

**HARMONIZATION FOLLOW-UP: GLOBAL ARCHITECTURE
AND WORLD BANK ACTIVITIES**

**OPERATIONS POLICY AND COUNTRY SERVICES
SEPTEMBER 22, 2003**

ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AsDB	Asian Development Bank
AusAID	Australian Agency for International Development
BSTDB	Black Sea Trade and Development Bank
CDB	Caribbean Development Bank
CAF	Andean Development Corporation
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CIDA	Canadian International Development Agency
CODE	Committee for Development Effectiveness
CPAR	Country Procurement Assessment Review
DAC	Development Assistance Committee
DBSA	Development Bank of Southern Africa
DFID	Department for International Development (U.K.)
EBRD	European Bank for Reconstruction and Development
EFA-FTI	Education for All-Fast Track Initiative
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EU	European Union
FY	Fiscal Year
IDA	International Development Association
IDB	Inter-American Development Bank
IFAC	International Federation of Accountants
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IsDB	Islamic Development Bank
ISDS	Integrated Safeguards Data Sheet
JBIC	Japan Bank for International Cooperation
LACI	Loan Administration Change Initiative
LMDG	Like-Minded Donor Group
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MFI-WGE	Multilateral Financial Institutions Working Group on the Environment
NADB	North American Development Bank
NDF	Nordic Development Fund
NEFCO	Nordic Environnant Finance Corporation
NIB	Nordic Investment Bank
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PER	Public Expenditure Review
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
SIDA	Swedish International Development Cooperation Agency
SPA	Strategic Partnership with Africa
SWAp	Sectorwide Approach
UN	United Nations
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
WB	World Bank
WP-EFF	Working Party on Aid Effectiveness

HARMONIZATION FOLLOW-UP: GLOBAL ARCHITECTURE AND WORLD BANK ACTIVITIES

CONTENTS

I.	Introduction.....	1
II.	Overview	1
III.	World Bank Harmonization Activities, and Opportunities and Challenges....	7
	A. Activities.....	8
	B. Opportunities and Challenges	12
IV.	Conclusion	15

Tables and Figure

Table 1.	Rome Declaration: Aid Agency and Partner Country Commitments.....	5
Table 2.	World Bank Harmonization Expenditures, FY03.....	12
Figure 1.	Global Architecture for Rome Declaration Follow-Up	3

Annexes

Annex A.	Technical Working Groups: Harmonization Activities	17
Annex B.	Illustrative Key Sheet of an Indicator	25
Annex C.	World Bank Harmonization Activities	27
Annex D.	Selected Country-Level Harmonization Initiatives	31

HARMONIZATION FOLLOW-UP: GLOBAL ARCHITECTURE AND WORLD BANK ACTIVITIES

I. INTRODUCTION

1. World Bank Management last briefed Executive Directors on harmonization on March 12, 2003,¹ a few weeks after the High-Level Forum on Harmonization in Rome, February 24-25, 2003.² During that briefing, which focused on the decisions reached at the Forum, Executive Directors requested periodic updates on the institutional arrangements for follow-up, and on the roles and activities of the World Bank.³ This paper responds to that request. Following this introduction, Section II provides a brief overview of several positive developments since February. Section III reports on key World Bank activities and the opportunities and challenges at the country level that come with them. Section IV presents the conclusion.⁴

II. OVERVIEW

2. In the wake of the High-Level Forum, political momentum for harmonization has been sustained; more country partners and bilateral and multilateral agencies are actively involved; and there is now explicit recognition that harmonization covers alignment with partner countries' growth and development priorities and systems. This progress is accompanied by increased attention to implementation and the achievement of results. Illustrations of these developments follow.

¹ This was a technical briefing. The last formal note to the Board on harmonization is *Harmonization of Operational Policies, Procedures, and Practices: Information Note* (SecM2002-0451/2), September 16, 2002.

² Partner countries and bilateral and multilateral institutions/agencies represented at the Forum included Albania, Bangladesh, Bolivia, Burkina Faso, Cambodia, Egypt, Ethiopia, Fiji, Guatemala, Guyana, Honduras, Jamaica, Kenya, Kyrgyz Republic, Mali, Mauritania, Morocco, Mozambique, Nicaragua, Niger Republic, Philippines, Romania, Senegal, Tanzania, Uganda, Vanuatu, Vietnam, Zambia, Australia, Austria, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Saudi Arabia, Spain, Sweden, Switzerland, United Kingdom, United States, African Development Bank (AfDB), Asian Development Bank (AsDB), Caribbean Community, Caribbean Development Bank (CDB), Corporación Andina de Fomento (CAF), Development Assistance Committee-Organisation for Economic Co-operation and Development (DAC-OECD), Department for International Development (DFID), Economic Commission for Africa, European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB), International Fund for Agricultural Development (IFAD), International Monetary Fund (IMF), Islamic Development Bank (IsDB), Nordic Development Fund (NDF), Nordic Environment Finance Corporation (NEFCO), Nordic Investment Bank (NIB), OPEC Fund for International Development, Organization of the Eastern Caribbean States, Pacific Islands Forum, United Nations Development Programme (UNDP), West African Development Bank, and World Bank (WB).

³ Accordingly, this report was prepared by World Bank staff. But comments and suggestions were invited from colleagues at the DAC-OECD, AfDB, AsDB, EBRD, EIB, IDB, IFAD, IsDB, IMF, and UNDP.

⁴ There are four annexes to this note. Annex A lists the harmonization activities and structures of the subgroups of the DAC-OECD Task Force on Donor Practices and the multilateral development banks' (MDBs') technical working groups. It includes a matrix—entitled Action Plan for Implementing the Harmonization—that has been used to track work program activities. Annex B provides a sample sheet illustrating an indicator of harmonization progress. Annex C updates World Bank harmonization activities, including the matrix that has been used for tracking purposes. Annex D examines harmonization progress in selected countries.

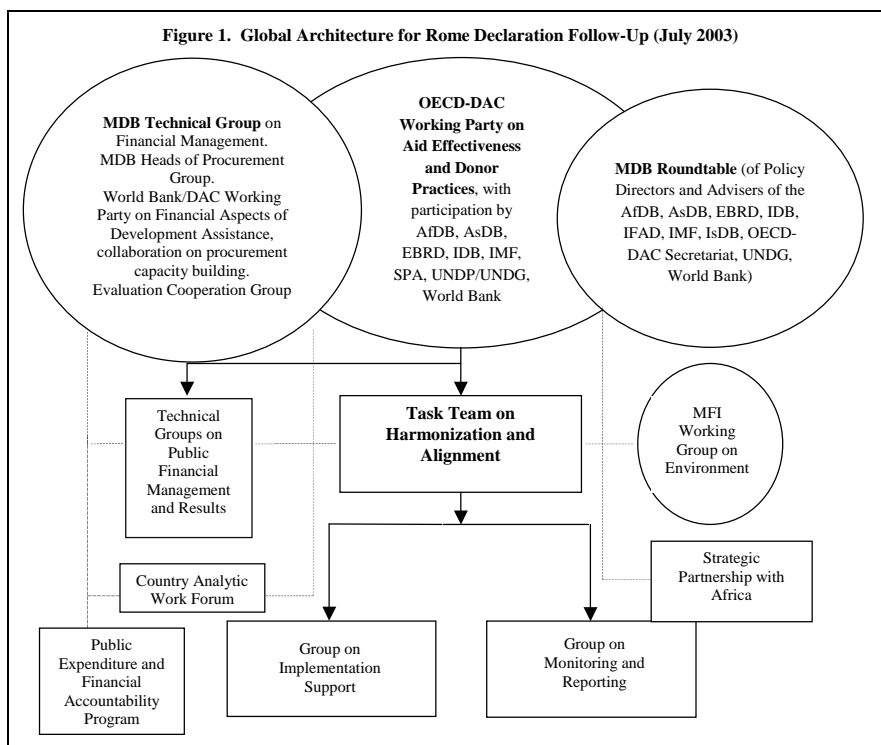
- ***Systematic Donor and Country Follow-Up.*** Bilateral and multilateral development agencies are following up on the Rome Declaration commitments, and regional workshops and the Web are being used to build awareness, broaden ownership, and create networks of practitioners. In addition to issuing briefings and circulars that target their own managers and staff, groups of bilateral and multilateral donors are collaborating in convening three regional workshops on follow-up—in Tunis (August 2003) and in Hanoi and Fiji (both in October 2003)⁵—to contribute to the international dissemination effort, build broader partner country ownership of the harmonization agenda, and create communities of practitioners. Major investments are being made, in cooperation with the Development Gateway, to develop online resources for sharing information, experience, and lessons, and to provide knowledge products for practitioners.⁶ Partner countries, such as Tanzania and Vietnam, are also taking initiatives to learn from each other through exchange visits, the first of which is planned for October 2003. Meanwhile, several donors report progress in developing monitorable action plans, including identification of priority areas and countries for making progress. Ministerial approval is being sought in some of these cases; once approved, the action plans will be accessible on the harmonization portal.
- ***New DAC-OECD Institutional Arrangements.*** Bilateral and multilateral agencies are now actively collaborating on key harmonization themes, drawing from Good Practices Papers on harmonization prepared by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (DAC-OECD)⁷, and with input from several partner countries. To facilitate, support, and monitor progress on harmonization and alignment, in May 2003, the DAC created the Working Party on Aid Effectiveness and Donor Practices (WP-EFF). With a broader multilateral participation and mandate than its predecessor (the Task Force on Donor Practices), it will have close linkages to harmonization work undertaken in other bodies such as the United Nations (UN) and European Union (EU). In addition to the bilateral agencies and the

⁵ The workshop in Tunis is cosponsored by the AfDB and the World Bank, and involves over 20 countries in the region that have not yet been closely associated with the harmonization process. The Hanoi workshop is cosponsored by the AsDB, DFID, the Government of Japan, and the World Bank. The workshop in Fiji is cosponsored by the Pacific Islands Forum Secretariat and other interested partners, including the World Bank. Altogether, the World Bank expects to contribute about \$250,000 to cover expenses associated with partner country participation in these events, and also to provide technical support.

⁶ Reflecting the Rome commitment on the use of information and communication technology to promote and facilitate harmonization, an interactive harmonization website was established on the World Wide Web in August 2003 to provide up-to-date access to information and related resources on harmonization. This shared resource offers a virtual space and information and communication technology tools for development partners—partner countries, bilateral (including DAC-OECD) and multilateral donors, and others. The harmonization portal, developed in partnership with and hosted by the Development Gateway, has been organized around three strategic views: (a) key subjects—a virtual library of subject matter material focusing on technical experience to date; (b) partner countries—highlighting in-country harmonization activities and providing automatic links to sources of country-specific information; and (c) donor pages—highlighting information on harmonization activities, and offering tailored access to standard products that support these activities.

⁷ See Harmonizing Donor Practices for Effective Aid Delivery, A DAC Reference Document, 2003

International Monetary Fund (IMF), United Nations Development Programme (UNDP), and World Bank, which are already participating actively as observers, the WP-EFF has several new participants: the African Development Bank (AfDB), Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and Strategic Partnership with Africa (SPA). While retaining the importance of bilateral partnerships, this new configuration of the Working Party is designed to be inclusive, and to enable the WP-EFF to serve as the locus for maintaining the overview on the different strands of the harmonization and alignment agenda, establishing priorities, and carrying out cross-cutting work (see Figure 1).



- **WP-EFF's Expanded and Integrated Mandate.** With its broader mandate—which takes a unified approach to harmonization and alignment with country-owned poverty reduction strategies and development frameworks, systems, and processes—the WP-EFF will undertake cross-cutting work in public financial management,⁸ procurement, and managing for results. In addition, this process aligns closely with the ongoing international work on applying harmonization

⁸ Discussions have been initiated with the Public Expenditure and Financial Accountability Program to coordinate with this work.

principles to country analytic work and environmental assessment. Like its predecessor, the Working Party will set up task teams and working groups that will involve partner countries directly in their work. The Working Party's task team on harmonization and alignment is being co-led by an OECD-member country and the World Bank as a multilateral donor.⁹ It will hold its first meeting on September 4-5, 2003, to discuss and promote concrete progress at the country level and to help resolve emerging implementation challenges and bottlenecks. The Working Party will report on progress of harmonization and alignment to the OECD's Senior Level Meeting in late 2004, and to the next High-Level Forum on Harmonization in early 2005.

- ***MDB Technical Work Program and Work Group Evolution.*** The multilateral development bank (MDB) working groups have agreed to specific and well-focused work programs. Existing collaborative structures (e.g., MDB Heads of Procurement) are being adapted to advance technical work on financial management, procurement, environment assessments, and analytic work, and to focus on implementation (see Annex A for list of activities and structures). At a March 2003 meeting of the MDB Financial Management Group, regional and network staff from the participating institutions developed and agreed on region-specific work programs and processes for supporting implementation.¹⁰ Meanwhile, the General Counsels of the international financial institutions and representatives of the various MDB loan departments have begun discussions on simplifying and harmonizing loan agreements, and on disbursement processes and procedures, respectively. The membership in the various groups is also expanding. For example, the MDB Roundtable on Harmonization,¹¹ which meets twice a year to discuss and coordinate harmonization efforts, recently invited the European Investment Bank, the International Fund for Agricultural Development, the Islamic Development Bank, and the United Nations Development Group (UNDG) to participate in its work.
- ***Monitorable Qualitative and Quantitative Indicators.*** Achieving early and measurable progress on the Rome commitments is considered critical to the credibility of the development community. It is also considered critical for broadening and deepening the community of practice and practitioners. The harmonization and alignment task team under the Working Party is developing both qualitative and quantitative indicators to assess progress. As a starting point for this exercise, the task team has mapped key elements of the aid agency and partner country commitments to the Rome commitments (see Table 1). At the

⁹ The task team chose Mr. Bo Westman (Sweden) and Mr. Colin Bruce (World Bank) as its co-leaders.

¹⁰ For example, in Latin America and the Caribbean, IDB and the World Bank have agreed to a work plan for financial harmonization that covers country-level diagnostic work, sector-level work, and project-level work. Using an agreed list of countries, the two institutions will consider developing a common list of external auditors and designing and implementing a common database for auditors' information, single audit terms of reference, standard bidding documents for selecting and contracting auditors, and a single methodology for financial management assessment. They are also beginning work in other areas.

¹¹ Membership in the MDB Roundtable on Harmonization traditionally includes the policy directors (or their equivalents) of the AfDB, AsDB, EBRD, IDB, and the World Bank.

upcoming meeting, the task team will select about 10 strategic indicators for progress on these commitments, and will seek to agree on establishing the basis of a reporting system for collecting data and reporting results. Annex B provides a sample key sheet for an illustrative indicator—percentage of developing countries with action plans. The task team will coordinate with related work that is going on both inside and outside DAC. The related work includes the promising monitoring exercise being launched by SPA on budget support alignment with national processes.¹²

Table 1. Rome Declaration: Aid Agency and Partner Country Commitments

<i>Aid Agency Commitments</i>	
Individual activities	
<i>Internal rules:</i>	Identify ways to amend internal procedures in order to facilitate harmonization (§5.2)
<i>Incentives:</i>	Develop incentives that foster staff recognition of the benefits of harmonization (§5.5)
<i>Dissemination:</i>	Disseminate good practices to staff at headquarters and at country offices (§5.3)
Coordinated activities	
<i>Alignment:</i>	Deliver aid in accordance with partner country priorities and systems (§5.1 & §5.7)
<i>Common arrangements:</i>	Implement common arrangements for delivering aid (§5.7)
<i>Transparency:</i>	Share relevant information on development activities (§5.6 & §6 & 8)
<i>Rationalization:</i>	Rationalize activities and missions where appropriate (§5.1)
<i>Delegated cooperation:</i>	Intensify delegated cooperation (§5.4)
<i>Peer reviews:</i>	Use peer review mechanisms to support harmonization (§5.6)
<i>Program support:</i>	Provide budget, sector, and balance of payment support when appropriate (§5.8)
<i>Regional level:</i>	Promote harmonization in global and regional programs (§5.9)
Partner Country Commitments	
<i>Partner leadership:</i>	Partner countries take the lead on coordination activities (§5.6)
<i>Action plans:</i>	Design and implement country-based action plans for harmonization (§9)

Source: *Proposal for a Framework of Indicators on Harmonization and Alignment*, Working Party on Aid Effectiveness and Donor Practices, Task Team on Harmonization and Alignment, First Meeting. Development Co-operation Directorate, Development Assistance Committee, OECD. DCD/DAC/EFF (2003), June 23, 2003, p.4; see also *High-Level Forum on Harmonization* (SecM2003-0088), February 28, 2003.

Note: The Declaration is available at <http://www.worldbank.org/harmonization/rome/Docs/RomeDeclaration.pdf>.

3. **Stepped-Up Donor Attention to In-Country Implementation.** A growing number of institutions are becoming involved in implementing harmonization in-country, individually or in partnership. They are addressing various aspects of the harmonization agenda in a number of countries, many of which are also among the so-called “frontier countries” named in the Rome Declaration. Examples include the following.

- The **Strategic Partnership with Africa** (SPA-6) that was launched in January 2003 focuses on aligning and harmonizing donor assistance with national poverty reduction strategies. Good practice will be supported at the country level and will build on earlier SPA action-learning missions to Burkina Faso, Ethiopia, and Rwanda, among others. This SPA exercise will test and validate the principles

Formatted: Indent: Left: 0.5", Hanging: 0.5", Bulleted + Level: 1 + Aligned at: 0.5" + Tab after: 0.75" + Indent at: 0.75", Tab stops: Not at 0.75"

¹² The exercise will cover 23 countries: Benin, Burkina Faso, Cameroon, Chad, Ethiopia, Gambia, Ghana, Guinea, Ivory Coast, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Tanzania, Uganda, and Zambia.

and approach outlined in the joint IMF/World Bank *Concept Note on Aligning Donor Budget Support with the PRSP Process*¹³ in other key countries that are implementing Poverty Reduction Strategy Papers (PRSPs). In addition, to provide the SPA and DAC-OECD with baseline data for tracking in-country progress on aligning donor budget support with national poverty reduction strategies and budget processes, an SPA working group has developed a questionnaire for governments and donors providing budget and balance of payments support.

- The **IMF** has decided to pilot the principles and approach outlined in the “Concept Note on Aligning Donor Budget Support with the PRSP Process” in Burkina Faso, Ethiopia, and Rwanda, working with the SPA and other budget support donors. The objective of the pilots is to test how Poverty Reduction Grant Facility operations can be better aligned with the national budget and poverty reduction strategy review processes.
- Meanwhile, managers from the **European Commission** and the Africa Region of the World Bank held a workshop on March 31-April 1, 2003, during which they decided on measures to improve overall collaboration at the country level, with particular attention to the issues related to budget support for the PRSP process. Their discussions emphasized clear links to the national budget cycle, greater results orientation of PRSP support, and continued emphasis in the poverty reduction strategy process on the development of appropriate indicators and measurement systems. Following the workshop, they have prepared a joint note, “How to Support the PRSP Process in Africa,” that reflects and builds on the “Concept Note on Aligning Donor Budget Support with the PRSP Process.” In collaboration with governments, they are also preparing “Poverty Reduction Strategy Calendars” for each country. These are intended to ensure clarity and understanding of the timing and sequencing of events, and to enable donors to plan their analytic and financial assistance in ways that are “harmonization-friendly” and that thereby increase aid effectiveness. The first group of calendars being prepared covers Burkina Faso, Kenya, Madagascar, Tanzania, and Uganda.
- Also at the **European Commission**, the Directorate General for Development in June 2002 launched country pilot initiatives in Morocco, Mozambique, Nicaragua, and Vietnam. Country-level work has concentrated on such elements as common country analysis, programming, or implementation mechanisms. The focus is on increasing communication and information sharing (within the EU and with the partner government), using common and simplified procedures, depending on government systems wherever possible, untying aid, strengthening local capacity, and making greater use of sector programs and budget support. As announced by the EU Presidency at the High Level Forum on Harmonisation in Rome in February 2003, the European Commission will soon be proposing a set of recommendations for action to be jointly implemented by the 15 Member States, the 10 new acceding countries and itself. Its objective will be to establish

¹³ This paper was circulated as a background document for the Rome Forum.

a minimum level of co-ordination and harmonisation and to ensure full implementation of the 2001 European Commission Guidelines on operational co-ordination through a series of concrete and clear actions. At present, European Commission representatives in partner countries are coordinating donor responses to the SPA questionnaire on budget support alignment with national processes.

- The **United Nations** family, and especially the agencies that make up the Executive Committee of the UNDG—the UNDP, United Nations Population Fund, United Nations Children’s Fund (UNICEF), and World Food Programme—are developing simplified and more flexible procedures by which the UN can better respond to specific country situations and needs. The UN harmonization effort is expected to become operational next year, and its key elements include common country action plans and work plans; a common approach to national execution; a common, systematic monitoring and evaluation plan; and common donor reporting. The new procedures are being implemented on a limited basis in Benin, Ecuador, Kenya, Niger, and Pakistan. Other common instruments are expected to be finalized for piloting by end-2004; and in 2005, 15 additional countries will be selected for pilot work.

4. ***Toward a Coherent Global Architecture.*** The emerging institutional architecture for country-level implementation of the harmonization and alignment commitments made in the Rome Declaration represents a clear break from the past pattern of compartmentalization, when the IMF and World Bank, the regional development banks, bilateral agencies, and the UN group all worked largely on their own and emphasized the distinctiveness of their institutional identities. This architecture brings with it new requirements for dialogue and information sharing, but also opportunities for significantly more coordinated and effective action within and across development agencies at the corporate and field levels. The process has made a promising start, but it still has some distance to go, particularly at the country level¹⁴.

III. WORLD BANK HARMONIZATION ACTIVITIES, AND OPPORTUNITIES AND CHALLENGES

5. The World Bank remains committed to the international harmonization agenda. At the request of some of its donor partners, it is assuming specific additional responsibilities at the global level in support of in-country implementation. In parallel, it is continuing internal reforms that are increasing its ability to harmonize with others around improved country systems. The World Bank is also adopting a more systematic and intensive approach to identifying, promoting, and supporting harmonization opportunities in specific country programs and projects.

¹⁴ See Aligning Assistance for Development Effectiveness, Promising Country Experience, CDF Secretariat, World Bank, circulated as a background document for the Rome Forum.

A. Activities

6. As indicated earlier, the World Bank is co-leader of the task team on harmonization and alignment. It will also lead the joint venture on public financial management, and partner in joint ventures on procurement, capacity building, and managing for results, thus contributing to all of the key areas of the DAC-OECD Working Party mandate. The World Bank is also (a) working within the MDB and DAC-OECD processes to advance and refine the harmonization toolkit in areas such as financial management, procurement, environment and safeguards, analytic work, and emerging areas (see Annex A); (b) leading and financing the development of an interactive harmonization website that will bring together existing information about harmonization for practitioners,¹⁵ and of a country-level tracking tool to facilitate sharing experiences and best practices across the globe; and (c) supporting the dissemination of the Rome commitments and harmonization tools, particularly to partner countries that have not yet been directly involved in the process.¹⁶

7. **Internal Reforms.** During 2002 and early 2003, the World Bank has undertaken internal reforms, both because they are intrinsically valuable and because the measures better position the Bank to harmonize around country priorities and systems. These measures include strengthening PRSP/Country Assistance Strategy (CAS) linkages, reforming loan administration (including reporting), facilitating pooling arrangements in sectorwide approaches (SWAs), modernizing environmental and social safeguard policies, and simplifying audit policy. (Annex C lists World Bank harmonization activities.) Since March 2003 it has continued this effort with detailed work on realigning specific country activities with the corporate priorities and commitments related to the Millennium Development Goals (MDGs), as part of the follow-up to the World Bank's Implementation Forum. In the case of HIV/AIDS, for example, the exercise involved (a) identifying the World Bank's global obligations and specific monitorable commitments or goals associated with them; (b) specifying criteria for selecting focus countries; (c) launching actions to achieve the goals—such as accelerating preparation of Regional strategies (except for Africa), addressing issues related to non-IDA countries, low-income countries under stress, and IDA countries in nonaccrual status, and enhancing incentives for multisector task teams; and (d) requiring all country directors to develop an appropriate response to the AIDS challenge, including strengthening donor partnerships. In July 2003, the Operations Policy Committee agreed on proposals to be made to Executive Directors in the Fall for modernizing and simplifying rules on the eligibility of expenditures for World Bank financing, thereby ensuring that Bank policies and procedures in this area are “harmonization-friendly.” And as the focus on implementation increases, linkages to new applications for harmonization are being developed in areas such as disbursement, legal documentation, managing for results, global monitoring, trust funds, capacity building, disclosure, use of project implementation units/project management units, and training. Specific applications are also being explored for low-income countries under stress and middle-income countries.

¹⁵ www.developmentgateway.org/harmonization.

¹⁶ As discussed earlier, the World Bank is cosponsoring the three regional workshops—in Tunis, Hanoi, and Fiji—that are planned as a follow-up to Rome. Participants will include representatives from several countries not previously involved in the harmonization process.

8. **Country-Level Implementation Support.** The World Bank is intensifying its collaboration with interested donors and partner countries to deepen and expand the country-level harmonization activities begun before Rome (in countries like Ethiopia and Vietnam) and initiate new activities on the ground (in countries like Bangladesh and Bolivia).¹⁷ In doing so, it may assume roles that range from champion and leader, to follower or facilitator. Examples of these activities and World Bank roles follow.

- In **Ethiopia**, discussions on harmonization launched by the World Bank in mid-2002 now involve all donors and key development issues. In December 2002, the Government adopted a comprehensive harmonization program covering budget support and sectorwide and project-level operations, and analytic work, training, and capacity building. More recently, the Government and donors established a joint task force to develop an action plan for implementation. A calendar for budget support aligned with the national budget year and poverty reduction strategy review process will be implemented on an interim basis starting in budget year 2003-2004, and will be regularized from budget year 2005-2006. A Public Service Delivery Capacity Development Program—a multisector, multidonor program to meet the capacity-building needs of implementing a poverty reduction strategy in a decentralized public service delivery structure—has been designed; and progress has been achieved in economic and sector analytic work, sectorwide approaches in education and roads, and project-level harmonization.
- In **Vietnam**—the first country to volunteer for frontier harmonization work during 2001-2003—the World Bank has continued a co-leadership role and its close collaboration with AsDB and the Japan Bank for International Cooperation (JBIC) in the agreed priority areas of procurement, financial management, social and environmental assessment, portfolio management, and analytic work. On economic and sector work, the harmonization progress includes a Gender Action Plan common to AsDB, DFID, JBIC, and World Bank. Recently, the World Bank and Vietnamese authorities initiated discussion on further harmonization activities such as substituting the government's feasibility studies and processes for World Bank appraisal procedures and processes.¹⁸
- In **Bangladesh**, the Government has been in dialogue with donors on harmonization in areas such as financial accountability and technical cooperation. In parallel, IDA provided funding and technical support that helped to raise the Government's procurement system to meet international standards, effective July 1, 2003. In addition, the World Bank has joined a consortium of donors¹⁹ in an ambitious effort to harmonize assistance under the Second Primary Education

Formatted: Indent: Left: 0.5", Hanging: 0.5", Bulleted + Level: 1 + Aligned at: 0.5" + Tab after: 0.75" + Indent at: 0.75", Tab stops: Not at 0.75"

¹⁷ Annex D examines harmonization progress in selected countries.

¹⁸ In parallel, the Like-Minded Development Group (LMDG) of bilateral donors is working to harmonize capacity-building support, create a common development vocabulary, and foster wider use of multidonor financing mechanisms to support SWAp (rural transport and basic education).

¹⁹ The consortium comprises the AsDB, European Commission, IDA, UNICEF, Australian Agency for International Development (AusAID), Canadian International Development Agency, DFID, Japan International Cooperation Agency, Netherlands, Norwegian Agency for Development Cooperation (NORAD) and Swedish International Development Cooperation Agency.

Development Program. AsDB is the lead agency of the donor consortium. This approach will replace over 20 separate donor-supported activities, each with donor-specific operating requirements. A key element is common pooled funding for local procurement using the Government's newly upgraded processes.

- In **Niger**, the Government and the World Bank country team have made significant efforts since the World Bank initiated discussions on harmonization in February 2003. A comprehensive action plan has been proposed with work at three levels. At the national/central level, work will focus on alignment with the Government of Niger strategy, analytic work, monitoring and evaluation (M&E), financial management systems, capacity strengthening, and environmental assessment. At the sectoral level, it will focus on common M&E indicators linked to the medium-term expenditure framework. At the project level, it will address common project preparation procedures; common training on implementation, M&E, and supervision; and common financial and audit reports. The Ministry of Finance and Economy has reached agreement with the AfDB, the EU, France, UNDP, and the World Bank for joint work on a public expenditure review and a country financial accountability assessment (CFAA).
- In **Zambia**, the Government reached an agreement in March 2003 with a Like-Minded Development Group of seven bilateral donors²⁰ on a Common Framework for Harmonization in Practice. The World Bank was initially not a party to this agreement, but is now working closely with the Government and all other donors in trying to improve coordination and to harmonize procedures. Government and donor efforts focus on establishing a coordination mechanism around the PRSP; developing a joint donor approach toward budget support and PRSP monitoring; supporting the Public Expenditure Management and Financial Accountability Review that was completed in June 2003 (with Harmonization in Practice, the EU, and the World Bank pooling technical assistance to support its implementation); and streamlining the financial accounting, auditing, procurement, and joint monitoring arrangements in the health SWAp.
- In the **Education for All-Fast Track Initiative (EFA-FTI)**, the World Bank serves as a secretariat that facilitates harmonized donor activity to minimize the transaction costs of supporting country education sector programs. Such support may follow different patterns: (a) SWAps, with multidonor pooling of resources at the country level; (b) silent partnerships; and (c) direct budget support and use of poverty reduction support credits. Burkina Faso, Guinea, Guyana, Honduras, Mauritania, Nicaragua, and Niger meet the eligibility criteria to serve as the first-generation EFA-FTI pilots. Of these countries, Honduras and Niger are making good progress in incorporating harmonization elements into the EFA-FTI. Meanwhile, donors are challenging the World Bank to model harmonization in the way it carries out the secretariat function.

²⁰ Denmark, Finland, Ireland, Netherlands, Norway, Sweden, and the United Kingdom.

9. Altogether, the World Bank is involved in the seven countries associated with the Rome Declaration²¹—Bangladesh, Ethiopia, Niger, Philippines, Tanzania, Vietnam, and Zambia—in which harmonization programs and activities have just started, or are being broadened or deepened. In another four countries—Bolivia, Kenya, Kyrgyz Republic, and Senegal—World Bank country directors’ offices have initiated discussions with the country authorities as a follow up to the Rome process, to ascertain the direction, scope, and pace with which they wish to proceed on a harmonization process. In another eight countries—Brazil, Colombia, Egypt, India, Morocco, Serbia, Sri Lanka, and Tajikistan—World Bank country director offices have initiated exploratory discussions on harmonization with country authorities and (in some cases) donor partners. Efforts vary in the remaining five countries cited in the Rome Declaration. Further progress in Jamaica, one of the initial frontier countries and a co-host of a pre-Rome regional preparatory workshop, is pending. In the Pacific Islands, Bank involvement so far is taking the form of technical and financial support for a practitioners workshop to be held on October 30-31, 2003. In Cambodia, Honduras, and Nicaragua, ongoing aid coordination activities continue, but a post-Rome dialogue on a harmonization agenda is yet to begin in earnest.

10. **Resource Commitment.** During FY03 the Bank spent roughly \$2.2 million on harmonization activities related directly to the DAC-OECD and MDB processes (see Table 2); this figure does not include resources spent by staff in the Regions or Networks implementing harmonization on the ground. About 70 percent of these resources were accounted for by staff time and travel in support of the interagency global and regional dialogue, consensus building, and good practice technical work by the DAC and MDB working groups. Some staff time and travel were directed at promoting organized country-level pilot activities, which then received additional resources (of about \$0.3 million) for work by consultants. Another \$0.3 million was spent directly on supporting partner country participation in technical work and for high-level discussions in Rome and in the regional preparatory workshops that preceded Rome. (Of course, other donors also spent resources on harmonization in FY03, but a discussion of those amounts is beyond the scope of this paper.) World Bank Management is committed to providing adequate resources for harmonization in FY04, principally for rolling out implementation through Regional and country-level events, and for creating the global Web-based platform for building and supporting the community of practitioners.

²¹ The frontier countries associated with the Rome Declaration are Bangladesh, Bolivia, Cambodia, Egypt, Ethiopia, Honduras, Jamaica, Kenya, Kyrgyz Republic, Morocco, Niger, Nicaragua, Pacific Islands, Philippines, Senegal, Tanzania, Vietnam, and Zambia. Of course, other countries are being encouraged to participate.

Table 2. World Bank Harmonization Expenditures, FY03

<i>Purpose</i>	<i>Expenditure</i>	
	<i>US\$</i>	<i>Percent</i>
Staff time and travel	1,563,767	71
Partner country participation	323,879	15
Consultants and other expenses	323,090	15
Total	2,210,736	100

Note: These figures are limited to harmonization activities related to the OECD-DAC and MDB processes; they do not include ongoing work in central or Regional VPUs on general donor coordination or activities that make the World Bank more “harmonization-friendly.” Numbers may not add up because of rounding.

B. Opportunities and Challenges

11. As the discussions above illustrate, the World Bank is now operating in a global environment that is becoming increasingly receptive to implementing harmonization as a key element of the aid and development effectiveness agenda. This environment brings both opportunities and challenges.

12. **Opportunities.** The global harmonization agenda is critical to efforts by the World Bank and other agencies to increase the efficiency and effectiveness of aid. It is fully consistent with the Comprehensive Development Framework principles that guide World Bank activities, including its support for the MDGs. The global harmonization work also provides political space and additional technical options for internal changes that improve the effectiveness with which the Bank delivers its assistance. At the country level, the harmonization agenda has the potential to raise World Bank collaboration with other agencies to new levels, including reinvigorating capacity-building work in areas—like procurement and financial management—that are directly relevant to the efficiency and effectiveness of all development expenditures.

13. **Challenges.** However, this environment also brings challenges for the World Bank—in particular, the need to (a) focus strategically on selective harmonization activities that generate the most substantial demonstrable development impact; (b) increase the awareness of staff and managers of harmonization opportunities, and motivate and equip them to respond; (c) lead, follow, or partner in harmonization while encouraging ownership by others, including partner countries themselves; and (d) generate early results. The rest of this section discusses these challenges and some of the early actions Management is taking to address them

1. Strategic Selectivity

14. As this paper has reported, the World Bank is involved in a wide range of diplomatic and technical work at the global, institutional, and country levels. Many of these activities complement one another. For example, the work with the DAC-OECD and other partners at the global level helps to provide a coherent framework and technical options for harmonization at the country level. However, as a practical matter, implementation on the ground will have to proceed country by country; it would be unrealistic to expect that the process followed, the content agreed, and the products developed for harmonization in one country can be fully replicated in another. The centrality of country leadership and harmonization around improved

country systems and procedures also limits such replication. For example, the governments of Ethiopia, Philippines, Tanzania, and Vietnam, have been strong leaders of their harmonization programs. But this leadership is exercised differently, and is influenced in different ways by government preferences, the degree of donor support, legal requirements, government capacity, and the organization and strength of local development assistance groups. In such different country contexts, the role of the World Bank differs—it may act as champion and leader, or it may be a follower and partner. This, too, limits the scope for generalization about what the World Bank should do, and how and when it should do it.

15. ***Management Strategic Selectivity Actions.*** The evolving approach to the strategic selectivity issue is ensuring that the World Bank’s many harmonization activities are fully screened and integrated within its country strategies and Network work programs (which reflect both country strategies and corporate priorities). Ideally, harmonization and alignment would grow out of these strategies. For example, partly as follow-up to recent strategy discussions between Senior Management and the Board, the Infrastructure Vice Presidency will host a roundtable for international financial institutions on September 9, 2003, to exchange views and identify opportunities for reinvigorating infrastructure development. The roundtable will include a discussion on harmonization. Anchoring harmonization in corporate and country strategies appears to offer the best guarantee that World Bank resources for harmonization will be directed to activities offering the greatest impact. Thus, in August 2003, Operations Policy and Country Services began to review all Bank CASs and lending operations that are discussed by the Operations Committee or the Regional Operations Committee for opportunities to accelerate and broaden upstream consideration of harmonized approaches in operational work. Management is also exploring ways to increase the impact of some of the resources spent in support of in-country implementation, by channeling them through the new global task teams in which both bilateral and multilateral donors participate and which can better catalyze broadly owned and sustained changes at the global, institutional, and country levels. These evolving elements of Management’s strategic approach are expected to be refined over time on the basis of experience.

2. Internal Awareness and Motivation

16. Given the number of internal operational reforms taking place, the increased emphasis on scaling up and timely delivery of World Bank assistance, and the extra effort that harmonization may require initially, there is a risk that Bank managers and staff may view the agenda as an additional and unnecessary burden. This is further complicated by the fact that there is already a large community of aid coordination practitioners, which has developed over many years with considerable effort, and “coordination fatigue” might discourage some of these practitioners from fully embracing the harmonization agenda. Yet another complication is the fact that tangible results from harmonization—including incremental benefits beyond donor coordination—will take time and, in the end, may not always be specifically attributable to harmonization efforts.

17. ***Management Actions on Awareness and Motivation.*** In harmonization, as with any institutional change agenda, there are no magical solutions: change and evidence of the benefits of change take time. Management is attempting to address these issues through measures such as

targeted communication, including identifying and publicizing linkages among internal operational reforms and clarifying reform objectives. For example, briefing sessions have been held for the Management Committee (March 2003), Corporate Day participants (April 2003), and country directors (April 2003). The issue was added to the Introduction to Bank Operations course held each month, and was a central feature of the first pilot of an Advanced Operational Skills course for senior task managers, conducted in April 2003. On September 3, 2003, the Managing Director, Operations, will convene a special meeting of Regional vice presidents to discuss the management of operations delivery, including improvements that could be made by exploiting synergies in recent internal reforms (such as investment lending simplification and scaling up) and country-driven needs, such as harmonization. After the 2003 Annual Meetings, country managers will meet in Istanbul for a peer learning event, with harmonization as one of the topics they will cover. The World Bank is working actively and systematically to disseminate the Rome commitments and agreed tools and summary information to interested parties, including staff and country teams. In June 2003, the President of the World Bank joined with the Presidents of the AfDB, AsDB, EBRD, and IDB and the Chairman of the DAC-OECD to send letters to Ministers of Finance and Development around the world to inform them of the Rome Declarations and of the organizations' determination to follow up on the commitments made in Rome. Desk-to-desk distribution of a user-friendly harmonization brochure, with practical information for users, is planned for Fall 2003. Other dissemination and learning events are being scheduled throughout the year for various target groups, including sector boards. Management is also providing additional resources for country teams from a central harmonization fund, and prompt management assistance such as deploying OPCS directors to other donor headquarters or to the field to resolve issues quickly. Management is aware that these communication and dissemination activities must be complemented by appropriate staff skills and behaviors, and is working on several fronts to develop and reward them.

3. Effective Partnering

18. The World Bank's global, institutional, and country-level support for advancing the harmonization agenda has been ambitious. At times this has led to tensions with partners and concern that the Bank would dominate the international harmonization agenda. This is also true at the country level, where the Bank often has more field-based staff than other donors do. Strong World Bank promotion for harmonization could also undermine partner country ownership if the World Bank fails to solicit and receive clear directions from governments on priority areas for implementation and timetables for achieving progress. Tensions could also arise or intensify as the World Bank seeks to balance pressures to quickly demonstrate credible benefits from harmonization with the reality that developing effective and sustainable partnerships for harmonization takes time and patience.

19. ***Management's Approach.*** A major effort is being made to identify and manage these tensions. Management has given clear direction to staff to lead, follow, or partner—whichever is needed for successful development outcomes—and to remain sensitive to the issues. Before the Rome High-Level Forum, for instance, World Bank staff worked in close collaboration with DAC staff (and the chair of the Task Force on Donor Practices) and the Italian hosts, and formed a joint High-Level Forum Secretariat housed in the Bank. The World Bank also worked with the regional development banks and other donors on three preparatory regional workshops that were held in Kingston, Hanoi, and Addis Ababa a month before the Rome event to broaden ownership

of the agenda by partner countries. The AfDB, AsDB, IDB, and the major bilateral donors of each region played lead roles, while the World Bank provided financial and technical support. The World Bank has been careful to obtain mandates that have broad support in the Development Committee, High Level Meetings of the DAC-OECD, and the biennial meetings of MDB Heads. The World Bank has also worked proactively to engage the UN in the global harmonization agenda, both in Washington, New York, and the field. The World Bank has continued to use this modus operandi in the activities following the Rome event. World Bank staff are also being encouraged to engage partners early in the harmonization work to build a common technical and analytic base for moving forward. The increasing frequency with which CFAAs are now undertaken with the involvement of partners (10 in FY03) is a powerful example in this respect. World Bank Management also continues to request that shareholders of all MDBs and bilateral agencies exercise consistent oversight over harmonization—including communicating clear expectations and timetables for achieving them—to ensure broad and sustained progress on the ground.

4. Results

20. Harmonization and alignment are not ends in themselves, but rather means to improve development effectiveness and promote the achievement of the MDGs. Generating results is key to increasing and sustaining support for harmonization—among donors, staff, and clients. Defining and tracking indicators of such results is a priority for many of the institutions participating in harmonization work, including the World Bank. The Rome Declaration articulates a set of commitments to be monitored to ensure progress toward the MDGs. This monitoring requires a clear delineation of the “results chain” involving inputs, process, output, impact, and outcome measures, consistent with the results-based framework. Management Actions on Results. The World Bank is adopting a highly collaborative approach to the results agenda that recognizes the results chain and the global, corporate, and country dimensions of the chain. At the global level, for instance, the Bank is supporting efforts within DAC-OECD to carefully monitor the specific commitments made in the Rome Declaration, because they are important (albeit early) steps in the results chain. Concurrently, in consultation with the IMF and the MDBs, the World Bank is preparing a global monitoring report on policies, including aid policies that could contribute to meeting the MDGs, for the Spring 2004 meeting of the Development Committee. Meanwhile, the World Bank’s results secretariat will undertake joint work with the DAC Evaluation Network and other interested multilateral institutions in areas such as the harmonization of monitoring and evaluation frameworks among donors, and harmonized statistical capacity building in partner countries for monitoring and evaluation. Within the World Bank itself, Development Economics is undertaking new research to capture quantitatively the key dimensions of the quality of aid, including country level allocations, building on past Development Economics work on aid effectiveness. This work is also being informed by research being undertaken by others.

IV. CONCLUSION

21. In the months since the Rome High-Level Forum on Harmonization, the political momentum for harmonization has been sustained, an increasing number of partner countries have initiated harmonization programs with the support of donors, and donors have come to

Formatted: Numbered + Level: 1 +
Numbering Style: I, II, III, ... + Start at: 4 +
Alignment: Left + Aligned at: 0.25" + Tab
after: 0.75" + Indent at: 0.75"

share an agenda on follow-up and implementation. The World Bank has continued its strong commitment to this agenda and has expanded its involvement at the global level. Responding to requests from partner institutions, it has taken a co-leader position in the task team on harmonization and alignment and is leading and partnering related work programs in financial management, procurement capacity building, and management for results, set up under the auspices of the new DAC-OECD Working Party on Aid Effectiveness. Within the World Bank, the corporate priorities to harmonize with partners around improved country systems, modernize lending instruments, and simplify processes are being addressed, with close attention paid to the linkages among them. In doing this, Management is putting more effort into strategic identification and consideration of harmonization opportunities, country by country and transaction by transaction. This process is now beginning, and it will require time and continued high-level support.

22. **World Bank Commitment.** The World Bank's Senior Management is strongly committed to realizing the benefits of harmonization, and to persuading and working with others to achieve them. President Wolfensohn, in reporting to the Annual Meetings in September 2003, will convey to World Bank Governors the key messages on harmonization distilled from this paper. In Dubai, the Islamic Development Bank will host the meeting of the heads of the multilateral financial institutions, at which the World Bank will contribute to the discussion on the progress of harmonization since Rome and the way forward. Meanwhile, World Bank Management will continue to work on several fronts to deepen the ownership and implementation of this agenda within the Bank. The motivation behind this commitment is simple: it is the realization that the harmonization work begun a few years ago to reduce the administrative cost of aid in the short run could have an even greater impact on increasing the benefits of aid in the longer term.

TECHNICAL WORKING GROUPS: HARMONIZATION ACTIVITIES

1. **Public Financial Management.** The financial management and accountability subgroup of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (DAC-OECD) Task Force on Donor Practices concluded its work earlier this year. It produced two good practice papers related to financial management, which were endorsed at the High-Level Forum in Rome: “Measuring Performance in Public Financial Management,” and “Financial Reporting and Auditing.” Going forward, a joint venture on public financial management is being created within the new Working Party on Aid Effectiveness and Donor Practices, with representation from partner countries. This joint venture will discuss performance indicators to track progress, and will explore the development of good practices for ensuring predictable external resources (including commitments, budgeting and recording expenditures, and merging donor funds with the exchequer). Meanwhile, the multilateral development bank (MDB) group has agreed on common approach notes on diagnostic work, including protocols for document sharing and use; on financial reporting and auditing; and on financial analysis. Moving forward, the group is refocusing efforts on country-level implementation and will continue to work with the DAC through the new arrangements for the technical subgroup on financial management. And work is continuing by the International Federation of Accountants to develop accounting standards for development assistance (expected completion date is end-2004).

Formatted: Indent: Left: 0", First line: 0",
Outline numbered + Level: 2 + Numbering
Style: 1, 2, 3, ... + Aligned at: 0" + Tab after:
0.5" + Indent at: 0.5", Tab stops: 0", List tab
+ Not at 0.25" + 0.5"

23.2. **Public Expenditure and Financial Accountability.** The Public Expenditure and Financial Accountability Program, a bilateral-multilateral partnership, continues to promote integrated, harmonized, and coordinated approaches to public financial management assessment and reform. The partners include the European Commission, the United Kingdom’s Department for International Development (DFID), France, International Monetary Fund (IMF), Norway, Strategic Partnership with Africa (SPA), Switzerland, and World Bank. Its current work program includes a review of short-term measures used by international agencies to mitigate risks in budgetary support, support for closer integration of the country financial accountability assessment (CFAA) and the European Commission Audit, support to the International Federation of Accountants (IFAC) development of the international accounting standard for development assistance, and support for coordinated integrated work on public financial management diagnostics in several countries, including Comoros, Democratic Republic of Congo, Georgia, India, Kenya, Madagascar, Papua New Guinea, Philippines, Rwanda, and Senegal. The program is also supporting the activities of a World Bank-IMF working group set up to examine options for improving the robustness, impact, and cost-effectiveness of public expenditure work, including the development of performance indicators.

24.3. **Procurement.** In October 2002, the heads of procurement met and approved a harmonized prequalification document for civil works contracts. The heads of procurement have discussed the first draft of a harmonized standard bidding document for procurement of works and of a “Request for Proposal” document on consulting services. Also, the heads of procurement forged a common recommendation for best practice to address policy differences among participating multilateral development banks (MDBs) for consultant selection. This and related policy issues—eligibility and origin of goods, common definitions of fraud and conflict of interest, and harmonization of national competitive bidding thresholds—should now be addressed by each MDB. Reflecting the increasing focus on implementation, the DAC Working

Party on the Financial Aspects of Development Assistance¹ and the World Bank cosponsored a multidonor roundtable workshop with recipient country participation in January 2003. The workshop launched pilot initiatives in selected partner countries (Ghana, Indonesia, and Tanzania) to develop good practice principles or standards in areas such as capacity building and procurement, benchmarking, and mainstreaming procurement in the governance and anticorruption agendas.

25.4. *Environment and Other Safeguard Policies.* As part of the overall harmonization process, the Multilateral Financial Institutions Working Group on Environment (MFI-WGE),² has prepared “A Common Framework for Environmental Assessment: Converging Requirements of Multilateral Financial Institutions.” The first section of this document, covering core institutional procedures and practices and agreed approaches to environmental impact assessment, was adopted by the MFI-WGE meeting in Luxembourg in November 2002, and it was presented to the High-Level Forum in Rome in February 2003. The Common Framework is intended to simplify and facilitate donor coordination, promote consistent communication with borrowers, encourage collaborative capacity building, reduce transaction costs for borrowers, and increase development effectiveness. These document and others being prepared by the MFI-WGE do not supercede the policies of participating institutions.

26.5. *Environmental Impact Assessment (EIA).* “Common Approaches to Areas Covered by EIA,” a second document of the MFI-WGE, was agreed upon at a technical working group meeting in Washington in April 2003. This document will provide a foundation for harmonizing approaches and building client capacity around commonly used principles and processes in the environmental and social areas that environmental impact assessments may cover.³ Other MFI-WGE work currently under way includes Terms of Reference for EIA and for Environmental Management Plans (Asian Development Bank [AsDB]); Guidance on Environmental Audits (European Bank for Reconstruction and Development [EBRD]); and Borrower Capacity Building (African Development Bank [AfDB]). The members of the MFI-WGE are preparing a work plan for collaboration with the International Finance Corporation (IFC) on updating the World Bank Pollution Prevention and Abatement Handbook. The next meeting of the MFI-WGE, which will focus on capacity building and country-level harmonization activities, will be hosted by AsDB and held in Bangkok in November 2003. This will be followed by a meeting hosted by the Nordic Investment Bank, to be held in Helsinki in May 2004.

27.6. *Equator Principles.* In a related effort, in June 2003, 10 leading lending institutions primarily involved with the private sector adopted the “Equator Principles,” guidelines for

¹ The Working Party on Financial Aspects of Development Assistance, is now superceded by the Working Party on Aid Effectiveness, which will work closely with the MDB Heads of Procurement group, especially on capacity building.

² The MFI-WGE includes the technical heads of environment departments in the World Bank Group, the major regional development banks—AfDB, AsDB, EBRD, European Investment Bank (EIB), Inter-American Development Bank (IDB), and International Fund for Agricultural Development (IFAD)—as well as smaller regional development banks (for example, the Nordic Investment Bank, the Caribbean Development Bank, and the Islamic Development Bank). The Japan Bank for International Cooperation (JBIC) and DAC, among others, send representatives as observers.

³ These include pollution, toxic and hazardous substances, climate change (pending), natural habitats, physical cultural property, directly affected communities, vulnerable groups, land acquisition and resettlement, and worker health and safety.

managing social and environmental issues related to financing development projects.⁴ The IFC provided extensive advice on drafting the principles, which are based on World Bank and IFC policies and guidelines. Under the Equator Principles, a financial institution agrees to loan funds only to project sponsors that agree to develop projects following guidelines for social and environmental good practices. In 2002, the initial 10 participating institutions from seven countries underwrote US\$14.5 billion in project loans representing approximately 30 percent of project loans syndicated globally. In recent months, five additional financial institutions have adopted the Equator Principles.⁵

28.7. Analytic Work. The Task Force on Donor Practices issued three good practice papers that include recommendations and indicators of good practice specific to analytic work: “Country Analytic Work and Preparation of Projects and Programmes,” “Measuring Performance in Public Financial Management,” and “Delegated Cooperation.” Partnership efforts are being supported via the Country Analytic Work joint website, which currently has more than 20 agencies committed to providing information on their analytic work, as well as assigning contact points in each participating agency to facilitate the exchange of information and enable partners to identify potential cooperative efforts early. The Country Analytic Work joint website currently contains over 1,000 analytic documents from the various partners, and it has been recognized for its contribution in promoting and facilitating harmonization.⁶

29.8. Evaluation. The Evaluation Cooperation Group, chaired by the World Bank’s Director-General, Operations Evaluation, completed Good Practice Standard Papers for both public and private sector project evaluations. The good practice standard for the private sector has been benchmarked and updated. Plans are under consideration to benchmark the good practice standard for public sector evaluations. The Evaluation Cooperation Group is currently studying good practices for evaluating policy-based lending operations. In September 2002, the Group held a workshop on evaluation capacity development as part of public sector modernization, exploring potential joint activities in this area. Other work program areas include stocktaking on governance and independence of evaluation; evaluability; and a scoping note on technical assistance instruments (not covered by loans) among MDBs; these may be followed by a paper on the evaluation of these instruments.

30.9. Legal Documentation. As part of its current harmonization agenda, the World Bank is looking to further streamline and harmonize the structure and content of its legal documentation with other MDBs across the dimensions of fiduciary requirements (e.g., procurement, disbursement, and audit), safeguard requirements, and project implementation. Other areas where harmonization of legal documentation might be useful include standardizing legal remedies and, where appropriate, the financial terms of loans. The Bank’s legal department is at the beginning stages of a simplification exercise that is intended to produce legal agreements that would be simpler, more streamlined, and easier for non-legally trained colleagues in the Bank and in client countries to understand. The World Bank is preparing a draft blueprint for change

⁴ Participating banks include ABN AMRO (Netherlands), Barclays (UK), Citigroup (USA), Crédit Lyonnais (France), Crédit Suisse Group (Switzerland), HVB Group (Germany), Rabobank (Netherlands), Royal Bank of Scotland (UK), WestLB AG (Germany), and Westpac (Australia).

⁵ The new participating banks include Dresdner Bank (Germany), ING Group (Netherlands), MCC (Italy), Royal Bank of Canada (Canada), and Westpac-New Zealand (New Zealand).

⁶ See <http://www.countryanalyticwork.net/>.

based on a review of existing models, which will be circulated for internal consultations with Regions and Networks and for external consultations with borrowers and other MDBs' General Counsels. In mid-2003, the General Counsels of the international financing institutions expressed interest in establishing a working group toward harmonizing this effort.

31.10. Disbursement. During FY03, the World Bank canvassed other MDBs on a proposal to harmonize disbursement policies and procedures to reduce compliance costs on borrowers. The World Bank found that standardized disbursement procedures and practices and increased web use streamlines disbursement and reduces costs for borrowers. Other MDBs expressed broad support for the initiative and agreed in principle to undertake a comparative analysis of cross-institutional policies, procedures, and documentation, which could include a common framework for disbursement policies and guidelines, and action plans including (a) standardized disbursement procedures and practices, and disbursement documents; (b) electronic processing of disbursement requests; and (c) Internet websites for more efficient information exchange.

TABLE A1. ACTION PLAN FOR IMPLEMENTING THE HARMONIZATION AGENDA

<i>Outputs/Outcomes</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of August 15, 2003</i>
Multilateral Activities			
MDB Financial Management and Analysis ^a			
1. Country diagnostic work. Initiate four joint diagnostic country financial management assessments. Adopt good practice guidelines for the joint conduct and dissemination of assessments.	Q4 2001 completed	Country diagnostic work provides basis for building recipient capacity and recipient systems. Joint assessments reduce costs for donors.	Framework for collaboration on financial management diagnostic work issued in February 2003. http://opcs.worldbank.org/FM/documents/Harmonization/MDB%20Diagnostic%20-%20February%2018,%202003.pdf
2. Financial management. Develop options for consideration by the senior management of each participating MDB for harmonized approaches to financial reporting and auditing of projects financed by participating MDBs.	Q2 2002 completed		Framework for collaboration on financial reporting and auditing issued in February 2003. http://opcs.worldbank.org/FM/documents/Harmonization/MDB%20R&A%20-%20February%2018,%202003.pdf
3. Financial analysis. Develop options for consideration by senior management of each participating MDB; harmonize financial analysis approaches to (a) tariffs, subsidies, and affordability; and (b) ratios and loan covenants.	Q2 2002 completed	Coherent approaches to financial analysis would facilitate policy dialogue on infrastructure sector reform, and would support financial sustainability of projects.	Collaboration framework agreed among MDBs in February 2003. http://opcs.worldbank.org/FM/documents/Harmonization/MDB%20Financial%20Analysis%20-%20February%2018,%202003.pdf
4. Accounting standards. Submit joint MDB proposal to the IFAC-Public Sector Committee for the development of accounting standard for development assistance.	Q4 2001 ongoing	International accounting standards provide common benchmarks for donors and recipients.	IFAC-PSC has started work. Standard to be issued in 2004.
MDB Heads of Procurement Group ^b			
1. Standardized master documents for international competitive bidding. Supply of goods	Completed	Standardized documentation eases administrative burden on recipients.	In use in AfDB, AsDB, IDB, and World Bank (WB). http://www1.worldbank.org/harmonization/romehlf/Background/harmonized%20master%20bidding.pdf
Civil works contracts	Q4 2002 completed		http://www1.worldbank.org/harmonization/romehlf/Background/harmonized%20master%20prequalification.pdf
Request for proposals for consultants	Q4 2003		Draft prepared by Working Group completed. For discussion and approval by Heads of Procurement by December 2003.
Prequalification for civil works	Q4 2002 completed		Approved at the October 2002 meeting.

<i>Outputs/Outcomes</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of August 15, 2003</i>
2. Country diagnostic work. Common instructions to carry out CPARs.	Q3 2002 completed		
Conduct eight joint country procurement reviews.	Q4 2002 completed	Country diagnostic work provides basis for building recipient capacity and recipient systems. Joint assessments reduce costs for donors.	Joint CPARs: Guinea with AfDB; Philippines and Uzbekistan with AsDB; Costa Rica, El Salvador, and Paraguay with IDB; Yugoslavia with EBRD; Azerbaijan with EU.
3. Procurement policies and procedures. Achieve greater policy convergence.	Q4 2002 (first step completed)	Policy differences hamper harmonization efforts.	Draft stocktaking paper prepared by WB and EBRD. Approved by other MDBs in March 2002.
4. Adopt common procurement, implementation, monitoring approaches for cofinanced sector programs and projects.	Q2 2002 ongoing	Cofinancing of programs and projects will be facilitated for borrowers and transaction costs will be reduced. Capacity building will be jointly supported by donors. Joint work is finished; however, completion will depend on actions from each bank. On July 17, 2003 World Bank began discussions with Board to modify WB guidelines.	Draft diagnostics approved in March 2002. Meeting in October 2002 discussed how to harmonize policies for procurement of goods and works and for hiring consultants. Recommendations on best practice for harmonization of policy approved in October 2003. Now each bank will need to modify its own policies and guidelines.
MFI Environment Working Group on Environment ^c			
1. Common Principles of Environmental Assessment. Develop common principles for the environmental assessment process and scope of report.	Q2 2003 completed	Document completed and available in English and French. Harmonization pilots involving EIA have been initiated in Ethiopia, Jamaica, Philippines, Sri Lanka, and Vietnam; and are under consideration in countries in the Europe and Central Asia and Middle East and North Africa Regions.	Multilateral Financial Institutions – Working Group on Environment has prepared A Common Framework for EIA. Common framework laying out converging requirements of MFIs for environmental impact assessment distributed at High-Level Forum in February 2003. Complementary work is under way. http://www1.worldbank.org/harmonization/romehlf/Background/MFI%20Final%20Jan17%202003-Eng.pdf
2. Common Issues in Environmental Assessment. Provide statement on principles in addressing common issues in environmental assessment	Q4 2002 completed	Document completed.	
3. Terms of Reference for Environmental Assessment. Provide a common framework for Terms for Reference for environmental assessments.	Q4 2002 draft	Draft document under review, to be completed Q2 2004.	Draft document being reviewed by members of MFI-WGE.

<i>Outputs/Outcomes</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of August 15, 2003</i>
4. Environmental Management Plans. Guidance on the preparation of environmental management plans.	Q4 2002 draft	Draft document under review, to be completed Q2 2004.	Draft document being reviewed by members of MFI-WGE.
5. Environmental Audits. Common principles for the preparation of environmental audits.	Q4 2002 draft	Draft document under review, to be completed Q2 2004	Draft document being reviewed by members of MFI-WGE.
6. Update Pollution Prevention and Abatement Handbook. A proposed cooperative work program for updating the Pollution Prevention and Abatement Handbook used by MDBs, development organizations, private banks, and private sector	Q4 2002 draft work plan	Work plan to be completed Q2 2004, will require a multiyear work plan with significant funding.	Work plan being prepared by members of MFI-WGE, under leadership of IFC.
Bilateral Activities			
DAC-OECD Task Force on Donor Practices (all 23 DAC-OECD members)^d			
1. Good practices. Develop good practice reference papers on (a) financial accountability; (b) preimplementation stages of the project cycle; and (c) reporting and monitoring requirements.	Q4 2002 completed	Good practice reference papers provide benchmark principles for donors to rely on and recipients to pursue.	Good practice papers available at: http://www.oecd.org/dataoecd/60/28/2632982.pdf
2. Recipient engagement. Consult recipients on harmonization priorities and engage recipient experts in technical dialogue in each thematic area.	Q4 2001 completed		Actively engaged – partner countries will also be invited to participate in the work of the successor Working Party.
DAC-OECD Task Force Subgroup on Financial Management and Accountability^e			
1. Conceptual paper. Develop an overall conceptual framework for financial management harmonization, based on financial accountability, rules to govern use of resources, reporting arrangements, and ex-post verification.	Q4 2001 completed	Provides a vision and guiding framework for the overall harmonization effort.	Endorsed by Task Force in November 2001. Framework available on donor practices Internet site, http://www.oecd.org/dac/donorpractices
2. Fiduciary standards. Prepare an inventory of the relevant international standards and limitations in standards. Identify minimum standards in the management of public finance. Identify models for developing country capacity.	Q4 2002 completed	The extensive and growing body of current international standards in financial accountability provides a solid foundation for the development of a common standards framework on which donors can rely.	“Financial Reporting and Auditing” – DAC-OECD Good Practice paper http://www.oecd.org/dataoecd/39/6/2069996.pdf
3. Donor accountability. Report of bilateral donor accountability requirements in seven DAC member countries.	Q2 2001 completed		Reports available. http://www.oecd.org/dataoecd/24/44/2670977.pdf
4. Financial reporting and auditing. Good Practice reference paper on donor reporting arrangements; assess cost of donor reporting requirements on partner countries; identify scope for single reporting frameworks and single audit frameworks.	Q4 2002 completed	The multiple financial reporting and auditing requirements of individual donors have been identified as one of the main contributors to high transaction costs for aid recipients.	“Financial Reporting and Auditing” – DAC-OECD Good Practice paper
5. Diagnostic tools. Good Practice reference paper. Establish an inventory of diagnostic tools; map each tool to determine coverage of the principal dimensions of financial accountability; propose ways in which the findings of diagnostic work could be implemented.	Q4 2002 completed	Greater collaboration in diagnostic work has been identified as a quick-win/high-impact area in which there are few policy or procedural obstacles to greater donor collaboration.	“Measuring Performance in Public Financial Management” – DAC-OECD Good Practice paper.

Formatted: Indent: Left: 0", First line: 0", Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 5 + Alignment: Left + Aligned at: 0.25" + Tab after: 0.5" + Indent at: 0.5", Tab stops: Not at 0.5"

<i>Outputs/Outcomes</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of August 15, 2003</i>
OECD-DAC Task Force Subgroup on Preimplementation Phase of Project Cycle^f			
1. Analytic work at sectoral level. Good Practice reference paper to identify potential for harmonizing analytic work undertaken by donors to support country strategy plans.	Q4 2002 completed	Joint sectoral analytic work would improve coordination of project identification.	Integrated within "Country Analytic Work and Preparation of Projects and Programmes" – DAC-OECD Good Practice paper.
2. Risk analysis. identify and analyze best practices in risk analyses and management of multidonor development assistance.	Q4 2002	Common risk analyses reduce transaction costs and increase development effectiveness.	Integrated within "Country Analytic Work and Preparation of Projects and Programmes" – DAC-OECD Good Practice paper.
3. Logical framework and results assessment. Review good practice in the use of results frameworks, and develop a common integrated approach to logical framework assessment and results-based assessment, working closely with DAC Working Party on Aid Evaluation.	Q4 2002 completed as part of 1		Integrated within "Country Analytic Work and Preparation of Projects and Programmes" – DAC-OECD Good Practice paper.
4. Cofinancing. Identify best practice principles and review practices where one donor agrees to be represented by another in some or all respects of the project cycle	Q4 2002 completed	Improving cofinancing will leverage development impact.	"Delegated Cooperation" – DAC-OECD Good Practice paper.
OECD-DAC Task Force Subgroup on Reporting and Monitoring^g			
1. Scoping reporting and monitoring systems. Identify different systems and requirements (at donor and country level) and burden placed on recipient partners; use case studies to identify reasons for stagnation in system improvement.	Q3 2002 completed		"Reporting and Monitoring" – DAC-OECD Good Practice paper.
2. Best practices. Identify success factors for common reporting and monitoring arrangements; explore mechanisms for cooperation procedures	Q3 2002 completed		"Reporting and Monitoring" – DAC-OECD Good Practice paper.
3. Good practice reference paper. Foster harmonization of reporting and monitoring practices.	Q3 2002 completed		"Reporting and Monitoring" – DAC-OECD Good Practice paper.
4. Consultation process. Examine political will to change existing reporting and monitoring procedures and scope for acceptance of recommendations by donors, countries, and NGOs.	Q4 2002- Q1 2003 ongoing		
^a AfDB, AsDB, EBRD, IDB, and WB. ^b AfDB, AsDB, BSTDB, CDB, EBRD, EC, EIB, IDB, NADB, NDF, UNDP, and WB. ^c AfDB, AsDB, BSTDB, CAF, CDB, DBSA, DFID (observer), EBRD, EIB, IDB, IFAD, IFC, IIC, IsDB, JBIC (observer), NEFCO, NIB, DAC-OECD (observer), UNDP (observer), UNEP (observer), and WB Group (IBRD/IDA, IFC, MIGA). ^d The OECD-DAC regroups the bilateral development arms of the European Commission and the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States. ^e CIDA, EC, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, United Kingdom, UNDP, United States, and World Bank. ^f Australia, EC, Finland, France, Germany, Italy, Japan, Netherlands, Norway, United Kingdom, UNDP, and United States. ^g Australia, CIDA, Denmark, EC, Finland, France, Germany, Italy, Switzerland, United Kingdom, and United States.			

ANNEX B

ILLUSTRATIVE KEY SHEET OF AN INDICATOR

INDICATOR	DEVELOPING COUNTRIES WITH ACTION PLANS ON HARMONIZATION (%)	
3.2		
DIMENSION		RESULT
	Partner governments take the lead on coordination initiatives	Partner Countries and Donor Community Agree at Country Level on How to Harmonize Aid
DESCRIPTION		
Number of countries that have established action plans on harmonization and have come to an agreement on its application with the donor community as a percentage of all developing countries. [Terms to be defined: action plan, agreement, donor community.]		
DATA COLLECTION		
Is data currently collected?	No	
Source	Lead agency informs OECD Secretariat once an agreement is reached.	
Periodicity		
Unit of measure	Percentage	
Lowest level of aggregation	Country	
Comments		
EXPECTED DATA COVERAGE		
Donor agencies	Not applicable	
Aid recipients	All developing countries (see comment below)	
Conceptual coverage		
Comments	[Issue for discussion: do we need to narrow scope?]	
REPORTING		
Responsible agency	Lead agency informs OECD Secretariat once an agreement is reached	
Frequency	On-going	
Comments		
TARGETS		
Target	100% by 2015	
Baseline	0% in 2002	
Comments		
COMMENTS		
[Issue for discussion: to what extent will it be necessary to formalize the process of establishing country action plans on harmonization?]		

WORLD BANK HARMONIZATION ACTIVITIES

1. World Bank Management and Executive Directors continue to focus on enhancing development effectiveness by, among other things, strengthening support for borrower capacity building and increasing Bank flexibility to utilize borrower systems that satisfy agreed standards or principles.

Formatted: Numbered + Level: 1 +
Numbering Style: 1, 2, 3, ... + Start at: 1 +
Alignment: Left + Aligned at: 0" + Tab after:
0.25" + Indent at: 0", Tab stops: 0.5", List tab
+ Not at 0.25"

a. In 2002, the World Bank introduced new guidelines on financial reporting to add flexibility to the content, format, and frequency of borrower reporting requirements, including allowing borrowers to submit reports based on their own financial reporting systems. This flexibility is being implemented in all new Bank projects; Bank staff are working with country authorities and/or other donors to agree on reporting formats. Also in 2002, new fiduciary processes introduced allow the Bank to participate in pooled financing arrangements in sectorwide approaches—characterized by common arrangements for financial reporting, auditing, procurement, and disbursement.

Formatted: Indent: Left: 0.5", Numbered +
Level: 1 + Numbering Style: a, b, c, ... + Start
at: 1 + Alignment: Left + Aligned at: 0.25" +
Tab after: 0.5" + Indent at: 0.5"

b. In November 2002, the World Bank launched a program to simplify and reinvigorate investment lending. Since then, progress has been registered in several areas, including: (a) the project concept document has been replaced by a shorter, upstream project concept note (a maximum of four pages, with text length electronically enforced); (b) project design has undergone a “quality enhancement review” based on a draft project appraisal document; (c) an updated and streamlined project appraisal document—with a more strategic, readable, and concise main text (maximum 15 pages, electronically enforced), with all details in a technical annex—has been adopted; (d) guidelines for more efficient processing of “repeater” projects have been adopted; and (e) guidelines to streamline processing for “simple” projects have been adopted.

c. In February 2003, the Board of Executive Directors approved changes to the World Bank’s audit policies to enhance assurance of loan proceeds by more explicitly aligning the Bank’s policy with international auditing standards and good practice, adapting audit scope to assessed project risk, and increasing attention to the quality of Bank-financed projects. The policy will be applied through country-specific approaches, aiming to increase reliance on country audit processes where capacity permits, reducing burdens on client institutions through harmonized donor approaches, and supporting interventions to address weaknesses identified in the Bank’s diagnostic work. The associated guidelines for staff and annual financial reporting and auditing for Bank-financed activities were issued on June 2003; the new policy applies to all projects appraised from July 1, 2003.

d. The World Bank has increased flexibility to reduce procurement-related transaction costs; it has initiated higher prior-review thresholds based on client capacity. The Bank and other multilateral development banks are harmonizing policies and procedures; proposed adjustments of Bank Procurement Guidelines should be finalized during FY04.

e. World Bank Management is elaborating proposals to discuss with Executive Directors to reform policies on permissible expenditures. The review aims to reduce

the disconnect between expenditures that borrowers must incur to meet development objectives, and those that are eligible for Bank financing. The review also seeks to reduce borrower costs and harmonize policies with other donors by addressing the underlying concerns of current financing policies through more cost-effective country-based approaches. A paper is being prepared for discussion with the Board in September 2003.

- | f. In October 2002, the “Safeguards Vision” paper was posted on the Internet for comment. The paper outlines multiyear proposals to modernize World Bank safeguard systems, including possible adoption of safeguard principles that could be more broadly applied within borrower countries. The paper also discusses ongoing World Bank harmonization and capacity-building efforts.
- | g. The World Bank is designing a replacement for the Loan Administration System. The new system will be an integrated Loan Administration Platform and will facilitate harmonization with multilateral development banks and bilateral donors.

TABLE C1. WORLD BANK HARMONIZATION ACTIVITIES

<i>Area of change</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of August 15, 2003</i>
Financial Management			
1. Financial Reporting and Assessments. Bank will amend Loan Administration Change Initiative (LACI) to: (a) adapt content, frequency, and format of <i>project management reports</i> to borrower needs; and (b) provide improved guidance to staff on <i>project financial assessments</i> , including guidance on improving collaboration with other donors.	Q3 2001 completed	The planned changes to LACI were discussed by the Audit Committee of the Board in October 2001.	Changes implemented in December 2001.
2. Audit Policy. Review of project audit policy under way to balance need to improve recipient audit capacity with need to ensure appropriate use of Bank resources.	Q2 2002 completed		Changes to the Audit Policy approved by the Board in February 2003. New policy applies to all projects appraised from July 1, 2003.
3. SWAps. Review under way to develop, with the Procurement Sector Board, acceptable fiduciary arrangements to facilitate the Bank's participation in these operations.	Q1 2002 completed		Arrangement to facilitate Bank participation in SWAps agreed in April 2002, following discussion with Audit Committee.
4. Country Diagnostic Work. Bank has already conducted 10 CFAAs collaboratively with other donors, and it is presently formalizing its guidance on future collaboration of this nature.	Q4 2001 ongoing	Joint diagnostic work reduces costs for donors and provides basis for building recipient capacity and recipient systems.	New CFAA guidelines issued in June 2003, encouraging joint work with other donors. More than 10 CFAAs in FY03 carried out with other partners.
5. Support for Standard-setting. Bank has earmarked \$350,000 annually in grants for three years to support setting standards in accounting and auditing by IFAC and the International Accounting Standards Board. A further \$300,000 per annum has been approved for the INTOSAI Development Initiative.	Approved	Standards set by international bodies provide benchmarks for donors and recipients to pursue.	Support for standard-setting bodies continuing.
Procurement			
1. SWAps. Develop (jointly with Financial Management) framework for design and implementation of procurement (and Financial Management) arrangements for SWAps.	Q4 2002 completed	Approach is consistent with greater reliance on country systems and building the capacity of these systems.	Technical briefing for Board on March 8, 2002. Paper discussed by Audit Committee in April 2002.
2. Country Analytic Work. Develop coordinated approaches to CPARs. In addition, more resources committed to increasing number of CPARs.	Q4 2002 completed	Has potential to reduce costs for countries and enhance common focus on capacity building.	Issued new guidelines for preparation of CPARs including consultations with MDBs.
3. E-procurement. Issue guidance on development of electronic government procurement; and ... [see below]	Q4 2001 completed	Use of information technology improves transparency and efficiency of procurement process.	Notes on E-Procurement issued and available in website.
Revisit specific procurement practices to allow use of e-procurement.	Q4 2002		
Environmental and Social Safeguards			
1. Conversion of Policies. Continue conversion to improve clarity of safeguard policies on involuntary resettlement, indigenous peoples, physical cultural resources, and forestry.	Ongoing	External consultations completed for indigenous peoples and physical cultural property policies.	The Forestry Strategy and Policy were approved by the Board, October/November 2002. Other policies to be submitted for Board approval during FY04.

<i>Area of change</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of August 15, 2003</i>
2. Harmonization of Internal Process. Bank review under way to clarify accountability for high-risk operations, provide one-stop shop for authoritative policy interpretations, and integrate all safeguard policy applications under umbrella of environmental assessments. Integrated Safeguard Data Sheet (ISDS) being implemented and used as a mandatory element of Project Information Document, Project Concept Document, and Project Appraisal Document review processes.	Ongoing	The internal harmonization process is designed to take into account the external harmonization process, and both have a strong focus on building client capacity.	Safeguard Vision Paper was posted on the external website for comment in October 2002. Note on safeguard pilots under preparation for CODE. A revised ISDS template for PDS, designed to improve analysis of safeguard policy issues, is being piloted.
3. Upstream assessments. Initiate safeguard assessments earlier in project cycle to integrate them more effectively into the project identification and preparation process, which will reduce costs and delays.	Ongoing	All Regions have established review systems to evaluate potential application of safeguard policies at the beginning of the project cycle on use of integrated safeguard data sheet.	Initial review shows broad acceptance and generally satisfactory operation of ISDS. Improvements have been identified and being incorporated. Training of staff on use continues. Second year review under way.
Country-Level Activities			
1. PRSPs. Encourage developing countries to use PRSPs to identify harmonization priorities in individual countries; and update Joint Staff Assessment guidelines to include coverage of harmonization issues.	Q1 2002 completed	PRSP Review Conference earlier this year emphasized importance of harmonization to successful implementation of PRSPs.	See <i>Poverty Reduction Strategy Paper – Progress in Implementation</i> , September 11, 2002, Annex A on Guidelines for Joint Staff Assessments of PRSP Annual Progress Reports on Implementation.
2. CASs. Amend CAS guidelines in due course to include importance of addressing harmonization priorities in individual countries.	Q1 2002 completed	To align CASs in substance and timing with PRSPs, the Bank has begun to synchronize their preparation with PRSPs. For countries that have not completed their PRSP, the Bank's assistance will typically be updated in a CAS Progress Report focusing on the Bank's support to the preparation of the PRSP. A full CAS will be prepared soon after the PRSP is complete or at the end of the current CAS period.	CAS guidelines have been strengthened to encourage staff to discuss specific enabling measures with their country counterparts to improve country-level harmonization of donor procedures, especially in financial management, procurement, and environmental assessment, and is assessing the implications for the Bank program, including Bank support for capacity building.
3. Harmonization Coordinator. Designate focal point to advise and assist staff on policy and procedural issues arising in the context of investment lending.	Q2 2002 completed		Appointed. Additional staff recruited in August-October 2003 in line with program expansion and heightened focus on implementation.

SELECTED COUNTRY-LEVEL HARMONIZATION INITIATIVES

Ethiopia

1. Ethiopia—a frontier country, a Strategic Partnership with Africa (SPA) pilot, an IMF pilot, and a Country Environmental Analysis pilot—has made significant progress since the harmonization program was launched in June 2002. Ethiopia is exemplary in demonstrating the importance of government ownership and leadership in the harmonization agenda. Donors and the Government of Ethiopia (GoE) are working together toward harmonization at the budget, sector, and project levels, focusing on four areas: financial management and accountability, procurement, monitoring and evaluation (M&E), and environmental safeguards.
2. Major achievements after one year consist of (a) Government adoption of a harmonization program covering budget support, sectorwide operations, project-level operations, analytic work, training, and capacity building; (b) development of donor-government dialogue architecture for improved coordination, alignment, and harmonization; (c) institutionalization of the harmonization process through the creation of a Joint Government-Donor Task Force on Harmonization; and (d) a framework for harmonized budget support with agreed conditionalities and performance indicators (aligned with the Sustainable Development Poverty Reduction Program [SDPRP]¹, poverty reduction strategy reviews, and budget cycle) and increased predictability through rolling multiyear donor commitments. The GoE has prepared a policy matrix augmenting the policy measures to which it has committed in the SDPRP. This facilitates harmonizing budget and sector support assistance. Also, a budget support calendar aligned with the national budget year and review process will be implemented on an interim basis starting budget year 2003-2004 and will be regularized from budget year 2005-2006.
3. A growing number of donors have indicated their willingness to provide budget support (Asian Development Bank, Canada, European Union, Sweden, and World Bank) through a common framework. Ireland, Netherlands, and Norway are considering joining the budget support donors. The poverty reduction support credit (PRSC) preparation process, around which many bilateral donors plan to harmonize, and for which the annualized performance matrix is being produced, is at an early stage. Some bilateral donors, namely Germany, Italy, Japan, and the United States, have indicated that project aid will remain their mode of aid delivery for the foreseeable future. The Government has opted for a menu approach, formally pursuing harmonization of all three aid modalities.
4. At the sector level, education, health, and transport sector partners have been discussing sectorwide approaches (SWAs) with elements ranging from pooling arrangements for technical assistance in the health sector to comprehensive harmonization in the transport sector, where significant progress has already been achieved. The GoE has asked donors to provide financial and technical assistance through support of the education sector budget. Five bilateral donors (Belgium, Ireland, Netherlands, Sweden, and the United Kingdom) have decided to harmonize support of the Teacher Development Component of the program with pooling of funds using common procedures relying to the extent possible on GoE laws regulations and procedures. The

Formatted: Numbered + Level: 1 +
 Numbering Style: 1, 2, 3, ... + Start at: 1 +
 Alignment: Left + Aligned at: 0" + Tab after:
 0.25" + Indent at: 0", Tab stops: 0.5", List tab
 + Not at 0.25"

¹ The SDPRP is Ethiopia's equivalent of a Poverty Reduction Strategy Paper (PRSP).

Public Service Delivery Capacity Development Program, a multisector, multidonor program designed to meet the capacity-building needs of implementing a poverty reduction strategy in a decentralized public service delivery structure, is making progress. The country financial accountability assessment (CFAA), undertaken as a multidonor product, has been completed. The focus now is on capacity building to support the CFAA outcomes in an integrated country procurement assessment report (CPAR)/CFAA action plan.

5. In the area of environmental safeguards, the World Bank and the Department for International Development, in close collaboration with UNDP, the donors' technical group on environment, and the Environmental Protection Agency of the GoE, are carrying out an assessment of environmental legislation under the Country Environmental Analysis pilot. The objective of the pilot is to mainstream environmental considerations into the SDPRP and guide development assistance and capacity building.

Vietnam

6. Vietnam is one of the first "frontier countries" and an European Union harmonization pilot. Harmonized products in financial management have been developed, and significant progress has been achieved in the area of procurement. The country has acquired significant experience and is now exchanging lessons and future challenges with other interested countries (e.g., Philippines and Tanzania).

7. The Asian Development Bank (AsDB), Japan Bank for International Cooperation (JBIC), and World Bank continue close collaboration, with priority work in five main areas: procurement, financial management, social and environmental assessment, portfolio management, and analytic work. The Like-Minded Development Group (LMDG) of bilateral donors has identified areas for harmonization, including capacity-building support, monitoring and reporting, and wider use of multidonor financing mechanisms to support SWAs. The LMDG donors cofinance harmonization activities under a project that includes a capacity-building component that builds on the Government of Vietnam's management procedures for official development assistance (ODA). The activities provide support to multiagency working groups to produce guidelines for harmonized monitoring and reporting and procurement procedures, and support wider use of multidonor financing mechanisms. New partners on board are Agence française de développement and Kreditanstalt für Wiederaufbau.

8. The CPAR and CFAA jointly conducted by AsDB and the World Bank are completed. The last public expenditure review (PER), completed in 2000, was a joint effort among Denmark, the IMF, Netherlands, UNDP, United Kingdom, and World Bank. Four bilateral donors (Denmark, Netherlands, Sweden, and the United Kingdom) are cofinancing the PRSC. The World Bank and AsDB have agreed on a division of labor based on comparative advantage as a means toward coordinated reforms. Hence, the PRSC was developed in coordination with the AsDB's adjustment loan to ensure a high degree of complementarity in implementing the Enterprise Law.

9. In the area of financial management AsDB, JBIC, and the World Bank (often in collaboration with DFID) are aligning their work and requirements. In procurement, the three major donors are focusing on supporting the implementation of the Public Procurement Action

Formatted: Numbered + Level: 1 +
Numbering Style: 1, 2, 3, ... + Start at: 1 +
Alignment: Left + Aligned at: 0" + Tab after:
0.25" + Indent at: 0", Tab stops: 0.5", List tab
+ Not at 0.25"

Plan. New Procurement Decrees have been issued; national competitive bidding provisions for World Bank operations are under preparation; CPAR implementation is transforming public procurement of goods and civil works and resulting in common bidding documents for national competitive bidding, common upper limit thresholds for international competitive bidding/ national competitive bidding, common assessment of thresholds for prior/post reviews, eligibility of dependent statement of expenditures, and common procurement arrangements for pooled funding in SWAs. The LMDG is supporting Government/donor working groups in producing guidelines for procurement procedures.

10. In the area of environmental assessment, agreement has been reached on coverage, consultation, mitigation measures, management plan, and disclosure and timing. In the area of social safeguards, major donors have very similar requirements and are moving toward a common position and are providing joint advice on the preparation of a Decree on involuntary resettlement.

11. Other areas of collaboration and accomplishments include joint ESW, such as the Gender Action Plan; a multidonor trust fund supporting public financial management reform; regular joint portfolio performance meetings and joint portfolio performance reviews (AsDB, DFID, and World Bank); and collaborative preparation of a common paper on aid (AsDB, Denmark, Germany, and UNICEF); and LMDG support to Government/donor working groups for guidelines for harmonized monitoring and reporting procedures.

Bangladesh

12. The initial Government of Bangladesh (GoB) and donor harmonization efforts are focused on the education sector. (Bangladesh is an Education for All-Fast Track Initiative [EFA-FTI] pilot.) Past education-oriented programs have been hampered by overlapping donor-financed projects, poor coordination among the GoB and donors, and inadequate capacity-building efforts. To address this, the GoB has committed to implementing the Second Primary Education Development Project (PEDP II) within an overarching agreed GoB-donor plan for the development of quality primary education over the next six years.

13. PEDP II adopts a concerted approach to coordinating development partners' financial assistance, mainly through harmonization of donor policies and procedures around existing and improved Government systems and procedures. AsDB is the lead agency among 11 development partners: European Commission, IDA, Japan International Cooperation Agency, UNICEF, and six bilateral donors (Australian Agency for International Development, Canadian International Development Agency, Department for International Development, Netherlands, Norwegian Agency for Development Cooperation, and Swedish International Development Cooperation Agency). Harmonization activities envisaged by the GoB and donors under the operation include:

- **Pooled Account.** Cofinanced funds from AsDB, IDA, and six other partners would be advanced in support of the program. The Australian Agency for International Development, Japan International Cooperation Agency, and UNICEF will make funds available through direct payments to service providers under bilateral

Formatted: Numbered + Level: 1 + Numbering Style: 1, 2, 3, ... + Start at: 1 + Alignment: Left + Aligned at: 0" + Tab after: 0.25" + Indent at: 0", Tab stops: 0.5", List tab + Not at 0.25"

Formatted: Indent: Left: 0.5", Outline numbered + Level: 1 + Numbering Style: Bullet + Aligned at: 0" + Tab after: 0.25" + Indent at: 0.25"

agreements with the Government. AsDB, as the lead agency, would be responsible for reporting to donors on a quarterly basis.

- ***Procedures for Pool-funded Procurement.*** All procurement, except goods procured through international competitive bidding and international consultants, would follow national procurement rules.
- ***Performance-Based Financing.*** An innovative funding mechanism, linking a portion of the funding provided by development partners to performance, will be piloted. A portion of the funding would be disbursed against satisfactory performance in the previous year.
- ***Joint Implementation and Supervision Activities.*** During program implementation, periodic joint missions will review the progress against key performance indicators. Each year, the Government and donors would jointly review the annual plans and assess the following year's operational plan.
- ***Common Audit and Reporting Requirements.*** The program will be subject to external audit by the Comptroller and Auditor General of Bangladesh. Unless there is a need for a special or additional audit, there would be a single external PEDP II audit for the GoB and donors. The Annual Consolidated Financial Statements for the sector would serve as the common reporting to the GoB and donors. This audit will be based on a terms of reference acceptable to all donors, and no other audit to meet separate donor requirements would be carried out.

Tanzania

14. The harmonization process, which has been in place for several years, is a mature one, and the Government and donors are building on the momentum of the Rome Forum to deepen it. The Tanzania Assistance Strategy, which was launched in June 2002, has been completed and provides the national framework for aid coordination and national ownership of the harmonization process. The implementation of the assistance strategy is coordinated by the Ministry of Finance in close collaboration with sector ministries, local governments, civil society, and DAC. A joint Tanzania Assistance Strategy-Harmonization Group, supported by the joint Tanzania Assistance Strategy-Harmonization Technical Secretariat, has taken the lead in monitoring the implementation of the strategy. The first annual report on the Tanzania Assistance Strategy will be issued October 2003.

15. Harmonization efforts are focused in four areas:

- ***Public Expenditure Review (PER), the Budget, and the Poverty Reduction Strategy Processes.*** To strengthen the link between the poverty reduction strategy and the budget, the outputs of the PER need to be informed by the poverty reduction strategy process. As a result, the focus is on strengthening the link between the PER and the poverty reduction strategy annual reviews and end of cycle revisions. Donors and the Government of Tanzania (GoT) are working toward formalizing the regular PRSP annual reviews through the Technical Committee, and are discussing how this process

Formatted: Numbered + Level: 1 +
Numbering Style: 1, 2, 3, ... + Start at: 1 +
Alignment: Left + Aligned at: 0" + Tab after:
0.25" + Indent at: 0", Tab stops: 0.5", List tab
+ Not at 0.25"

Formatted: Indent: Left: 0.5", Bulleted +
Level: 1 + Aligned at: 0.25" + Tab after: 0.5"
+ Indent at: 0.5"

would best be linked to other processes to strengthen the link between the PER, the budget, and PER outputs of the poverty reduction strategy.

- **Performance Assessment Framework.** Agreement is being reached on a common Performance Assessment Framework for the PRSC and poverty reduction budget support. A common performance assessment framework with focus on results, improved public expenditure management, and capacity building has been adopted.
- **Macro and Sector Processes.** Most recently and in response to the need for harmonization of processes at the sector level—for ensuring that sector processes complement macro processes and are sequenced so as to merge smoothly—sector working groups have been established in all priority sectors. The draft terms of reference for these sector working groups is being finalized and includes developing common reporting formats, maintaining a calendar of donor missions, and identifying areas for reducing transactions costs at the sector level. An achievement in this direction has been the alignment with national cycle of the PRSC and Poverty Reduction Growth Facility processes. Alignment with other processes is being considered. The GoT and donors have agreed to undertake a study to identify current inefficiencies in the macrosector consultation cycle with regard to timing, duplication, sequencing, and communication to consider options for redesigning the consultation cycle at both the macro and sector/thematic levels.
- **Country/Portfolio Annual Reviews.** These processes are often driven by headquarter requirements, with poor links to existing in-country review processes. Some joint initiatives have taken place, such as the joint portfolio review of the UN system and the World Bank, held May 2003. Partners are considering consolidating donor interventions within a Comprehensive Joint Country Assistance Strategy indicating comparative advantages between donors, with a single cycle of reviews.

Philippines

16. The Philippines has a good track record on donor partnerships, typified by the engagement of major donors in joint ODA portfolio reviews (AsDB, JBIC, and World Bank), an agreed set of performance indicators, joint supervision missions of cofinanced activities with shared review assessment reports, joint Public Expenditure Review (AsDB and World Bank), and joint financial management and procurement reviews. Significant progress has been made in Government procurement procedures, including promotion of e-procurement. The Philippines joint portfolio review process was shared as best practice at the regional forum on harmonization in Vietnam. These achievements are a direct result of the role of the Government of Philippines (GoP) in leading donor partnerships through various working groups.

17. The harmonization program has been agreed to by the GoP, AsDB, JBIC, and World Bank. Since the High-Level Forum, partners led by the GoP have decided to focus on procurement and financial management as the priority areas for harmonization. These are the areas where the transactions costs and inconvenience are perceived as being more significant by the GoP, and where the related capacity-building benefits would be most substantial.

Formatted: Numbered + Level: 1 +
Numbering Style: 1, 2, 3, ... + Start at: 1 +
Alignment: Left + Aligned at: 0" + Tab after:
0.25" + Indent at: 0", Tab stops: 0.5", List tab
+ Not at 0.25"

18. Procurement harmonization will include issues related to the legal framework, registration licensing procedures, preparation of bidding documents, preparation of procurement manuals, training and certification programs, and procurement reporting format. Draft harmonized bidding documents for national competitive bidding for goods, works, and consultants; as well as a draft procurement manual have been completed. Proposals for harmonized procurement reporting formats, procurement plans, and thresholds are under discussion. Significant progress has been registered in donor harmonization around Government procurement procedures, including promotion of e-procurement.
19. Financial management work will center on common financial management assessment guidelines. These guidelines are currently under revision. A new computerized project accounting system has been introduced and single audit reports and common terms of reference for auditors are being discussed by donors and the Government.
20. Since Rome, the GoP has set up a harmonization committee cochaired by the Department of Planning and Finance. Joint and streamlined project management units and harmonized project reporting and monitoring have been agreed among the Government and AsDB, JBIC, and the World Bank.

Zambia

21. The harmonization program in Zambia is at an early stage. In March 2003, the Government of Zambia in collaboration with the Like-Minded Donor Group (Denmark, Finland, Ireland, Netherlands, Norway, Sweden, and United Kingdom) developed a common agreement on the way forward: a Framework for Harmonization in Practice (HIP). The framework builds on the Rome Declaration on Harmonization, the work of DAC-OECD, and the work of Strategic Partnership with Africa (SPA). It also builds on positive harmonization experiences in the health and education sectors in Zambia. The World Bank has recently joined the country's harmonization program initiated by the LMDG.
22. The Government of Zambia's overall approach will be guided by the following principles to which both it and donors subscribe: (a) leadership coordination and guidance by the Government; (b) commitment to civil service reform; (c) public financial management reform; (d) commitment to using PRSP as basis for strategic planning and monitoring; and (e) commitment to adoption of SWAs and possible move toward direct budget support. The framework outlines the timeframe for the implementation of these commitments.
23. The HIP policy decisions and prioritized actions include the following:
- *Development and implementation of aid policy.* Aid policy would focus on guidelines and procedures governing ODA agreements, technical assistance, debts, and disbursement modalities in line with Zambia's poverty reduction strategy.
 - *Move toward increased commitments to SWAs and preparations for direct budget support.* The Public Expenditure Management and Financial Accountability Review (PEMFAR) was completed in June 2003, with support from the EU and DIFD. The HIP donors are providing pooled technical assistance aligned with World Bank and

Formatted: Numbered + Level: 1 +
Numbering Style: 1, 2, 3, ... + Start at: 1 +
Alignment: Left + Aligned at: 0" + Tab after:
0.25" + Indent at: 0", Tab stops: 0.5", List tab
+ Not at 0.25"

Formatted: Indent: Left: 0.5", Bulleted +
Level: 2 + Aligned at: 0.75" + Tab after: 1" +
Indent at: 1", Tab stops: Not at 1"

EU support toward the implementation of PEMFAR. Donors and Government are investigating mechanisms for pooled funding arrangements.

- Improving aid predictability through multiyear projections and appropriate aid modalities.
- Development of common planning and monitoring reporting procedures.
- Government and donors have committed to (a) establishing a coordination mechanism around the PRSP; (b) developing a joint donor approach toward budget support and PEM and PRSP monitoring; (c) further streamlining the financial accounting, auditing, procurement, and joint monitoring arrangements in the health SWAp; (d) complying with the new donor code of conduct for the Education sector; (e) quick wins in terms of changed procedures, reduced transactions costs, and simpler project/program documents; and (f) rationalizing of the number of consultancies commissioned by different donors for strategic planning purposes, through better coordination and information exchange.

Niger

24. Niger, one of the world's poorest countries, has benefited from increased flows of donor support since the return of democratic governance in late 1999. Niger has come forward as "frontier country," as an EFA-FTI pilot, and as a UN first generation interagency harmonization pilot.

25. The Government has recognized that embarking on a harmonization program could become an important instrument for increasing aid effectiveness, and has taken the lead in improving public resource management and creating an environment that facilitates harmonization by (a) adopting a new Procurement Code and program for procurement reform; (b) introducing new budgetary nomenclature integrating investment and recurrent expenditures; (c) preparing a five-year medium-term expenditure framework in the education and health sectors; (d) strengthening the judicial system; and (e) introducing regular public expenditure reviews in education, health, and rural development. Under the leadership of the Ministry of Finance and Economy, the AfDB, EU, France, UNDP, and World Bank, have initiated joint PER and CFAA that will serve as a basis for capacity-enhancement program to strengthen Niger's public finance systems. The Permanent Secretariat of the PRSP in the Prime Minister's Office is taking the lead in the harmonization process by refining the institutional arrangements for implementation monitoring and coordination among government agencies and donors.

26. In view of these efforts, at the June 2003 PRSP Forum, partners agreed to support the Government's efforts in three key directions: aligning external assistance with the PRSP and the budget cycle; improving coordination and harmonization of their assistance at the national and sector levels; and continuing joint efforts to strengthen the national public finance systems. Recognizing the burden imposed by the existing aid delivery arrangements, the PRSP Forum also endorsed a broad framework for working toward providing resources on a predictable basis; and simplifying and standardizing the procedures for the implementation of ongoing projects.

Formatted: Numbered + Level: 1 +
 Numbering Style: 1, 2, 3, ... + Start at: 1 +
 Alignment: Left + Aligned at: 0" + Tab after:
 0.25" + Indent at: 0", Tab stops: 0.5", List tab
 + Not at 0.25"

- | 27. A monitoring and review framework (with common sets of performance indicators) is being conceptualized to serve as an instrument for dialogue with development partners and decisionmaking.
- | 28. The Government and donors consider the Education sector program as a good practice model that sets the standard for harmonization in Niger, and it is encouraging both Government and donors to expand efforts across priority sectors. The financing of the sector is secured through budget support (EU); earmarked funding (France); and projects with parallel implementation systems and multiple project management units. A Partnership Framework to support the Government's Ten-Year Education Development Program was agreed and signed during the PRS Forum, with the main objective of developing a SWAp. The PRSP working group on education, led by Canada and the Ministry of Education, has improved coordination and integration, and it is moving toward convergence into a single implementation process. The Bank has recently approved a project to strengthen the public finance and implementation system by ensuring greater donor synergy and complementarity. The project preparation under the Ministry's leadership and in coordination with other donors has laid a foundation for moving gradually to unified implementation procedures and practices. A jointly agreed set of progress indicators is under consolidation, and a joint review and evaluation process is being prepared.