corporate responsibility for designing, implementing, monitoring and evaluating their institution's overall policy and strategy framework. The intent is to encourage upstream dialogue on these overall frameworks in their broader corporate contexts; identify ways in which policies, practices and strategies facilitate or impede donor collaboration in supporting country level and regional development; and explore options (including harmonisation) for eliminating such impediments.

As a first step, participants agreed they should become familiar with each other's policy and strategy framework and thus shared information on the institutional context, formulation process, coverage, corporate role, style, communication, monitoring and evaluation, and current issues in their operational policies, as well as on country strategies. A consultant has been engaged in documenting substantive similarities and difference in the content and application of individual policies of the MDBs. A similar exercise will be conducted for country strategies.

#### *United Nations*

One of the focus areas for the substantive session of the ECOSOC for the year 2000 will be the issue of simplification and harmonisation of procedures adopted by the UN system in its operational activities for development. The UN Secretary-General will submit a progress report to the ECOSOC with recommendations on how to pursue this matter. A draft of this report (E/2000/46 - 23 May 2000) is available on the UN web-site.

The Report concludes that progress by the UN system to simplify and harmonise programming and administrative procedures is still inadequate, but that new steps are being taken by UNDG. For example, UNDG has recently stressed the relation between harmonisation of programme cycles and CCA and UNDAF as instruments to harmonise programming at the country level. The report also mentions that budgetary, accounting, auditing and general financial practices represent an area where further steps might be explored to achieve cost reduction and higher productivity. Other areas of ongoing or planned work include reporting requirements; decentralisation and delegation of authority to the field; common formats for project design; procurement; personnel management practices.

### ***Strategic Partnership with Africa (SPA)***

The former Special Programme of Assistance to Sub-Saharan Africa -- renamed in 1999 the Strategic Partnership for Africa -- has always worked at improving donor instruments and procedures. In the document outlining the objectives and work programme for SPA-5, it is recognised that certain changes in donor practices and aid procedures could facilitate the use of a fiscal framework and add value to it and therefore to aid effectiveness. Good progress in this area would entail that the timing of aid announcements and disbursement is aligned with the national budget cycle. Timely reporting of aid flows in a transparent manner would help improve the upstream reporting of public expenditures and ensure that aid flows are adequately reflected in the budget (on an *ex ante* basis as well as on an *ex post* basis). Donor aid-reporting systems which help provide information on aid commitments, aid disbursements, and aid composition (by sector and instrument), would facilitate incorporation of the most accurate projections on aid flows in the budget.

SPA is now working with seven Task Teams, two of which are explicitly addressing the issue of harmonising procedures. The Task Team on Financial Management and Accountability is set to suggest ways of harmonising donor procedures related to financial management. The Task Team on Sector Programmes will look more generally at the issue: procurement, remuneration and per diems, fund mobilisation; use of national procedures for aid implementation and common baskets.

### ***Club du Sahel***

A group of ministers from the Sahel region have decided to draft a code of good development co-operation practice from a developing country perspective. The code aims to transfer the management of development and the responsibility for executing programmes and projects to the South. To facilitate this process, the Club du Sahel has set as one of its objectives to identify concrete reforms that improve aid effectiveness. It has set up a network of financial managers and comptrollers which will need to identify the worst obstacles in existing procedures; work to remove them; define a framework for a new approach based on more delegation to the South, and harmonised management and accountability principles; and promote the principle of pooling resources in common funds. In support of this Network, the Club du Sahel intends to make an assessment of the magnitude of the problem of multiple donor procedures and of the transaction costs involved. In addition it will map local capacities.

### ***Special initiatives***

In a number of CDF pilots efforts are being undertaken by the donor community to identify areas of possible simplification and harmonisation of procedures, for example in Vietnam and Ghana. The latest progress report on the CDF pilots notes that donors are increasingly seen to be aligning their strategies with those of the Government. However, this is not an easy process. Conditionality is very much a factor for some donors who prefer to negotiate this separately with the government involved. Voices from the field raise concerns about the lack of donor co-ordination and the transaction costs this imposes on clients. Encouragingly, some donors are also willing to modify the use of their own procedures as a result of the CDF process.

At the initiative of the "Utstein Group" of development ministers (comprising of the Norwegian, Dutch, British and German Ministers for Development Co-operation), on a recent visit to Tanzania, Norway, the Netherlands, the UK and Germany decided to co-operate on harmonising their aid procedures in the health sector. They invited other donors to join their endeavours.

**Annex 2****RC(2000)114: Letter from R. Carey to Members of PD/GG and I/CD Networks, 19 May 2000**

Dear Colleagues,

As a number of you already know, DAC delegates were recently asked to consider the mandate and duration of all the Committee's Working Groups, Task Forces and Informal Networks in the context of the 2001-2002 work programme. The assessment, which was discussed at a DAC meeting last April, yielded important lessons concerning the management, performance and support enjoyed by those subsidiary bodies.

While DAC delegates recognised that institutional development and good governance were instrumental to the implementation of the poverty reduction and partnership agendas, they raised questions regarding the future roles of the Informal Participatory Development and Good Governance Network (PD/GG Network), and the Institutional and Capacity Development Network (I/CD Network) respectively. Suggestions were voiced to merge the two, or one or the other with other subsidiary bodies (i.e., poverty reduction, conflict, peace and development). A consensus was not reached, however, and a suitable solution still remains to be found.

The issue was brought to the attention of members of the I/CD Network who participated in a *Working Conference on Anti-Corruption* co-sponsored by the Dutch Ministry of Foreign Affairs and the World Development Institute on 27 April in Maastricht. Two brainstorming sessions took place with those present, and a consensus was reached to combine the I/CD and PD/GG Networks into one sustainable group. On the basis of this consensus, the DCD drafted a proposal (attached) which we kindly ask you to consider in time for the next DAC meeting on 20 June. In particular, we would be grateful if you would let us know, before 26 May, whether:

- the merging of the I/CD and PD/GG Networks is a direction which your agency would like to go;
- whether you would be prepared to play an active role in the new network (e.g., participate in a 'core' group, provide support through financing or secondment; become the new chair of the group); and
- which topic or topics would be of most interest to your agency (preferably from the list of five already suggested in the proposal).

Your input is very important at this stage, and we hope that you will be in a position to support the Maastricht approach. We thank you for your co-operation, and look forward to hearing from you in the near future.

**INFORMAL MEETING OF  
THE INSTITUTIONAL AND CAPACITY DEVELOPMENT NETWORK (I/CD NETWORK)**

**(Maastricht, The Netherlands  
27 April, 2000)**

**– PROPOSAL –**

**I. Objective of the meeting**

1. A number of members of the Development Assistance Committee's (DAC) Institutional and Capacity Development Network (I/CD Network) met informally on 27 April 2000 in Maastricht on the occasion of the *Working Conference on Anti-Corruption*, co-sponsored by the Dutch Ministry of Foreign Affairs and the World Development Institute. The OECD's Development Co-operation Directorate (DCD) organised this meeting to seek guidance and ideas from those present (see Annex) on a viable strategy that would commit its members over the long-term while responding to the requirements of the DAC's partnership strategy and 2001-2002 work programme. Two separate brainstorming sessions were held. They resulted in the proposal presented below.

**II. Context and problématique**

2. The I/CD Network has come under scrutiny in the context of a DAC evaluation, followed by a DAC meeting on 10-11 April 2000 to review the mandate and duration of all of its subsidiary bodies. A side benefit of this review was that it yielded useful lessons on the key elements which, taken together, make such bodies (i.e. working groups, task forces and/or networks) successful in generating the credibility and legitimacy that will result in broad donor support.

3. The key elements are:

- A critical mass of donors to initiate and maintain the group.
- A sense of 'ownership' and demonstrated commitment in terms of human and financial resources to allow the group to function on a sustainable basis.
- A strong chair to act as a 'champion' for the group.
- A clear agenda with a limited number of well-defined activities.
- A tangible product (or products) to be completed within an agreed time-frame.
- Active 'marketing' which will result in strong visibility for the group.

4. The DAC assessment of its subsidiary bodies is consistent with evidence from evaluation literature on what makes aid work, e.g. 'ownership', 'champions', and clarity of purpose. It also reveals the differences, in terms of management, performance and support, that exist between the subsidiary bodies. In this context, both the I/CD Network and the DAC Informal Network on Participatory Development and Good Governance (PD/GG Network) have similar experiences. While both have enjoyed a fair amount of DAC support in their earlier years, this has tended to dwindle later on as the above criteria were not fully met. At this stage, there are questions about the future role of these groups.

5. At the DAC April meeting, institutional development and good governance were flagged as instrumental to the implementation of the DAC's poverty reduction and partnership agendas. While there are some arguments for keeping institutional development separate from governance (e.g. one can argue that institutional and capacity development is a free-standing issue), pragmatic considerations should guide a decision on the future of the two Informal Networks. In this respect, members of the I/CD Network noted that:

- Current thinking in donor agencies indicates that good governance (in the broad sense) is increasingly perceived as key to sustainable development, and well functioning institutions as a *sine qua non* for improving the overall governance environment and performance of partner countries. Thus, governance and institutional development are closely interconnected.
- This trend is illustrated by new organisational arrangements within aid agencies: some have already merged their governance and institutional capacity development units; others are in the process of doing so.
- Top priority topics from both I/CD and PD/GG perspectives tend to overlap (see below).
- One well-focused and motivated group of donors is likely to generate more support – from those concerned and from the DAC - than running two rather weak networks with uncertain futures.

## II. Recommendations from the Maastricht meeting

6. Those present at Maastricht recommended that the I/CD and PD/GG Networks be merged. The reconstituted network should be subject-led and concerned with a limited number of topics. It should focus on collecting and disseminating best practices and anticipate new crises and developments. Finally, it should collaborate closely with the Strategic Partnership for Africa (SPA) and relevant DAC working parties and Informal Networks.

7. Those present supported work on a list of five topics, with a recognition that the list needs to be narrowed down to two or three:

- Corruption.
- Democratisation (e.g., democratic governance and human rights).
- Efficiency and effectiveness of the public service.
- Implementing partnership through sector-wide and programme approaches.
- Challenges of globalisation.

## III. Next steps

8. Members of the I/CD and PD/GG Networks are asked to consider the above Maastricht proposal and forward their comments and advice to Massimo Tommasoli (Principal Administrator, SMDC, Massimo.Tommasoli@oecd.org, Tel: (33-1) 45 24 90 26 – Fax: (33-1) 44 30 61 47), by 26 May. If you agree in general, please let Massimo know of any more specific indication of interest -- in terms of specific topics, willingness to discuss further the possibility of support through financing or secondment, and willingness to lead the new group. We will then have a concrete proposal in hand for presentation to the DAC for consideration at its 20 June 2000 meeting. Should this approach receive broad support, a meeting of interested members of the two separate networks could be arranged at the earliest possible time to work out the details of a common agenda, structure and *modus operandi* for the new network. Separate meetings and contacts with members of the other DAC subsidiary bodies could also be arranged to ensure synergy and complementarity between the different agendas and work programmes of those groups.