

**HARMONIZATION AND ALIGNMENT FOR GREATER
AID EFFECTIVENESS:
AN UPDATE ON GLOBAL IMPLEMENTATION AND THE
BANK'S COMMITMENTS**

**HARMONIZATION UNIT
OPERATIONS POLICY AND COUNTRY SERVICES**

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ABBREVIATIONS AND ACRONYMS

AsDB	Asian Development Bank
AFR	Africa Region
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CG	Consultative Group
CPAR	Country Procurement Assessment Report
CPIA	Country Policy and Institutional Assessment
DPO	Development policy operation
ECA	Europe and Central Asia Region
EFA-FTI	Education for All – Fast Track Initiative
ESW	Economic and sector work
FM	Financial management
FY	Fiscal year
H&A	Harmonization and alignment
HLF	High-Level Forum
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
JBIC	Japan Bank for International Cooperation
KPI	Key performance indicator
LCR	Latin America and Caribbean Region
M&E	Monitoring and evaluation
MDB	Multilateral development bank
MDG	Millennium Development Goal
MIC	Middle-income country
MOU	Memorandum of understanding
OECD/DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
OPCS	Operations Policy and Country Services
PEFA	Public Expenditure and Financial Accountability Program
PFM	Public financial management
PIU	Project implementation unit
PRS	Poverty reduction strategy
PRSC	Poverty reduction support credit
PRSP	Poverty Reduction Strategy Paper
QAG	Quality Assurance Group
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
WP-EFF	Working Party on Aid Effectiveness

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EXECUTIVE SUMMARY

1. Since the time of the 2002 Monterrey meetings on financing for development, the World Bank has participated in and helped to lead international efforts to improve the management and delivery of aid. From the 2003 Rome High-Level Forum (HLF), which as a first response to Monterrey identified the general framework for harmonization, through the Paris HLF in 2005, until now, the World Bank has been working with other development partners to align support with partner countries' own priorities and strategies; harmonize donor policies and procedures to reduce transaction costs; and manage aid resources to achieve greater development results. This paper provides an update on the implementation of harmonization and alignment actions globally and by the World Bank in light of commitments it made in the Rome and Paris Declarations to improve aid effectiveness.¹ It also sets out Management's plan of actions to scale up the Bank's harmonization and alignment work in its own operations.

2. *Review of Actions Required for Release of Contingent Contributions to IDA.* This paper also responds to the stipulations in the IDA14 Report with respect to additional contingent contributions to IDA.² Under the IDA14 replenishment arrangements, donors were able to make contingent contributions to IDA14 tied to the fulfillment of certain agreed sets of actions. Actions to be taken by the IDA14 Mid-Term Review include review and adoption by IDA of a harmonization monitoring framework (see paras. 13-22 of the main text) and determination by IDA's Executive Directors that the Bank has made satisfactory progress against the baselines established for the indicators in the monitoring framework (see Table ES1 and Table 2 in the main text). This paper therefore seeks adoption of the monitoring framework, review of the baselines, and a determination by the Executive Directors of satisfactory progress.

A. International Efforts

3. The international aid community recognized in the Rome and Paris Declarations that harmonization and alignment are important tools for improving development results. The paper reports that partner countries, donors, and the Bank are taking substantial actions toward meeting the Paris commitments on ownership, alignment, harmonization, managing for development results, and mutual accountability: some actions are being taken in at least 60 countries, with broad and substantial implementation in 5-8 countries and good (but less extensive) implementation in 10-15 others. Joint analytic work, collaborative or joint programming and assistance strategies, multidonor financing of program-based approaches, common financial management and procurement arrangements, harmonized project implementation procedures, use

¹ For the Rome HLF, see *High-Level Forum on Harmonization* (SecM2003-0088), February 28, 2003; for the Paris HLF, see *Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability* (R2005-0058), March 7, 2005.

² *Additions to IDA Resources: Fourteenth Replenishment* (IDA/2005-0113), approved by the Executive Directors of IDA on March 10, 2005; see Attachment 1, Schedule B.

of country systems in some areas, joint or independent assessments of aid, “quiet periods” when field missions do not take place, partnership arrangements such as delegated cooperation, and aid delivery through the use of harmonized budget support are increasingly being undertaken across these countries. These initial efforts are yielding evidence of good results: a number of partner country officials have reported their sense that aid transaction costs are declining for them and that alignment of aid with country development strategies and priorities is improving. Nevertheless, it is equally clear, as partner countries and others also point out, that more efforts are needed to broaden and deepen these actions and address issues such as aid predictability, donor selectivity, and assistance in strengthening and using country systems to a greater extent. Countries and donors, including the Bank, will need to continue focusing on this agenda and will need to make further changes within their respective institutions of practices, processes, and procedures if the intended development impact is to be achieved.

4. **Monitoring.** The international community has developed a framework for monitoring implementation of the Paris commitments that involves reviewing progress in 2006, updating information on progress during 2008 in time for the Third High-Level Forum on Aid Effectiveness, and monitoring in 2010 to report on implementation against the 2010 targets. Initial information from the 2006 round of monitoring is available, and additional data are being collected through surveys and analytic work; preliminary results from the international survey work will be reported by December 2006, and a final report will be prepared by March 2007.

B. Bank Implementation

5. The Bank has been a leader in the international work on harmonization, alignment, and managing for development results, spearheading in key areas and joining in and supporting efforts among multilateral development banks (MDBs), bilateral donors, and country partners. For example, the Bank has completed four collaborative country assistance strategies, is planning or working on collaborative assistance strategies with seven other countries, and has initiated discussions in 11 more countries. In FY06, 43 percent of all Bank disbursements (IDA and IBRD) were for operations using the program-based approaches called for in the Paris Declaration (a concept that includes sectorwide approaches, development policy lending, and other collaborative operations), and 20 percent of analytic work in IDA countries was prepared jointly with others (with the highest percentage of joint analytic work being in the Africa Region, at 29 percent). The Bank has also taken the lead in putting in place an internal policy and procedural environment for implementing its harmonization and alignment commitments. For example, it has changed its operational policies with respect to aligning Country Assistance Strategies (CASs) to Poverty Reduction Strategy Papers and has updated its policies and guidance concerning development policy operations, auditing requirements, pooling of funds in multidonor projects, harmonization of procurement and financial management arrangements, and joint analytic work. Further Bank work is ongoing in a range of areas, including financial management, procurement, legal issues, environment, and governance and anticorruption, as well as in health, education, agriculture, and other sectors.

6. **Monitoring Bank Implementation.** The system for monitoring implementation of the Paris commitments within the Bank uses quantitative and qualitative assessments of harmonization and alignment actions and progress. The quantitative assessment is harmonized

with the international monitoring process, using its agreed definitions. Two indicators—those on joint analytic work and lending through program-based approaches—are operationally most strategic from the Bank’s perspective as progress in them will drive results in several of the other indicators. For this reason these two are also key performance indicators (KPIs) monitored as part of the Bank’s Strategy and Performance Management process. Table ES1 shows the World Bank’s quantitative monitoring framework and the status of implementation against the Paris indicators for which donors have primary responsibility.³

Table ES1. Status of World Bank Actions on the Paris Indicators

<i>Indicator^a</i>	<i>Comparative data</i>			<i>Current status</i>			<i>Paris 2010 target (%)</i>
	<i>Unit</i>	<i>%</i>	<i>Data year</i>	<i>Unit</i>	<i>%</i>	<i>Data year</i>	
Disbursements using program-based approaches	Bank	38	FY05	Bank	43	FY06	66
Joint country analytic work	Bank	9	FY05	Bank	12	FY06	66
	IDA	14	FY05	IDA	20	FY06	
Parallel PIUs	ECA	62	2001	Bank	45	2005	15
	LCR	65	2001				
Disbursements released on schedule				Bank	88	2005	94
Aid using country procurement systems	The rating scale for using country systems for procurement remains under development by the Joint Venture on Procurement, a subgroup of the Working Party on Aid Effectiveness.						
Aid using country financial management (FM) systems	Bank	64	FY02	Bank	59	2005	73
Of which Investment lending using country FM systems	Bank	31	FY02	Bank	37	2005	
Joint missions				Bank	21	2005	40
	AFR	31	FY04	AFR	34	2005	
Technical cooperation coordinated with other donors				Bank	48	2005	50

Note: See main report for discussion of these indicators and data.

^a Annex A lists all the Paris indicators and their targets.

7. **Unfinished Business.** While substantial implementation of harmonization and alignment has taken place, the paper recognizes that, for better development results, all participants in the process need to do more to increase and deepen country-level harmonization and alignment. Available Bank data from a survey of 35 country programs and from Bank key performance indicators reflect that the Bank is on its way to meeting the Paris targets for aid predictability and coordination of technical cooperation and has made good progress on increasing lending through program-based approaches and using strengthened national systems for financial management. Continued attention is required to ensure that this progress remains on track. However, a larger degree of effort is required in three other aspects of Bank work—joint economic and sector work, joint missions, and, particularly, shifting away from reliance on parallel project

³ Some of the data in this report are based on information coming from the 2006 Paris monitoring survey undertaken by the Working Party on Aid Effectiveness (see paras. 15-16 of the main text), for which 35 Bank country programs in the six Bank Regions participated at the country level. The indicators for lending through program-based approaches and joint analytic work are based on the Bank’s KPIs for these areas.

implementation units (PIUs)—where progress will need to be ramped up if the Bank is to meet the agreed Paris targets in these areas.

8. ***Addressing Obstacles.*** The Bank’s present policy framework and internal processes are generally supportive of Bank actions to support harmonization and alignment. Nonetheless there are obstacles to scaling up this work. For example, although staff are clearly committed to strengthening aid effectiveness, some are not fully conversant with the details of, or the institution’s commitment to, harmonization and alignment or its leadership role. Against budget pressures and allocation choices, country teams face increasing demands to work on harmonization and alignment. At the same time, staff who work on these issues sometimes feel their contribution is not sufficiently valued by managers focused on project/program delivery, and they find little reward in terms of career advancement from it. Budgets themselves are also an issue: while reducing the transaction costs to borrowers, some forms of program-based lending—for example, sectorwide approaches—can be more expensive to prepare in the Bank than the “average” project. Lastly, while the focus of this paper has been at the international and country levels, there remain important issues to address in respect to how vertical funds can be integrated into national development strategies, and how to ensure that key sector programs reflect Paris Declaration principles.

9. ***Plan of Action.*** The paper indicates that Management will continue to give close attention to the Bank’s internal processes, staff capacity, and incentives for furthering implementation of the Paris Declaration. It sets out a range of actions around the following pillars by which Management intends to sustain and build on past progress to further the implementation of harmonization and alignment:

- Continuing strong, visible, and repeated messages about the importance of improving Bank performance in the areas of harmonization and alignment and managing for results as key elements of the Bank’s aid and development effectiveness agenda.
- Continuing attention to modernization of internal processes, including updating guidance on CAS preparation involving other partners, investment lending, and analytic and advisory activities, to put in place structured support for improved harmonization practices; adopting harmonization and alignment as criteria in the assessment methodologies of the Quality Assurance Group; and disseminating good practices for work on and discussion of selectivity in the preparation and review of country strategies.
- Attention to skills and staffing issues, including the extent of decentralization; the dissemination of good practices in staffing country offices and budgeting for harmonization work; addition of criteria on harmonization and alignment expectations in terms of reference for country directors and managers, and sector directors and managers; and the development of sectoral criteria for evaluations of staff contributions to harmonization and alignment.
- Continued engagement with external partners on operational matters, to maximize the benefits that can be delivered to the country.

C. Conclusion and Recommendation

10. On the basis of this review, Management recommends that, for the purposes of additional contingent contributions to IDA14, the Executive Directors make a determination that the Bank has fulfilled the measures specified to be taken by the IDA14 Mid-Term Review in the area of harmonization and alignment. Section VI of the paper sets out the conclusion and recommendation of this paper in more detail. As Executive Directors consider this report, Management would value their views on what more the Bank should be doing to make further progress toward implementing the Paris Declaration commitments.

HARMONIZATION AND ALIGNMENT FOR GREATER AID EFFECTIVENESS: AN UPDATE ON GLOBAL IMPLEMENTATION AND THE BANK'S COMMITMENTS

I. INTRODUCTION

1. Today, as the international community works with greater determination to help developing countries achieve their poverty reduction and growth goals, aid effectiveness—using aid resources for the greatest impact—has become more important than ever. The international community's work on this has been gaining momentum—from the 2003 Rome High-Level Forum (HLF), which identified a general framework for increased harmonization, through the Paris High-Level Forum on Aid Effectiveness in 2005, where over 100 partner and donor countries and international agencies endorsed the Paris Declaration's detailed framework of commitments and operational targets in ownership, alignment, harmonization, managing for results, and mutual accountability.¹ Throughout this time, the World Bank has taken a leading role and has coordinated with other donors and institutions such as the regional development banks, the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD/DAC) and bilateral donors, and agencies of the United Nations, in defining, promoting, and supporting the international efforts at harmonization and alignment.

2. **Implementation.** Much has been achieved in implementing this agenda—at the international level in the OECD/DAC, within donor institutions, and most importantly at the country level, where harmonization and alignment activities have engaged all development partners. The Working Party on Aid Effectiveness (WP-EFF), a partnership of donors (including the World Bank) and partner countries hosted by the OECD/DAC, is undertaking a major effort to monitor and report on the implementation of the Paris Declaration. Over time this monitoring process, with its associated reporting and analyses, will provide a picture of and a consistent data set on implementation progress across countries. It is clear at this stage that real progress has been made, but more remains to be done by all participants in the process, including by the World Bank.

3. **Purpose of Paper.** This paper provides an update on the implementation of the harmonization and alignment agenda and the World Bank's involvement in it. The Bank has already undertaken a range of reforms in order to be a key partner in the global push for harmonization and alignment. However, a number of challenges remain to be tackled—not least the need for strong, visible, and continual communications that this agenda is a priority for the Bank and its key elements should be integrated into all operational decisions. Given the Bank's visibility and its unique role in the international community, this paper argues that the Bank can best exercise leadership by continuing to use its convening powers at the international and country levels to support this agenda, and to set an example by implementing harmonization and alignment good practice principles in its operational work.

¹ For the Rome HLF, see *High-Level Forum on Harmonization* (SecM2003-0088), February 28, 2003; for the Paris HLF, see *Paris Declaration on Aid Effectiveness: Ownership, Harmonization, Alignment, Results and Mutual Accountability* (R2005-0058), March 7, 2005.

4. ***Review of Actions Required for Release of Contingent Contributions to IDA.*** In providing this update, the paper also provides an opportunity for Executive Directors to review the harmonization monitoring framework with related baselines and make the determinations required under the IDA14 replenishment arrangements (see paras. 13-22). The IDA14 Report² specifies that additional contingent contributions to IDA14 can be tied to IDA's fulfillment of certain actions. The actions in the area of harmonization and alignment, to be taken by the IDA14 Mid-Term Review, are as follows:

- Review by the Executive Directors of the Association of (a) a monitoring framework for harmonization including a series of key indicators drawing on the results of the [Paris] High Level Forum (HLF-2) and (b) baselines established by the Association for such indicators; and adoption of such monitoring framework.
- Determination by the Executive Directors of the Association that satisfactory progress has been made against the baselines established for such harmonization indicators.

This paper thus provides Executive Directors an opportunity to review the harmonization and alignment monitoring framework, and recommends that the framework be adopted. This paper also reports on the progress made against the baselines for the harmonization indicators and recommends that, for the purposes of meeting the requirements for the additional contingent contributions to IDA14, IDA's Executive Directors determine that the Bank has made satisfactory progress toward meeting its commitments with respect to harmonization and alignment and against the Paris indicators.

5. ***Structure of the Paper.*** Section II documents country-level progress toward harmonization and alignment, drawing from the Bank's quantitative input into country-level surveys as well as a range of qualitative information, desk studies, and other data. Section III lays out both the international framework for monitoring the Paris Declaration and the World Bank's monitoring plans. Section IV discusses actions the Bank is taking both internally and internationally to implement harmonization and alignment. Section V discusses the challenges the World Bank faces in implementing this agenda, including the role of incentives. Section VI lays out actions Management is planning to take to move the Bank toward greater implementation of this agenda and seeks the Executive Directors' determination on the actions in the area of harmonization and alignment that are to be taken by the IDA14 Mid-Term Review.

² *Additions to IDA Resources: Fourteenth Replenishment* (IDA/2005-0113), approved by Executive Directors of IDA on March 10, 2005; see Attachment 1, Schedule B.

II. INTERNATIONAL EFFORTS AT HARMONIZATION AND ALIGNMENT

6. A review of the harmonization and alignment activities taking place in countries across the world yields a picture of broad and growing attention to, and action and progress on, these issues. The breadth and depth of actions differ among countries as they and donors adapt a set of actions drawn from the Paris Declaration framework to the country context and circumstances. This section describes some of the key activities, discusses the implications of harmonization and alignment in countries of different levels of income and development, and outlines how these activities can be expected to improve aid effectiveness and development outcomes.

A. Country-Level Harmonization Actions

7. At least 60 countries around the world are collaborating with their development partners, including the World Bank, on country-level harmonization and alignment actions. Table 1 illustrates the degree of country-level implementation of a set of key actions by two groups of countries—those taking actions and making substantive progress on a relatively broad front, and those where good progress is being made but is not as widespread as in the first group. Many countries not listed in the table are also taking action on harmonization and alignment; but most of these are in the initial stages of implementing the agenda or are focusing on a limited set of actions. In many countries, country ownership, including in some cases the presence of a “champion” of harmonization and alignment in the administration, is a key element of country progress. The subparagraphs that follow explain the critical components of harmonization and alignment work highlighted in the table.

- ***Harmonization road map.*** A road map, or country action plan, for harmonization and alignment is a menu of time-bound actions—ranging from linking medium-term expenditure frameworks to the Poverty Reduction Strategy Paper (PRSP), through adopting or enhancing the quality of sectorwide approaches, to establishing common arrangements for procurement, financial management (FM), and shared analytic work. These plans articulate the agenda shared between the government and donors to make progress toward localized Paris indicators and targets, establish mutual accountability, and facilitate managing for results. Six countries—Cambodia, Ethiopia, Ghana, Nicaragua, Vietnam, and Zambia—have well-developed action plans, and those of Cambodia, Ghana, and Vietnam are notable for both integrating the Paris Declaration indicators explicitly and making a close linkage to the Consultative Group (CG) process.³

³ In some countries, Tanzania for example, the CG process has been replaced by other country-led and home-grown processes that focus on resources and results and on strengthening partnerships.

Table 1. Country Implementation Progress on Harmonization and Alignment

	Harmonization and map	Joint/ collaborative assistance strategy	Common performance assessment framework	Coordinated budget support	Joint diagnosis/ analysis/track approaches	Line of common arrangements	Independent monitoring process
Substantial progress^a							
Burkina Faso	○	○	●	●	●	●	●
Dominican Republic	●	●	●	●	●	●	●
Guatemala	○	●	●	●	●	●	●
Uganda	●	●	●	●	●	●	●
Zambia	●	●	●	●	○	●	●
Progress, but less widespread^b							
Burkina Faso	●	●	●	●	●	●	○
Cameroon	●	●	●	●	●	●	○
Cameroon	○	○	○	○	○	○	●
Ethiopia	●	●	●	●	●	●	○
Mauritania	○	○	○	○	●	●	○
Kenya	○	●	○	○	●	●	○
Kyrgyz Rep.	●	●	●	○	○	○	○
Malawi	○	●	●	●	●	○	○
Nicaragua	●	○	●	●	●	●	●
Philippines	○	○	○	○	●	●	○
Senegal	●	○	●	●	○	●	●
Senegal	○	○	○	●	●	●	●
Yemen	●	○	○	●	●	●	●

^a Countries showing substantive progress (at least four areas of substantial action).

^b Countries where actions are being taken but not across as broad a front as in the first category.

● = substantial or sustained action; ● = moderate action; ○ = action being initiated and at early stage; blank = little or no action.

Note: This table depicts some of the most strategic actions/measures that governments and donors are taking in selected countries to implement harmonization and alignment. The countries selected show a range and depth of implementation. This presentation does not imply that such activities are taking place only in the countries listed; rather, actions in one form or another are taking place in over 60 countries.

- Collaborative Country Assistance Strategy.** A collaborative or joint Country Assistance Strategy (CAS) may involve a spectrum of approaches—from engaging in common analysis and diagnosis of country issues and priorities to adopting a single document that covers joint diagnosis, joint programming, harmonized results frameworks and monitoring systems, and joint implementation of a common program. Such collaborative frameworks help identify the comparative advantages among donors working in the country and contribute to donor selectivity, rationalization of donor involvement in sectors, and joint programming—all assisting to improve harmonized delivery of donor assistance. Since the Paris HLF the Bank has been a leader in partnering with other donor agencies on such strategies. Collaborative CASs have been completed in Bangladesh, Cambodia, Nigeria, and Uganda; similar efforts are almost completed in Tanzania and are under preparation or have been agreed to in Ghana, Kyrgyz Republic, Malawi, Mozambique, Nicaragua, and Vietnam; and preparation of such documents is being discussed in Burkina Faso, Cameroon, Honduras, Jamaica, Kenya, Mali, Mauritania, Philippines, Rwanda, Senegal, and Yemen. Other donors are also collaborating on programming; for instance, the European Commission and the United Kingdom are working together on an assistance strategy in Sierra Leone.
- Common performance assessment framework.** Common performance assessment frameworks that use country-level monitoring and evaluation (M&E) systems to assess progress toward expected results (which have usually been identified in a

comprehensive national development strategy) include a manageable set of indicators to measure inputs, outputs, outcomes, and impacts. Coordinated budget support, sectorwide approaches, and other collaborative projects are increasingly incorporating such assessment frameworks. These frameworks depend on statistical capacity to provide the valid, verifiable, and widely available information they need; and they include a mechanism to provide regular feedback to government institutions, including parliaments, and stakeholders outside government. These frameworks help strengthen country ownership by streamlining donors' conditionality. Moreover, where they draw heavily on country's own M&E systems and procedures, they can strengthen country capacity and contribute to greater transparency and accountability of development results. Burkina Faso, Ghana, Mozambique, and Uganda, in particular, show progress toward establishing a national M&E system that is linked to information systems within line ministries, produces data tailored to the needs of national policymakers, and informs stakeholders on progress in strategy implementation and corresponding budget decisions, and contributes to countries' ability to manage for development results.

- ***Coordinated budget support.*** For many countries, budget support⁴ has become an increasingly important aid delivery mechanism: it has contributed to improving the overall quality of policymaking by strengthening government ownership and leadership while also supporting national poverty reduction strategies (PRSS) and promoting improved allocation and operational efficiency of public expenditures of aid. This form of aid delivery can improve alignment with government budgetary cycles and calendars, provide predictability of disbursement, increase priority expenditures, promote the internal and external accountability of government, lower transaction costs for the government, harmonize performance assessment and donor requirements, and strengthen public financial management (PFM), including planning and budgeting.⁵ Donors now coordinate their budget support at the country level through budget support working groups to improve alignment with the government's PRS or national development priorities, and to harmonize their policy, procedural, and accountability requirements.⁶ The Bank is fully engaged in this effort, providing development policy lending in a total of 63 countries in the past three years and committing funding to poverty reduction support credits (PRSCs) in 21 countries. Two-thirds of the PRSCs were prepared in collaboration with other donors, and many of the others were undertaken with a fair degree of coordination. The Bank is a budget support partner in each of the countries showing substantial action in Table 1.

- ***Sectorwide approaches.*** The sectorwide or programmatic approach (dealing with sectors, subsectors, thematic areas, and so forth) is based on an agreed strategy and has aspects of, or tends to support and promote (a) leadership by the host country or

⁴ For the Bank, "budget support" is provided through development policy lending. In this type of lending the Bank and the borrower agree on a standard and limited set of items for which the resources may not be used (the negative list); otherwise Bank resources are made available for financing a country's budgetary expenditure.

⁵ *Evaluation of General Budget Support: Synthesis Report*, International Development Department, University of Birmingham, UK, May 2006.

⁶ *Development Policy Retrospective* (SecM2006-0319), July 7, 2006, assesses the strengths and drawbacks of these coordinated efforts.

organization; (b) a single comprehensive program and budget framework; (c) a formalized process for donor coordination and harmonization of donor procedures for reporting, budgeting, FM, and procurement; and (d) efforts to increase the use of local systems for program design and implementation, FM, and M&E. Such approaches stress cooperation and coordination between government and donors and can be supported by a single donor or multiple donors, including by those that cannot provide budget support, and can be supported also through different project instruments. A review of project documentation indicates that in the past three years the Bank has committed funding to 46 operations using these approaches in 28 countries; and in Bangladesh, Brazil, Malawi, Morocco, Nepal, Nicaragua, Philippines, Poland, and Tanzania, the Bank has supported more than one sectorwide approach during FY04-06.

- ***Joint diagnostic/analytic work.*** Joint or coordinated country analytic work helps strengthen country ownership and improve alignment with country priorities, reduce transaction costs for the government, reduce duplication of donor efforts, and promote greater understanding among donors of issues and of common strategies to help deal with them. In Asia, Africa, and Latin America, the World Bank and the regional development banks already prepare most Country Procurement Assessment Reports (CPARs) and Country Financial Accountability Assessments (CFAAs) jointly with other donors. In addition, to facilitate knowledge sharing and promote collaboration on analytic work, the Bank hosts the Country Analytic Work website (www.countryanalyticwork.net). It carries over 3,000 reports, has more than 30 multilateral and bilateral donor agencies actively participating, and received over 500,000 hits in the first six months of 2006. A country analytic work e-newsletter developed by the Bank is now disseminated to some 1,300 subscribers.
- ***Use of common arrangements for project and program management.*** Country-specific efforts to streamline and harmonize arrangements for FM, procurement, portfolio management, and M&E can be key components of country harmonization action plans: donors and governments agree to use a common set of rules for procurement and FM either throughout the portfolio or for discrete projects. The aim is to streamline procedures and thus reduce transaction costs due to multiple arrangements, but the longer-run objective is to align increasingly with strengthened country systems. The Bank and others are involved in such arrangements in a number of countries. For example, in Vietnam five development banks including the World Bank have been working with the government on standards for feasibility studies, appraisal documents, and monitoring studies. The World Bank and the African Development Bank are using a common FM platform for projects in Nigeria, and the World Bank and the Inter-American Development Bank have harmonized reporting requirements in Chile.
- ***Independent monitoring process.*** A credible process to assess donors' and partner governments' implementation of their commitments—such as one effected through an independent monitoring mechanism—can contribute to strengthening country ownership, help identify areas where both the partner government and the donors need to improve their aid delivery and management performance, and promote a

shared agenda in improving aid effectiveness. In this regard, the process undertaken by the Independent Monitoring Group in Tanzania is seen as best practice.⁷ Experience is also emerging in other countries—for example, Mozambique has established an independent review of its budget support, and Cameroon has undertaken an independent review of the whole of its aid.

B. Harmonization and Alignment in Fragile States

8. The Paris HLF was preceded in January 2005 by the Senior Level Forum on Fragile States.⁸ This Forum gave rise to *The Principles for International Engagement in Fragile States*, which were integrated into the Paris Declaration. These principles reflect the understandings that harmonized and aligned approaches applied in a deliberate manner are at the center of effective engagement in fragile states, and that international engagement in fragile states is not limited to development actors but should also include other international actors—such as the diplomatic and security sector communities—that play a critical role in these states.

9. ***Bank Portfolio in Fragile States.*** The Bank has a growing portfolio of harmonized approaches in fragile states:

- The Bank participates in collaborative CASs (e.g., in Cambodia); joint analytic work (e.g., in Papua New Guinea); shared donor office space (e.g., in South Sudan); and mission-free times (e.g., for the Timor-Leste Ministry of Finance and several African countries).
- Even when government capacity is very weak, Bank work with harmonized mechanisms can enable policy alignment. For example, in the Central African Republic, Haiti, Liberia, and Timor-Leste, the Transitional Results Matrix has allowed donors to harmonize around a country-owned and -prioritized action plan.
- Alignment with country systems is sometimes possible in high-risk fiduciary settings: for example, tailored risk-mitigating approaches are used in the Afghanistan Emergency National Solidarity Project, more robust oversight mechanisms are applied in the Liberian Governance and Economic Management Assistance Program, and an Emergency Economic Management Plan is in place in Guinea Bissau.
- Pooling of funds has been facilitated through donors' participation in multidonor trust funds (e.g., in Afghanistan and Timor-Leste).

C. Harmonization and Alignment in Middle-Income Countries

10. The Paris aid effectiveness agenda is generally viewed as most relevant to low-income developing countries, which have a larger proportion of aid to GDP, a larger number of donors involved, and weaker capacity than other countries. However, wherever significant amounts of aid are being provided and managed, aid effectiveness is an important issue. Indeed, of the almost 70

⁷ See *Enhancing Aid Relationships in Tanzania: IMG Report 2005*, Economic and Social Research Foundation, September 22, 2005.

⁸ See *Low-Income Countries Under Stress: Update* (IDA/R2005-0251), December 22, 2005.

developing countries that have endorsed the Paris Declaration, 30 are middle-income countries (MICs). The Bank's involvement with harmonization and alignment in these countries has been based on the Paris principles and is consistent with its new strategy for engaging with MICs.⁹

11. ***Approach in MICs.*** Experience indicates that MICs' aid effectiveness concerns are not identical to those of low-income countries. Wider use of strengthened country systems, programmatic approaches, and a strong emphasis on management for results play a larger role in MICs' aid effectiveness efforts. In Brazil, Mexico, and Poland, key aspects of sectorwide approaches, such as pooled financing and use of country systems, have been used. In Bolivia, Brazil, Jamaica, and Mexico, the World Bank and the Inter-American Development Bank have been collaborating actively on preparing economic and sector work (ESW) and using common procurement bidding documents and common thresholds for national competitive bidding. Countries such as Indonesia and the Philippines have focused their attention in such areas as harmonization and alignment of FM, harmonization of procurement, multidonor financing, and joint donor portfolio assessments, and Morocco and Tunisia have focused on strengthening country institutions and systems. The Bank permits the use of borrowers' systems for FM where these are assessed by the Bank as being adequate, taking into account country context and capacity strengthening measures that may be needed.¹⁰ Recognizing that greater use of borrowers' procurement systems remains to be achieved, extensive consultations have taken place on a draft proposal in that regard. A new proposal for discussion with the Board is being developed on a pilot approach that ensures adoption of mutually agreed and verifiable standards.¹¹

12. ***MICs as Donors.*** At the same time, a number of Paris signatory MICs—China, the Russian Federation, South Korea, and Thailand—as well as a number of the new members of the European Union (Czech Republic, Slovak Republic) have been aid donors for some time or are emerging as donors. These countries have important experiences to share, and they can also learn from the mistakes of the past in effective aid delivery and management. Efforts are being made to bring newly emerging donors into discussion on aid effectiveness, through discussions organized by the Bank or the OECD/DAC, and through invitations to regional workshops on follow-up to the Paris agenda (for instance, in the Bolivia and the Philippines Regional Workshops on Aid Effectiveness in October 2006).

III. MONITORING IMPLEMENTATION OF THE PARIS DECLARATION

13. As a primary achievement of the Paris HLF, the Paris Declaration provides a framework of 56 discrete commitments to improve aid effectiveness, including a commitment by partner countries and donors to monitor the implementation of the Declaration at the country level. The Declaration includes a set of 12 indicators that will measure implementation status against global targets that were set for 2010—targets that point in the direction of the changes being sought and

⁹ See *Strengthening the World Bank's Engagement with IBRD Partner Countries* (DC2006-0014), September 7, 2006.

¹⁰ See paragraph 9, *Financial Management Practices in World Bank-Financed Investment Operations* (manual for staff on financial management), Financial Management Sector Board, November 3, 2005.

¹¹ See paragraph 46, *Strengthening the World Bank's Engagement with IBRD Partner Countries*, *op. cit.*

reflect the aspirations of what implementing this agenda will mean in practice.¹² (Annex A sets out the 12 Paris indicators and their associated targets.) Since the Paris HLF, the international community has given considerable effort to defining an operational monitoring framework for assessing and learning from implementation experience.¹³

A. International Monitoring

14. As the Paris Declaration envisioned, the WP-EFF developed arrangements for reviewing the status of implementation and establishing medium-term monitoring of the Declaration. Monitoring over the medium term will involve three stages: undertaking a quantitative and qualitative review of implementation in 2006; updating implementation progress in 2008 in time for the Third High-Level Forum on Aid Effectiveness; and monitoring in 2010 to report on implementation progress against the 2010 global targets. The WP-EFF (with World Bank participation) is preparing a report on the status of international implementation of the Paris Declaration; a preliminary report will be issued by end-2006.

15. **Survey.** The first stage of this process is under way. A subgroup of the WP-EFF, the Joint Venture on Monitoring, developed and organized country-level survey instruments, a methodology for collecting and reporting data, and technical guidance on the instruments and process to measure the status of implementation for 9 of the 12 key indicators.¹⁴ The survey covers those indicators that can be tracked through a quantitative assessment: Paris indicators 3 through 10, and indicator 12 (shown in Annex A). The survey was field-tested in five countries and launched in the Paris Declaration countries in May 2006.¹⁵ As of mid-October 2006, survey work is continuing in a number of countries. In each country the survey process is being guided and managed by the country government with participation by local donor representatives, and is being used to both collect data and provide a mechanism for country-level discussions of harmonization. Looking ahead, given the transaction cost of collecting data through surveys and the need for better data to support the implementation process, countries and donors will need to accelerate their efforts in statistical capacity building and aid delivery and management systems.

16. **Analytic Work.** The survey is being coordinated with and complemented by analytic work led by the World Bank to review the status of implementation for the indicators that are to be tracked through qualitative assessments (Paris indicators 1, 2, and 11, shown in Annex A).

¹² At the Paris HLF, targets were tentatively identified and adopted for six of the indicators. The international partnership of donors and partner countries hosted by the OECD/DAC was directed to recommend the full set of targets for the indicators in the months thereafter. Subject to further work on the methodology for measuring the quality of national public financial management reform programs and of national procurement systems, this group (the WP-EFF) agreed on targets by September 2005 and reported them to the September 2005 UN World Summit.

¹³ While the 12 indicators have been adopted by the international community, several countries have developed their own tracking mechanisms against these indicators. For example, Vietnam developed a localized version, the Hanoi Core Statement, which establishes joint local commitments and targets to be achieved by 2010 in terms of ownership, donor alignment, harmonization, and simplification. Other countries that have developed country-based plans include Cambodia, Ghana, and Uganda.

¹⁴ The World Bank is one of 20 participants on the Joint Venture on Monitoring the Paris Declaration, a group that during 2005 and 2006 was cochaired by representatives of the Governments of the United Kingdom and Vietnam. In the fall of 2006, a representative of the United States has taken over as cochair from the UK.

¹⁵ The survey was field-tested in Ghana, Nicaragua, Senegal, South Africa, and Uganda. As of early October 2006, 37 countries had indicated to the OECD/DAC that they plan to participate in the 2006 Monitoring Survey (see <http://www.oecd.org/dac/effectiveness> for information on the process and survey).

- The assessment of the indicators for operational development strategies and results-oriented frameworks relies on the 2005 Comprehensive Development Framework Progress Report¹⁶ and the forthcoming Aid Effectiveness Review 2006 by the Bank.¹⁷
- The indicator on the quality of country PFM systems relies on the relevant component of the 2005 Country Policy and Institutional Assessment (CPIA) ratings to measure improvements over time in countries' PFM systems.¹⁸
- The indicator on the quality of country procurement systems will build on an assessment of the quality of national procurement systems, criteria for which are being developed by the Joint Venture on Procurement—a subgroup of the WP-EFF involving multilateral development banks, bilateral donors, and partner countries—which the World Bank cochairs.

B. The World Bank's Monitoring Framework and Implementation

17. The World Bank's monitoring framework uses quantitative and qualitative assessments of harmonization and alignment actions and progress. The quantitative assessment is harmonized with the international framework described above—using its agreed definitions to review implementation and to track implementation over time, rather than setting up a separate or parallel exercise. For most indicators the Bank will use the reporting for the Paris monitoring survey as the basis for its own reporting on institutionwide implementation. By aggregating the country-level data,¹⁹ the Bank can monitor its implementation against the relevant Paris indicators and targets.²⁰ In this round of monitoring, the Bank is focusing on gaining experience and collecting data in a sample of 35 countries;²¹ in later monitoring rounds, data will be collected for all IDA countries

¹⁶ *Enabling Country Capacity to Achieve Results, 2005 CDF Progress Report*, Operations Policy and Country Services, 2005.

¹⁷ The Aid Effectiveness Review broadens the monitoring framework to treat more fully the 56 partnership commitments included in the Paris Declaration. This work is based on country profiles designed to capture actions toward achieving the Paris Declaration goals beyond the 12 quantitative targets. It provides a comprehensive analysis of in-country action to strengthen alignment, harmonization, results management, and mutual accountability and serves as a repository of good practice experience. To broaden country ownership of this tool and help build capacity for eventual self-assessment, governments and other donors have been invited to comment on the draft country profiles, which are posted on an Aid Effectiveness Review website: www.worldbank.org/aer.

¹⁸ Progress on the quality of the countries' PFM system will be measured by changes in the CPIA score for financial management; it is envisaged that PEFA indicators could serve this function over time.

¹⁹ Using general guidance and definitions provided by the Joint Venture on Monitoring, the Paris Declaration foresaw that governments and local donors would meet on a country basis to ensure that data are consistent. Because some cross-country differences in treatment of data will arise, the aggregation of data across countries and at the donor level needs to be approached with caution.

²⁰ For the Paris indicators that fall primarily under the responsibility of the partner countries—those on developing operational development strategies, improving the reliability of fiduciary systems, reporting on-budget aid, building results-oriented frameworks, and establishing a mechanism for mutual assessments of the use of aid—the Bank will not track these indicators separately, but rather will rely on the agreed international monitoring (some of which is based on qualitative assessments by Bank-led studies).

²¹ IDA-eligible countries surveyed are Afghanistan, Albania, Bolivia, Burkina Faso, Cambodia, Cameroon, DR Congo, Ghana, Honduras, Indonesia, Kenya, Kyrgyz Republic, Liberia, Mali, Mauritania, Moldova, Mongolia, Mozambique, Nepal, Nicaragua, Niger, Pakistan, PDR Lao, Senegal, Sri Lanka, Sudan, Tajikistan, Tanzania, Vietnam, and Uganda. Other countries in the survey include Egypt, Jordan, Morocco, Philippines, and Romania.

and an increasing number of IBRD-only countries whose governments express interest. In addition, for the Paris indicators for which Bankwide data are systematically available—for joint analytic work and disbursements using program-based approaches—the Bank will rely on centrally collected data that will be vetted by country management units.

18. **Qualitative Assessments.** As the Paris Declaration's commitments are much broader than the 12 indicators, the Bank will also use qualitative means—including the Aid Effectiveness Review—to track its performance. Internally, in line with the CAS guidelines, for each individual country the CAS will assess donor relations, measures to increase harmonization, and Bank support for building the country's capacity to lead and improve aid management. Also, the Bank will prepare periodic reports to the Executive Directors timed to coincide with the major international reporting by partner countries and other donors. Its next report updating progress in implementation will be on the 2008 international monitoring round, as preparation for the 2008 HLF. Operations Policy and Country Services (OPCS) will function as the institutional secretariat to aggregate the Bankwide data and report on the information gathered.

19. **Status of World Bank Implementation.** This section reviews the Paris indicators that quantitatively measure the Bank's implementation of the harmonization and alignment agenda. Two of these indicators are operationally most strategic from the Bank's perspective—those on joint analytic work and lending through program-based approaches—as progress in these will drive results in several of the other indicators. For this reason they are also Key Performance Indicators (KPIs) monitored as part of the Bank's Strategy and Performance Management

Table 2. Status of World Bank Actions on the Paris Indicators

Indicator	Comparative data			Current status			Paris 2010 target (%)
	Unit	%	Data year	Unit	%	Data year	
Disbursements using program-based approaches ^a	Bank	38	FY05	Bank	43	FY06	66
Joint country analytic work ^a	Bank	9	FY05	Bank	12	FY06	66
Parallel project implementation Units (PIUs)	ECA	62	2001	Bank	45	2005	15 ^b
	LCR	65	2001				
Disbursements released on schedule				Bank	88	2005	94
Aid using country procurement systems	Rating scale under development ^c						
Aid using country financial management systems	Bank	64 ^d	FY02	Bank	59 ^e	2005	73 ^e
Of which investment lending using country FM systems	Bank	31 ^d	FY02	Bank	37	2005	
Joint missions				Bank	21	2005	40
	AFR	31 ^f	FY04	AFR	34	2005	
Technical cooperation coordinated with other donors				Bank	48	2005	50

^a Bank data for program-based approaches and joint analytic work are based on World Bank key performance indicators. Except as noted, other data for 2005 are based on Bank input into the Paris monitoring survey.

^b The target for 2010 is to reduce the number of parallel PIUs by two-thirds.

^c The rating scale for country procurement systems remains under development by the Joint Venture on Procurement. The indicator will measure use of country systems in countries with high-quality systems.

^d Data for FY02 reflect percent of FY02 commitment value using country financial management systems; if measured by number of projects, the corresponding figures would be 37 percent for all operations and 20 percent of investment projects only.

^e Estimate for using country financial management systems applies to countries with CPIA/PFM ratings of 3.5-4.5 (there are 25 such countries in the 35 countries surveyed). The 2010 target is to reduce by one-third the gap in the percentage of aid that is not using the country's PFM systems.

^f Africa Region data.

process. Table 2 shows the status of Bank implementation. On several indicators for which data on implementation from additional years are available to illustrate how implementation is evolving, these are presented also and discussed in the remainder of this section. As Bank information systems evolve to capture the additional data the Paris Declaration monitoring requires, future reporting will be able to document implementation progress more clearly.

- **Program-based approaches.** One of the main commitments in the Paris Declaration is to increase the use of common arrangements and procedures in the provision of aid and to provide aid through program-based approaches; for the Bank this implies lending through sectorwide approaches, development policy operations (DPOs), and IBRD/IDA projects with joint financing. The Bank committed \$1.8 billion to 14 sectorwide approaches in FY04; \$795 million to 11 such projects in FY05; and \$2.2 billion to 22 such projects in FY06. Bank disbursements of program-based approaches have increased from 37 percent of total IBRD/IDA disbursements in FY04, 38 percent in FY05, and 43 percent in FY06 (see Table 3), reflecting accelerating disbursements of sectorwide approaches and of PRSCs.

Table 3. Disbursements of World Bank Program-Based Operations

<i>FY</i>	<i>Sectorwide approaches^a</i> (\$ billions)	<i>Development policy operations</i>		<i>Program-based approaches as % of IBRD/IDA disbursements^b</i>
		<i>All</i> (\$ billions)	<i>PRSCs</i> (\$ billions)	
FY04	0.4	6.0	0.7	37
FY05	0.7	6.3	1.5	38
FY06	1.1	7.8	2.1	43

^a Not including sectorwide approaches in which the lending instrument was a DPO.

^b Program-based approach percentages also include the small amounts of IBRD/IDA disbursements of projects with joint financing.

- **Joint analytic work.** The Paris Declaration encourages greater reliance on country analytic work undertaken with donors and with the countries concerned. From the Bank's perspective, this is also one of the more strategic of the Paris commitments, as mutual understanding of country problems and possible solutions may provide a better basis for future collaboration on programs to address the issues studied. According to Bankwide KPI data, 9 percent of the Bank's diagnostic and advisory ESW was prepared jointly with at least one other donor in FY05; and in FY06 12 percent of ESW work was undertaken jointly.²² Data for IDA countries and for countries in the Africa and East Asia Regions indicate that collaboration on analytic work is more likely to take place in these countries (see Table 4). In addition, the Europe and Central Asia Region has good examples of increasingly working with governments in the preparation of ESW.

Table 4. Economic and Sector Work Prepared Jointly with Donors

<i>FY</i>	(% of total)			
	<i>Bankwide</i>	<i>IDA countries</i>	<i>Africa Region</i>	<i>East Asia Region</i>
FY05	9	14	19	15
FY06	12	20	29	15

²² Bank systems do not yet capture joint work with the government, which is estimated to increase these figures by a few percentage points.

- **Joint missions.** The Paris Declaration supports joint missions—for project preparation, supervision, analytic work, or joint programming—as a means of reducing transaction costs to governments. In the surveyed countries 21 percent of missions were undertaken jointly with at least one other donor during 2005. Joint missions in Africa Region (AFR) countries are already approaching the Paris target of 40 percent: 34 percent of missions were undertaken jointly in 2005 in AFR, up from 31 percent in FY04.
- **Reducing parallel project implementation units.** Helping to build country institutional capacity is one of the core concerns of the Paris Declaration. Greater integration of project management in a country's existing institutions is important to this goal, and hence the Declaration identified reduction in the number of parallel PIUs as a key action to be taken. In 2001, World Bank Regional surveys showed that 62 percent (in Europe and Central Asia) and 65 percent (in Latin America and the Caribbean) of project implementation units (PIUs) were located outside responsible government entities.²³ The 2005 Paris indicators survey of 35 countries identifies 45 percent of PIUs as parallel. While definitions will thus be different, these data indicate that World Bank-financed projects continue to rely heavily on parallel PIUs. There are a number of instances of integrating project management more with existing institutional structures (recent examples are a transport sector project in Lao PDR and an institutional reform program in Kenya), and several country programs are studying how to shift away from this practice, but the Bank's practice of relying on parallel PIUs does not appear to have changed sufficiently to demonstrate that reliance on them is being phased out (see Box 1 and Section V).
- **Use of country financial management systems.** The Paris Declaration encourages wider use of country systems by donors when the country's PFM systems adhere to broadly accepted good practices or the country has in place a reform program to achieve this goal. Bank input into the Paris survey indicates that, in the countries surveyed that have a CPIA rating of 3.5-4.5 on financial management (question 13 in the 2005 CPIA assessment), Bank projects used PFM country systems for 59 percent of disbursements during 2005. The 2010 Paris target for this indicator is to reduce by one-third the gap in the percentage of aid not using the country's PFM systems; for the Bank this would mean moving to 73 percent of disbursements by 2010. A review of FY02 commitments for the same countries indicates that 64 percent of Bank operations in those countries already used country PFM systems; this high percentage is due to the fact that DPOs are defined as using national financial management systems and DPOs were 50 percent of the Bank's total commitments in that year (the high volume of policy-based lending helped several IBRD countries deal with financial crises). To compare only investment lending in the surveyed countries, 31 percent of projects used country FM systems in FY02, compared with 37 percent in 2005. Further analysis will be required to track this indicator over time.

²³ *Implementation of World Bank-Financed Projects, A Note on the ECA Experience With Project Implementation Units, Part I*, PREM Unit, ECA Region, March 2001; and *Thematic Review on Project Implementation Units, An Analysis of Ongoing and Completed Projects in Latin America and the Caribbean*, LCR Quality Enhancement Team, March 2001.

- **Other indicators.** Comparable Bankwide data are not available to provide a historical time series for the other indicators, but will be built over time using Bank systems and surveys. The indicators for aid predictability (which measures Bank estimates of future disbursements shared with governments as a proportion of governments' expectations as reflected, for example, in budgets) and coordinated capacity development assistance show relatively good Bank performance compared to the international target set in the Paris Declaration, though in each of these cases additional focus will be needed to reach the goals.

Box 1. Changing World Bank Practice on Project Management

Recognizing that project implementation and management need to be better integrated in existing country structures, rather than carried out mainly through parallel PIUs, the Bank is undertaking a number of initiatives to promote this change.

Regional/Country-Level Work

- The Latin America and Caribbean Region has mainstreamed review of PIUs as part of its quality assurance process.
- AFR is taking stock of the use of PIUs in a sample of 13 countries and aims to reduce by one-third the number of parallel PIUs regionwide. It will review each operation at the concept note stage, and will accept parallel PIUs only in exceptional cases and within the context of the government's strategy for capacity development.
- Country units for Argentina, Colombia, Mozambique, Senegal, Tajikistan, and the Caribbean countries are reviewing all project implementation set-ups to develop recommendations for better integrating PIUs in government structures and increasing institutional development impact.

Bankwide Guidance

- In October 2005 OPCS issued a Guidance Note on Project Management to encourage staff to balance project implementation performance with sustainable capacity development. This note states that existing country institutions should be the "default" mode, and that PIUs, especially "parallel" PIUs, should be used selectively and phased out in a manner and pace appropriate to country-specific situations.
- WBI's Capacity Development Resource Center has organized learning events on PIUs and capacity development, designed to disseminate good practice examples of projects that put implementation in the hands of government; WBI is also working on a study on capacity development in project design.

^a *Capacity Development in Africa: Management Action Plan FY06-FY08*, Africa Region, July 12, 2006.

20. **Sources of World Bank Data.** For the indicators other than those on lending through program-based approaches and joint analytic work, country unit staff in the reporting countries—generally in country offices—have estimated the country-level data, working with governments and other local donor representatives to achieve consistent definitions and data. Analytic work data and information on disbursements are available through the Bank's existing database infrastructure—Business Warehouse, SAP, and the Operations Portal; however, most of the data reflect new ways of looking at information, are not readily available, and are based on manual tabulation. Further work will be needed within the Bank to explore the possibility of systematizing this effort. Operations staff will be encouraged to track progress on country-level harmonization and alignment activities as part of their own accountability frameworks. Several country teams have begun this process: for example, in Cameroon and Mauritania Bank teams are developing country-specific frameworks—based on the Paris Declaration indicators—for monitoring harmonization and alignment at the portfolio level; similar efforts are being undertaken in Sri Lanka and Vietnam. AFR has begun collecting and reporting data on the status of implementation of the Paris Declaration, which it will use to anchor an accountability framework for monitoring progress. OPCS will make the Bankwide and country-level data

available to all country teams to assist with future tracking and with developing country-level plans for promoting implementation.

21. ***Global Monitoring Report.*** Besides preparing periodic papers on the Bank's implementation of the Paris agenda, the Bank will also continue to make use of the *Global Monitoring Report* to integrate reporting on the harmonization, alignment, and aid effectiveness agenda into other analysis. This annual report, prepared in collaboration with the IMF, attracts attention in the international development community for its comprehensive and in-depth treatment of issues, drawing not only on original analysis and staff experience but also on the work of other development institutions such as the OECD/DAC and regional development banks. The 2006 report focused on the theme of strengthening mutual accountability, aid, trade, and governance; it highlighted the need for donor countries to improve the quality and alignment of the aid they provide, and for developing countries to implement their development strategies effectively.

C. Harmonized Evaluation

22. While the current focus is on implementing and monitoring commitments, the Paris Declaration also highlights the importance of exploring an independent cross-country evaluation process. The OECD/DAC Evaluation Network, with the participation of the World Bank, is therefore developing an evaluation framework for the Paris Declaration, with a view to developing a synthesis report of initial formative joint evaluations by the time of the 2008 HLF and more summative evaluations thereafter.

IV. INSTITUTIONAL ACTIONS IN HARMONIZATION AND ALIGNMENT

23. The earlier sections of this report show that the Bank's country programs are involved in a substantial range of harmonization and alignment actions. In addition, the Bank is working at the institutional level—both internally and internationally—to promote, support, and mainstream harmonization and alignment. This section of the paper summarizes some of these institutional efforts.²⁴

24. ***Internal and International Work.*** Over the past few years, the Bank has made substantial changes in its operational policies to facilitate and support harmonization—changes involving alignment of CASs to PRSPs, policy for DPOs, auditing requirements, modernization and simplification of the Bank's operating procedures and processes, pooling of funds, procurement eligibility, and joint analytic work.²⁵ It has also introduced organizational and procedural reforms in the management of trust funds to improve selectivity and help align donor partners' efforts more closely through multidonor and programmatic instruments.²⁶ Although the policy framework to support harmonization is substantially in place, the Bank will continue to

²⁴ For a discussion of issues related to the results agenda (which is part of the Paris Declaration on Aid Effectiveness), refer to *Accelerating the Results Agenda, Progress and Next Steps*, OPCS, June 2006.

²⁵ These policy changes were discussed in *Note on World Bank Activities in Harmonization and Alignment* (R2005-0025), February 4, 2005.

²⁶ The trust fund reforms were undertaken over the last five years and were discussed most recently in *Reform of World Bank-Administered Trust Funds: The Way Forward* (R2004-0144), July 2, 2004. Recent experience suggests that reviewing arrangements for trust fund management might be desirable to facilitate further flexibility in pooling arrangements for sectorwide approaches.

look at specific policy areas that still need to be adjusted to facilitate more effective implementation of the Paris commitments.

25. **Financial Management.** FM is a key element of the Bank's harmonization and alignment agenda. The Bank has undertaken a number of reforms in this area to facilitate alignment with partner countries' systems²⁷ and harmonization with other donors, and has worked hard to forge sustainable partnerships, both to encourage similar policy reforms in partner donor institutions and to achieve operational results on the ground. In this context, the Bank was instrumental in promoting the establishment of the MDB Financial Management Harmonization Technical Working Group; the Joint Venture on Public Financial Management under the auspices of the OECD/DAC (among bilateral and multilateral donors and partner countries); and the Public Expenditure Financial Accountability (PEFA) partnership. Results in the FM area have included (a) the issuance of a series of good practice papers on collaboration and harmonization in the areas of FM diagnostics, financial reporting, and auditing;²⁸ (b) the issuance of the PEFA Public Financial Management Performance Measurement Framework; (c) the emergence of country-led and donor-coordinated support for country PFM reform programs, based on jointly undertaken PFM diagnostics; (d) the conclusion of a Bank/United Nations FM Framework Agreement; and (e) agreement on FM-related harmonization indicators. In addition, it is now the norm for the Bank to conduct PFM diagnostics jointly with other donors (in FY06, over 75 percent of PFM diagnostics were undertaken jointly, up from about 50 percent in FY02); and since 2002, multidonor sectorwide approaches routinely adopt common FM arrangements, usually aligned around partner country FM systems. Country-specific FM harmonization is also taking place in a number of countries (see Box 2 for one example).

26. **Procurement.** Work to harmonize procurement dates back to at least 1998. As part of the MDBs' Heads of Procurement process, the Bank has participated in harmonizing policies, guidelines, and master bidding documents, agreeing on the use of the CPAR as the primary tool for assessing partner country procurement systems, creating joint working groups to address emerging topics, creating basic guidance to help partner countries with national competitive bidding, and creating modular electronic bidding documents that allow users to select appropriate clauses and customize documents for particular applications. As part of the Joint Venture for Procurement under the WP-EFF, the Bank has participated in producing internationally agreed good practice papers on procurement and creating a set of internationally agreed benchmarking standards and performance measurement indicators, and it is joining in work on a common tool that countries and their donor partners can use to assess procurement

²⁷ See *Note on World Bank Activities in Harmonization and Alignment and Harmonization, Alignment, Results: Report on Progress, Challenges, and Opportunities* (R2005-0025), February 4, 2005, and *Expanding the Use of Country Systems in Bank-Supported Operations: Issues and Proposals—Final Text* (R2005-0018/2), March 8, 2005.

²⁸ See *Framework for Collaboration Among Participating Multilateral Development Banks on Financial Management Diagnostic Work* (February 18, 2003), and *Framework for Collaboration among Participating Multilateral Development Banks on Financial Reporting and Auditing* (February 18, 2003); and "Good Practice Paper on Measuring FM Performance" and "Good Practice Paper on Financial Reporting and Auditing," Chapter 3 and Chapter 5, respectively, in DAC Guidelines and Reference Series *Harmonizing Donor Practices for Effective Aid Delivery*, 2003.

systems and develop coordinated reform strategies for building capacity in procurement.²⁹ In addition, the Bank's work with private sector organizations, UN organizations, and civil society organizations has contributed to improvements in documents and procedures for procurement.

Box 2. Harmonized Arrangements in the Philippines

The Philippines Government is working with donors to reduce transaction costs and improve aid effectiveness through a number of actions on financial management and procurement.

Financial Management. Once the Government of the Philippines implemented a new accounting system that complies with international standards, a joint World Bank/Asian Development Bank (AsDB) mission agreed with the Government on the harmonization of project audits. A technical working group of representatives from AsDB, Japan Bank for International Cooperation (JBIC), and the World Bank prepared draft standards for terms of reference for auditors, for financial management reports, for assessment of private sector auditors, and for assessment of the financial capacity of borrowers, to be discussed with the government.

Procurement. The three agencies and the Government are working to align their procurement rules more closely.

- Use of the standard Philippine Bidding Documents for goods and works and for services, harmonized with the rules of AsDB, JBIC, and the World Bank, was made mandatory from July 2005.
- Generic procurement manuals have been elaborated and are being rolled out.
- An online monitoring system has been developed, and benchmarking against the OECD-World Bank baseline indicator system was completed in November 2004.
- The 2006 CPAR is under way, with the Government Procurement Policy Board chairing the working group and all members of the Philippine Development Forum represented, together with civil society representatives.

Source: Capacity Development in Africa: Management Action Plan FY06-FY08, Africa Region, July 12, 2006.

27. **Legal.** Harmonization initiatives by definition imply a degree of joint work among donors with different mandates, which means that legal aspects are a crucial part of the process. To facilitate harmonized work, in 2005 the Bank approved modernized legal documentation for IBRD loans and IDA credits that makes agreements shorter to draft; easier to understand, negotiate, and interpret; and less likely to need amendments over time.³⁰ The Bank is also planning to launch a Legal Harmonization Initiative to support the Paris Declaration by creating a forum in which lawyers of multilateral and bilateral development financing institutions can collaborate on harmonizing policies and practices, and on identifying and addressing issues before they become obstacles to further harmonization progress. Specific areas of focus will likely include common legal challenges in such areas as fighting corruption, using country systems, and partnering in operations.

28. **Memoranda of Understanding.** A particularly challenging aspect of harmonization is the memoranda of understanding (MOUs) in which donors and beneficiary governments define the framework for their cooperation in financing operations. Issues often arise when articulating the various participants' responsibilities, which do not always adequately take into account their different mandates, or the processes each donor requires to mobilize its own funds. Divergent approaches to addressing fiduciary considerations and differing expectations regarding the legal

²⁹ The Joint Venture's tools will be integrated into the CPAR process and will help countries manage procurement reform initiatives and monitor their systems' progress toward achieving the objectives of their reform strategy. Regional meetings are planned in FY07 in the Africa, Latin America, and East Asia Regions to further the use of these tools and to share experiences on the management of procurement reform.

³⁰ *Simplification and Modernization of IBRD and IDA Model Legal Agreements* (SecM2005-0208), April 18, 2005.

nature of MOUs create challenges. Furthermore, lack of timely consultation and incomplete knowledge by staff of good practices and options can create tensions and delay. In addition to disseminating good practices, such as the good practice note OPCS prepared on DPOs, budget support groups and joint financing,³¹ the Bank is also working on mechanisms to facilitate donor coordination in sectorwide approaches, and other forms of financial cooperation, and on solving legal and practical issues in developing and negotiating MOUs on these operations.

29. **Environment.** In July 2005, following the approval of a new operational policy,³² the World Bank began supporting selected pilot projects in which lending operations use the borrowing country's systems for environmental assessment and other applicable environmental and social safeguards. To yield robust lessons for policy, assessment methodology, implementation, accountability, and costs, the portfolio of pilot activities includes a diverse range of countries and sectors. Pilot projects have been approved for Egypt and Jamaica, and are under preparation for Ghana, India (at the state level), Romania, South Africa, and Tunisia. The sectors include industrial pollution abatement, energy, solid waste management, municipal services, road rehabilitation, basic urban services, natural resources (protected areas) management, and health care management. The early experiences confirm that there are significant opportunities for harmonizing environmental assessment provisions with countries and other donors. These pilots also serve to support borrowing countries' ownership of safeguards: for example, the Government of Egypt has now prepared draft revised Environmental Impact Assessment Guidelines applicable to all sectors, meeting one of the requirements to achieve equivalence with Bank practices. In Mexico, following a detailed assessment of local legal and institutional capacities, the Decentralized Infrastructure Reform and Development Project is pioneering the use of country safeguard frameworks while building capacity, with satisfactory results to date (four project implementing agencies have systems and trained staff in place for social and environmental management).

30. **Governance and Anticorruption.** As the international community increasingly recognizes the importance of addressing the issue of poor governance and corruption as an integral part of development work, it also recognizes the need to harmonize approaches to the issue. In November 2005, the integrity units of all the MDBs met for the first time to discuss common issues, challenges, and experiences. In a February 2006 meeting, the heads of the major MDBs³³ set up a Joint International Financial Institution Anticorruption Task Force to develop a consistent and harmonized approach. On the basis of the task force's recommendations, in September 2006 in Singapore the heads of these seven MDBs agreed to a common framework for fighting fraud and corruption in the activities and operations funded by their institutions. The joint actions include standardizing the definitions the institutions use in sanctioning firms involved in corrupt activities, improving the consistency of investigative rules and procedures, strengthening information sharing, and ensuring that each institution's compliance and enforcement activities are supported by others. The agreement is to be ratified

³¹ See *Good Practice Note for Development Policy Lending, Budget Support Groups and Joint Financing Arrangements*, OPCS, June 2005.

³² OP/BP 4.00, *Piloting the Use of Borrower Systems to Address Environmental and Social Safeguard Issues in Bank-Supported Projects*, March 2005.

³³ These are the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, the Inter-American Development Bank, the IMF, and the World Bank.

by the boards of these MDBs; the boards of the African Development Bank, the Inter-American Development Bank, and the World Bank have already done so. The major MDBs will continue to work together to assist member countries in strengthening governance and combating corruption in cooperation with civil society, the private sector, and other stakeholders such as the media and judiciary.

31. ***Harmonization Unit.*** In OPCS, the Harmonization Unit serves as the Bank’s secretariat on harmonization issues, interacting with other units in OPCS, the Networks, and the Regions on policy and country-level implementation matters. It supports project and country teams in designing and implementing collaborative and programmatic activities, and it provides operational guidance and technical support for mainstreaming good practices in harmonization and alignment. It has supplemented these activities with learning events, good practice briefs on a number of harmonization and alignment topics, a brochure on the Paris Declaration with an illustrative “menu of harmonization” in three languages, and a website on harmonization.³⁴ The Harmonization Unit represents the Bank in the international fora dealing with these agendas, and a staff member of the unit serves as deputy chair of the WP-EFF. Recognizing that harmonization and alignment are means to an end—greater aid effectiveness—the Harmonization Unit works closely with the Results Secretariat and with other units in OPCS dealing with harmonization matters. These units collaborate on strategy and approaches within the Bank, and on the international level they work together to support implementation of the Paris Declaration through the OECD/DAC processes and in numerous international conferences and other fora.

32. ***Resources and Results Processes.*** It was widely acknowledged at both the G-8 Gleneagles Summit in July 2005 and the UN Millennium Summit in September 2005 that significant scaling up of development assistance is necessary to accelerate progress toward the Millennium Development Goals (MDGs). Discussions on operationalizing this shared objective have focused on encouraging ambitious, country-driven plans that are results-oriented and linked to country budget processes, and on strengthening the Consultative Group and Roundtable processes to focus on the results to be targeted, the resources needed, and the actions to be taken by the country and the donor community to address key constraints to scaling up (Box 3 gives an example of a strengthened Consultative Group process). These processes and coordination meetings can be used as well to ensure a focus on and progress toward the Paris harmonization, alignment, and aid effectiveness goals.

Box 3. Results and Resources Consultative Groups

The Ghana Consultative Group Partnership Meeting held in June 2006 reflected the modern partnership approach of “resources and results” based on Paris principles. Following from substantial in-country preparatory work among government and donors, the Ghana CG is an example of linking development results and finance. The discussions were underpinned by a mutual accountability framework consisting of (a) a common results matrix, (b) a development partners contribution matrix, and (c) a harmonization and aid effectiveness action plan. The partners agreed to continue this dialogue, including with all relevant stakeholders.

³⁴ Designed for an audience of government officials, donors, Bank staff, and the general public interested in harmonization topics, the www.aidharmonization.org website provides a library of documents and reviews of harmonization implementation at the country level; it received over 330,000 hits during a seven-week period in March-April 2006.

33. **Global Programs.** The development architecture has long included mandate-specific programs that fulfill a need to address specific global concerns and production of global public goods, and recent years have seen a remarkable growth in these global programs.³⁵ Ideally, global programs and country-based development activities should come together seamlessly at the country level, taking advantage of complementarities between the approaches. In practice this has not always been the case, and there is a general view that global programs could be better aligned with the country-based business model of development assistance on which the Paris Declaration is based. The Paris Declaration called for a common approach to when and how global/regional initiatives and programs are introduced into country work (including through poverty reduction strategies, budget frameworks, and assistance strategies) and included in country-based coordination initiatives and country operations. The Heads of MDBs have supported the same message.³⁶ (Box 4 describes one global program that has promoted donor harmonization and alignment.) With World Bank leadership and support the international community is now working to lay a basis for better alignment between global and country-based programs, and to link global programs to country-owned operational development strategies and country-based coordination and harmonization. In late 2005, the OECD/DAC, MDBs, and the United Nations Development Programme proposed work on a set of good practice principles for aligning global and country-based programs with country strategies, priorities, and implementation processes. Analytic work, including looking at six or more country experiences, has begun.³⁷ The aim is to complete initial work by the end of 2006 and to hold an international workshop on draft good practice principles for the engagement of global programs at the country level.

Box 4. Harmonization and Alignment in the Education for All—Fast Track Initiative

Education for All—Fast Track Initiative (EFA-FTI), a global compact among major donors and partner countries, has evolved into a country-based and country-led process of program development and resource mobilization. Participation is open to all IDA countries with a poverty reduction strategy and an education sector plan prioritizing universal primary completion and endorsed by the in-country donors. The program provides financing to fully endorsed countries and technical support and capacity development to prospective FTI countries, including fragile states. Early assessments of the FTI have found that it has had a significant positive impact on donor harmonization and alignment at the country level: donors and government coordinate their efforts, with one donor serving as the coordinating agency, and they specify the details of the partnership, including accountabilities, common arrangements, and measures for monitoring progress. The partnership between EFA-FTI and the UNESCO Global Monitoring Report will also aid in monitoring the Paris Declaration Indicators for the education sector.

34. **Support to Country Implementation.** In collaboration with other institutions, the Bank is supporting regional workshops to help countries develop and strengthen their implementation plans for the Paris commitments and put in place the follow-up and monitoring mechanisms for

³⁵ Examples include the Global Fund to Fight AIDS, Tuberculosis, and Malaria; Global Alliance for Vaccines and Immunization; Education for All—Fast Track Initiative; Global Environmental Facility; Consultative Group on International Agricultural Research; International Finance Facility; an Infrastructure Fund; a Global Migration Facility; a Climate Change Fund; an Avian Flu Facility; and enlargement of the Integrated Framework for Trade-Related Technical Assistance and of the Catalytic Fund for Education for All—Fast Track Initiative.

³⁶ See *Update on Cooperation among Multilateral Development Banks—Memorandum from the Heads of Institutions* (SecM2005-0197), April 14, 2005.

³⁷ This work will focus initially on Bangladesh, Brazil, Ghana, Nicaragua, Niger, and Tunisia, on the experiences of the Education for All—Fast Track Initiative and the Consultative Group for International Agricultural Research, and on the coordination experiences in health and HIV/AIDS.

tracking progress.³⁸ Representatives from 14 Eastern and Southern African countries participated in Entebbe, Uganda (November 2005), and from 28 North, Central, and West African countries in Bamako, Mali (March 2006). The Bank was closely involved in planning and supporting similar workshops in the Philippines for the Asia Region and in Bolivia for the Latin America Region, both of which were held in mid-October 2006. As an additional effort to broaden implementation, the Bank's Harmonization Unit will actively work with selected country and project teams, country governments, and other donors to accelerate progress on the aid effectiveness agenda, and will report specially on these efforts. Starting with four countries where an initial basis has been laid—Mali, Nicaragua, Rwanda, and Senegal—work in these “focus countries” will involve identifying data, process, and policy bottlenecks; setting an example by testing the limits of what the Bank itself can do to support country leadership and the implementation process; documenting the country experience for broader learning and sharing; and, as needed, providing facilitation and other support. Later this work may be expanded to other countries where there is interest.

V. LOOKING AHEAD: MEETING THE PARIS DECLARATION COMMITMENTS

35. As the earlier sections of this paper reflect, the Bank has undertaken considerable efforts to implement the harmonization and alignment agenda at the country level, internally, and internationally, and has made substantial progress. However, the quantitative indicators and qualitative analysis also show that the Bank needs to continue and even broaden its efforts if it is to fulfill its part in meeting the international commitments in the Paris Declaration and thus lead by example the international development community's push toward greater aid effectiveness.

36. *Areas of Good Progress.* Of the seven categories of World Bank actions measured by the Paris indicators, the survey results point to two areas—disbursements released according to schedule and technical cooperation coordinated with other donors—in which the Bank's implementation is in line with the aspirations of the Paris Declaration, and the Bank is well on its way to meet the Paris targets. Upstream reviews of DPOs are already giving greater attention to better aligning planned disbursements with government budget cycles, and this should further improve the aid predictability indicator.

37. *Areas of Progress but Needing Attention.* In two additional areas there is generally good progress, but greater attention is required. To meet the target on program-based lending, the Bank will need to become more active in supporting sectorwide approaches. In addition, in appropriate circumstances Bank-financed projects have the flexibility to use country systems for financial management; with good implementation of financial management reforms and attention to taking advantage of opportunities, the Bank should be able to go a long way toward meeting the international target in this area, particularly if lending through program-based approaches also increases.

38. *Areas that are Lagging.* However, in three areas Bank implementation is far from the targets agreed as part of the Paris Declaration, and Bank practices will need to change if further

³⁸ The Bank cosponsored the Africa workshops with the African Development Bank and UNDP, in collaboration with the OECD/DAC and some of its members; France cosponsored the Bamako workshop.

progress toward those targets is to be made. A decade ago virtually no ESW products were undertaken jointly with other donors; while recently the World Bank has taken a lead in involving others, reaching the 66 percent target by 2010 will require a substantial change in how this work is managed. Similarly, while joint missions should increase as a consequence of progress on other indicators, doubling the proportion of joint missions will take attention by both Management and staff. Finally, making progress toward the Paris target of reducing parallel PIUs by two-thirds by 2010 means that for most future operations, project management would need to be integrated into government structures. This has always been a difficult practice to change, and further guidance is being provided to help ensure progress.

39. ***Incentives and Obstacles to Change.*** Many factors constrain further harmonization and alignment progress. Some—weak country ownership and leadership, low-quality national development strategies, poor country capacities, and the need for all donors to work in concert with others—will require long-term collective solutions. But other factors are within the Bank’s ability to address. There is sometimes a tendency for World Bank operations staff and managers to view harmonization efforts—which are time-consuming, have less tangible results in the near term, sometimes involve tedious negotiation and give-and-take with others, and limit the scope for independent action—as getting in the way of efforts to achieve specific development outcomes. Interviews with Bank staff indicate that while they are firmly committed to the objectives of increased aid effectiveness that the Paris Declaration embodies, they need clearer guidance on how to deal with competing priorities and to manage risks; many also wish for a clearer acknowledgement of the difficulties of harmonization and alignment, and better recognition of their efforts in the area, which may not be very visible or concrete, and of the resource dimensions of this work. This suggests that it will be important to address incentives in this change management process.³⁹

- ***Obstacles to change.*** Several factors that limit progress are unlikely to change in the near term. At the corporate level, there are pressures to deliver new lending operations within tight administrative budgets. In addition, budget allocations are made for discrete products, such as appraisals or analytic work, and rarely for efforts to develop country-level relationships and partnership activities. Similarly, at the individual level, staff see their career prospects as linked to “deliverables”—lending operations and analytic work—rather than to developing partnerships or working on joint operations. Another mitigating factor is the frequent staff turnover, especially among task team leaders, who may “move on” soon after an operation is approved, leaving to new or less experienced staff the task of developing and engaging in the relationship- and trust-building that are essential to joint activities with other partners.

³⁹ A study on incentives for harmonization was jointly undertaken by the United Kingdom’s Department for International Development (DFID), Swiss Cooperation, and the World Bank in 2004 (see Paolo de Renzio et al., *Incentives for Harmonisation and Alignment in Aid Agencies*, Overseas Development Institute Working Paper 248, June 2005). In mid-2006 the World Bank commissioned a follow-up study to focus more specifically on how country and project teams are affected by the incentive structure, including specific case studies of two country offices and programs—Cambodia and Ghana (see Erin Coyle, Andrew Lawson, et al., “World Bank Incentives for Harmonisation and Alignment,” draft, August 2006). Findings from this study have been incorporated into this section.

- ***Drivers for change.*** At the same time, there are factors working toward wider harmonization and alignment. A significant incentive is Senior Managers' commitment to development effectiveness and to the harmonization and alignment agenda as a tool to help achieve it, and their willingness to communicate this commitment to staff. Staff, too, want to promote effective development, and many staff fully recognize the relevance of harmonization and alignment. The Bank's commitment has been expressed in many ways—for example, the reorientation of the CAS to focus on partnership arrangements and emphasize harmonization and alignment activities in its programming; development of common FM approaches with other donor agencies, with a clear emphasis on the use of country systems as the default option; and the selection of country directors and managers who are committed to harmonization and alignment, along with decentralization of staff and responsibilities to the country level.
- ***Areas for action.*** There is a range of areas in which the Bank can do more to generate traction. A key driver for making progress in many areas of harmonization and alignment will be to emphasize joint analytic work and greater reliance on collaborative program-based approaches, making changes in processes and expectations to promote this. The Bank and other donors need to clarify their operational policies to minimize conflicting expectations and reduce the areas subject to back-and-forth consultation with headquarters that leads to delays in coordination; and they need to agree on good practice approaches to the legal aspects of coordinated arrangements. Corporate messages on harmonization and alignment should stress more this agenda's complementarity with the Bank's work on governance and anticorruption, because strengthening governance capacity, including through use of country systems, and fighting corruption are part of the drive for aid effectiveness. And within the Bank, training needs to focus not only on understanding the principles of harmonization and alignment, but even more on developing such "soft" skills as relationship-building. Within each country, there needs to be more emphasis on building knowledge of local systems and languages.

The remainder of this chapter elaborates on these obstacles and opportunities.

40. ***The Role of Leadership.*** At the corporate level, the single most influential source of incentives is leadership—consistent and repeated messages that this agenda is a key priority. Senior Management has been clear on the critical need to improve aid effectiveness and on its expectation that the Bank will continue to provide leadership in this important agenda. Within country teams, having country directors or country managers who show personal interest and are thoroughly engaged in managing country-level harmonization work has been crucial to the Bank's taking active steps to harmonize and align better—especially when these managers are based in the field and foster a culture of working collaboratively with other donors and aligning with government priorities and improved systems. Representing country management at headquarters, the country program coordinator can guide country team members to undertake partnership approaches in project design and country analytic work in line with the pace of harmonization activities in the country. Sector management can play a crucial role by encouraging task team leaders to incorporate harmonization interventions in project design or to undertake joint country analytic work with other donors (e.g., CFAAs and CPARs in most Bank

Regions). For these reasons, continuing emphasis on promoting managers who have a clear commitment to and capacity in harmonization and alignment is an important way for the Bank to facilitate more progress at the country level.

41. ***Motivated Staff and Decentralization.*** In addition to effective managers, skilled and motivated staff can often be an important factor in harmonization efforts.

- In several countries, dedicated staff are working hard on donor coordination and harmonization issues, so that their country offices are able to set up the supporting infrastructure to maintain continuous dialogue with government and donors on these matters.
- A number of country offices have relatively senior international staff whose terms of reference include harmonization tasks. In Ghana, for instance, the strong team in the country office has been supplemented by recruitment of a senior operations officer who is responsible for portfolio quality in general, focusing also on the development of effective harmonization and alignment practices—reflecting the awareness of the link between harmonization issues and overall portfolio quality. Similar international and local staff teams are also in place in the Tanzania, Uganda, and Vietnam offices.
- In other countries, such as Cambodia, the build-up of locally recruited staff to work on project teams has been important in this respect; and in Burkina Faso and Cameroon, country managers have relied on staff on developmental or other short-term assignments to undertake donor coordination work.

The staff who are working on harmonization issues are funded in various ways—from Bank administrative budget resources, through trust funds, or under secondments from interested bilateral donors. However, not all country offices have staff with these responsibilities. Unless managers use existing resources in this manner, such efforts would imply adding resources that either could be integrated into existing budgets at the country or sector level, or could be accommodated by new resources earmarked for country-level work on harmonization and alignment. Decentralization of task team leaders also greatly helps maintain the continuity necessary to build knowledge and contacts and invest in relationship-building with government and other donors. The FY06 Annual Review on Portfolio Performance will review experience with decentralization and its implications on portfolio quality. Further consideration of different business models for Bank decentralization will then be able to take account of their impact on implementing harmonization and alignment.

42. ***Internal Processes.*** Two Bank factors have a particular role in promoting harmonization and alignment: CAS guidelines and the Quality Assurance Group (QAG).

- The new CAS guidelines, which require CASs to focus on harmonization, alignment and results orientation, serve to promote staff attention to the area. Further emphasis on selectivity in Bank interventions could bring additional benefits (see Box 5).
- QAG has proven to be a powerful tool in focusing Bank efforts on improving quality at entry and quality of supervision: Bank teams are aware that QAG may review all

projects and analytic and advisory work. QAG could increase its influence in this area by raising the profile of work on sectorwide and program-based approaches and joint work as part of its reviews, and by giving more emphasis to harmonization and alignment as part of its countrywide assessments.

Box 5. Addressing the Issue of Selectivity

Governments and donors deal with selectivity in various ways; the experiences of Uganda, Cambodia, and Zambia provide distinctive examples.

- The Government of Uganda and its development partners have agreed to focus attention and effort on significantly increasing donor selectivity, launching a formal division-of-labor exercise in July 2006. Donors have been asked to provide comprehensive information on their current and future activities, their plans for taking leadership or withdrawing, and their views on the different roles each could take in a given sector.
- In Cambodia, AsDB and the World Bank, as partners in the collaborative assistance strategy, assessed their comparative advantages. AsDB then agreed to disengage gradually from the health sector, while the World Bank agreed to play a supporting role to AsDB in education.
- In Zambia, where a Joint Assistance Strategy is being prepared as part of the Wider Harmonization in Practice initiative, the donors and Government have gone through a formal division-of-labor process in which the Government asked donors to critically consider their comparative advantages in delivering support to the various sectors. The main objective was to decongest “oversupported” areas to ensure adequate support to all sectors identified in the national development plan. Donors, including the World Bank, have proposed how to position themselves in sectors, indicating which sectors they wished to lead in, remain active in, or become background partners in. The Zambian government is making the final decision on which donors should lead in which sectors.

43. **Challenge—Resources.** Bank staff consider the pressure to get a lending operation prepared, agreed with the borrower, and presented to the Board at the agreed time within a fixed budget as a major disincentive to harmonization and alignment work. The combined stress on time and budget can make it difficult for staff to engage in the partnership and capacity-building efforts required to foster harmonization and alignment (such as the design of a sectorwide approach), leading them to manage their work predominantly as a Bank process, with PIU-like arrangements under their control and limited reliance on government structures. Experience in recent years confirms that working on harmonization requires significant resources in terms of both staff time and financing. For example, multidonor projects, or single-donor sectorwide approaches that rely more on country systems, take no longer to prepare in terms of time between the Project Concept Note and date of approval, yet they are more staff- and budget-intensive than stand-alone projects, requiring 15-20 percent more resources for preparation (see Table 5). In general, Bank administrative budgets are allocated on the basis of numbers of projects and products to be prepared and delivered, not on the composition of the program or its degree of harmonization. The incentive is thus to plan projects that conform more to the norm; to the extent that preparation of any given project exceeds norms, the funding available for other activities in the country program will be less. Reflecting this challenge, more flexibility on budget and time constraints, and more attention to and resources for harmonization and alignment issues, could be obtained by shaping country work around multiple-task programs focused on client results.⁴⁰ At the Regional level, harmonization and alignment have been recognized as part of the Strategy and Performance Contracts in the Bank’s annual budget process, through two KPIs (program-based approaches and

⁴⁰ The impact of such a business model on quality of client engagement was noted by the Organizational Effectiveness Task Force; see *Organizational Effectiveness Task Force: Final Report* (SecM2005-0064), February 25, 2005.

joint analytic work). Going even further, AFR has recognized aid effectiveness as one of its strategic objectives and added a Region-specific indicator (Box 6 describes other ways AFR has mainstreamed harmonization work). OPCS will continue monitoring harmonization-related KPIs and will explore the possibility of including similar indicators for Networks as a way to raise incentives at the sector level for increased harmonization and alignment in operations.

Table 5. Cost and Time of Project Preparation, FY06

<i>Project type</i>	<i>Average preparation cost (\$000)</i>	<i>Average preparation time (months)</i>
Sectorwide approaches	428	14.6
DPOs	351	8.9
IDA/IBRD projects	360	14.4
All Bank projects (incl. above, GEF and Special Financing)	375	15.9

Source: Business Warehouse.

Note: The data for sectorwide approaches reflect preparation costs for 21 such projects approved in FY06.

Box 6. Africa Action Plan

Partnership and results are two central themes in the Bank's plan for scaling up the impact of aid in the Africa Region. Efforts for scaling up aid and aligning resources to country-based results include innovative vehicles such as the "menu of options" to make Bank Group analytical, operational, and country knowledge available to development partners as a public good, and the Africa Catalytic Growth Fund to support the scaling-up of regional investments and turnaround situations. The Africa Action Plan includes a number of actions related to implementing the Paris Declaration.

- One of the four pillars of the Africa Action Plan is leveraging the IDA14 partnership to accelerate the implementation of the Paris Declaration agenda in Africa. In support of this pillar, the Bank is working with five countries to revamp the Consultative Group mechanism into Resources and Results CGs that will strengthen the partnership on the MDG and harmonization agenda; it will also support an independent evaluation of country-donor relations in five African countries; prepare collaborative assistance strategies in seven countries by end-FY08; work in selected countries to harmonize donors' procurement and financial management practices; and review the role of PIUs with a view to sharply reducing their number.
- Actions related to the Paris Declaration in the other pillars include developing sectorwide approaches in health in at least 10 countries, assisting 20 countries in strengthening the core elements of their public expenditure management and financial accountability system, increasing the share of Bank-provided technical assistance that is pooled with other partners' technical assistance, and working in all 29 countries undertaking new PRSPs to support strengthened results-oriented national strategies and to develop and implement monitoring and evaluation plans that include strengthened statistical systems. Progress on all these fronts will be evaluated using the Paris Declaration indicators, and the World Bank will report separately on the implementation of the Africa Action Plan.

44. **Challenge—Staffing and Staff Evaluation.** The implications for skill mix, the level of decentralization, and budgets in staffing strategy are also key factors that affect progress in implementing the Paris commitments.⁴¹ To work effectively on cooperation at the country level, staff need to be alert to the opportunities, adaptable to take advantage of them, and knowledgeable about building in harmonization approaches as appropriate interventions during their dialogue with the partner government and donors on strategy and programming—and the Bank needs to openly value these skills. There is continuing need for training on harmonization and alignment principles and approaches, on sharing practical experience across sectors and regions, and on developing

⁴¹ *Strengthening the Organizational Response to Fragile States*, OPCS, June 2006, addresses a range of HR issues needed to improve the Bank's engagement—including harmonized and aligned approaches—in fragile states.

“soft” skills such as relationship-building. Further efforts to document the growing body of experiences and good practices and share them among staff from all Regions and Networks would contribute. At the individual level, staff continue to see their career prospects as linked to numbers of “deliverables”—for example, lending operations and analytic work—not necessarily to relationship building or working on joint operations with other donors. In July 2005, work on harmonization was added as a parameter to be considered in senior technical and managerial promotions (Levels GH and GI), but the impact of this will take time to work its way through the system, including at sector boards. Generally, staff are evaluated for their work on these issues only if they or their managers raise this as a criterion in performance evaluations, but this is not systematically done.

45. ***Challenge—Strengthening Accountable Institutions and Improving Governance.*** Recognizing the importance of strong accountable institutions in partner countries to underpin quality governance,⁴² the Bank has been making major efforts to direct its capacity-building support to help partner countries develop and strengthen accountable institutions. In particular it has been integrating diagnostic assessments of institutional capacity in areas key to improving fiduciary management quality, such as PFM and procurement, with targeted capacity-building measures. Aid can be very effectively delivered in ways that help strengthen country systems through capacity-building support and that use these systems as they become reliable (see para. 11). The Paris Declaration, which recognized and promoted this approach as one of its central tenets, challenges the staff and management of all donor institutions, including the Bank, to work on operationalizing it. In this respect, a key challenge for staff when working in environments of low institutional capacity is to ensure that fiduciary concerns are addressed while continuing to pursue the development benefits of strengthening institutions including through the use of country systems.

VI. CONCLUSION AND RECOMMENDATION

46. Eighteen months after the Paris HLF, a number of countries, such as Ghana, Tanzania, Uganda, and Vietnam, show that government willingness and capacity to lead the internal alignment and harmonization process is a key ingredient for progress in changing the aid relationship and related business practices with donors at the country level. There can also be little doubt that the World Bank and most other bilateral and multilateral agencies have made major efforts in support of the harmonization and alignment agenda. In an expanding number of countries—low-income and middle-income countries, and even fragile states—governments and donors are taking a range of harmonization and alignment actions. There is growing interest in collaborative country assistance strategies; harmonized and aligned programmatic approaches to aid delivery are no longer a novelty; donors are increasingly applying harmonization and alignment principles under a common framework at the sector level; consideration is being given to how best to integrate vertical programs into country strategies and budgetary and fiscal frameworks; and mutual assessment frameworks are beginning to be instituted. The combined effect of this activity is substantial implementation of harmonization and alignment actions in a

⁴² See *Strengthening Bank Group Engagement on Governance and Anticorruption* (SecM2006-0372), August 18, 2006.

handful of countries and implementation of a good number of actions in a larger number of other countries. This still reflects in many ways the starting points of many countries: the countries out in front now are generally the ones that started first (e.g., Tanzania, Uganda, and Vietnam). However, other countries have made—and are continuing to make—substantial progress.

47. ***Partner Country Feedback.*** Partner country officials report that many of these harmonization actions reap benefits for them in terms of reducing transaction costs and improving alignment. Joint analytic work, collaborative or joint programming and assistance strategies, multidonor financing of program-based approaches, pooling of financing among donors, use of country systems where they are reliable, joint or independent assessments of aid at the country level, delegated cooperation, and “quiet periods” when donors do not field missions have all been favorably mentioned in this regard, along with the better coordination and management of expectations that can come from formal partnership arrangements such as those reflected in general or project-specific MOUs. Many partner countries also welcome aid delivery through the use of harmonized budget support, which they see as a critical step toward strengthening government ownership, capacities, and accountability while also supporting national PRSs and promoting improved allocation and operational efficiency of public aid funds. Nevertheless, there is also a need to recognize that donor harmonization goes beyond just undertaking similar tasks to reduce transaction costs for governments—rather, it is about doing things differently or doing different tasks together, some of which may demand a different design or an alternative approach.

48. ***Continued Efforts.*** This paper also stresses that continued efforts are needed to maintain and strengthen the Bank’s implementation of its Paris Declaration commitments. What some country programs implement as good practice is not always systematically implemented in other country programs. This may well reflect different country capacities and priorities—for instance, some countries do not have in place the essential fiduciary and policy reform basis for budget support or development policy operations more broadly, or the sector strategies or institutional basis for sectorwide approaches or other forms of program-based lending. However, it is also evident that the World Bank, along with other donors, can undertake more. Table 6 summarizes the set of actions the Bank will take to address the constraints described in this paper. Given progress to date, the commitment Management and staff demonstrate, and the continuing support of the Board, with these actions the Bank will be able to maintain its international leadership role and strengthen staff incentives and capacity to improve development impact and achieve the results that the Bank committed to in the Paris Declaration

49. ***Recommendation.*** This paper has set out the Bank’s framework for monitoring its Paris Declaration commitments, which is harmonized with the international framework for monitoring the Paris Declaration. This paper has also described progress in the Bank’s implementation of harmonization and alignment—both broadly and against the actions required under the IDA14 replenishment arrangements. While, as the paper describes, much remains to be done by the Bank and by others to achieve the objectives of greater aid effectiveness represented in the Paris Declaration, Management is of the view that satisfactory progress has been made. On the basis of this review, Management recommends that, for the purposes of additional contingent contributions to IDA14, the Executive Directors of the Association

- (a) Review (i) a monitoring framework for harmonization including a series of key indicators drawing on the results of the [Paris] High Level Forum (HLF-2) and (ii) baselines established by the Association for such indicators; and adopt that monitoring framework (see paragraphs 13-22 and Table 2 of this paper); and
- (b) Determine that satisfactory progress has been made against the baselines established for such harmonization indicators for the purposes of the IDA14 Report (see Table 2 of this paper).

Table 6. Harmonization and Alignment Plan

	Challenges	Actions	Expected result(s)	Timing	Responsibility
1.	<i>Internal management systems and informal incentives are aligned with the harmonization and alignment agenda.</i>	Objective: To strengthen World Bank capacity to meet its commitments under the Paris Declaration on Aid Effectiveness			
		Continue to communicate Senior Management commitment to harmonization and alignment as key Bank priorities and its firm support for implementing the agenda in all lending and nonlending activities. ● Assist Senior Management in developing and disseminating additional communication on H&A.	Increased awareness, recognition, and acceptance by staff of operational requirement to integrate H&A strategies and approaches in the formulation of all lending and nonlending work.	Continual Q3 FY07	Senior Management OPCS
		Objective: To improve staff incentives to support harmonization and alignment agenda			
		Engage with HR to review application of H&A promotion criteria for levels GH and GI to date.	Review completed with HR, and agreement on timing and process to discuss proposals with sector boards and managers to more firmly establish H&A principles in promotion process.	Q4 FY07	OPCS and HR
		Work with HR to develop guidance for managers to evaluate contribution of staff to harmonization and alignment at country and sector levels	Completed guidance to better recognize and evaluate staff work on H&A.	Q4 FY07 Continual	OPCS and HR
		Work with HR to include in terms of reference for country directors, country managers, sector directors, and sector managers, the expectation that they promote and support H&A principles.	Completed TORs with H&A criteria integrated and ready for implementation.	Q4 FY07	OPCS and HR
		Objective: To integrate H&A into mechanisms for oversight and quality control.			
		Adopt aid effectiveness based on harmonization and alignment principles as explicit criteria in QAG's assessment methodology for lending and nonlending programs and for its assessment of country programs.	Increased attention by staff to aid quality in the design and implementation of operations.	Q3 FY07	QAG
		Objective: To streamline internal processes to facilitate implementation of harmonization strategies in lending and AAA operations.			
		Incorporate into relevant good practice notes and in other operational guidance the need to ensure direct and early involvement of legal staff to address harmonization issues (e.g., in developing MOUs and other coordination instruments).	Wider use of good practice notes and common templates (for example, MOUs) to minimize time spent on reinventing new formats and reduce time-lags in reaching agreement on harmonization.	Q4 FY07	OPCS
2.	<i>All lending operations and AAA are</i>	Update guidance on CAS preparation, investment lending (as part of simplification/modernization	Regional processing guidelines for ESW incorporate harmonization objectives.	End-FY07	OPCS working with Regions

	Challenges	Actions	Expected result(s)	Timing	Responsibility	
	<i>framed within broader H&A strategy, and operational staff possess skills and competence to implement these strategies.</i>	program), and ESW to encourage up-front consideration and managerial review of harmonization issues, e.g., partnership arrangements, reducing parallel PIUs, use of strengthened country systems.	Bankwide CAS guidelines reflect emerging experiences with collaborative assistance strategies. Investment lending guidelines recommend structured up-front Management consideration of harmonization issues.			
Objective: To promote H&A skill development among operational staff						
		Continue to prepare and disseminate operational guidance on good practices in harmonization to help staff.	Broader menu of good practice information made available in line with expanding needs at country offices.	End-FY07	OPCS working with Regions as needed	
		Enlarge database of staff with experience in H&A and publicize their availability as resource persons and “champions” who can mentor staff.	Greater recognition of staff experiences with H&A and availability of those staff as mentors to others.	Ongoing	OPCS and Regions	
Objective: To strengthen Bank’s role internationally in promoting and supporting global aid effectiveness agenda						
3.	<i>Bank leads in promoting and supporting aid effectiveness issues internationally and at the country level.</i>	Engage proactively with donor and country partners and provide leadership and support in established international harmonization fora—including chairing and cochairing these groups as appropriate—in order to advance the Paris agenda, including on joint arrangements (e.g., MOUs), coordinated budget support, aid reporting (resources and results), common thresholds for international competitive bidding, and other procurement and fiduciary arrangements in all countries, and facilitating progress at country level. <ul style="list-style-type: none"> • Play a substantive leadership role in the preparation of the next HLF in Ghana in 2008. 	International momentum and accelerated progress in implementing the Paris agenda at the country level.	Ongoing	OPCS working other development partners	
		Promote establishment of a new grouping with multilateral and bilateral donor institutions to discuss good practices and develop harmonized approaches to legal aspects of coordinated arrangements.	A forum for MBDs and bilateral donor institutions to identify legal aspects of harmonized financing instruments and arrangements, discuss and document good practices, and facilitate progress in implementation	2 nd half of FY07	LEG	
		Document and analyze experiences in donor division of labor and initiate bilateral and international discussions to promote selectivity as an instrument of aid effectiveness.	Wider applications of selectivity in the menu of harmonization actions at the country level.	Q4 FY07	OPCS	

ANNEX A. PARIS INDICATORS OF IMPLEMENTATION PROGRESS

(FROM THE PARIS DECLARATION)

To be measured nationally and monitored internationally

OWNERSHIP		TARGET FOR 2010				
1	<i>Partners have operational development strategies</i> — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of partner countries have operational development strategies.				
ALIGNMENT		TARGETS FOR 2010				
2	<i>Reliable country systems</i> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	(a) Public financial management – Half of partner countries move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance. (b) Procurement – One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.				
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	Halve the gap — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).				
4	<i>Strengthen capacity by co-ordinated support</i> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.				
5a	<i>Use of country public financial management systems</i> — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS				
		<table border="1"> <thead> <tr> <th>Score*</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>5+</td> <td>All donors use partner countries' PFM systems.</td> </tr> <tr> <td>3.5 to 4.5</td> <td>90% of donors use partner countries' PFM systems.</td> </tr> </tbody> </table>	Score*	Target	5+	All donors use partner countries' PFM systems.
Score*	Target					
5+	All donors use partner countries' PFM systems.					
3.5 to 4.5	90% of donors use partner countries' PFM systems.					
5b	<i>Use of country procurement systems</i> — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF AID FLOWS				
		<table border="1"> <thead> <tr> <th>Score*</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>5+</td> <td>A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.</td> </tr> <tr> <td>3.5 to 4.5</td> <td>A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.</td> </tr> </tbody> </table>	Score*	Target	5+	A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.
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ALIGNMENT		TARGETS FOR 2010	
		B	A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems.
6	Strengthen capacity by avoiding parallel implementation structures — Number of parallel project implementation units (PIUs) per country.		Reduce by two-thirds the stock of parallel project implementation units (PIUs).
7	Aid is more predictable — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.		Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.
8	Aid is untied — Percent of bilateral aid that is untied.		Continued progress over time.
HARMONISATION		TARGETS FOR 2010	
9	Use of common arrangements or procedures — Percent of aid provided as programme-based approaches.		66% of aid flows are provided in the context of programme-based approaches.
10	Encourage shared analysis — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.		(a) 40% of donor missions to the field are joint. (b) 66% of country analytic work is joint.
MANAGING FOR RESULTS		TARGET FOR 2010	
11	Results-oriented frameworks — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.		Reduce the gap by one-third — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
MUTUAL ACCOUNTABILITY		TARGET FOR 2010	
12	Mutual accountability — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.		All partner countries have mutual assessment reviews in place.

Important Note: In accordance with paragraph 9 of the Declaration, the partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) comprising OECD/DAC members, partner countries and multilateral institutions, met twice, on 30-31 May 2005 and on 7-8 July 2005 to adopt, and review where appropriate, the targets for the twelve Indicators of Progress. At these meetings an agreement was reached on the targets presented under Section III of the present Declaration. This agreement is subject to reservations by one donor on (a) the methodology for assessing the quality of locally-managed procurement systems (relating to targets 2b and 5b) and (b) the acceptable quality of public financial management reform programmes (relating to target 5a.ii). Further discussions are underway to address these issues. The targets, including the reservation, have been notified to the Chairs of the High-level Plenary Meeting of the 59th General Assembly of the United Nations in a letter of 9 September 2005 by Mr. Richard Manning, Chair of the OECD Development Assistance Committee (DAC).

***Note on Indicator 5:** Scores for Indicator 5 [will be] determined by the methodology used to measure quality of procurement and public financial management systems under Indicator 2 above. [That methodology is under development.]