

Implementation of Paris Declaration Commitments

Background Paper

ADF-11 Replenishment: Third Consultation
September 2007
Bamako, Mali



AFRICAN DEVELOPMENT FUND

Executive Summary

This paper has been prepared to update the ADF Deputies on the African Development Bank Group's actions and progress to date on the implementation of the Paris Declaration on Aid Effectiveness. The paper also provides Bank specific quantitative targets that will be used as a benchmark for ADF progress during the next three years. Overall, this report will show that, while the Bank is making progress in the implementation of the Paris Declaration, more remains to be done.

Within the context of the Bank's Action Plan on Harmonization, Alignment, and Managing for Results (HA and MfDR), the Bank has undertaken key activities at institutional, country, and global levels that support the implementation of the Paris Targets. At the institutional level, key Bank activities have been anchored on preparing harmonization-friendly programming instruments; on developing implementation and monitoring tools; on improving operations business processes; and on enhancing its internal capacity. Meanwhile, activities at the country level have focused on: disseminating HA and MfDR agenda; improving coordination and use of common arrangements; and enhancing country capacity. Lastly, at the global level, the Bank has deepened participation in major international fora, and has improved practices within the MDB technical working groups and OECD-DAC Joint Ventures.

The above activities have laid a solid foundation for the implementation of the Paris targets by the Bank Group. However, so far, the overall progress is mixed:

- **Strong progress** has been achieved on: *Aid flows are aligned on national priorities, and Joint country analytic work;*
- **Moderate progress** has been made on: *Technical cooperation coordinated with other donors, Use of country financial management systems /country procurement systems, and Use of common arrangements;* and
- **Insufficient progress** on: *Aid is more predictable, Avoiding parallel implementation structures (PIUs) and Joint missions.*

To accelerate progress towards meeting the 2010 Paris Declaration targets, the Bank is taking concrete actions in several strategic areas, including:

- **Addressing the incentive system to improve staff buy-in:** The Bank's new Human Resources Strategy is expected to improve both incentives and accountabilities for staff to contribute towards the achievement of the HA and MfDR agenda.
- **Strengthening Bank's own capacity:** Field offices are being effectively staffed and empowered to provide improved and timely services to client countries and to enhance coordination at the country level.
- **Greater flexibility of Bank procedures and rules:** The Bank, is simplifying its operational processes including streamlining its Technical Cooperation Fund Reform Programme in order to make them more client-responsive and partnership-conducive. The Bank has also engaged the ADF Deputies regarding ADF's procurement rules of origin requirement in order to permit increased participation in SWAPs and other programme-based approaches that involve co-mingling of funds.
- **Enhancing country institutional capacity:** The Bank is supporting RMCs' capacity-building efforts in order to help them deliver on their Paris Declaration commitments. An appropriate response to the special needs of Fragile States is also being developed.

To fulfill its commitments under the Paris Declaration, the Bank has moved ahead with some significant institutional changes, reinforced by improved programming, implementation, monitoring, and tracking tools. Management is committed to sustain these efforts and to embed them more systematically across the organization. Management is also committed to intensified efforts to achieve better progress in those areas where it has been insufficient. Additional actions across the full range of Paris commitments is expected to yield appreciably greater progress by the time of the next High Level Forum on Aid Effectiveness, which will be held in Accra, Ghana in September 2008.

Table of Contents

1.	Introduction.....	1
2.	Actions to Implement Paris Commitments.....	1
	<i>Institutional-Level Activities</i>	1
	a. Reforming Operational Programming, Implementation and Monitoring Tools	2
	b. Streamlining Operations Business Processes.....	2
	c. Enhancing the Bank's Internal Capacity	3
	<i>Country-Level Activities</i>	3
	<i>Global-Level Activities</i>	5
3.	Assessment of Implementation Progress	5
4.	Specific Implementation Targets: Benchmarking for Delivery	8
5.	The Way Forward: Meeting the Paris Targets	9
6.	Conclusion.....	10
	Annex 1: Paris Indicators of Implementation Progress.....	11

BANK GROUP IMPLEMENTATION OF PARIS DECLARATION COMMITMENTS

1. Introduction

- 1.1 The African Development Bank is working closely with Regional Member Countries (RMCs) and other development partners to advance the specific commitments of the Paris Declaration on Aid Effectiveness. Endorsed on 2 March 2005, these commitments are anchored on the core principles of ownership, alignment, harmonization, managing for development results, and mutual accountability.
- 1.2 Twelve indicators of aid effectiveness will be used to monitor country and donor progress on the implementation of the Paris Declaration targets by 2010. Of these twelve indicators, seven are applicable to the Bank and other development partners. To fulfill its commitments, the Bank issued an Action Plan with measurable indicators to guide its actions and to monitor progress. This paper updates the ADF Deputies on the actions and progress that the Bank Group has made towards the achievement of specific Paris Declaration commitments.
- 1.3 This paper is organized as follows: Section 2 provides a snapshot of key Bank actions undertaken to support the implementation of the Paris commitments; Section 3 summarizes the status and assessment of progress against the Paris Global Targets; Section 4 provides ADB specific quantitative targets that will be used as benchmarks for ADF progress during the next three years.; Section 5 outlines key Bank actions that will be required for moving forward the current achievements; and Section 6 concludes the paper.

2. Actions to Implement Paris Commitments

- 2.1 The Bank has taken important initiatives to become a more results-oriented institution. It has developed a conceptual framework for Results-Based Management (RBM), a key input towards the preparation of an RBM Implementation Plan. As a guiding framework for the implementation of the Paris commitments, the Bank has also developed an Action Plan on Harmonization, Alignment, and Managing for Development Results (HA and MfDR, April 2006). Within this framework, key activities that continue to facilitate the Bank's implementation of the Paris commitments at the institutional, country, and global levels are outlined below:

Institutional-Level Activities

- 2.2 To enable corporate performance to be measured, monitored, and reported, a new system based on a set of key performance indicators (KPIs) has been introduced. The Bank Group has also introduced a Results Measurement Framework, which aims to monitor progress made by RMCs towards reaching their poverty reduction objectives, and to assess how the Bank is contributing to such progress over time. The indicators of this Results Measurement Framework will form the basis of the 2007 Bank Group report on development effectiveness. These initiatives are further complemented by an MDB-wide Common Performance Assessment System (COMPAS) that aims to provide a single source of information by which all MDBs can assess their respective contributions to the development of their client countries. The Bank was involved in the preparation of two such COMPAS reports in 2005/2006, and is coordinating the preparation of the 2007 report.

2.3 Since 2005, the Bank has been reforming its operational programming, implementation, and monitoring tools; streamlining operational business processes and general conditions; and enhancing its internal capacity for effective implementation of the Paris commitments. Highlights of initiatives in these areas are presented below:

a. Reforming Operational Programming, Implementation and Monitoring Tools

- The Bank Group, starting with the ADF-10 cycle, introduced **Results-Based Country Strategy Papers (RB-CSPs)**, which feature improved outcome indicators. A total of 27 RB-CSPs were prepared in the period 2005 – 2006, and an additional 18 will be concluded by end 2007. Based on lessons learned from the first generation RB-CSPs, the Bank is currently revising the RB-CSPs format in order to improve institutional focus on results/outcomes. Similarly, the Project Appraisal Report format is being revised. Furthermore, RB-CSPs are aligned with PRSPs and National Development Plans in order to enhance RMC ownership of development programs. The RB-CSPs instrument incorporates a results-based framework, which enhances selectivity in operational programming and ensures greater impact. In this context, the Bank Group has made it a requirement to prepare both mid-term reviews and completion reports for the new generation of CSPs, such that timely adjustments and lessons-learned from past interventions can be integrated into the design of future interventions. By end 2007, 18 RB-CSPs mid-term reviews and 2 completions assessments will have been carried out.
- Moreover, the Bank together with the other MDBs is harmonizing the **Country Policy and Institutional Assessment (CPIA)** and further work is on-going to simplify the **Performance Based Allocation System (PBA)**. This initiative will improve transparency and credibility of the system.
- In order to enhance project **Quality at Entry** and track results, and outcomes, the Bank introduced in 2005 a Results Based Logical Framework as a requirement for the preparation of policy documents and appraisal reports. Consequently, Bank Group projects and programs submitted to the Board since 2006 are prepared in conformity with the Results-Based Logical Framework requirements with clear indicators for monitoring progress for the achievements of results.
- To Enhance the Quality of Portfolio Supervision and Monitoring, the Bank revised in 2006 its **Supervision Report Format**, and this report is now serving as a more effective tool to guide progress towards achievement of programme / project objectives and outcomes.
- The project/programme **Review and Quality Assurance Process** is being reinforced with enhanced empowerment and accountability to task managers and country teams. More importantly, all Bank Group projects/programmes appraisal process - from conception to presentation to the Boards - is now guided by the Operations Committee – a Senior Management Review Panel.

b. Streamlining Operations Business Processes

- Business process reform is an integral part of the Bank's ongoing general institutional reforms. These reforms will enhance the Bank's effectiveness by improving quality at entry, efficiency, accountability, portfolio management, and coordination. In doing so, business process reform will ensure timely delivery of development assistance to client countries. Key areas of the reform focus, of which progress is reported in a separate paper on Institutional Reforms, include: operational programming; delegation of authority; and procurement and financial management services. Moreover, the Bank has launched a reform program for its Technical Cooperation Fund to better align them to the Bank's strategic priorities.

c. Enhancing the Bank's Internal Capacity

- Enhancing Internal Capacity in HA and MfDR Principles: The Bank Group launched in 2006 a series of development effectiveness seminars aimed both at raising awareness and sharing experiences among the Boards, Bank Management, and Staff on key development effectiveness issues. To date, five such seminars have been held covering broad issues related to harmonization, alignment and managing for results, portfolio management, and gender, as well as utilization of post-evaluation findings, lessons, and recommendations. In addition, Bank staff have been trained in HA and MfDR issues, including preparation and use of RB-Log frames, economics of poverty and PRSP monitoring, participatory approaches and Bank's own SAP project management systems.
- **Enhancing Field Presence:** The Bank Group is enhancing decentralization with empowered field presence in order to strengthen country dialogue, portfolio management, and coordination with partner countries and donors. At present, the Bank has 23 field offices and is about to achieve the target of 25 offices adopted under the decentralization programme in 2004. The remaining two Host Country Agreements (Algeria and Angola) are expected to be finalized soon. In addition, the Bank has National Program Offices in Guinea-Bissau and Sao-Tome and Principe. To enable the field offices to deliver on their mandate, the Bank will be posting staff with critical skills including procurement and disbursement experts. It is expected that the total number of field office staff will increase from the current 330 to 384. Further details on progress are provided in a stand-alone paper on Institutional Reforms. In addition, the Bank will submit to the Boards by December 2007 the first progress report on the impact of decentralization on portfolio performance and the quality of country dialogue.

Country-Level Activities

2.4 The Bank Group is supporting RMCs to assist them in implementing their Paris Declaration commitments in three major areas: **Dissemination of HA and MfDR Agenda; Improving Coordination and Use of Common Arrangements;** and **Capacity-Building.** Specific activities are outlined below:

- **Dissemination of HA and MfDR Agenda:** To better prepare RMCs for the various HA and MfDR-related international fora, and to assist them in implementing their Paris Declaration commitments the Bank since the Rome HLF, has organized six regional dissemination and learning events [see one good example in BOX 1]. These events provided an early opportunity to better prepare for international high-level fora, to discuss and review country experiences and progress, and to define actions necessary for moving the aid effectiveness agenda forward in African countries.

**BOX 1: Supporting Country Implementation of Paris Commitment:
Bamako, Mali Regional Workshop, March 27-29, 2006**

This Bank initiative brought together over 200 participants representing 25 North, Central, and West African countries and their development partners to examine the Paris Declaration and its implications, and identify concrete ways through which to move ahead. The participants shared experiences on: development of harmonization action plans; collaborative assistance strategies; use of common arrangements such as budget support and SWAps; monitoring and evaluation including independent assessments arrangements; and building capacities. Fragile states and middle-income countries also shared their own perspectives.

An important outcome of this event is that 7 countries that had not yet been engaged in the harmonization agenda declared their commitment to formally endorse the Paris Declaration, and subsequently did so: Cape Verde (August 2006), Cote d'Ivoire (July 2006), Gabon (September 2006), Nigeria (December 2006 and again, June 2007), Sao Tomé & Principe (July 2006), Sierra Leone (June 2006), and Togo (May 2006). The Bank, for its part, received very valuable input and guidance on ways in which its own activities could be improved.

- **Improving Coordination and Use of Common Arrangements:** Over the years, various forms of partnership arrangements (including those based on Memoranda of Understanding) with other development partners and governments have created opportunities for increased country level coordination and have improved complementarity and division of labor. Such arrangements have facilitated the preparation of Joint Assistance Strategies and Joint Country Analytical Work [see BOX 2]. Furthermore, in RMCs with reasonably sound fiduciary standards and safeguards, the Bank Group has joined other partners in common financing modalities such as Development Budget Support (DBSLs) and SWAps.

BOX 2: Joint Country Analysis

Joint Assistance Strategy

The Bank Group has collaborated with other donors in preparing 4 joint country assistance strategies (JAS) for Uganda (completed in 2005), Tanzania and the Central African Republic (completed in 2006), and Zambia (on track for 2007). Such collaborative efforts are strengthening national ownership, improving predictability of development partners' support and making use of donor resources more efficient and effective. This arrangement allows enhanced collaboration among development partners including delegated cooperation.

Country Analytical Work

Collaboration on joint country analysis is generating efficiencies in projects/programs management and decision making for governments, the Bank Group and other developmental partners. The Bank Group has prepared, jointly with the World Bank and other development partners, the following joint country analysis:

- 15 Country Financial Accountability Assessments (CFAAs), including Burkina Faso, Chad, Gambia, Malawi, Mali, Madagascar, Mauritania, Senegal, Tanzania, Uganda, Togo and Chad;
- 21 Country Procurement Assessment Reviews (CPARs), including Uganda, Bénin, Sénégal, Côte d'Ivoire, Angola, Togo, and Guinea;
- Country Governance Assessments in Benin, Chad and Gambia, while three more are in progress in Rwanda, Namibia, and Sierra Leone; and
- Reports on the Observance of Standards and Codes for Senegal and Botswana.

- **Building Country Capacity:** The Bank is engaged in capacity-strengthening initiatives that are critical for improved country performance. The Bank has provided support for national harmonization action plans, and country statistical capacities [see BOX 3]. It is also supporting the Community of Practice on MfDR for Africa, an informal network that is bringing together country level professionals to exchange knowledge and experiences and is fostering mutual learning in the area of MfDR. In the financial year 2006, ADF approvals for institutional support amounted to \$64.4 million, while an additional \$39.2 million has been earmarked for 2007. A couple of good examples include the support provided for procurement reforms and capacity-building in COMESA and UEMOA, amounting to UA 5.66 million and UA 4.00 million, respectively.

BOX 3: The International Comparison Program for Africa (ICP-Africa)

Since 2005, the Bank Group, through ICP-Africa, has been working together with other partners to enhance statistical capacities in its RMCs. The Bank Group has provided a grant of \$22 million in supporting the generation of reliable and timely data for computing Purchasing Power Parities (PPPs), preparation of results oriented poverty reduction strategies and monitoring the Millennium Development Goals.

The key achievements under this initiative through using the Bank's ICP-Africa infrastructure include:

- adjustment of national GDP price and expenditure data for PPP;
- execution of statistical training and research;
- generation of improved Consumer Price Indices (CPI) and statistics; and
- implementation of the System of National Accounts.

Global-Level Activities

- 2.5 To complement the institutional and country-level activities, the Bank has actively participated in global-level aid effectiveness initiatives, including the **Second HLF** (Paris, March 2005) and the **Third International Roundtable on Managing for Development Results** (Hanoi, February 2007). The Ministerial Forum of the Second HLF, 2005 committed the Bank Group and other participants to actions by formally adopting the Paris Declaration on Aid Effectiveness. The Third International Roundtable on Managing for Development Results, by building on the success of the Second Roundtable on MfDR (Marrakech, 2004) and the HLF-2 in 2005, played a key role of focusing partner countries, the Bank and donors on building countries' capacity (including statistical) to manage for results. Furthermore, the Bank is a member of the Steering Committee that is organizing the 2008 High-Level Forum on Aid Effectiveness.
- 2.6 The Bank also contributes to the development of best practices through its engagement in various MDB Technical Working Groups (TWG) and OECD-DAC Joint Ventures. Key achievements include:
- The *MDB Roundtable on Managing for Development Results* developed the Common Performance Assessment System (COMPAS) that is a joint MDB initiative to monitor MDB contributions to development effectiveness.
 - The *MDB Financial Management* TWG has influenced financial management policy reforms resulting in issuance of a number of best practices on harmonizing country level activities in analytic work, financial reporting and auditing.
 - The *Procurement* TWG has prepared and disseminated harmonized standard procurement documents.

3. Assessment of Implementation Progress

- 3.1 The Paris Declaration commitments comprise a set of **twelve** indicators that partner countries and donors need to achieve by 2010 (Annex 1). Of these, seven are applicable to donors. This section will outline the progress the Bank is making towards achieving the seven Paris Declaration targets for which it is responsible. To this end, the Bank has established a monitoring framework that combines readily available information from Bank records with data gathered through an internal survey that was launched in 2007. This analysis [see BOX 4] is based on the Bank's own survey results for the 16 countries¹ that provided complete data comparable to the baseline (2005) data from the 2006 OECD Survey.
- 3.2 The current status of progress in the implementation of the seven Paris Declaration indicators that are applicable to the Bank is summarized in Table 1 and discussed below.

¹ These are: Benin, Burkina Faso, Burundi, Cameroon, Ethiopia, Gambia, Kenya, Madagascar, Mozambique, Rwanda, Tanzania, Guinea, Malawi, Mauritania, Uganda, and Zambia.

Table 1: Progress Toward Paris Targets

Indicators		Baseline (2005) ^a	Status (2006) ^b	Projected (2007) ^b	Paris Collective Targets (2010) ^f
3	Aid flows are aligned on national priorities	95%	94%	94%	94%
4	Strengthen capacity by coordinated support	38%	33%	42%	50%
5a	Use of country financial management systems	33%	41%	39%	59% ^c
5b	Use of country's procurement systems	43%	41%	39%	^d
6	Avoid parallel PIUs	7.8	6.6	6.4	2.4 ^e
7	Aid is more predictable	56%	58%	60%	87%
9	Use of common arrangements or procedures	40%	47%	45%	66%
10a	Joint missions	19%	16%	21%	40%
10b	Joint country analytic work	55%	78%	78%	66%

Notes:

- ^a Based on OECD-DAC 2006 Survey on Monitoring the Paris Declaration. The survey covered 17 countries in Africa.
- ^b Based on Bank survey conducted end of April 2007.
- ^c Aggregate utilization of PFM needs to rise to 59% by 2010 according to the OECD-DAC 2006 Survey on Monitoring the Paris Declaration (Volume 1, Final Draft, 20/3/2007, page 19). 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 where countries have a CPIA/PFM rating of 3.5 - 4.5.
- ^d There is no agreed target for increasing the use of country procurement systems, as the Indicator 5 targets are layered according to a measure of systems quality, and there is as-yet no scoring arrangement for procurement.
- ^e Measure of the average PIUs per country: The target for 2010 is to reduce the number of parallel PIUs by two-thirds.
- ^f Extracted from the Paris Targets (Annex 1).

BOX 4: Bank Group's Paris Declaration Monitoring Framework

The Bank has adopted the 2005 baseline ratios from the OECD-DAC 2006 Survey on Monitoring the Paris Declaration. The 2005 baseline data and the Paris Declaration collective targets for 2010 comprise the benchmarks that the Bank is using to monitor the implementation of the seven Paris indicators that are applicable to donors (see Table 1). The 2005 baseline ratios that are reported in the OECD-DAC 2006 Survey on Monitoring the Paris Declaration and that are based on survey of 17 countries are, however, consistent with the results of the Bank's own survey in these same countries.

The Bank has also set ADB specific quantitative targets as a benchmark for ADF progress during the next three years. These are reported in Table 2 below. The Bank is an active partner in the on-going effort within the auspices of OECD-DAC to refine the Paris Declaration monitoring framework and associated Paris Global Targets and further adjustments will be made as necessary to these ADB specific quantitative targets based on lessons learned from such efforts, combined with Bank's own experiences.

3.3 **Areas of Good Progress.** Of the seven Paris Declaration indicators that are applicable to donors, the Bank has made strong progress towards two: aid flows are aligned on national priorities and Joint Country Analytic Work:

- **Aid Flows Are Aligned on National Priorities** aims to halve, by 2010, the proportion of aid disbursements not included in the budget, with at least 85% reported on-budget. Through the Bank's *Results-Based Country Strategy Papers* process, all Bank operations are aligned to PRSPs and other National Development Plans. Consequently, the 2010 target of 95% has been achieved.
- **Joint Analysis** (ESWs, Sector Reviews, CFAAs, CPARs, CGPs) – aims that by 2010, 66% of country analytic work be jointly prepared. The 2010 target has been

achieved as survey results show that 78% of analytical work by the Bank Group is jointly prepared with other development partners.

3.4 **Areas of Moderate Progress.** The Bank has made moderate progress in: Strengthening capacity by coordinated support; Use of country financial management/procurement systems; and Use of common arrangements or procedures. Details are provided below:

- **Strengthen Capacity by Coordinated Support** - by 2010, 50% of technical co-operation (TC) assistance are implemented through co-ordinated programmes that are consistent with partner countries' national development strategies. The OECD-DAC survey found that in 2005, 38% of Bank Group's TC support was co-ordinated with other donors. Bank own survey show an achievement of 33% in 2006 and a projected level of co-ordination of 42% by end-2007. Further progress is expected in subsequent years as the Bank will increasingly deepen its field presence and engage in JAS processes at country-level.
- **Use of Country Public Financial Management and Procurement Systems** – aims by 2010 to reduce by one-third the non-utilization of country systems in countries with a CPIA rating of 3.5 to 4.5. Utilization of PFM systems across all lending instruments in the Bank was 41% in 2006 with a projection of 39% for 2007. An example where the Bank is fully using country systems is in policy-based lending (PBL) operations (including budget support), for which there are no specific procurement restrictions. PBL operations in 2006 and 2007 amounted to UA 207 million and UA 144 million, respectively. Overall progress, however, is falling short of the Paris target of 59%. A major factor contributing to slow progress is inadequate fiduciary safeguards at the country level because of weak public financial management institutions in RMCs. Further the Bank's rules of origin requirements are constraining the Bank's participation in co-mingled funding modalities. Progress in this area will require sustained and coordinated capacity-building support to RMCs and addressing current rule-of-origin obstacles to more efficient procurement.
- **Use of Common Arrangements or Procedures** – aims to channel 66% of aid through programme-based approaches such as coordinated budget and sector-wide approaches (SWAps) by 2010. As shown in Table 1, Bank achievements and projections range from 40% to 47%, and it is increasingly engaged in these approaches [see Box 5].

BOX 5: Budget Support

The Bank has provided RMCs with Development Budget Support in line with the guidelines, approved by the Boards in 2004 on prerequisites, particularly of strong fiduciary controls. Within the frameworks of ADF-9 and ADF-10 the Bank Group approved 20 budget support operations amounting to UA 384.54 million. Such support went to countries with reasonably sound fiduciary standards, including: Madagascar, Tanzania, Benin, Burkina Faso, Ghana and Zambia.

These programmes are supporting the implementation of PRSPs, including: enhancing macroeconomic stability; improving public financial management, and promoting stronger public service delivery capabilities of RMCs. Budget support operations are fully coordinated with several donors including: DfID; IDA; E.U.; Sweden; Netherlands; Norway; Germany; Denmark; Ireland; Finland; Switzerland; Italy; Belgium; Spain; France; Canada; and Portugal.

3.5 **Areas of Insufficient Progress.** These include: Aid is more predictable; Avoiding parallel implementation structures (PIUs) and Joint missions. The Bank's performance for these indicators is reported below:

- **Aid Is More Predictable** – aims to halve the proportion of aid not disbursed within the fiscal year for which it was scheduled. The Bank's disbursement level compared to schedule was 56% in 2005 and 58% in 2006, and is projected to increase marginally to 60% in 2007. Given that the Global Paris Target is 87%, current performance is insufficient. The implementation of the decentralization strategy of the Bank and revision of the delegation of authority will further strengthen the Bank's

delivery capacity at the country level including overcoming disbursement bottlenecks. Further, the ongoing effort of streamlining the disbursement processes will enable the Bank to make better progress by 2010.

- **Avoid Parallel Implementation Structures (PIUs)** - According to the OECD-DAC 2006 survey, the average number of PIUs per country was 7.8 in 2005. The Bank estimates that by 2007 the average number of PIUs will be 6.4, while the target for 2010 is 2.6. Closing this gap appears challenging. Nevertheless, the Bank has taken positive steps. Initiatives are underway to clean up the Bank Group's portfolio through cancellation of non-performing and aged operations. In addition, the Bank is examining opportunities to integrate any parallel PIUs still remaining by 2010 into government structures. Further, new projects are now integrated wherever possible within existing government structures.
- **Joint Missions** – The Bank has intensified coordination of missions with other donors in the preparation of programming documents (CSPs, JAS), economic and sector work, and operations involving co-financing. Through increased use of county systems the Bank will undertake more joint missions and as a result prospect for meeting this target is good.

4. Specific Implementation Targets: Benchmarking for Delivery

4.1 From the above brief overview it is evident that the Bank is making good progress in some areas but needs to do much more in others. Where significant progress has been made, and where the Paris Targets have already been achieved, there is a need to set higher targets; where the Bank is making only moderate or insufficient progress, it is necessary to intensify and more systematically monitor progress against appropriately ambitious targets.

4.2 The Bank has therefore set the following specific targets that will be used to monitor progress in the coming three years. The key principles and assumptions used for each are provided below.

Table 2: Bank Group Targets

Indicators		Projected (2007)	Projected (2008)	Projected (2009)	Projected (2010)	Paris Collective Targets (2010)
3	Aid flows aligned on national priorities	94%	100%	100%	100%	94%
4	Strengthen capacity by coordinated support	42%	50%	60%	72%	50%
5a	Use of country financial management systems	39%	41%	43%	45%	59%
5b	Use of country procurement systems	39%	41%	43%	45%	(See Table 1)
6	Avoid parallel PIUs		60%	72%	86% ²	2.4
7	Aid is more predictable	60%	66%	73%	80%	87%
9	Use of common arrangements or procedures	45%	47%	49%	51%	66%
10a	Joint missions	21%	23%	25%	28%	40%
10b	Joint country analytic work	78%	82%	86%	90%	66%

4.3 Where the Bank has shown significant progress and surpassed the Paris targets (Aid Flows Aligned on National Priorities; Joint Analytical Work), higher targets are established, as shown in Table 2 above. Higher performance benchmarks for these two indicators will build on recent achievements and continue toward full alignment of Bank support with national priorities through the CSP/PRSP linkage, enhanced coordination, and partnership. The Bank's enhanced field presence will enable it to work much better with other donors in these areas, as well as with respect to joint analytical work. A rate of 5% annual progress in joint

² See paragraph 4.8.

analytical work is achievable.

- 4.4 Where the Bank is showing only moderate progress (Strengthen Capacity by Coordinated Support; Use of Country Financial Management Systems), the area of strengthening capacity offers relative more opportunities for real progress, and the more ambitious targets reflect this assessment. With respect to the use of country financial management systems, there remain significant real constraints in terms of capacity (at both the Bank and the country levels) and in terms of the Bank's own fiduciary obligations. A 20% annual increase in Strengthening Capacity, and a more modest increase of 5% on the use of public financial management systems are realistic but also appropriately ambitious targets.
- 4.5 Substantial challenges remain with respect to rapid progress in two other priority areas: Aid is More Predictable; Use of Common Arrangements) With regard to aid predictability, on-going reforms of operations business processes, improved portfolio management, streamlining of disbursement procedures, and restructuring of procurement services will all contribute to reducing some of the obstacles that now impede a smoother delivery of support. Their impact, which is expected to be substantial, is expected to emerge over time. Additionally, a number of specific proposals to improve the operation of the Performance-Based Allocation system for ADF resources – which are expected also to contribute to greater predictability – will be considered in the context of the ongoing ADF replenishment consultation. A targeted annual improvement of 10% for Aid Predictability will bring the Bank substantially closer to the Paris target.
- 4.6 Specific bottlenecks continue to restrict the Bank's progress toward the target for Use of Common Arrangements. Specifically, "Rule of Origin" procurement restrictions codified in the ADF Agreement impede participation in joint donor support operations of various kinds. The Bank has raised this issue with the ADF Deputies and will be bringing a paper to the Executive Board seeking to eliminate this restriction. Limitations on the overall use of budget support which have been incorporated into ADF agreements in past replenishment cycles can act as an additional constraint.
- 4.7 Meeting the target for Joint Missions will also continue to pose challenges in some areas. Most on-going projects are being executed by stand-alone PIUs, which contributes directly to uncoordinated missions. However, the Bank's now deeper presence in the field is expected to reduce some of these coordination problems. Looking ahead, the establishment of such PIUs will be on a much more restricted basis, so demonstrable progress should be shown over the next few years. In other areas, such as strategy development and Economic and Sector Work, there has been genuine progress toward joint missions and this will be extended. As old PIUs are closed and the number of new PIUs is limited, a 10% annual increase is feasible, and 28% of Bank missions should be joint by 2010.
- 4.8 Finally, meeting the target for PIUs will be the most challenging. As it stands now, the Bank is expected to have only 2.4 PIUs per country (Table 1). While it could be achievable over a longer time horizon, this will be a difficult challenge to meet by 2010. The Bank will instead adopt the following approach that will indirectly contribute to the achievement of this target: (i) re-integrate on-going PIUs into government structures and close those PIUs for aging and problematic projects; and (ii) conduct a strict scrutiny through enhanced quality review process so that the use of existing government institutions become the obvious choice for the implementation of Bank projects and programs. The Bank has therefore set annual targets for ensuring an increasing percentage of new projects are implemented using existing government structures. By 2008 the Bank targets 60% of its projects will use government structures; with an annual increase of 20%, an overall achievement of 86% is expected on this target by 2010.

5. The Way Forward: Meeting the Paris Targets

- 5.1 The Bank is committed to fully implement its Paris Declaration commitments by 2010 and will actively monitor the achievement of the Bank specific targets set out in the preceding section. This will require intensified efforts and active management across the full spectrum of objectives.

- Within the framework of the new Human Resources Strategy, a new compensation and benefit management system is being put in place to enhance staff incentives and buy-in. Further, a new performance appraisal system is being introduced and accountabilities will be strengthened across the board.
- Field offices are increasingly being empowered through substantially increased resources, staffing, and delegation of authority. Field offices are expected to play a key role in implementing the Paris commitments at the country level.
- The Bank will finalize the ongoing institutional reform program by close of 2007. Through these reforms, the Bank is improving its country focus as well as the responsiveness and effectiveness of its service delivery. In addition, the on-going Technical Cooperation Fund reform program will be accelerated to better support Bank's operations.
- The Bank is intensifying its capacity-building support to help RMCs deliver on their Paris Declaration commitments. Such support is directed at improving country systems, including those for procurement and public financial management. In this context, a framework paper on eligibility of expenditures has been submitted to the Board for consideration, while others on use of country systems, and streamlining loan conditionalities are under development.
- The Bank is working with other development partners to harmonize approaches in fragile states and post-conflict countries, for example, in Liberia and Sudan. A new strategy on fragile states is being finalized, and Bank Group support to such countries will be made in collaboration with other partners based on joint prior agreements, on priorities, and division of labor.

6. Conclusion

- 6.1 The Bank has made demonstrable progress in implementing selected areas of commitment under the Paris Declaration but is falling short in others. To sustain the progress already made and to overcome challenges in other areas, the Bank will intensify these efforts. The Bank's activities at the institutional, country, and global levels will be strengthened to further deepen the HA and MfDR agenda. To this effect, the ongoing institutional reform will be an opportunity to expedite the implementation of the strategic actions outlined above, including those related to operational business processes and extent of country-level engagement.
- 6.2 Moreover, the Bank will continue supporting the capacity-building efforts of RMCs in order to help them deliver on their commitments under the Paris Declaration. It will continue supporting donor-partner country aid coordination initiatives targeted at improved development effectiveness at the country level.
- 6.3 In summary, the Bank will continue monitoring its Paris Declaration implementation progress and step-up actions to register progress on all fronts by the time of the next High-Level Forum on Aid Effectiveness, which will be held in Accra, Ghana in September 2008.

Annex 1: 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	
		Score*	Target
		5+	All donors use partner countries' PFM systems.
		3.5 to 4.5	90% of donors use partner countries' PFM systems.
		PERCENT OF AID FLOWS	
		Score*	Target
5+	A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.		
3.5 to 4.5	A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.		

ALIGNMENT (CONTINUED)		TARGETS FOR 2010	
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 DONORS	
		Score*	Target
		A	All donors use partner countries' procurement systems.
		B	90% of donors use partner countries' procurement systems.
		PERCENT OF AID FLOWS	
		Score*	Target
A	A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems.		
B	A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems.		
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	Reduce by two-thirds the stock of parallel project implementation units (PIUs).	
7	<i>Aid is more predictable</i> — 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	<i>Aid is untied</i> — Percent of bilateral aid that is untied.	Continued progress over time.	
HARMONISATION		TARGETS FOR 2010	
9	<i>Use of common arrangements or procedures</i> — Percent of aid provided as programme-based approaches.	66% of aid flows are provided in the context of programme-based approaches.	
10	<i>Encourage shared analysis</i> — 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	<i>Results-oriented frameworks</i> — 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	<i>Mutual accountability</i> — 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.]