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

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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

Working Party on Aid Effectiveness and Donor Practices

**DRAFT SUMMARY OF THE SEVENTH MEETING OF THE JOINT VENTURE ON
PUBLIC FINANCIAL MANAGEMENT**

Held in Paris on 18-19 December 2006

This draft summary is submitted FOR APPROVAL at the next meeting of the Joint Venture on Public Financial Management.

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JOINT VENTURE ON PUBLIC FINANCIAL MANAGEMENT

Item 1: Adoption of the agenda

1. The two new Co-Chairs, Anthony Hegarty (World Bank) and Riccardo Maggi (European Commission) welcomed participants to the seventh meeting of the Joint Venture on Public Financial Management. They extended a special welcome to the representatives from partner countries and new members including Hugo Castillo (Honduras).
2. It was agreed that agenda item 8 (Linkages with other processes) would be covered at the next Joint Venture meeting in June 2007 rather than at this meeting.
3. The Chairs apologised that the meeting would be held in English only while inviting the OECD Secretariat to make necessary arrangements for ensuring that interpretation from and into French would be available at the next meeting in June 2007.

Item 2: Adoption of the summary record

4. The summary of the last meeting of the Joint Venture [DCD/DAC/EFF/M(2006)7/PROV] was adopted.

Item 3: PEFA performance measurement framework

5. The PEFA¹ Secretariat (Frans Ronsholt) presented a report on Early Experience from Application of the PEFA Framework (Document 1). It was complemented by a presentation on the PEFA training and dissemination strategy.
6. In the ensuing discussion members expressed broad support on the PEFA report on application of the PEFA framework. A significant number of members also described how the PEFA assessments were playing an increasingly central role in donors and partner countries assessment of countries' performance in PFM. At the same time members shared a number of general concerns or interests about PEFA assessments:
 - *Assessing risk* — how can PEFA assessments be used by donors to assess risk (fiduciary, reputational etc.)?
 - *Information* — how can the PEFA secretariat improve availability of information on PEFA country assessments?
 - *Process* — how can members be better associated in the planning and elaboration of PEFA assessments?
 - *Quality of PEFA assessments* — how can the skills of the experts undertaking PEFA assessments be improved over time?
7. In the light of the discussions, it was agreed that the Joint Venture would continue to act as a conduit for information exchange on planned and on-going PEFA assessment and on training events (either PEFA-related or on PFM at large). As in the past, the Joint Venture would be consulted on the outlines of the PEFA implementation reports and on any emerging guidelines being developed by PEFA.

¹ Public Expenditure and Financial Accountability Programme (PEFA).

8. Discussions under this item highlighted a widespread demand for information on the ways in which donors were approaching the issue of assessing and managing the risks related to the use of country systems against the background of the relevant Paris Declaration commitments. The Joint Venture agreed to develop a work stream at this regard, starting from a stock-taking and information-sharing exercise. The JV confirmed the demand for guidelines on adaptation of the PEFA Framework to sub-national government level and expressed its support for the planned study to develop such guidelines.

9. In noting Germany's intention to put good financial governance and, possibly, the PEFA initiative, on the agenda of its G7/8 Presidency, the Joint Venture expressed its readiness to collaborate.

Item 4: IPSAS² Board

10. The IPSAS Developing Nations Committee (DNC) briefed members on its activities with a view to ascertaining the benefits and scope for working with the Joint Venture. The DNC emphasised four of its key functions:

- Supporting capacity building of the accountancy profession in all regions of the world.
- Producing materials to assist in development of professional accountancy bodies.
- Providing input to international standard setters on behalf of developing nations.
- Collaborating with donor community.

11. The Chair also updated members on the outcome of the last meeting with the IPSAS Board on “Financial reporting under the cash basis of accounting — Disclosure requirements for recipients of external assistance” (Exposure Draft 32). The Chair noted that in amending its Exposure Draft³ the IPSAS Board had been fully responsive to the suggestions made by members of the Joint Venture⁴. In particular to concerns expressed by the Joint Venture that many recipients of external assistance would find compliance with the proposed requirements onerous. ED 32 responds to those concerns by establishing an appropriate balance between required components and those which are encouraged.

12. It was agreed that the three countries (**Nigeria, Madagascar & Burkina Faso**) that tentatively volunteered to field-test ED 32 would report back on their experience at the next meeting of Joint Venture in June 2007. In addition, the Chairs invited members to forward their comments on ED 32 to the OECD Secretariat by the end of February 2007.

Items 5 & 6: PFM reforms

13. **Belgium** (Wim Ulens) introduced this agenda item with a frank and most interesting presentation of its experience in supporting PFM reform processes in **Mozambique**. This was complemented by an equally open and noteworthy presentation by **Norway** (Dag Aarnes) on support to Supreme Audit Institutions (SAI) in **Malawi** and **Zambia**.

² IPSAS: International Public Sector Accounting Standards.

³ Before the standards were amended they were presented as Exposure Draft 24.

⁴ For more details please refer to the summary of the 29-30 June 2006 meeting of the Joint Venture [DCD/DAC/EFF/M(2006)7/PROV].

14. In summarising discussions of the cases studies, the Chair noted that in general the good practice principles in providing support to PFM reforms were not ignored by donors and that there was a common effort to push reforms forward. At the same time, a set of common problems affecting good practice implementation had begun to emerge such as, for instance:

- The design of reforms promoted by donors was all too often over-ambitious. In particular, when the pace reforms get ahead of the capacity required to implement them. This is often compounded by donors' disregard for local capacity and knowledge.
- Reforms are often designed from scratch and are oblivious of other reforms including other PFM reforms that are already underway.
- The problems of sequencing and prioritising reforms in a harmonised manner.

15. In view of the above and in line with the decisions made at the last meeting it was agreed that the Joint Venture would pursue a three pronged approach:

- *Documenting & analysing case studies* The following activities will be pursued:
 - a. Presentation to the Joint Venture of case studies of PFM reforms in a range of countries would continue. The Chairs invited partner country members to consider sharing their experience in implementing PFM reforms. Members noted the value of examining cases of countries beyond Africa and in post-conflict countries. They also expressed interest in sequencing issues and the "Platform Approach" which has been tried in several countries. Burkina Faso, the Asian Development Bank, UNDP, the EC and the IMF tentatively indicated their readiness to prepare presentations in future Joint Venture meetings.
 - b. Interest and exact content of a publication of the case studies would be investigated.
 - c. Work on a paper analysing the cross-cutting issues emerging from the case studies would be launched with a view to a first discussion at the next meeting of the Joint Venture.(the paper could eventually preface the publication mentioned above). It would also help gear work of the Joint Venture towards articulating implementable solutions to address some of the problems.
- *Working with regional professional networks* — It was agreed that there would be considerable benefit for the Joint Venture to work with and build on experience of professional networks such as the Eastern and South African Association of Accountants General and CABRI⁵ (Document 3). In this connection, the Chairs noted that an invitation had been extended to members of the Joint Venture to attend the ESAAG regional workshop in **Mozambique on 28 February 2007**. Members were invited to advise the OECD Secretariat on their participation at this workshop by 22 January. The need to extend these activities beyond networks of Anglophone systems was noted.
- *Testing & validating conclusions at country level* — it was agreed that the key practical lessons drawn from analyses of the cases studies and experience of regional networks should be tested and validated in two or three countries. In this connection, a first draft concept note will be presented for discussion at the next Joint Venture meeting.

⁵ CABRI : Collaborative African Budget Reform Initiative.

Item 7: Survey on Monitoring the Paris Declaration

16. The OECD Secretariat briefed members on on-going work on the aid effectiveness indicators agreed in Paris. It was decided that the Joint Venture was ready to support the elaboration of the report on the *2006 Baseline Survey on Monitoring the Paris Declaration* by providing additional guidance and expertise for the analysis of the Survey results for the relevant indicators. In this connection, members were invited to share their comments on the Appendix of Document 4 by the end of January 2007.

Item 8: Linkages with other processes

17. It was agreed that this agenda item including discussion of activities of the OECD-DAC GOVNET and the JV-Procurement would be covered at the next meeting. In addition, a representative from the International Organisation of Supreme Audit Institutions (INTOSAI) and the Chartered Institute of Public Finance and Accountancy (CIPFA) would be invited to brief members on its activities.

Item 9: Next steps and other business

18. It was suggested that the next meeting of the Joint Venture would be held in June 2007. In this context, a first discussion on the JV possible contributions to the Accra event would take place.

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