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OECD/DAC TASK FORCE ON DONOR PRACTICES

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ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

1. Membership in the Organization for Economic Cooperation and Development (OECD) comprises 31 countries sharing a commitment to democratic government and a market economy. The OECD has a global reach, with active relationships with approximately 70 other countries, as well as non-governmental organizations (NGOs) and civil society. Its work covers economic and social issues from macroeconomics, to trade, education, development, and science and innovation. The OECD plays a prominent role in fostering good governance in public service and in corporate activity. It helps governments ensure the responsiveness of key economic areas with sectoral monitoring. By deciphering emerging issues and identifying policies that work, it helps policymakers adopt strategic orientations.
2. The OECD produces internationally agreed instruments, decisions and recommendations to promote a mutually agreed-upon set of terms in areas where multilateral agreement is necessary for individual countries to make progress in a globalized economy. Sharing the benefits of growth is crucial, as shown in activities related to emerging economies, sustainable development, territorial economy and aid.
3. OECD member countries include Australia, Austria, Belgium, Canada, Czech Republic, Denmark, the European Communities, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States of America.

THE OECD DEVELOPMENT ASSISTANCE COMMITTEE

4. The OECD Development Assistance Committee (DAC) is the body through which the OECD deals with issues related to partnership cooperation with developing countries. The DAC is one of the principal fora in which major bilateral donors cooperate to enhance the effectiveness of their common efforts to support sustainable development. DAC members concentrate on how international development cooperation enables increased capacity of developing countries to overcome poverty, participate in the global economy, and enhance local community growth in social and economic sectors. DAC members are expected to have some common objectives, detailed in guidelines, governing how their aid programmes are conducted.
5. DAC members include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States of America, and the Commission of the European Communities.

Donor Activity Coordination

6. DAC members have found that transactional costs for donors and recipient countries increase as aid to a country increases, placing a huge administrative strain on the recipient country, which often does not have the required capacity. Recipient countries suggest that donor countries follow as much as possible the local procedures and practices of the given recipient country. Recipient countries also recommend that donors either harmonize



policies or coordinate their work with lead donors in specific sectors. Partner countries have urged donors to examine the sustainability of donor-financed activities.

OEDC/DAC Task Force on Donor Practices

7. The OEDC/DAC Task Force on Donor Practices was created in 2000 to strengthen recipient countries' ownership through capacity-building to enhance local systems wherever possible.
8. Part of the task force's mandate is to oversee ongoing work in the area of simplification and harmonization of donor procedures. This includes information exchange, cross-fertilization of ideas and experiences, and close coordination with the work of multilateral development bank working groups and relevant technical groups of the Strategic Partnership for Africa (SPA).
9. The task force has established three sub-groups: (i) Financial Management and Accountability, (ii) Reporting and Monitoring, and (iii) Pre-Implementation Phase of the Project Cycle. These three sub-groups work to harmonize activities among donors, governments and beneficiaries to generate momentum towards achieving a set goal at an affordable cost.
10. The **sub-group on Financial Management and Accountability** has produced a discussion paper with a proposed "Conceptual Framework for Harmonization." The paper assesses four key parameters for project aid, sectoral aid and general programme or budget support:
 - the financial accountability environment;
 - the rules governing the use of resources;
 - reporting arrangements; and
 - the *ex post* notification that is necessary.
11. The sub-group has also conducted studies in the following areas:
 - rationalizing diagnostic work in the area of financial management;
 - fiduciary standards; and
 - financial reporting and auditing.
12. The **sub-group on Reporting and Monitoring** seeks to improve multiple reporting and monitoring systems.
13. The **sub-group on the Pre-Implementation Phase** has a four-part programme that includes:
 - i) analytical work;
 - ii) a common framework for risk analysis;
 - iii) a logical framework and results frameworks (and the sub-group works closely with the DAC Working Party on Aid Evaluation in order to use a results framework to enhance coordination);
 - iv) the ensuring that co-financing adds value.
14. Common "rules" of harmonization as defined by the task force include:
 - The Government is the owner and leader of the goal and process.
 - A framework for harmonization in different areas is set, with clear procedures.



- Concepts on harmonization and approaches to Official Development Assistance (ODA) are shared with all stakeholders.
- Harmonization exists in various forms (for example, between a government and one donor, or between a government and many donors).

LESSONS LEARNED FROM HARMONIZATION

15. The OECD/DAC Task Force on Donor Practices has been developing Good Practice Reference Papers in the three sub-group areas. These papers seek to provide practical guidance to all partners on how donors can collectively or individually improve their operational procedures, leading to increased partner country ownership and enhanced aid effectiveness at the country level. There is consensus among partner developing governments and donors on the following common lessons learned:
- Aid-dependent countries have enhanced aid effectiveness through the coordination of donor practices.
 - Aid coordination is most effective when a partner-developing government leads it.
 - Enhanced, sustainable improvements in government performance are more likely when aid is administered by host government systems.
 - The appropriate use of resources is necessary for effective development coordination, and is a responsibility both of external partners and of developing country governments.
 - Donors can play a pivotal role in working with partner-developing governments in addressing shortfalls in institutional capacity or other gaps that prevent the effective use of cooperative resources.
 - The development of appropriate government systems should be regarded as a medium-term process.
 - Donors' actions to harmonize their procedures can help relieve the burden placed on partner-developing governments by uncoordinated, multiple-donor practices.
 - No single approach is appropriate for all countries. Harmonization implementation must be adapted to local circumstances, and to local institutional capacities.
 - Harmonization requires political will, and it is a long-term process.
 - Harmonization has benefits for all parties involved.
 - Instruments that catalyse harmonization, such as sector-wide approaches (SWAPs), can be effective.

LINKS WITH OTHER INTERNATIONAL PROCESSES

16. The OECD/DAC Task Force on Donor Practices is compatible with the Secretary-General's reform process as expressed in the harmonization and simplification discussions for development programming. Both approaches emphasize improving aid procedures for donors and recipients, and emphasize the central role of the partner government in the development process.



17. The task force has observed the work of the New Partnership for African Development (NEPAD) and has taken note of the interest expressed by African countries in improving the effectiveness of aid, and has also noted the interest of the International Monetary Fund/World Bank Development Committee in harmonizing aid procedures by multilateral and bilateral agencies.
18. An outcome of consultations of the DAC Task Force with the United Nations and the World Bank in July 2002 is the identification of the opportunity to discuss the issue of harmonization and aid effectiveness at the global level. It is expected that at the High-Level Forum in February 2003, the focus of the discussions—following the Monterrey Consensus—will be on improving the effectiveness of development assistance through better harmonization.
19. The various development assistance harmonization processes will complement one another by increasing the momentum of improving and expediting aid procedures for all stakeholders.

More Information on the OECD/DAC Task Force can be found on:

www.oecd.org/dac/donorpractices

<http://developmentgateway.org/node/95154/index.html>

