Working Party of Senior Budget Officials

THE OECD BUDGET PROJECT

Request for Funding

For further information, please contact Alex Matheson
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To the OECD Ambassadors  
30 January 2003

Dear Ambassador,

We would like to draw to your attention the attached letter from Mr. Geert Van Maanen, Chairman of the OECD Senior Budget Official’s Working Party (SBO) and Secretary-General of the Netherland’s Ministry of Finance. The letter supports the creation of the OECD Budget Project under the Center for Co-operation with Non-Members’ (CCNM) Global Forum on Governance. A project description is also attached. The project would consolidate the SBO’s activities with non-member countries through the creation of other Senior Budget Officials networks and related support activities.

In essence, the Project aims to promote working methods that have proven very successful in OECD Member countries, with the purpose of strengthening the governance of public resources. At the same time it is clear that effective and accountable public expenditure management in developing countries is key to the achievement of the Millennium Development Goals. The Public Governance and Territorial Development Directorate (GOV), the Development Co-operation Directorate (DCD) and the Centre for Co-operation with Non-Members (CCNM) are working together in an effort to link up Member country Finance Ministries and Development Co-operation Agencies.

We believe this project fills an important niche in relating governance practice in OECD countries to the developing world. Drawing on the strength and comparative advantage of the OECD with its networks of practitioners, it would constructively involve finance ministries in strengthening the capacity to budget in non-member countries recognising that budgeting is a fundamental element of governance, and that it is central for the effective mobilisation and allocation of financing for development. The project would also represent an effective mechanism to share lessons learned and best practices on harmonising donor procedures, on the basis of Development Assistance Committee (DAC) and partner countries’ experience on supporting pro-poor public expenditure and good governance.

We hope you will agree with us that this proposal is well timed and relevant. We look forward to your support of this proposal, and the financial support necessary for its implementation. We stand ready to answer your questions and discuss with you ideas on how to move the project forward.

Yours sincerely,

Odile Sallard  
Director  
Public Governance and Territorial Development Directorate

Michael Roeskau  
Director  
Development Co-operation Directorate
Date  
28 Oct. 02

Subject  
The OECD Budget project

Dear Colleague,

I commend to your attention the attached proposal for the OECD Budget Project. The project would consolidate the Working Party's activities with non-Member countries through the creation of regional Senior Budget Officials networks and related support activities.

In essence, the Project aims to promote working methods which have proven very successful in OECD Member countries with the goal of strengthening the governance of public resources in transitional and developing countries. It is therefore hoped that it will attract financial contributions from bilateral development assistance sources dedicated to supporting good governance.

I believe this is a very worthwhile Project. It would constructively involve finance ministries in strengthening the capacity to budget in non-Member countries recognising that budgeting is a fundamental element of good governance. The Project would also serve to consolidate existing ad hoc activities of Member countries' finance ministries in this area. This project is being developed in consultation with the OECD's Development Assistance Committee, which brings together the aid agencies of Member countries.

I encourage you to commend this Project for support from your development ministries or from other sources of good governance funds.

Yours sincerely,

Geert van Maanen
Chairman of the Senior Budget Officials Working Party
Secretary General, Ministry of Finance, The Netherlands
THE BUDGET PROJECT

OECD Global Forum on Governance

Proposal for Funding

1. Summary

1. This proposal seeks funding for the Budget Project, as part of the OECD’s Global Forum on Governance which operates under the direction of the OECD’s Center for Co-operation with Non-Members (CCNM).

2. The Project aims to strengthen the governance of public expenditure, by using the OECD’s established networks in this area to create networks of officials in budgeting and related fields to build professional collegiality, support good practice and encourage peer review.

The Project would comprise:

- **Networks** of budget directors and senior officials in related fields from non-Member economies, with whom counterparts from OECD Member countries would meet annually to address major budgeting and financial management issues in a collaborative setting.

- A **common resource pool (knowledge bank)** of networks, comparative data and papers accessible by Members in support of their bilateral budgeting and financial management development assistance work, and by the OECD Development Assistance Committee.

- A **staff capacity (Secretariat)** to support the networks with comparative data, policy analysis and meeting support.

- A **co-ordination and funding facility** for Member country practitioners to participate in seminars and workshops for network partners.

3. A sense of ownership of this project by non-member countries would be crucial to its success. It is proposed that each network be chaired by a budget director from a non-Member economy. The chair would oversee the development of the agenda for each meeting in consultation with the staff/Secretariat. To ensure linkage between the networks and the OECD, each network would be supported by a “rapporteur” from an OECD Member country. Networks could be organised on a regional basis as appropriate, in particular looking for synergies with the existing CCNM regional programmes.

2. Objective and rationale

4. The objective of this project is to improve national budgeting and financial management practices.

5. Characteristic of poorly governed states is the opacity of public finances and the prevalence of “off-budget” expenditure. Also the key to moving from a command to a market economy is the successful transition from central planning to modern budgeting. It is for these reasons that the governance of public expenditure is at the heart of the governance reform agenda. The budget process is the main infrastructure for decision-making and accountability in government. Budgeting needs to be a disciplined process in order to reconcile and implement the policy objectives of governments in an effective and efficient
manner. The budget is also the medium for parliamentary oversight of the Executive, and for public accountability.

6. In OECD Member countries the role of the budget and with it the role of Finance Ministries and particularly Budget Offices, has been broadening in recent years. They work very closely with ministers and are “hard-wired” into all government ministries and agencies. As such, they are integrally related to the decision-making process in governments, playing a pivotal role in fostering policy coherence, transparency and accountability.

3. The OECD Senior Budget Officials’ Network

7. This proposal is based on the capacity of the OECD Working Party of Senior Budget Officials (SBO). The SBO has nearly a quarter-century of experience in this field and is the world’s leading forum on international budgeting issues. The key to the success of the SBO and its associated networks has been a culture of informal professionalism and mutual support, within which delegates have the confidence for frankness, disclosure and peer review.

8. The SBO is concerned with the overall functioning of the budgeting system – promoting aggregate fiscal discipline, the effective allocation and reallocation of resources, and the efficient management of government. The SBO is composed of the budget directors and other senior officials from Member countries and meets annually. The incoming chairman is Mr. Richard P. Emery, Assistant Director, Office of Management and Budget, United States. The outgoing chairman is Mr. Geert van Maanen, Secretary-General, Ministry of Finance, Netherlands.

9. Under the auspices of the Working Party, several specialised networks are operated including:

10. The Parliamentary Network which brings together the chairpersons of parliamentary budget committees. The focus of this work has been enhancing the capacity of Parliaments to critically examine the government’s budget proposal and to hold the Executive to account. The network meets annually and its last meeting was chaired by Mr. Jim Nussle, Chairman, Committee on the Budget, United States House of Representatives.

11. The Financial Management and Accountability Network which brings together the senior officials responsible for financial disclosure and accounting policies in Member countries. The focus of this work has been the merits of adopting accrual accounting and budgeting practices. The network meets annually and its last meeting was chaired by Sir Andrew Likierman, Head, Government Accountancy Service and Managing Director, Financial Management, Reporting, and Audit, Her Majesty’s Treasury, United Kingdom.

12. In support of these networks the OECD undertakes research and analysis which in the current programme covers: long-term budgeting; the political economy of budget reallocation; “distributed governance” (the governance of arm’s-length agencies and authorities); accrual accounting; budgeting and managing for performance; financial control; fiscal relations between levels of government; and a budgeting database.

13. The SBO supports the OECD’s work with non-member countries on an ad hoc basis, (currently China, Indonesia and South Africa) and network members participate actively in these and in regional activities.

14. In 2001, the OECD, under the auspices of the CCNM, launched the Asian Senior Budget Officials network on a trial basis. This network brought together over 40 budget directors and other senior officials from the Asian region along with their selected counterparts from OECD Member countries. The
meeting was organised and managed as the regular meetings of the SBO are organised. The meeting was judged to be an overwhelming success by the participants according to the evaluation forms submitted. The meeting was largely based on current OECD work designed for Member countries. With the successful launch of this project, a more targeted work programme will support other possible regional networks.

4. Project description

The Project would have:

- **networks** where the budget directors from the respective regions and from OECD Member countries would meet annually to address major budgeting issues in a collaborative setting.

- **A common resource pool (knowledge bank)** of net-works, comparative data and papers accessible by Members in support of their bilateral budgeting and financial management development assistance work, and by the OECD Development Assistance Committee.

- **A staff capacity (Secretariat)** to support the regional forums with policy analysis and general meeting support.

- **A co-ordination and funding facility** for Member country practitioners to participate in technical seminars and workshops for network partners.

Regional networks

15. The project proposes to launch up to four regional Senior Budget Officials networks depending on contributions. The final number and geographical composition of these networks would be pragmatic and guided by the objective to gather the relevant players around the table. As appropriate, these networks could follow the pattern of CCNM’s regional programmes, ie:

- Asia
- Latin America
- Central and Eastern Europe
- Africa

16. Each network would be chaired by a budget director from the respective region and would be aided by a “rapporteur” from an OECD Member country. The chairperson and the network would in consultation with the staff/Secretariat be responsible for setting the agenda of the meetings. As the primary network becomes established we would envisage it convening related activities in areas such as parliamentary oversight, public accounting architecture, audit, financial management, and oversight of agencies.

17. Budget directors and other senior officials from OECD Member countries would be encouraged to participate in the meetings.

A common resource pool

18. The 2002 Ministerial Council stressed that one of the key OECD contributions to the advancement of a shared development agenda consists of supporting countries in transition and developing countries’ governance and policy capacities. In line with this conclusion, the project would serve as a common resource pool, or knowledge bank, in which SBO from both member and non-member countries could share experience and expertise.
19. A number of SBO member organisations release their staff for short-term technical assistance under their national bilateral development programmes. Typically Finance Ministries and budget offices are happy to do this, because it is an important contribution to good governance and because it offers interesting new challenges for their staff. On the other hand, because these organisations are not in the development business, they do not have ready access to resources tailored for such use. The proposal is that member organisations be able to draw on the Project’s networks, data and papers to facilitate these kinds of bilateral activities.

Links with OECD’s development co-operation work

20. Equally, the project and networks could be a valuable resource for sub-committees of the OECD Development Assistance Committee, dealing with matters related to public expenditure management and its poverty reduction impact and associated issues of aid management. The DAC is currently producing a set of good practice papers, for harmonising donor practices, including in the areas of diagnostic work on financial management systems and financial reporting and auditing. Other relevant DAC work addresses pro-poor public service delivery, public service reform, support to anti-corruption measures, and gender sensitive budgeting. A possible development might be to establish an informal group of interested donors who would follow the project and help identify areas where interaction and support could be helpful.

Staff/Secretariat

21. The regional networks would be supported by a staff/Secretariat based at OECD Headquarters. They would support the networks in the same manner as the regular SBO meetings are serviced with policy analysis and general meeting support.

22. The OECD estimates that three new professional staff-positions are required to carry out this work together with support staff.

23. The servicing of the regional networks would be carried out by the Budgeting and Management Division in the OECD’s Directorate for Public Governance and Territorial Development to ensure synergy between the work for Members and non-members. In view of the development dimension of the initiative, the project will be implemented in close collaboration with the Development Co-operation Directorate. The division of labour between the two Directorates will be reflected, as needed, in the allocation of project staff resources to GOV and DCD.

Facility for multi-lateral support

24. Non-member countries often ask for help on specific issues. The OECD through the CCNM responds by organising seminars or workshops for non-Members by member country experts – typically members of the SBO or subsidiary networks, or specialists identified by the SBO delegate. These seminars are highly valued by the non-Members because they bring together practitioners who show a range of ways to address a single issue so that developing countries can identify the method appropriate to their context. While the amounts involved are small, the implementation of such initiatives is constrained in SBO organisations by the lack of mechanisms for financing technical assistance activities, as well as the participation of non-member countries representatives in the meetings.

25. This assistance would be formalised through the budget project. The OECD Budget Project would be the conduit to receive individual or a sub-regional group of countries requests and organise the sessions. The Project would be responsible for financing the travel and expenses of experts and non-Member country participants. Participating governments could finance this facility generally, or in a way which covers only the use of their own nationals.
26. We estimate there would be 10 such activities each year, each involving three Member country experts for a period of up to a week.

27. This part of the Budget Project proposal comes as a suggestion on the part of OECD country Finance Ministries who often commit staff on a bilateral basis. These countries are looking for a more rational system of having staff perform this assistance and would like to draw upon the collective resources as well as offices of the OECD. As such, it would be an add-on feature of the project according to contributions.

5. **Co-operation with other institutions**

28. The OECD would co-operate closely with the World Bank, the International Monetary Fund, regional development banks, as well as bilateral initiatives between OECD Member countries and the respective non-member countries in order to avoid any overlaps. With its regional focus and its foundation in professional networking, the project is complementary to existing programs, like the World Bank Country Fiscal Accountability Assessments (CFAAs) and Public Expenditure and Financial Accountability (PEFA), which are based around country assessment work.

6. **Financing of Project**

29. The OECD estimates the cost of carrying out this project at approximately €1,900,000 over a three-year period, plus an additional €500,000 for the multilateral support initiative. This includes funding for three professional staff positions and related research activities, support staff, travel expenses for budget directors and associated experts to the regional meetings and network activities, and general conference and meeting costs.

7. **Further information**

For further information, please contact:

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OECD Budget Project
Detailed Estimate

<table>
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<th>Project Heading</th>
<th>Annual Cost (€)</th>
<th>Three Year Total (€)</th>
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<td>Networks</td>
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<td><strong>Grand Total</strong></td>
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* Based on costs for three professional staff, one support staff and travel/miscellaneous costs