

HARMONIZATION AND ALIGNMENT ACTION PLAN OF THE INTER-AMERICAN DEVELOPMENT BANK

I. BACKGROUND

- 1.1 As confirmed through years of experience and work by the Multilateral Development Banks (MDBs) and bilaterals in client countries, it is evident that high transactions costs have been incurred by aid recipient countries as a result of the multiple, uncoordinated and duplicative requirements that donors request from them. These costs are particularly onerous on the smaller and poorer countries. The commitments made to eradicate poverty, achieve sustainable economic growth and promote sustainable development, which are at the center of the Millennium Declaration (2000) and reaffirmed in the Monterrey Consensus (2002) and in the Rome High Level Forum (2003), would also benefit from more efficient use of aid. In order to increase such efficiency by reducing the transactions costs brought about by uncoordinated aid, it was agreed to harmonize the operational policies procedures and practices of the development institutions, as affirmed in the Rome Declaration on Harmonization. The IDB, along with the other participants at the Monterrey and Rome meetings, has committed to harmonize its operational policies, procedures and practices with those of other donors and partner countries, in order to reduce the unnecessary costs they are incurring at present, and to improve the efficiency of its development assistance and service delivery.
- 1.2 As part of this commitment, the IDB has been actively involved in activities being undertaken by the MDB Technical Working Groups and the OECD/DAC Working Party and Task Team on Harmonization and Alignment (see the OECD/DAC guidelines on “Harmonizing Donor Practices for Effective Aid Delivery” (2003)). In this context, the IDB is specifically working toward:
 - a. Attaining the delivery of development assistance in accordance with the priorities of its borrowing countries, taking into account their individual circumstances. In order to achieve this, the Bank is intensifying its support to borrowing countries in building their capacity to assume a stronger leadership role in the coordination of aid, as well as in the necessary diagnostic efforts to identify weaknesses requiring assistance.
 - b. Implementing progressively, as circumstances permit, the OECD/DAC good practice principles in development assistance delivery and management.
 - c. Enhancing and adapting its internal policies, procedures, practices and instruments, to enhance harmonization efforts Bankwide and at the country level.

- d. Intensifying efforts to work through delegated cooperation; in particular with the World Bank, the IDB has intensified its cooperation within the parameters established in a renewed Memorandum of Understanding (MoU) on collaboration, to be entered-into by the two institutions within the coming weeks.
 - e. Disseminating good practices inside the Bank and seeking ways of increasing the awareness on the benefits of harmonization among managers and staff.
 - f. Improving the policy relevance, quality, delivery, and efficiency of country analytic work (CAW), and carrying out the CAW in a way that gives partner countries a strengthened sense of ownership of their work, and reinforces their capacity to effectively participate in it.
 - g. Enhancing the provision of sector support and increasing the utilization of new frameworks, such as Sector Wide Approaches (SWAs).
 - h. Continuing and intensifying its efforts to gauge the performance of Partner Countries' Public Financial and Procurement systems and practices; continuing collaboration with the World Bank on Country Financial Accountability Assessments (CFAAS), Country Procurement Assessments (CPARs), Public Expenditure Reviews (PERs), Reports on Standards and Codes (ROSCs) and other diagnostic tools, either via joint work or delegated cooperation; and seeking to involve other donors in the joint work, as well as in ways to involve partner country governments to increase their sense of ownership of the work.
 - i. Continuing and expanding its efforts in Financial Management to rely on government accounting systems for Financial Reporting, sharing information with other donors, producing joint reports or using acceptable reports from other donors.
 - j. Continuing its capacity building efforts, particularly in the areas of procurement and financial systems, through training and technical assistance.
 - k. Intensifying efforts to simplify and harmonize reporting and monitoring systems in partner countries, by exploring means to produce single reports in operations shared with other donors (such as cofinanced or parallel projects). Relying, when possible, on country information and statistical systems; work to improve country capacity to collect, process and analyze information and data, to maintain the appropriate systems to support decision-making and to make the information readily available to stakeholders.
- 1.3 The IDB has a tradition of cooperation with the World Bank through jointly financed projects and exchange of information. Since 2002, this cooperation was formalized in an MoU for collaboration between the two Banks, which was recently reviewed produced an overall positive assessment. This cooperation has covered diverse areas such as: preparation of Country Strategies in seven

countries; Country Financial Accountability Assessments (CFAAS) in five countries; Quality Control Reviews of External Auditors, in three countries; Public Expenditure Reviews (PERs) in three countries; preparation of joint Country Procurement Assessments (CPARs) in three countries; Consultative Group meetings in two countries; Sector Work on Reform in two countries; and cofinancing in at least four countries.

- 1.4 In the specific area of harmonization, the IDB has advanced in efforts with other donors and is collaborating in Honduras with a group of bilateral donors and the World Bank in support of the Poverty Reduction Strategy Paper (PRSP) and in SWApS in social sectors, agriculture, water and sanitation. The group has agreed, inter alia, to share information, align instruments, perform joint assessment planning and evaluation, align with the Government's budget cycle, and use national systems, where possible.
- 1.5 Similarly, the Bank is collaborating with other bilateral donors and the World Bank on all aspects of Bolivia's harmonization process, from putting together a Country Harmonization and Coordination Framework, to designing a strategy for SWApS in selected sectors, and performing Quality Control Reviews of External Auditors.
- 1.6 The IDB is also collaborating in the progress of the Harmonization agenda at the international level, actively participating with other institutions in the main global harmonization forums: the MDB Roundtables, the Working Groups on Procurement, Financial Management, Environment, Managing for Development Results, Evaluation, Gender, and Capacity Building, Anti-Corruption and Governance; and the DAC Working Party on Aid Effectiveness. To these forums it has contributed to harmonizing procedures; producing guidebooks; contributing to best practices; and organizing and conducting workshops. In addition, various initiatives are being explored to continue sharing and/or exchanging training materials to better support staff and clients.
- 1.7 The Annex that follows presents the more specific actions that the Bank has carried out or expects to carry out before the next High Level Forum, to be held in March of 2005.

IDB HARMONIZATION ACTION PLAN DETAIL OF ACTIVITIES

Outputs/Outcomes	Time Frame	Comments	IDB Departments
I. Inter-Institutional Activities			
1. Participate in the activities of the MDB Roundtables	Twice a year High Level Forum 2 (HLF2) in March 2005		DPP
2. Create the inter-departmental Harmonization Network	Completed - 2003	Ongoing	DPP with all Departments and COFs
3. Disseminate and exchange information within the Harmonization Network, in order to actively participate in information sharing through the following MDB websites on: i) Aid Harmonization (www.aidharmonization.org) ii) Country Analytic Work (www.countryanalyticwork.net)	Ongoing		DPP with all Departments and COFs
4. Participate in joint activities with the OECD/DAC Working Party on Aid Effectiveness and Donor Practices and in the Task Team on Harmonization and Alignment	As needed HLF2 in March 2005	Ongoing	DPP
5. Participate in the MDB Working Groups on: Evaluation; Environment; Financial Management; Procurement; Gender; Managing for Development Results (MFDR); Capacity Building, Governance and Anti-Corruption; and Legal Documentation	As needed	Ongoing	Regional Departments, SDS, OVE, LEG, ROS and EVP/DEV
II. Corporate Activities			
1. Disseminate lessons learned from operational experiences through LERN (Lessons Learned Retrieval Network) in the area of harmonization in various countries (from PCRs, PPMRs, MTEs, Country Portfolio Reviews, Project Reports, Country Strategies, CPEs.)	Ongoing		Regions, SDS, ROS and COFs
2. Prepare a proposal to enable the IDB to fully participate in Sector Wide Approaches (SWAps)	2004		DPP, ROS, Regions, SDS, and LEG
3. Translate into Spanish the DAC Guidelines "Harmonizing Donor Practices for Effective Aid Delivery"	Completed - 2003		RE2

Outputs/Outcomes	Time Frame	Comments	IDB Departments
III. Activities of MDB Working Groups and Technical Areas			
<i>Legal Documentation</i>			
1. Legal Advisors' Roundtable on Harmonization and Simplification: Legal Aspects	January, 2004		LEG
<i>Financial Management</i>			
1. Joint preparation of CFAAs for Argentina (Provinces) and Ecuador	2004	IDB leads	RE1/SC1, RE3/SC3 and ROS/DAU
2. Joint preparation of CFAAs for Bolivia, El Salvador, Chile, Dominican Republic and Colombia	2004	WB leads	RE1/SC1, RE2/SC2 and ROS/DAU
3. Joint preparation of CFAAs for Paraguay and Uruguay with World Bank	2004	IDB leads	RE1/SC and ROS/DAU
4. Joint preparation of CFAAs for Honduras and Nicaragua with World Bank	Completed - 2004	WB leads	RE2/SC2, RE3/SC3 and ROS/DAU
5. Mission with the World Bank to perform a quality control review of the Supreme Audit Institution in Argentina	2004		ROS/DAU
6. Quality Control Review of Independent Auditors (Firms and/or Supreme Audit Institutions) in Jamaica, Dominican Republic and Bolivia	Completed - 2004	IDB leads	ROS/DAU
7. Joint preparation of ROSCs in Chile, Ecuador, Peru and Uruguay	2004	WB leads	RE1, RE3 and ROS/DAU
8. Joint preparation of ROSCs in Colombia, Jamaica, Brazil and Mexico	Completed - 2004	WB leads	Regions and ROS/DAU
<i>Development Effectiveness</i>			
1. Strengthen Borrowing Countries' Capacity in Management for Development Results	Ongoing	INDES is preparing a training course on the subject.	INT/INDES, EVP/DEV and HRD/LRN
2. Emphasize Managing for Development Results during country dialogue with governments, especially during programming and portfolio reviews	Ongoing	Needs to be heightened in light of results focus and attention to risk management	Regions and EVP/DEV
3. Roundtable Meeting to be held at IDB on Capacity Building (as it pertains to MFDR)	November 2004		EVP/DEV
4. Prepare source book on lessons learned	2004		EVP/DEV and Regions
5. Share training materials on logical framework, monitoring & evaluation	Ongoing		ROS

Outputs/Outcomes	Time Frame	Comments	IDB Departments
Capacity Building, Governance and Anti-Corruption			
1. IDB to cooperate with IMF to prepare Best Practices in Computerized Customs Systems Management.	2003-2004	Strengthening of government systems	INT/ITD
2. IDB to cooperate with WB and WTO to strengthen Customs Administrations' capacity to apply GATT 1994 Article VII	2003-2004	Strengthening of government systems	INT/ITD
3. Chapter on Special Customs Regimes for a WCO Handbook on Customs Modernization being prepared jointly by WB, WTC, IMF and IDB	Completed - 2003	Strengthening of government systems	INT/ITD
4. Regional training workshop in preparation for bilateral trade negotiations between Colombia, Perú and Ecuador and the U.S., jointly carried out with WB	June 2004		INT
Procurement			
1. Harmonize procurement of policies and procedures to bring them in line with best practice principles	Ongoing		ROS/PRM
2. Development of the following Standard Bidding Documents for International competitive bidding based on the Harmonized Master Documents:			
a. Goods (2000)	Completed		
b. Prequalification of Works (2002)	Completed		
c. Civil Works (2004)	2004		
d. Plants (Supply and Installation), (2005)	2005		
3. Development of Standard Contracts for consulting services based on the Harmonized Master Documents			
a. Contract Document for Time Based (2004)	2004		
b. Consultants- Contract Document for Lump Sum (2004)	2004		
4. Develop Standard Bidding Documents for National Competitive bidding based on the Harmonized Master Bidding Documents			
5. Harmonize of Electronic Government Procurement (EGP)	Ongoing		
6. Capacity building at the National Level.	Ongoing		
7. Dissemination of good practice papers and examples.	Ongoing		
8. Training staff and Executing Agencies on the new policies and procedures	Ongoing		
9. Prepare country Procurement Assessments (CPRs) template	Ongoing	WB prepared template adopted by Heads of Procurement at their meeting in the Spring of 2002	

Outputs/Outcomes	Time Frame	Comments	IDB Departments
10. Carry out joint CPARs with the World Bank in: Honduras, El Salvador and the Dominican Republic	2004		Regions and ROS/PRM
11. Peer review the World Bank CPARs for Paraguay, Chile, Nicaragua and Brazil	2003-2004		Regions and ROS/PRM
12. Finance a Regional Technical Cooperation for all CARICOM countries, Haiti and the OECS countries which entails the execution of 15 CPARs	2004	Share with the WB final reports	ROS/PRM
13. Review Procurement Legislation and Regulations of Guyana, Haiti, Paraguay (draft); Uruguay (draft); Bolivia carried out under World Bank lead	Completed 2004	Comments sent to the World Bank:	ROS/PRM
14. Participate, in the Procurement Learning Circle with WB, UNDP, UNESCO, IDB in Brazil	Periodic		COF/CBR and ROS/PMR
Environment			
1. Coordinate with other Multilateral Development Bank in the harmonization of policies and procedures related to the environment: In the context of the Forum of Ministers of the Environment, coordinate efforts with WB, UNEP and UNDP for developing standardized national environmental indicators	Periodic		SDS/ENV
2. Actively participate in the development of a Common Framework for environmental assessment processes, carried out with other MDBs within the "Multilateral Financial Institutions Working Group on Environment (MFI-WGE)". This Common Framework promotes convergence among MFIs on the institutional requirements, processes and practices for both public and private sector projects.	March 2005	Document "A Common Framework for Environmental Assessment" will be presented to the HLF2 in Paris, March 2005. Participation in the final working group before HLF2, would be important to ensure IDB voice in harmonized approach.	SDS/ENV
3. The new IDB environment policy will follow the common framework and will thus be harmonized with other MDBs	2005	Draft of Policy to be ready in 2004	SDS/ENV

Outputs/Outcomes	Time Frame	Comments	IDB Departments
IV. Country Activities			
<i>Regional</i>			
1. IDB to host a Regional Workshop on Harmonization	October/November, 2004 HLF2 in March 2005		DPP, Regions and COFs
<i>Honduras</i>			
1. IDB to join with other donors and the WB to support the GoH with a Sector Wide Approach (SWAp) in the Health Sector, under GOH leadership and explicitly following the principles stated in the Rome Declaration. GOH is preparing the Strategic Plan for this sector along those lines.	2004		RE2
2. Loan operation HO1002 to strengthening the Health Sector. IDB intends to align this operation, now in its design phase, with the Health Sector Strategic Plan and SWAp mentioned previously	2004		RE2
3. Although less advanced than in the health sector, the IDB is also jointly acting with other donors and the WB, to support the GOH in the design of sector strategies in education, agriculture and transportation, that will serve to align external financing with the PRS and constitute the launching pad for SWApS in those sectors.	Ongoing		RE2
<i>Bolivia</i>			
1. Review of policies and procedures in Bolivia to bring them in line with good practice principles. Review of lessons learned for prioritized sectors in Bolivia. Analyze good practice experiences abroad, and use them as inputs for the design of the Harmonization Action Plan in Bolivia.	2004	In line with WB	RE1/CBO ROS/PMP and ROS/PRM
2. The following areas have been prioritized for applying harmonized procedures in the short term: education, health, decentralization, civil service-institutional reform, basic sanitation, anticorruption, SIBTA, and PRONAR.	2004		RE1 and CBO
3. Support w/ TC to budget process, strengthening Controllers Office, & electronic public administration financial (SIGMA) in Bolivia	2004		RE1 and CBO
4. Delegate authority to CBO to facilitate implementation of elements of the harmonization agenda, a harmonization task force (HTF) was organized to design the harmonization action plan in which IDB is participating	2004		RE1 and CBO
5. The HTF is designing a strategy oriented to organize SWApS in prioritized sectors which includes: (i) Improving Education SWAp and monitoring progress; and (ii) participation in Multi Donor Budget Support Group	2004		RE1 and CBO
6. Enhance country Harmonization Agenda			

Outputs/Outcomes	Time Frame	Comments	IDB Departments
7. Providing expert support to VIPFE (Liason Office) directly and participate in the HTF . A Harmonization Agenda will be designed by August 2004. The HTF is putting together a Country Harmonization & Coordination Framework to be ready for the Consultative Group	2004		
8. Joint preparation of Public Expenditure Review for Bolivia	Completed		RE1 and CBO
9. Joint donor mapping of IDB with World Bank	Completed		RE1 and CBO
10. Providing Technical Assistance to implement electronic procurement system in Bolivia	2004		RE1and CBO
11. IDB is participating in the design of joint execution mechanism for rural productivity project	2004		
Uruguay			
1. IDB to carry the preparation, with the WB, of the Public Expenditure Review for Uruguay	2004		RE1/SC1
2. The WB to do the report on Standards and Codes (ROSC) which will serve as IDB's Mid-Term evaluation for the IDB program: "MIF Cluster on Accounting and Auditing Standards"	2004		RE1/SC1
3. The WB to do the report on Standards and Codes (ROSC) which will serve as IDB's Mid term evaluation for the IDB program: MIF cluster on Accounting and Auditing Standards" in Ecuador and Regional Caribbean	2004		RE3, ROS/DAU
Ecuador/Regional/Caribbean			
Haiti			
1. IDB to join the WB, OAS and key bilateral donors to restart the transition and reconstruction process; Donors have agreed to follow a coordinated approach. The Process starts with a multidisciplinary rapid assessment of economic, social and institutional needs, carried out by a multi-donor team in March 2004.	2004		RE2
Nicaragua			
2. Nicaragua has an active Poverty reduction Growth Strategy (PRGF), embedded in the PRSP to ensure broad participation and greater ownership. IDB jointly with the WB and the IMF review the progress of the PRGF every three months.	Peridodic		RE2 and CNI
3. IDB has invited World Bank to participate in its Nicaragua Portfolio Review exercise: The IDB participated in the WB's Porfolio Review in the second week of June 2004	June 2005		RE2 and CNI