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On the  
Transfer of Real Resources to Developing Countries)



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**HARMONIZATION OF  
OPERATIONAL POLICIES, PROCEDURES, AND PRACTICES:  
INFORMATION NOTE**

Attached for the September 28, 2002, Development Committee meeting is a background note prepared by World Bank staff entitled "HARMONIZATION OF OPERATIONAL POLICIES, PROCEDURES, AND PRACTICES". This paper has been prepared by the World Bank in consultation with the OECD-DAC Task Force on Donor Practices, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank. Comments were also received from the Islamic Development Bank.

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September 13, 2002

This paper has been prepared by the World Bank in consultation with the OECD-DAC Task Force on Donor Practices, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and with input from the Islamic Development Bank.

## ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AsDB	Asian Development Bank
BSTDB	Black Sea Trade and Development Bank
CDB	Caribbean Development Bank
CAF	Andean Development Corporation
CAS	Country Assistance Strategy
CFAA	Country Financial Accountability Assessment
CIDA	Canadian International Development Agency
CPAR	Country Procurement Assessment Review
DAC	Development Assistance Committee
DBSA	Development Bank of Southern Africa
DFID	Department for International Development (U.K.)
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ED	Executive Director
EU	European Union
FM	Financial Management
FY	Fiscal Year
IDA	International Development Association
IDB	Inter-American Development Bank
IFAC	International Federation of Accountants
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IIC	Inter-American Investment Corporation
IMF	International Monetary Fund
IsDB	Islamic Development Bank
JBIC	Japan Bank for International Cooperation
MDB	Multilateral Development Bank
MFI-WGE	Multilateral Financial Institutions Working Group on the Environment
NADB	North American Development Bank
NCB	National Competitive Bidding
NDF	Nordic Development Fund
NEFCO	Nordic Environment Finance Corporation
NIB	Nordic Investment Bank
OECD	Organization for Economic Co-operation and Development
PRSP	Poverty Reduction Strategy Paper
SIDA	Swedish International Development Cooperation Agency
SBD	Standard Bidding Document
SPA	Strategic Partnership for Africa
SWAp	Sectorwide Approach
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
WB	World Bank

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# HARMONIZATION OF OPERATIONAL POLICIES, PROCEDURES, AND PRACTICES: INFORMATION NOTE

## I. INTRODUCTION

1. This note briefly summarizes progress in the international harmonization agenda since the last report in April 2002.<sup>1</sup> It includes the preparation for implementation reflected by the launch of country pilot activities and the Strategic Partnership for Africa (SPA) action learning agenda on aligning and harmonizing donor support to Poverty Reduction Strategy Papers (PRSPs). It enumerates some early implementation issues and constraints. It also describes the strategic objectives being proposed and plans being laid for the joint High-Level Forum in February 2003.

## II. PROGRESS SINCE APRIL 2002

2. Since the April 2002 report, the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD-DAC) Task Force and Multilateral Development Bank (MDB) technical groups have continued developing good practice standards or principles in the priority areas of the international harmonization agenda—financial management, procurement, environmental assessments, preimplementation stages of the project cycle, nonfinancial country analytic work, and monitoring and reporting. (Annex A provides details. Of the 24 numbered elements listed in Annex A, 23 are on track. One will take longer because of the complexity of the consultation process required.) The World Bank Management and Board of Executive Directors have continued discussing ways of enhancing development effectiveness in key operational policy areas by strengthening support for borrower capacity building, and by increasing Bank flexibility to utilize borrower systems that satisfy agreed principles or standards. (Annex B provide details. All 14 of the elements listed in Annex B are on track.) Meanwhile, the most significant new developments in harmonization since April 2002 involve more concerted efforts to prepare for and promote implementation on the ground, including addressing harmonization issues in managing for results. These developments are described below. (Annex C provides illustrative examples of such efforts and other country-level harmonization initiatives.)

3. **OECD-DAC.** Members of the OECD-DAC Task Force working groups on the preimplementation phase of the project cycle and on monitoring and reporting visited Vietnam in May 2002 to discuss first hand the challenges that government and donors face in pursuing more harmonized approaches to development assistance. The mission, the first of its kind undertaken by the DAC, was especially timely since Vietnam had just begun to implement its comprehensive poverty reduction and growth strategy (that is, its PRSP). In particular, the Vietnamese government stressed to the mission the importance of transparency of donor procedures, and internal harmonization among different agencies of the same donor country for

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<sup>1</sup> The two previous progress reports were *Harmonization of Operational Policies, Procedures, and Practices: First Progress Report* (DC2001-0023), September 13, 2001, and *Harmonization of Operational Policies, Procedures, and Practices: Second Progress Report* (DC2002-0004/Rev), April 2, 2002. A full progress report will be prepared for the next Development Committee meeting.

more effective aid delivery. One result of the mission was to demonstrate how some of the early outcomes of the harmonization work at the international level could be applied in-country. Consistent with the increasing attention to implementation of harmonization on the ground, another result was a decision to bring field-based donor representatives from several countries (including Vietnam) directly into the Paris-based DAC work; in mid September 2002 they participated in a Task Force workshop where the results of an in-depth assessment of harmonization priorities and perspectives of 11 partner governments will be discussed.

4. ***Multilateral Development Banks.*** Multilateral development bank technical groups have begun to collaborate on in-country harmonization through pilot work. In the area of financial management, the technical working group has agreed that the recommendations in the working paper on financial management assessment, financial reporting, and auditing<sup>2</sup> will be pilot-tested on some cofinanced projects, and it is now working to identify those projects. Group members have also begun working on common content, format, and frequency of the financial and progress reports required from borrowers; common audits, and common approaches to auditor acceptability and follow-up to audit findings. In addition, the group is building on an agreement the participating MDBs reached in March 2002 to collaborate on financial management diagnostic work in individual countries. The Islamic Development Bank, which has been undertaking harmonization efforts jointly with the Arab Coordination Group since the mid-1990s, plans to associate itself with this work. Notably, at the country level, Country Financial Accountability Assessments (CFAAs) carried out jointly with other MDBs, with the United Nations Development Programme (UNDP), and with bilateral donors are becoming increasingly common. In the procurement area, early work at the country level includes joint Country Procurement Assessment Reviews (CPARs) and coordinated implementation of CPAR action plans, common documents for national competitive bidding, and common thresholds for international and national competitive bidding. In the environment area, some members of the Multilateral Financial Institutions Working Group on Environment (MFI-WGE) have initiated country work to harmonize environmental assessment coverage, consultation, documentation, mitigation measures, and management plans.<sup>3</sup>

5. ***Better Measuring and Managing for Results.*** Harmonization efforts toward development effectiveness came together on June 5-6, 2002, at the Roundtable on Better Measuring, Monitoring, and Managing for Development Results, which was jointly sponsored by the multilateral development banks—African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank, and World Bank—in cooperation with OECD-DAC. At the Roundtable, participants emphasized the importance of partnership and country ownership in achieving country results. They concluded

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<sup>2</sup> *Financial Management Assessments, Financial Reporting and Auditing*, consultant report commissioned by the MDB Financial Management working group, March 2002.

<sup>3</sup> In addition, a number of donors are collaborating on the Public Expenditure and Financial Accountability (PEFA) program, which was launched in late 2001. The program supports a country-focused, strategic, collaborative, and integrated approach to assessing and reforming countries' public expenditure, procurement, and financial accountability systems. It aims to reduce the transaction costs of assessments for countries, enhance donor cooperation and coordination, better meet the fiduciary and developmental objectives of client countries and development agencies, and improve the impact of reforms. In the context of harmonization, PEFA is advising Vietnam on establishing a multidonor trust fund that will provide technical assistance for the Government's public financial management reform program. At present PEFA is receiving financial support from the World Bank, the European Commission, and DFID, with the IMF and SPA as observers; other donors may provide support in the future.

that it is not usually possible to attribute country results to specific agency actions, but that it remains important to have independent assessments of how donor and development agencies jointly and individually perform in helping countries to achieve the reported outcomes. Recognizing the importance of accurate and timely data to the results agenda, participants stressed the need for concerted support to build developing countries' statistical and monitoring and evaluation capacity. Participants also emphasized the need to build on the efforts and initiatives that are under way in a number of agencies and working groups, and to work in the context of such national development frameworks as poverty reduction strategies.

6. ***Country Pilots.*** The World Bank has initiated country pilot work with interested multilateral and bilateral partners to support government-led harmonization programs with concrete and operational harmonized products, drawn largely from areas in which a substantial degree of consensus has already emerged from the bilateral/multilateral work program described above and in Annex A. Such pilot work has begun in three countries—Ethiopia, Jamaica, and Vietnam—and is expected to be launched in the coming months in several other countries where there is government interest in leading the process, donor commitment to engage, and substantial opportunities for learning.

7. ***The Strategic Partnership for Africa.*** In a similar effort, as part of its FY03-05 agenda, the SPA has begun to focus on moving from identifying good practice in PRSP support, to an action program for promoting on-the-ground changes in donor practices in support of PRSPs. Some of the areas for attention will be (a) increasing the alignment of assistance to national strategies; (b) reducing transaction costs through greater alignment of procedures and instruments, and (c) enhancing national capacity, particularly in public financial management. (This change in focus is fully consistent with and supportive of the objectives of the New Partnership for African Development.) As part of this exercise, the SPA plans to carry out pilot action learning missions to three African countries—Ethiopia, Rwanda, and Senegal. The Ethiopia SPA mission planned for mid-September 2002 will be a joint one with the World Bank mission on harmonization, and opportunities for synergies with harmonization efforts in the two other countries will also be sought.

8. ***Implementation Issues and Constraints.*** While it is still too early to draw firm conclusions from this initial phase of multidonor in-country work, the experience is yielding some insights into the practical issues and constraints of implementing harmonization on the ground.

- A key issue is the government's willingness to own, and its capacity to lead and coordinate, the process. Encouraging harmonized approaches to aid delivery and complementary behavior among donors is important. Here the leadership of the government—manifested in Comprehensive Development Framework/PRSP countries like Bolivia, Ethiopia, Ghana, Tanzania, Uganda, and Vietnam—is indispensable.
- Capacity building to strengthen the national aid implementation and management systems that support poverty reduction strategies will take time and resources. In consultation with the recipient countries, donors will need to address the issue strategically, including weighing the costs and benefits of capacity-building

interventions, and setting priorities for their country assistance programs. Governments will also need to articulate the required investment in capacity building. In this regard, PRSPs or equivalent processes offer a practical (and in many cases immediately available) platform for assessing needs, identifying priorities, and taking action.

- A related factor is the importance of a critical mass of in-country donors (with ideas, commitment, and funding) that are prepared to secure from their headquarters, and apply, the flexibility needed to achieve in-country alignment and harmonization with national priorities and systems.
- A well-articulated harmonization program is selective, with a clear set of priorities and careful sequencing of activities, including early wins that help build confidence and momentum for tackling more difficult issues that lie ahead. Such a program takes subnational dimensions into account.<sup>4</sup> It also reflects the role and impact of the private sector (e.g., accounting/auditing/procurement) and the nongovernment sector,<sup>5</sup> especially when these sectors are large and diversified.
- The harmonization process, which will undoubtedly reduce transaction costs for both recipients and donors over time, entails immediate costs—for example, the costs of providing technical expertise to the countries involved, and devoting managerial time and attention to the process—for which adequate provision has to be made.
- And finally, this initiative cannot succeed, particularly in the implementation phase, without consistent and sustained efforts by donors and recipients across the development agencies they own and the programs they promote.

### III. HIGH-LEVEL FORUM

9. The April 2002 report to the Development Committee anticipated that the next phase of harmonization work—implementation in country programs—would require sustained high-level support and collaboration across the development community. It proposed a High-Level Forum, which would be held in early 2003, to help generate and channel such support. This section describes the plans for this event.

10. ***Objective and Rationale.*** The Forum will be presented as a follow-up to the Monterrey consensus, focusing on improving the effectiveness of development assistance by harmonizing donors' operational policies, procedures, and practices and strengthening recipient countries' capacity for effective aid absorption and management. Its overall purpose will be to secure broad donor and country support for shifting harmonization efforts from institutional analysis and diagnosis to voluntary in-country prioritization, adaptation, implementation, and monitoring, building on the frameworks and tools developed by the technical working groups. Table 1 suggests what this shift might involve.

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<sup>4</sup> In Ethiopia, official development assistance provided to regional governments is offset by the budgetary allocations from the central government.

<sup>5</sup> For example, it is estimated that over 500 international nongovernmental organizations are now working in Vietnam, with over 100 having a continuous, active presence in the country. These organizations also have working relationships with ministries, provinces and districts, and sectoral departments at each level of government.



**Table 1. Shift in Harmonization Focus**

<i>Before the High-Level Forum (by December 2002)</i>	<i>Beyond the High-Level Forum</i>
Donors focused externally on country issues	Donors also address internal harmonization within national systems
International technical, good practice references	Donor agency-specific implementation perspectives or plans
Country perspectives on good practice	Country-specific harmonization priorities and proposals
Maturing early harmonization initiatives and new country-level pilot activities	Country-led, donor-supported implementation planning and activities, including investment in capacity building
Increased bilateral/multilateral information sharing on harmonization	Country/bilateral/multilateral donor collaboration in implementation
Biannual donor reporting mechanism	Country/donor monitoring, evaluation, and reporting

11. **Participants.** The Italian Government has volunteered to host the High-Level Forum in Rome on February 23-25, 2003.<sup>6</sup> The OECD-DAC and the MDBs will be the sponsoring partners. The 16 recipient governments that participate in the OECD-DAC Task Force,<sup>7</sup> the governments involved in the major harmonization pilot activities, and those that will prepare PRSPs or equivalent documents in the near future will be invited to participate. Representation at the most senior technical and policy levels will be encouraged. On the bilateral donor side, the 23 Heads of Agencies of DAC member countries will be invited. In addition, the United Nations, the IMF and other multilateral financial institutions, and key regional institutions such as the Economic Commission for Africa will be invited to send senior representatives. Altogether 120-150 participants are expected to attend, of whom 50-60 will be from recipient countries.

12. **Preparatory Work.** In preparation for the Forum, bilateral and multilateral agencies and recipient countries will be consulted on the agenda, the contributions they are prepared to make to advance the implementation effort, and the outcomes that can be expected from the Forum. The World Bank, in close coordination with the OECD-DAC Task Force Chair and Secretariat, chairs of the key working groups, sponsoring MDBs, and the recipient country representatives, will prepare a paper for the Forum synthesizing key principles and good practices from the working groups in factual, nontechnical language. The synthesis paper will draw attention to the contents of good practice principles/standards documents and will facilitate high-level discussion of their adoption. A companion paper will capture the experience to date of country pilots, (including the pilots in the SPA action learning agenda, and other in-country implementation efforts), and early insights from those that may have wider institutional applications. To enable representatives of the recipient countries to contribute and participate fully, and to strengthen their ownership of the international harmonization agenda, technical workshops will be held to review material that would feed into the substantive discussions of the key agenda items, and

<sup>6</sup> The meeting of the Heads of MDBs, normally held in February, which was to be hosted by the IDB President in Washington, will be moved and held in conjunction with the Forum to facilitate the participation of the MDB Heads.

<sup>7</sup> These countries are Bangladesh; Bolivia; Cambodia; Egypt; Guatemala; Kenya; Kyrgyz Republic; Mali; Morocco; Mozambique; Pacific Islands (Fiji, Tuvalu, Vanuatu); Romania; Senegal; Tanzania; Uganda; and Vietnam.

views expressed at these workshops will be documented for transmission to the Forum. Each donor agency participating in the Forum could prepare, at its option, a short note outlining its plans or perspectives, priorities, next steps, and timetable, especially as they relate to taking action at the country level.

13. ***Documenting Outcomes.*** Documenting the outcomes of the Forum will be a critical element in achieving its objectives. Although a formal communiqué could carry considerable weight, it would also require consultations and negotiation of text that would be impractical given the large number of institutions involved. Instead, it is proposed that the sponsoring chairs—the OECD-DAC and the MDBs—and a representative of the recipient countries issue a joint concluding statement, to be supplemented later by a summary of proceedings. To illustrate (but without prejudging the outcome of the wide consultations envisaged prior to the Forum), such a statement could include a brief expression of agreed harmonization principles (linking back to Monterrey), with a particular emphasis on the shifts envisaged in Table 1, a general endorsement of the value of the technical work that will have been done, a voluntary commitment to test relevant aspects at least in pilot operations, and a mechanism for monitoring and reporting results.

#### IV. CONCLUSION

14. The work program endorsed by the Development Committee and the High-Level Committee of the DAC has provided essential political and technical focus and an organizing framework for advancing the international harmonization agenda. The Monterrey consensus, with its emphasis on aid effectiveness, has added further impetus to this work. The PRSP and similar approaches to development provide an immediate platform on which countries themselves can provide leadership for donor harmonization efforts and, with the support of donors, identify and address their needs for capacity building to strengthen national aid delivery and management systems.<sup>8</sup> Consolidating emerging agency-level consensus on harmonization and translating this into country-level programs is the next challenge facing the harmonization agenda. Efforts to address this challenge will be intensified in the coming months, assisted by country piloting work in which the OECD-DAC Task Force, the MDB working groups, the World Bank, and the SPA are collaborating. It is against this background that strategic guidance and sustained commitment will be sought from the High-Level Forum, for shifting harmonization efforts to voluntary in-country prioritization, adaptation, implementation, and monitoring, building on the frameworks and tools developed by the technical working groups.

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<sup>8</sup> *Poverty Reduction Strategy Papers—Progress in Implementation* (IDA/SecM2002-0453), August 9, 2002.

**TECHNICAL WORKING GROUPS: HARMONIZATION ACTIVITIES**

1. ***Financial Management.*** The following are on target for completion by December 2002: good practice papers on public financial management (fiduciary standards) and financial reporting and auditing, and papers on diagnostic work; affordability, tariffs and subsidies; and ratios and covenants. In addition, in response to a request from the Multilateral Development Bank (MDB) Financial Management working group, together with the Development Assistance Committee of the Organization for Economic Co-operation and Development (OECD-DAC) Task Force on Donor Practices, the Public Sector Committee of the International Federation of Accountants has prepared a project brief on developing an international public sector accounting standard for development assistance. This complex work, to be completed by mid-2004, will be guided by an advisory panel of donor and recipient representatives, and will benefit from consultations with appropriate professional bodies and other interested parties.
2. ***Procurement.*** In October 2002, the Heads of Procurement are expected to review a draft harmonized prequalification document on contracts for works, a draft harmonized standard bidding document for procurement of works, and a “Request for Proposal” document on consulting services. Work is continuing on standardized documents for selection of consultants, but this is a difficult area that may have policy implications for several of the participating MDBs. This and related policy issues—such as eligibility and origin of goods, common definitions of fraud and conflict of interest, and harmonization of national competitive bidding thresholds—will also be discussed, in the context of preparing the paper on harmonization of procurement rules and guidelines. In addition, reflecting the increasing focus on implementation issues, the DAC Working Party on the Financial Aspects of Development Assistance<sup>1</sup> and the World Bank will cosponsor a multidonor roundtable/workshop, with recipient country participation early next year. The purpose of the workshop will be to launch a series of pilot initiatives in selected partner countries as the basis of good practice reference principles or standards in such areas as capacity building, procurement standards and benchmarks, and mainstreaming procurement in the governance and anticorruption agendas.
3. ***Environment and Other Safeguard Policies.*** A draft paper, “A Common Framework and Agreed Principles for Environmental Assessment,” is being completed and will be circulated among participating donors for comments. It will be presented for review at the next meeting of the Multilateral Financial Institutions Working Group on the Environment, to be held at the European Investment Bank in December 2002, when it is anticipated that a consensus can be reached on the framework and key principles.
4. ***Analytic Work.*** The reference paper on good practices in sector and cross-cutting analytic work, project identification, and monitoring of and reporting on donor-assisted projects and programs is on target for completion by December 2002. Similar progress is being made in the related study on managing risk emerging from increased donor cooperation. In addition, work has been initiated to identify good practices in delegated cooperation—that is, cases in which bilateral donors have acted as agents or financing channels for other bilateral donors, a

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<sup>1</sup> The OECD-DAC Task Force has not taken up the issue of procurement, preferring instead to address the issue through the existing Working Party on Financial Aspects of Development Assistance, which will work closely with the MDB Heads of Procurement group, especially on capacity building.

practice that is becoming increasingly common among some donor agencies working in small economies. Led by the World Bank, donors are supporting the development of a joint website for sharing completed, ongoing, and planned country analytic work. The website will provide a document library with access to project documents organized by country, agency, theme, and operational status; cross-country studies; product toolkits for the main diagnostic products; procedures for conducting analytic work; and examples of best practices.

5. ***Evaluation.*** The Evaluation Cooperation Group, having completed good practice standards papers for both public and private sector project evaluations, is beginning a work program that includes the following: formulating good practices for higher-level (e.g., country, sector, and thematic) evaluations and for evaluability assessments (an approach to improve program effectiveness and support management for results); potential joint evaluation capacity development activities; minimum standards for annual reporting; stocktaking on governance and independence of evaluation in MDBs; and possible harmonization of disclosure policies. On September 24, 2002, the Inter-American Development Bank, the current Evaluation Cooperation Group chair, will hold a technical workshop to promote the mainstreaming of evaluation capacity development as part of public sector modernization and to explore possible joint activities in this area.

## ACTION PLAN FOR IMPLEMENTING THE HARMONIZATION AGENDA

<i>Outputs/Outcomes</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of September 12, 2002</i>
<b>Multilateral Activities</b>			
<b>MDB Financial Management and Analysis<sup>a</sup></b>			
1. <b>Country Diagnostic Work.</b> Initiate four joint diagnostic country financial management assessments. Adopt good practice guidelines for the joint conduct and dissemination of assessments.	Q4 2001	Country diagnostic work provides basis for building recipient capacity and recipient systems. Joint assessments reduce costs for donors.	Completed.
2. <b>Financial Management.</b> Develop options for consideration by the senior management of each participating MDB for harmonized approaches to financial reporting and auditing of projects financed by participating MDBs.	Q2 2002		Detailed proposals will be considered by MDBs at their next meeting in Abidjan on September 23-24, 2002.
3. <b>Financial Analysis.</b> Develop options for consideration by senior management of each participating MDB; harmonize financial analysis approaches to (a) tariffs, subsidies, and affordability; and (b) ratios and loan covenants.	Q2 2002	Coherent approaches to financial analysis would facilitate policy dialogue on infrastructure sector reform, and would support financial sustainability of projects.	Consultant reports on (a) tariffs, subsidies and affordability and (b) financial ratios and loan covenants have been completed and reviewed by the Working Group. The Group will meet in late September 2002 to agree upon next steps for extracting policy options on both (a) and (b). Next steps will include a study commissioned by AsDB to develop concrete recommendations on tariff setting.
4. <b>Accounting Standards.</b> Submit joint MDB proposal to the IFAC-PSC for the development of accounting standard for development assistance.	Q4 2001	International accounting standards provide common benchmarks for donors and recipients.	IFAC-PSC has accepted to prepare standard and work has commenced. Standard to be issued in 2004.
<b>MDB Heads of Procurement Group<sup>b</sup></b>			
1. <b>Standardized Master Documents for ICB.</b> Supply of goods	Completed	Standardized documentation eases administrative burden on recipients.	In use in AfDB, AsDB, IDB, and WB.
Civil works contracts	Q4 2002		Early draft prepared by Working Group. Working Group will meet in October 2002.
Request for proposals for consultants	Q4 2002		Draft prepared by Working Group under review. Final draft by December 2002.
Prequalification for civil works	Q4 2002		Draft completed. On the agenda of October 2002 meeting for approval.
2. <b>Country Diagnostic Work.</b> Common Instructions to carry out CPARs.	Q3 2002		Completed and approved by Heads of Procurement in March 2002.

<i>Outputs/Outcomes</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of September 12, 2002</i>
Conduct eight joint country procurement reviews.	Q4 2002	Country diagnostic work provides basis for building recipient capacity and recipient systems. Joint assessments reduce costs for donors.	CPARs being conducted jointly: Guinea with AfDB; Philippines and Uzbekistan with AsDB; Costa Rica, El Salvador, and Paraguay with IDB; Yugoslavia with EBRD; Azerbaijan with EU.
<p><b>3. Procurement Policies and Procedures.</b> Achieve greater policy convergence.</p> <p>Adopt common procurement, implementation, monitoring approaches for co-financed sector programs and projects.</p>	<p>Q4 2002 (first step)</p> <p>Q2 2002</p>	<p>Policy differences hamper harmonization efforts.</p> <p>Co-financing of programs and projects will be facilitated for Borrowers and transaction costs will be reduced. Capacity building will be jointly supported by donors.</p>	<p>Draft stocktaking paper prepared by WB and EBRD. Approved by other MDBs in March 2002.</p> <p>Draft diagnostics approved in March 2002. Meeting in October 2002 will discuss how to organize policies, goods and works. Draft comparison of policies for hiring consultants completed in August 2002, to be approved in October 2002. Suggestions for harmonization of policy to be developed and approved in Q2 2003.</p>
<b>MFI Environment Working Group on Environment<sup>c</sup></b>			
1. <b>Environmental Assessments.</b> Prepare proposed common principles for environmental assessments, including environmental and social aspects.	Q4 2002	Meeting hosted by Development Bank of Southern Africa in August 2002 to review progress and discuss review process for discussion paper prepared by IDB and WB. Next meeting of MFI-WGE to be held at EIB in Luxembourg in December 2002. WB, AsDB and JBIC jointly undertaking initial cooperative pilot in Vietnam.	Revised draft of proposed common principles paper being reviewed by cooperating MFIs. AsDB, AfDB, EBRD and NIB taking technical lead in review of document. Draft text had also been provided to bilateral and export credit agency observers to the MFI-WGE.
2. <b>Financial Intermediaries.</b> Harmonize environmental review procedures for financial intermediary operations.	Ongoing	Workshop hosted by IFC and IIC in December 2001 to review progress and identify next steps.	Meeting of financial intermediaries to be held in conjunction with the next MFI-WGE meeting in December 2002.
<b>Bilateral Activities</b>			
<b>OECD-DAC Task Force on Donor Practices (all 23 OECD-DAC members)<sup>d</sup></b>			
1. <b>Good Practices.</b> Develop good practice reference papers on (a) financial accountability; (b) pre-implementation stages of the project cycle; and (c) reporting and monitoring requirements.	Q4 2002	Good practice reference papers provide benchmark principles for donors to rely on and recipients to pursue.	Work in progress.
2. <b>Recipient Engagement.</b> Consult recipients on harmonization priorities and engage recipient experts in technical dialogue in each thematic area.	Q4 2001		Actively engaged.

<i>Outputs/Outcomes</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of September 12, 2002</i>
<b>OECD-DAC Task Force Subgroup on Financial Management and Accountability<sup>e</sup></b>			
1. <b>Conceptual Paper.</b> Develop an overall conceptual framework for financial management harmonization, based on financial accountability, rules to govern use of resources, reporting arrangements, and ex-post verification.	Q4 2001	Provides a vision and guiding framework for the overall harmonization effort.	Endorsed by Task Force in November 2001. Framework available on donor practices Internet site, <a href="http://www.oecd.org/dac/donorpractices">http://www.oecd.org/dac/donorpractices</a> .
2. <b>Fiduciary Standards.</b> Prepare an inventory of the relevant international standards and limitations in standards. Identify minimum standards in the management of public finance. Identify models for developing country capacity.	Q4 2002	The extensive and growing body of current international standards in financial accountability provides a solid foundation for the development of a common standards framework on which donors can rely.	Draft Good Practice Reference Note to be agreed in November 2002.
3. <b>Donor Accountability.</b> Report of bilateral donor accountability requirements in seven DAC member countries.	Q2 2001		Completed. Reports available
4. <b>Financial Reporting and Auditing.</b> Good reference paper on donor reporting arrangements; assess cost of donor reporting requirements on partner countries; identify scope for single reporting frameworks and single audit frameworks.	Q4 2002	The multiple financial reporting and auditing requirements of individual donors has been identified as one of the main contributors to high transaction costs for aid recipients.	Draft Good Practice Reference Note to be agreed in November 2002.
5. <b>Diagnostic Tools.</b> Good Reference Paper. Establish an inventory of diagnostic tools; map each tool to determine coverage of the principal dimensions of financial accountability; propose ways in which the findings of diagnostic work could be implemented.	Q4 2002	Greater collaboration in diagnostic work has been identified as a quick-win high-impact area in which there are few policy or procedural obstacles to greater donor collaboration.	Draft Good Practice Reference Note to be agreed in November 2002.
<b>OECD-DAC Task Force Subgroup on Pre-implementation Phase of Project Cycle<sup>f</sup></b>			
1. <b>Analytic Work at Sectoral Level:</b> Good Reference Paper to identify potential for harmonizing analytical work undertaken by donors to support country strategy plans.	Q4 2002	Joint sectoral analytic work would improve coordination of project identification.	Work in progress; consultancy study commissioned.
2. <b>Risk Analysis:</b> identify and analyze best practices in risk analyses and management of multi donor development assistance.	Q4 2002	Common risk analyses reduce transaction costs and increase development effectiveness.	First draft of risks of harmonization prepared and under discussion.
3. <b>Logical Framework and Results Assessment:</b> Review good practice in the use of results frameworks, and develop a common integrated approach to logical framework assessment and results-based assessment, working closely with DAC Working Party on Aid Evaluation.	Q4 2002		Incorporated into 1 (analytic work)
4. <b>Cofinancing:</b> Identify best practice principles and review practices where one donor agrees to be represented by another in some or all respects of the project cycle	Q4 2002	Improving cofinancing will leverage development impact.	Draft Reference Paper on Delegated Cooperation will be submitted by October 31, 2002.

<i>Outputs/Outcomes</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of September 12, 2002</i>
<b>OECD-DAC Task Force Subgroup on Reporting and Monitoring<sup>g</sup></b>			
1. <b>Scoping Reporting and Monitoring Systems.</b> Identify different systems and requirements (at donor and country level) and burden placed on recipient partners; use case studies to identify reasons for stagnation in system improvement.	Q3 2002		First draft of consultant's study prepared and currently being discussed.
2. <b>Best Practices.</b> Identify success factors for common reporting and monitoring arrangements, explore mechanisms for cooperation procedures	Q3 2002		Draft report discussed at subgroup meeting on September 12, 2002.
3. <b>Good Practice Reference Paper.</b> Foster harmonization of reporting and monitoring practices.	Q3 2002		Draft report discussed at subgroup meeting on September 12, 2002.
4. <b>Consultation Process.</b> Examine political will to change existing reporting and monitoring procedures and scope for acceptance of recommendations by donors, countries, and NGOs.	Q4 2002- Q1 2003		Will be part of the process in lead-up to the preparations for and discussions at the High Level Forum
<p><sup>a</sup> AfDB, AsDB, EBRD, IDB, and WB.</p> <p><sup>b</sup> AfDB, AsDB, BSTDB, CDB, EBRD, European Community, EIB, IDB, NADB, NDF, UNDP, and WB.</p> <p><sup>c</sup> AsDB, AfDB, BSTDB, CAF, CDB, DBSA, DFID (observer), EBRD, EIB, IDB, IFAD, IFC, IIC, IsDB, NEFCO, NIB, OECD (observer), UNDP (observer), UNEP (observer), and WB.</p> <p><sup>d</sup> The OECD-DAC regroups the bilateral development arms of the European Commission and the following countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, and United States.</p> <p><sup>e</sup> CIDA, EC, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Spain, Sweden, Switzerland, UK, UNDP, United States, and World Bank.</p> <p><sup>f</sup> Australia, EC, Finland, France, Germany, Italy, Japan, Netherlands, Norway, United Kingdom, UNDP, and United States.</p> <p><sup>g</sup> Australia, CIDA, Denmark, EC, Finland, France, Germany, Italy, Switzerland, United Kingdom, and United States.</p>			



## WORLD BANK HARMONIZATION ACTIVITIES

1. In the World Bank, Management and Executive Directors have continued discussing ways of enhancing development effectiveness by strengthening support for borrower capacity building, and by increasing Bank flexibility to utilize borrower systems that satisfy agreed standards or principles.<sup>1</sup>

- On May 29, 2002, the World Bank's Audit Committee reviewed a paper on the Bank's audit practices,<sup>2</sup> which identified areas for possible policy changes—for example, allowing a single appropriately scoped audit opinion to replace up to four separate opinions required today; agreeing on common audit arrangements with other cofinanciers on a Bank-supported project; moving to align Bank audit requirements with audit practices in countries whose practices are considered acceptable; and providing greater flexibility on audit arrangements for small operations. The paper points out that borrowers are now required to provide the Multilateral Development Banks (MDBs) with over 8,000 audit opinions a year (of which the World Bank alone accounts for about 5,500), and states that a more harmonized approach to audit among the MDBs could reduce the number of required reports by 15 percent. The report is being shared externally with other MDB and bilateral donors (as part of the harmonization process), as well as with representatives of borrower countries and private and public auditors. Later this year Management will return to the Board with specific policy proposals that are synchronized with the outcome of the harmonization initiative in this area.
- On the environmental and social front, in June 2002 the World Bank's Committee on Development Effectiveness reviewed a paper that sets out multiyear proposals for modernizing the Bank's safeguard system, including the possible adoption of safeguard principles that could be more broadly applied within borrower countries. The paper also discusses World Bank involvement in harmonization and capacity-building efforts going forward.

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<sup>1</sup> Last November, the Bank amended its guidelines on financial monitoring reports to introduce more flexibility on the content, format, and frequency of the reports required of borrowers, including allowing borrowers to submit reports based on their own financial reporting systems. This is being implemented in all new Bank projects, with Bank staff working with country authorities and when appropriate with other donors to agree reporting formats. The Bank has now put in place a structured approach to fiduciary work that allows its participation in pooled financing arrangements in sectorwide approaches—based on harmonized approaches to financial reporting, audit, procurement, disbursement, and so on.

<sup>2</sup> *Audit Policies and Practices for World Bank-financed Activities Issues Paper* (AC2002-0028), May 21, 2002.

## WORLD BANK HARMONIZATION ACTIONS

<i>Area of change</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of September 12, 2002</i>
<b>Financial Management</b>			
1. <b>Financial Reporting and Assessments.</b> Bank will amend Loan Administration Change Initiative (LACI) to: (a) adapt content, frequency, and format of <i>project management reports</i> to borrower needs; and (b) provide improved guidance to staff on <i>project financial assessments</i> , including guidance on improving collaboration with other donors.	Q3 2001	The planned changes to LACI discussed by the Audit Committee of the Board in October 2001.	Changes implemented in December 2001.
2. <b>Audit Policy.</b> Review of project audit policy under way to balance need to improve recipient audit capacity with need to ensure appropriate use of Bank resources.	Q2 2002		Issues paper discussed with Audit Committee in May 2002. Specific proposals to go to EDs by end of 2002.
3. <b>SWAps.</b> Review under way to develop, with the Procurement Sector Board, acceptable fiduciary arrangements to facilitate the Bank's participation in these operations.	Q1 2002		Arrangement to facilitate Bank participation in SWAps agreed in April 2002, following discussion with Audit Committee.
4. <b>Country Diagnostic Work.</b> Bank has already conducted 10 CFAAs collaboratively with other donors and is presently formalizing its guidance on future collaboration of this nature.	Q4 2001	Joint diagnostic work reduces costs for donors and provides basis for building recipient capacity and recipient systems.	Draft of the new CFAA guidelines with external partners for review. Half of CFAAs in FY02 done jointly with partners.
5. <b>Support for Standard-setting.</b> Bank has earmarked \$350,000 annually in grants for three years to support setting standards in accounting and auditing by IFAC and the International Accounting Standards Board. A further \$300,000 p.a. has been approved for the INTOSAI Development Initiative.	Approved	Standards set by international bodies provide benchmarks for donors and recipients to pursue.	Support for standard-setting bodies continuing.
<b>Procurement</b>			
1. <b>SWAps.</b> Develop (jointly with FM) framework for design and implementation of procurement (and FM) arrangements for SWAps.	Q4 2002	Approach is consistent with greater reliance on country systems and building the capacity of these systems.	Completed. Technical briefing for Board on March 8, 2002. Paper discussed by Audit Committee in April 2002.
2. <b>Country Analytic Work.</b> Develop coordinated approaches to CPARs. In addition, more resources committed to increasing number of CPARs.	Q4 2002	Has potential to reduce costs for countries and enhance common focus on capacity building.	Issued new guidelines for preparation of CPARs including consultations with MDBs.
3. <b>E-procurement.</b> Issue guidance on development of electronic government procurement; and	Q4 2001	Use of information technology improves transparency and efficiency of procurement process.	Notes on E-Procurement issued and available in website.
Revisit specific procurement practices to allow use of e-procurement.	Q4 2002		
<b>Environmental and Social Safeguards</b>			
1. <b>Conversion of Policies.</b> Continue conversion of safeguard policies on involuntary resettlement, indigenous peoples, physical cultural resources and forestry to improve clarity.	Ongoing	External consultations completed for indigenous peoples and physical cultural property policies. Revision to forestry policy under internal review.	The Board approved the conversion of involuntary resettlement policy in October 2001. Other policies to be submitted for Board approval during the rest of FY03.

<i>Area of change</i>	<i>Timeline</i>	<i>Comments</i>	<i>Status as of September 12, 2002</i>
2. <b>Harmonization of Internal Process.</b> Bank review under way to clarify accountability for high-risk operations, provide one-stop shop for authoritative policy interpretations, and integrate all safeguard policy applications under umbrella of environmental assessments. Integrated Safeguard Data Sheet being implemented and used as a mandatory element of Project Information Document, Project Concept Document and Project Appraisal Document review processes.	Ongoing	The internal harmonization process is designed to take into account the external harmonization process, and both have a strong focus on building client capacity.	Safeguard Vision Paper was discussed by Committee on Development Effectiveness in June 2002 and will be posted on the external web for comment in October 2002. A revised ISDS template for PDS, designed to improve analysis of safeguard policy issues, is being piloted.
3. <b>Upstream assessments.</b> Initiate safeguard assessments earlier in project cycle to integrate them more effectively into the project identification and preparation process which will reduce costs and delays.	Ongoing	All regions have established review systems to evaluate potential application of safeguard policies at the beginning of the project cycle on use of integrated safeguard data sheet. Initial review shows broad acceptance and generally satisfactory operation of ISDS.	Improvements have been identified and being incorporated. Training of staff on use continues. Second year review underway.
<b>Country-Level Activities</b>			
1. <b>PRSPs.</b> Encourage developing countries to use PRSPs to identify harmonization priorities in individual countries; and update Joint Staff Assessment guidelines to include coverage of harmonization issues.	Q1 2002	PRSP Review Conference earlier this year emphasized importance of harmonization to successful implementation of PRSPs.	Completed. See <i>Poverty Reduction Strategy Paper – Progress in Implementation</i> , September 11, 2002, Annex I on Guidelines for Joint Staff Assessments of PRSP Annual Progress Reports on Implementation.
2. <b>CASs.</b> Amend CAS guidelines in due course to include importance of addressing harmonization priorities in individual countries.	Q1 2002	To align CASs in substance and timing with PRSPs, the Bank has begun to synchronize their preparation with PRSPs. For countries that have not completed their PRSP, the Bank's assistance will typically be updated in a CAS Progress Report focusing on the Bank's support to the preparation of the PRSP. A full CAS will be prepared soon after the PRSP is complete or at the end of the current CAS period.	CAS guidelines have been strengthened to encourage staff to discuss specific enabling measures with their country counterparts to improve country-level harmonization of donor procedures, especially in financial management, procurement, and environmental assessment, and the implications for the Bank program, including Bank support for capacity building.
3. <b>Harmonization Coordinator.</b> Designate focal point to advise and assist staff on policy and procedural issues arising in the context of investment lending.	Q2 2002		Appointed.



### ILLUSTRATIVE COUNTRY-LEVEL HARMONIZATION INITIATIVES

This annex is not a comprehensive listing of country-level harmonization initiatives, but is rather a work in progress. The examples have been drawn from World Bank staff sources, Bank documents, interviews with partner government officials, the inputs of donor representatives in the partner countries, and discussions with donor headquarters staff conducted by a University of Birmingham research team while preparing a report for the OECD-DAC Task Force on Donor Practices. More examples will be added in due course.

<i>Country</i>	<i>Initiatives</i>
<b>Bangladesh</b>	<ul style="list-style-type: none"> <li>• Harmonized policies and procedures are embedded in a health and population sectorwide approach (SWAp) funded by IDA, the European Union (EU), Department for International Development (DFID), Swedish International Development Cooperation Agency (SIDA), and the Netherlands.</li> <li>• Government initiated a public procurement reform program in line with the recommendations of the Country Procurement Assessment Report (CPAR). The program is supported by an IDA-financed technical assistance project. Donors will be consulted in the design of reforms, with the objective of encouraging wider application of government procurement practices in donor-funded projects.</li> <li>• World Bank and United Nations Development Programme (UNDP) collaborated on a Country Financial Accountability Assessment (CFAA), which has been published. The Ministry of Finance and the World Bank sponsored a meeting in 2002 with leading donors, including Asian Development Bank (AsDB), DFID, the Netherlands, and United States Agency for International Development (USAID), to discuss harmonization of financial management policies, procedures, and practices, and to coordinate assistance for capacity building in financial management.</li> <li>• Under the auspices of the donors' local Consultative Group, the UNDP has completed a survey of transparency and accountability in development assistance activities. The preliminary findings have been discussed with the Government, which is considering establishing joint government-donor working groups to identify best practices and seek broader adoption of common requirements in areas such as procurement, financial reporting and audits, and donor-funded training.</li> </ul>
<b>Botswana</b>	<ul style="list-style-type: none"> <li>• Determined and capable country leadership is truly in the driver's seat. The Government has developed a framework that avoids the build-up of multiple sets of donor procedures, accounting requirements, and uncoordinated activities, since: (a) the Ministry of Finance and Development Planning has assumed central coordination of all technical cooperation; (b) all projects are executed through the government's systems, with minimal additional external management and accounting requirements; and (c) the Government's strategy has been to limit the total number of donors and to encourage like-minded donors to work together in particular sectors.</li> </ul>
<b>Bolivia</b>	<ul style="list-style-type: none"> <li>• Shared and coordinated monitoring and reporting are features of the Education Reform Program, a program cofinanced by the Netherlands, Sweden, World Bank, and the Inter-American Development Bank (IDB).</li> <li>• The four funding agencies have agreed with the Vice-Minister responsible for education on a harmonized monitoring system with clear indicators; one common report is prepared and accepted by all.</li> </ul>
<b>Burkina Faso</b>	<ul style="list-style-type: none"> <li>• A joint World Bank-Strategic Partnership for Africa (SPA) CFAA has been completed. This is notable for the involvement of nine other donors coordinated by the European Commission.</li> </ul>
<b>Cambodia</b>	<ul style="list-style-type: none"> <li>• World Bank and AsDB are collaborating to produce joint operational procedures, and a joint financial management manual designed to train local government staff managing development assistance.</li> </ul>

<i>Country</i>	<i>Initiatives</i>
	<ul style="list-style-type: none"> <li>World Bank and AsDB have agreed on standard bidding documents (SBDs) for national competitive bidding (NCB) and are working on SBDs for international competitive bidding.</li> </ul>
<b>Costa Rica</b>	<ul style="list-style-type: none"> <li>A joint CPAR is under way, led by IDB with collaboration of the World Bank.</li> </ul>
<b>Ecuador</b>	<ul style="list-style-type: none"> <li>Joint World Bank-IDB-Andean Development Corporation high-level workshop on safeguard policies, held in November 2001, included an overview of environmental strategy and discussions on mechanisms for further collaboration among the Government of Ecuador and the three multilateral agencies. Follow-up actions involved governmental agencies (i.e., Ministry of Energy, Ministry of Tourism, Ministry of Public Works, and the National Electric Power Agency) and international organizations (including UNDP and Pan American Health Organization). Work in the following priority action areas has begun: (a) instituting the collaborative high-level workshop, as an annual event; (b) pro-active participation of multilateral agencies in the design of environmental policy at the national level; (c) broad dissemination of information on safeguard policies among governmental and nongovernmental organizations, as well as among the three multilateral agencies; and (d) dissemination of successful cases of implementation of environmental policies in projects financed by multilateral agencies.</li> </ul>
<b>Ethiopia</b>	<ul style="list-style-type: none"> <li>Comprehensive harmonization program under discussion, beginning with the alignment of donor assistance strategies with Poverty Reduction Strategy Papers (PRSPs) and harmonization in areas such as financial management, procurement, and environmental assessment.</li> <li>Attempts have been made to develop SBDs and processes acceptable to other donors in the context of the health SWAp. Funds are not pooled under the program, mainly because country financial management capacity is limited. It is expected that some of the donors will agree on common thresholds, reporting formats, and post-review level. All NCB procurement is carried out according to national procedures.</li> <li>Donor procedures for supervision, monitoring and evaluation, and reporting are being harmonized in the context of the education SWAp. Donor attempts to harmonize procurement requirements did not materialize. Concerns about the use of funds for intended purposes prevented pooling of donor funds.</li> <li>A joint SPA and World Bank learning mission on PRSP support and harmonization is being launched.</li> </ul>
<b>Ghana</b>	<ul style="list-style-type: none"> <li>A memorandum of understanding for a joint approach to budgetary and balance of payment support has been signed with a number of partners (African Development Bank, Canada, Denmark, the European Commission, the Netherlands, the United Kingdom, the United States, and the World Bank), and will require harmonization in disbursements based on joint monitoring of performance.</li> <li>Under the education and health SWAps supported by 15 donors and the World Bank, common methods—including accounting and pooling of resources—have been developed for financial management, auditing, procurement, management of logistics and technical assistance, and monitoring and reporting. Common implementation arrangements have been outlined in a Memorandum of Understanding between the Government and donors. The Ministry of Health has put in place procurement procedures acceptable to donors. Some donors may continue following their own procedures, but these practices are expected to be phased out with time. These results were achieved through better donor coordination brought about by changing the chairmanship of the donor coordination group over to the Government, conducting joint missions, preparing joint terms of reference, dividing the work, and carrying out frequent formal and informal consultations. The progress toward pooling of donor funds was built on significant investments in financial management systems and supervision.</li> </ul>
<b>Jamaica</b>	<ul style="list-style-type: none"> <li>A harmonization pilot has been launched, with elements of procurement, financial management, environmental assessment, and economic and sector work.</li> </ul>

<i>Country</i>	<i>Initiatives</i>
<b>Mozambique</b>	<ul style="list-style-type: none"> <li>• Harmonized or semi-harmonized financing schemes have been developed in planning, agriculture (budget support), education, public sector reform, policy research, health and health policy formulation, police academy, water, sanitation, and housing. The costs of setting up pooling arrangements tend to be high. Progress has been slow in all sectors, and in some cases gains have been reversed. Small, carefully designed sector-level technical assistance pooling schemes have been more successful, but overall the lack of local capacity has been a major constraint.</li> <li>• IDA has carried out a detailed study of donor procurement and disbursement procedures, and, under the education SWAp, some donors are expected to agree on common NCB thresholds, the use of post review, and common reporting formats. Donors have not agreed on pooled funding because of weaknesses in existing capacity for financial management. However, most donors support a gradual move toward budget support as the Government improves its financial management capacity.</li> <li>• A joint World Bank/Norwegian Agency for Development Cooperation/SIDA CFAA is under way.</li> </ul>
<b>Pakistan</b>	<ul style="list-style-type: none"> <li>• The Social Action Program established in 1992 is an open-ended multisector policy initiative to increase investments in basic social services. Donors (World Bank, AsDB, the Netherlands, DFID, and EU) have agreed to finance. AsDB funds were not pooled but used in parallel to meet an agreed proportion of overall expenditure through two sector investment projects since 1993. The projects were supported by a multidonor support unit, funded jointly by Social Action Program donors to support donor coordination and assist the Government in the preparation of annual operational plans, including assistance on procurement issues for capacity building in the social sectors.</li> </ul>
<b>Rwanda</b>	<ul style="list-style-type: none"> <li>• SPA country pilot to promote changes in donor practices in support of the PRSP with focus on (a) increasing the alignment of donor assistance to national strategies; (b) better aligning procedures and instruments to reduce transaction costs; and (c) enhancing national capacity, particularly in public financial management.</li> <li>• Shared strategy development and program planning have contributed to deeper dialogue and enhanced partnerships between donors and the Government. The United Kingdom has taken the lead in establishing a partnership with the Government, and has agreed on a strategy of assistance prepared in consultation with other partners. Other donors (Sweden, EU, and United Nations system) are following the lead of the United Kingdom.</li> </ul>
<b>Senegal</b>	<ul style="list-style-type: none"> <li>• Donors (AfDB, EU, IDB, Nordic Development Fund, Japan International Cooperation Agency, Kreditaustadt für Wiederaufbau, Belgium, France, the Netherlands, Taiwan, USAID, UNICEF, UNFPA, and IDA) agreed on a common procurement plan that identified their respective inputs and timing under a health SWAp. Pooling of resources was problematic. Instead, a flexible approach was adopted that involved mostly parallel financing but some pooling at the district level for recurrent expenditures (common account but disbursements kept separate).</li> <li>• SPA country pilot to promote changes in donor practices in support of the PRSP with focus on: (a) increasing the alignment of donor assistance to national strategies; (b) better aligning procedures and instruments to reduce transaction costs; and (c) enhancing national capacity, particularly in public financial management.</li> </ul>
<b>Tanzania</b>	<ul style="list-style-type: none"> <li>• Government has prepared a draft action plan (Tanzania Assistance Strategy), on harmonization of procedures for effectiveness in aid delivery, including procedures to channel donor project funds through the Exchequer system to ensure predictability and integrate external finance in Government budget and reporting.</li> <li>• A OECD-DAC harmonization group has been formed to support implementation of the Tanzania Assistance Strategy with focus on reducing transaction costs, improving public expenditure management, and enhancing overall partnership with the Government, while maintaining flexibility in accommodating diversity of donor traditions and pace of change.</li> </ul>

<i>Country</i>	<i>Initiatives</i>
	<ul style="list-style-type: none"> <li>• Government and donors have commissioned an independent monitoring group to assess progress in raising aid effectiveness by reducing transaction costs and improving efficacy in aid application. Building on a monitoring process commenced in 1997, the review will set a fresh baseline for future monitoring of progress.</li> <li>• Nine bilateral agencies and the EU have allocated a substantial proportion of their aid envelopes to provide budget support for the implementation of the PRSP. The group has adopted a common performance assessment framework with focus on results, improved public expenditure management, and capacity building. It also provides support through the Government system.</li> <li>• The first joint sector review of the implementation of the health sector development program carried out in 2001 will now serve as a model for sector development programs in education and agriculture.</li> <li>• Dialogue to agree on a common performance assessment framework for poverty reduction support credit and poverty reduction budget support for FY03 is at an advanced stage. A joint review of the 2002 poverty reduction strategy progress report and appraisal of the two instruments will take place in early November 2002.</li> <li>• Public Expenditure Review/Midterm Expenditure Framework process, led by the Government and involving all key stakeholders, is now the established framework for policy dialogue on improving public expenditure management in Tanzania. Annual evaluation of fiscal performance and progress on systemic fiscal issues, formerly carried out under the Public Expenditure Review process, is now done jointly between the Bank and bilateral donors.</li> <li>• Joint Bank-DFID CFAA for Tanzania Mainland was completed in 2001. A similar exercise for Zanzibar is now under way.</li> <li>• A challenge now is to use the flexibility emerging from the international dialogue to deal with harmonization-related practicalities to complement the overall improvements in donor coordination.</li> </ul>
<b>Uganda</b>	<ul style="list-style-type: none"> <li>• In support of the Poverty Eradication Action Plan, donors have agreed to (a) carry out joint analytical work; (b) develop uniform disbursement rules and set output/outcome indicators; and (c) end individual, parallel country programs and stand-alone projects.</li> <li>• Budget support is promoted as a way to pool aid, and the government has taken the lead in establishing frameworks to be shared by international development organizations. However, the exercise has encountered local capacity constraints, some organizations' discomfort with being involved in new aid delivery mechanisms, and a shortage of sufficiently developed mechanisms, to support the process. In addition, because the country is heavily aid-dependent, the Government has taken a flexible stand in terms of harmonization.</li> <li>• Common disbursement arrangements have been developed under the education SWAp. Overall monitoring of compliance with financial management has been judged to be weak, and system-strengthening activities are planned.</li> <li>• Joint World Bank-DFID CFAA has been completed. IDA and DFID are cooperating on the implementation of some institutional strengthening recommendations.</li> </ul>
<b>Vietnam</b>	<ul style="list-style-type: none"> <li>• AsDB, Japan Bank for International Cooperation (JBIC), and the World Bank are collaborating closely on harmonization. A joint declaration on "Harmonization of Procedures for Loan Assistance of AsDB, JBIC and World Bank" was made at the country's Mid-year Consultative Group Meeting on May 23-24, 2002, with priority items including procurement, financial management, environmental and social safeguards, portfolio management, and other activities.</li> <li>• The Like-Minded Group of bilateral donors has also identified areas for harmonization, including capacity-building support, monitoring and reporting, a common development vocabulary, and wider use of multidonor financing mechanisms to support SWAps.</li> <li>• Joint World Bank-AsDB CPAR and CFAA are under way.</li> </ul>



<i>Country</i>	<i>Initiatives</i>
<b>Zambia</b>	<ul style="list-style-type: none"> <li>• IDA, SIDA, DANIDA, the Netherlands, and UNICEF pioneered the use of basket funding (at the district level with separate donor accounts at the central level) in a health SWAp. This was facilitated by DANIDA financed work aimed at developing joint Government-donor accounting, reporting, and disbursement systems. Disbursements remain slow because of disagreements with the Government on large contracts. The Zambia experience shows the importance of a jointly agreed, policy-based expenditure program, that includes expenditures outside the pooled funding arrangement in a subsector.</li> <li>• Procurement and Financial Management Manual acceptable to most donors has been produced under the basic education SWAp. This is used for procurement and financial management under the IDA credit, and also for the “pool” to which Finland, Ireland, Netherlands, Norway, and the United Kingdom contribute funds.</li> </ul>
<b>Organization of Eastern Caribbean States</b>  <b>(St. Lucia and St. Vincent and the Grenadines)</b>	<ul style="list-style-type: none"> <li>• An exercise to harmonize financial reporting requirements was undertaken in the two pilot countries. It was not mainstreamed, but it led to the following general conclusions: (a) the need for precise diagnosis of sources of transaction costs prior to harmonization actions, and (b) the need to increase the efficiency of internal reporting and coordination. The exercise also led to country-specific conclusions: (a) priority should be placed on donors with heavier reporting requirements (i.e., World Bank and Caribbean Development Bank); (b) there is a need to strengthen the verification system (internal and external audit and legislative scrutiny); and (c) a priority for further action is to harmonize the reporting of physical progress.</li> </ul>