DAC TASK FORCE ON DONOR PRACTICES

TERMS OF REFERENCE

(Note by the Secretariat)
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Objectives

1. Helping to build partner country capacities for effective public management so that partner countries may better assume ownership of their own development process and implement their development programmes has been agreed by DAC Members to be of high priority. While aid programmes naturally require procedural rules and regulations in order to ensure transparency and accountability to stakeholders, differing and complex procedures of donor agencies put a serious burden on partner country public management, including for example, in terms of numbers of missions they receive and different reporting and auditing requirements they must meet. In a multi-donor aid effort, these multiple procedures overstretch the public management capacity of partner countries and hinder efforts to strengthen fundamentally the basic elements of a sound public management system, such as financial accountability, effective co-ordination and efficient procurement. Responses to weak partner country capacity such as creating Project Management Support Units or excessively detailed financial controls by individual donors, in the longer run, are not sustainable and further weaken government capacity. In addition, such solutions have added to the transaction costs involved in delivering aid, on both the donor and partner country side.

2. Bearing this in mind, the fundamental objective of the Task Force on Donor Practices is to strengthen ownership through identifying and documenting donor practices which could cost-effectively reduce the burden on the capacities of partner countries to manage aid and lower the transaction costs involved.

3. In pursuing this mandate, the Task Force may identify areas where the capacity of developing countries to manage aid programmes might be strengthened in order to increase efficiency and ownership and to meet recognised standards of transparency and accountability. In this regard the Task Force could liaise with the Informal Network on Good Governance and Capacity Building.

Scope of work

4. The purpose of the Task Force is not to decide on fundamental policy questions related to individual agencies’ choice of modalities of supporting the development process in partner countries. Rather, the Task Force will look at the most appropriate practices where such modalities are applied. The approach will be pragmatic, taking full account of experiences (both successes and failures) and contexts in a wide range of partner countries. The Task Force will not duplicate the work being undertaken by others (within or outside the DAC), but rather will foster and draw on this work as much as possible. In this connection, the Task Force may also provide a platform to discuss the results and proposals emerging from studies and initiatives undertaken by DAC Members individually or severally, such as the presently planned studies on harmonisation of reporting, disbursement and auditing procedures and on pooling of technical assistance.
5. A particular point of attention for the Task Force is the fact that other subsidiary bodies of the DAC, through their work on good practices and on principles and guidelines, already contribute substantially to the goals to be pursued by the Task Force. In elaborating its programme of work, the Task Force should not only build on past and ongoing work of the other subsidiary bodies but also recognise their potential role in future work. In principle, the Task Force should not undertake work which belongs to the mandates of other subsidiary bodies, but rather concentrate on more generic issues.

6. More concretely, the Task Force will focus on the following sets of activities:

a) **Overviewing ongoing work in the area of simplification and harmonisation of donor procedures.** The Task Force will draw together the analysis and progress from relevant work underway, most notably by the Multilateral Development Banks, the United Nations and the Strategic Partnership with Africa. Through regular contacts of the Task Force with representatives of the organisations involved, this information will be kept up-to-date, and opportunities for fuller collaboration and broader dissemination of results will be identified. The Task Force will take account of the role of information technology as a tool in support of simplifying practices and procedures.

b) **Good practice reference papers.** The Task Force will produce “good practice reference papers”. To that end, the Task Force will identify good donor practices across a broad range of aid modalities and regions, seeking interaction with practitioners at the country level, from the donor as well as partner country side. The good practice reference papers will also specify the conditions, e.g. in terms of local capacities required, for such practices to be effectively implemented.

c) **Conceptual issues and definitions.** The Task Force will discuss, as necessary, conceptual and definitional issues related to its area of work and provide clarification.

d) **An analysis of partner country views on the effectiveness of donor practices and the scope, if any, for improving them.**

**Membership**

7. The Task Force is open to all Members of the DAC, as well as its regular observer organisations (the World Bank, the IMF, the UNDP), the Development Centre and the Club du Sahel. Other organisations may be invited as deemed desirable by the Task Force. Participants would have a responsibility at the policy level for the operational procedures and requirements that guide their agencies’ engagement with partner countries. They should be able to mobilise as necessary relevant experts, e.g. in the areas of financial reporting and auditing.

8. The Task Force will interact with similar bodies established by multilateral organisations, notably the Roundtable of Multilateral Development Banks. It could be envisaged that a representative of the Task Force participates in the meetings of the Roundtable and *vice versa*. In addition, representatives from DAC Observers on the Task Force would be asked to assure close co-ordination with work of their agencies in the Roundtable.
Interaction with partner countries

9. The Task Force will interact with partner countries throughout all the stages of its work in various ways as deemed efficient and effective.

Time frame and reporting procedures

10. The Task Force will initially be established for a period of two years, starting January 2001. The Task Force Chair will report to the DAC twice a year, in June and December. Products emerging from the Task Force, in particular good reference practice papers, will be forwarded to the DAC for discussion at the appropriate level, before they are finalised and disseminated.

Support and finance

11. The Task Force will receive staff support from the OECD Secretariat. Funding from voluntary contributions will be needed to strengthen current staff resources, including support staff. Also, it is likely that some work will have to be commissioned. Commissioned work should be focused on specific tasks that can realistically be done within the willingness of Task Force members to finance and be responsible for various tasks. Support will also be required for the translation of documents as well as interpretation of meetings.

Frequency and venue of Task Force meetings

12. The Task Force will convene as often as members deem necessary and feasible. In principle the venue will be the OECD in Paris.