

**WORLD BANK INCENTIVES FOR  
HARMONISATION AND ALIGNMENT**

**Final Synthesis Report**

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**REPORT TO THE WORLD BANK**

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## **LIST OF ACRONYMS**

CG	Consultative Group
DAC	Development Assistance Committee (of OECD)
DFID	Department for International Development (United Kingdom)
DPL	Development Policy Lending
EC	European Commission
GBS	General Budget Support
H&A	Harmonisation and Alignment
IL	Investment Lending
IMF	International Monetary Fund
IRS	Internationally Recruited Staff
LRS	Locally Recruited Staff
MIC	Middle Income Countries
MoU	Memorandum of Understanding
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PAD	Project Appraisal Document
PAF	Performance Assessment Framework
PEFA	Public Expenditure and Financial Accountability
PER	Public Expenditure Review
PFM	Public Finance Management
PRGF	Poverty Reduction and Growth Facility
PRSC	Poverty Reduction Support Credit
QAG	Quality Assurance Group
RGC	Royal Government of Cambodia
SOO	Senior Operations Officer
TWG	Technical Working Group
TTL	Task Team Leader
UNDP	United Nations Development Programme
VFM	Value-For-Money
WB	World Bank

## EXECUTIVE SUMMARY

1. The Paris Declaration on Aid Effectiveness committed donors and recipient governments to a series of actions aimed at improving country ownership. Much has been done to advance this agenda: joint country action plans on harmonisation and alignment have been prepared, increased use has been made of aid modalities more aligned to government systems and a range of joint donor initiatives have been launched under the OECD-DAC Working Party on Aid Effectiveness. At a corporate level, the World Bank in common with other bi-lateral and multi-lateral agencies has expended major efforts in support of the harmonisation and alignment agenda. Much has been achieved in a short space of time, and there is considerable staff commitment to the logic of harmonisation and alignment.

2. Yet, progress has also served to highlight how much more needs to be done. Partner countries are demanding faster progress and it is important for the World Bank to continually re-evaluate how effectively it is addressing the Paris commitments. There is clearly a range of factors constraining progress and many of these are outside of the scope of influence of the World Bank. However, work by the Overseas Development Institute (ODI) in 2005 highlighted the significance of incentives in aid agencies as a key part of the explanation. This is at first sight a set of issues which should be more amenable to change and thus deserves closer attention.

3. The 2005 ODI study examined the internal incentive systems of six donor agencies, including the World Bank, and identified elements which both support and militate against staff compliance with alignment and harmonisation objectives. The present study builds on the earlier work by examining the incentives facing Bank staff engaged in country-level operational work. Through case studies in Cambodia and Ghana, as well as research at headquarters level, it seeks to analyse the incentives shaping engagement by operational staff in alignment and harmonisation. It does not seek to *evaluate* or judge the World Bank's effectiveness in deploying internal incentive systems or implementing the Paris Declaration. The purpose is to come to a better understanding of the factors at work, and to highlight concrete actions that the Bank might implement in order to contribute more effectively to harmonisation and alignment.

4. Incentives can be defined as “the rewards and punishments that are perceived by individuals to be related to their actions and those of others.” Individual and collective behaviour in aid agencies is influenced by a number of factors which shape the incentive system, such as:

- Knowledge and understanding of the external environment;
- Perceptions of political and/or managerial priorities;
- Personal motivation and adherence to agency mission;
- Criteria for performance assessment/career advancement of staff members;
- Peer pressure/recognition related to certain types of behaviour.

5. This study focuses on the incentives at work at country programme level in the World Bank. This includes incentives within the World Bank, at both the corporate and individual levels, and those external to the Bank, deriving from the actions and attitudes of partner governments and fellow donors. We ask first which are the forces pushing for or against progress in H & A and then consider the implications for the World Bank.

## **A. External incentives**

### *Are governments driving the process of harmonisation and alignment?*

6. It is apparent that the strength of ownership from the recipient government is a key variable in determining how donors (including the World Bank) behave around harmonisation and alignment issues. Different types of ownership affect the possibilities for harmonisation and alignment differently. It matters whether the partner governments are:

- in a substantive aid management and coordination role, including preparation of projects
- giving strong messages about their expectations of donors (including expectations about use of country systems and aid modalities)
- providing a strong policy steer (nationally and sectorally) to allow for alignment
- implementing commitments and executing projects in an efficient manner utilising established country systems and procedures.

7. In middle-income countries, these elements are often in place, and governments are perceived to provide strong leadership to donors and lenders. The role of the World Bank is relatively straightforward and the problem of alignment to government policies and systems does not present itself so acutely. With fewer donors and lenders, the need for harmonisation is also less pressing – indeed middle-income countries will frequently encourage competition for investment lending. Nevertheless, externally financed projects will frequently have separate PIUs and use the procurement systems of the financier rather than those of the government; pooling of funds and co-financing of projects is rare and so too is joint analytical work. There is therefore a continuing need for MIC governments to identify which of these practices are administratively most costly and to lay down H &A priorities.

8. The situation in low-income aid-dependent countries is radically different and it is here where the challenges of harmonisation and alignment are most acute. There are few such countries where governments are able to provide the leadership necessary for effective use of development assistance. Policies on the use of aid are unclear or not consistently pursued, national development policies are not defined coherently and comprehensively and the capacity to deliver services and implement development projects is limited, especially where public sector salaries are low.

9. It is precisely because of these problems that the World Bank and other development agencies have over many years developed the habit of working outside of government systems – taking direct responsibility for project identification and design and utilising parallel structures and PIUs for implementation. The development community is now acutely conscious of the unsustainability of such an approach, of its corrosive effect on the framework of accountability and of its debilitating impact on institutions and capacities. Indeed, it is this realisation that has been the driving force behind the Paris Declaration. Yet, the underlying weaknesses largely remain. Even where progress is being made - such as in Cambodia and Ghana, the two case study countries, or in Uganda and Tanzania, two clear success stories of harmonisation and alignment - it is fragmented and incomplete.

10. In such a context, alignment is not a simple process of utilising working systems and conforming to a set of clearly stated national priorities. It is a question of risking the use of unreliable systems while working to improve them; of providing help for the development of

policies and challenging partner governments to focus on the most relevant priorities. It is a complex process of compromises and judgements, where a sense of balance is needed. In these countries, the World Bank is frequently relied upon because of its project preparation capability, the quality of its analytical work and its capacity to innovate – hence countries want WB leadership in some fashion. The challenge for the Bank is to respond to these demands in ways that do not undermine country ownership and leadership.

11. Thus, the simple vision of ownership presented in the Paris Declaration is rarely present on the ground. In the reality of low-income, aid dependent countries, policy alignment and use of country systems is a subtle business, involving careful negotiation and interaction with partner governments. As a result, it is risky and it is time consuming. World Bank operations staff live these realities daily and all appear to remain firmly committed to the objectives of the Paris Declaration. Yet many staff do wish for a clearer acknowledgement of the reality of alignment, an operational appreciation of the time dimension and for clearer guidance on how to manage the risk frontier.

*Is peer pressure from donors driving harmonisation and alignment?*

12. Country-level relationships between World Bank staff and other donor agencies are critical to the success of harmonisation efforts. Moreover, the World Bank is influenced by and is influential upon the activities of other donors, thus directly affecting possibilities for alignment. Ghana is one of several examples of countries where mutual support and guidance between the Bank and its partner donors has helped to advance harmonisation and alignment.

13. There have also been major advances in harmonisation at the international level. The development of budget support groups with common review processes and shared performance assessment frameworks has made a major difference to those countries where budget support is an important aid modality. Related to this has been the development of a common approach to the assessment and strengthening of public finance management systems through the PEFA initiative.

14. Nevertheless, the relationships are not unproblematic. Donor agencies may support the Paris Declaration at HQ level but the degree to which country level staff support or understand the agenda differs widely. There are also instances of donors that do not or cannot presently live up to their Paris commitments. One major multilateral agency in Cambodia had been advised by their headquarters to prioritise their own work over joint work, despite explicit commitments in Paris to joint assessments, joint strategies, and joint missions. Bilateral agencies also struggle with internal incentives, notably the need for 'flags'. In southern Sudan, the World Bank managed Multi-Donor Trust Fund provides a common fund to support reconstruction, reform and capacity building. However, some of the bilateral donors in the MDTF have set up a separate pool of funds covering the same areas, and also continue to operate bilaterally.

15. For the World Bank too, the issue of 'flags' can arise, although in a different way. In particular, staff note that it is difficult for the World Bank to be involved in a programme and not to be in some sense in the lead. Neither the internal nor the external incentives make it straightforward for the Bank to adopt a secondary role, or even an advisory, 'leading from behind' type of role.

16. Yet, there are inherent limitations to how effectively harmonisation can be pursued so long as the overall architecture for aid provision remains unchanged. In the more highly aid dependent countries, there are 30 or more bi-lateral and multilateral development agencies in operation, with a dozen or more active in each of the main sectors. In such circumstances, even with a strong consensus on development approaches and a powerful commitment to the Paris Declaration, harmonisation is inevitably very time-consuming – particularly in the absence of a clear policy framework and a strong government leadership. Again, many Bank staff expressed a sense of frustration at the apparent lack of appreciation of these realities.

## **B. Internal incentives**

### *Are corporate and individual incentives within the World Bank supporting the process of harmonisation and alignment?*

17. Much has been done in the Bank to put in place appropriate incentives for working in a harmonised and aligned way but there is scope for improvement. Some factors emerged clearly from the country studies and other interviews as ‘drivers for change’ – which therefore need to be emphasised to achieve greater progress – and others as ‘obstacles to change’, which need to be mitigated as far as possible. There is a third set of factors which sit in the middle. Here, incentives are broadly supportive of change but more could be done. The table below summarises the overall picture.

18. Country Directors (or strong Country Managers) that are thoroughly engaged in the country context play a crucial role in promoting opportunities for harmonisation and alignment. They are the single most influential source of incentives on a country office, and are also influential on other donors. Within low income countries, there are signs that the World Bank hierarchy is now very deliberately choosing Country Managers and Country Directors who are seen to have a commitment and flair for harmonisation and alignment. This is clearly a trend that must continue.

19. The increase in importance of Country Directors relative to Sector Directors and Sector Managers within the internal budget process which has occurred over the last 10 years has served to reinforce the role of the Country Director, making them a key driver of the H & A process. This has been linked with a general decentralisation of staff and responsibilities to country level, which has also been favourable to harmonisation and alignment.

20. For the moment, the role of Sector Managers and Sector Directors in relation to H & A is more ambiguous. Technical excellence is naturally enough a major driver of decision-making and may at times militate against joint working. It is also true that the task-focused structure of budgeting for the use of sector staff can tend to squeeze out the time for the country-specific relationship-building so important to the success of H & A and to the eventual effectiveness of joint operations. Sector Managers and Directors are sympathetic to the importance of harmonisation and alignment but the balance of their current incentives is not yet unequivocally in its favour.



**Table 1. Internal incentives within the World Bank and their effects on Harmonisation and Alignment**

Factors driving change towards H&A	Areas where more could be done to generate positive incentives	Factors constraining progress towards H&A
<b>A. INCENTIVES AT THE CORPORATE LEVEL</b>		
<ul style="list-style-type: none"> <li>• Selection of Country Directors/ Country Managers committed to H&amp;A Agenda</li> <li>• Decentralisation of staff and responsibilities towards Country level</li> <li>• Reorientation of the CAS and related procedures to emphasise H&amp;A agenda.</li> <li>• Development of internal and cross-donor common guidelines on FM which place clear emphasis on use of country systems as default option.</li> <li>• Development of PEFA methodology for diagnosing PFM weaknesses and developing harmonised approaches to PFM strengthening.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate messages in relation to H&amp;A and the fight against corruption are too mixed, and at times contradictory. These need to be integrated so that the fight against corruption is seen as a part of the same drive for aid effectiveness and not as an argument against progress in H&amp;A.</li> <li>• Internal procedures on Legal and Procurement questions not uniformly &amp; consistently supportive of H&amp;A. In both cases, there is a continuing need for cross-agency and internal WB initiatives which will facilitate the application of legal and procurement checks within aligned/ harmonised operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Pressures to deliver new lending operations and hit ambitious disbursement targets within tight administrative budgets.</li> <li>• Task-focused structure for budgeting the use of staff, especially Sector Staff. [Allocations for discrete products, e.g. PADs, analytic work, tend to leave time for country level relationship building and knowledge acquisition relatively under-budgeted.]</li> </ul>
<b>B. INCENTIVES AT THE INDIVIDUAL LEVEL</b>		
<ul style="list-style-type: none"> <li>• Personal motivation and commitment: WB staff want to promote effective development and fully recognise relevance of H&amp;A.</li> </ul>	<ul style="list-style-type: none"> <li>• Training: past training on H&amp;A seen as useful but focus needs to change: less on principles and more on experience sharing and on 'soft' skills, such as relationship-building. Also need for emphasis at country level on building knowledge of local systems and languages.</li> </ul>	<ul style="list-style-type: none"> <li>• Staff career prospects are seen to be linked to numbers of 'deliverables', e.g. Lending operations, analytic work, not to relationship building.</li> <li>• Staff turnover within country programmes is high with TTLs 'moving on' soon after Board approval.</li> </ul>

21. Harmonisation and alignment happens predominantly at country level. An essential determinant of the Bank's success in engaging with the agenda is the presence of staff within resident country missions who are able to maintain the continuity necessary to build knowledge and contacts and have the time available to invest in relationship building with government and other donors. A general rule seems to be that where the Task Team Leader is resident in the country of operations, the WB's role in H & A is more effective. Regionally based TTLs also appear to be more effective in this respect than Washington-based TTLs.

22. In addition, those country offices able to set up the necessary supporting infrastructure to maintain continuous dialogue with government and donors in its sectors of operation appear to achieve better results on H & A. In Cambodia, the build-up of locally recruited staff has been important in this respect. In Ghana, the existing strong team of locally recruited staff was supplemented by the placement of a Senior Operations Officer, with an explicit role to focus on the development of effective harmonisation and alignment practices to enhance portfolio quality. Few country offices are able to employ such an experienced person in this position but the experience of the Vietnam office and others suggests that simply having a person with donor coordination, harmonisation and alignment as a dedicated part of their work can make a real difference.

23. These positive corporate incentives are to a degree counter-balanced by the more traditional incentives prevailing with the World Bank. The key factor that staff mention as constraining possibilities for harmonisation and alignment is the pressure to deliver: getting a lending operation prepared, agreed with government and presented to the Board at the agreed time. The pressures to disburse money quickly and show early results following Board approval are also strong, but these appear to be given less weight than the issue of timely Board approval. Time is the key constraint here, with additional pressure mounting towards the end of the budget year.

24. As a bank, it is normal that the WB should be judged by the level of its lending portfolio and by its ability to design and manage that portfolio within relatively tight administrative budgets. Yet the quality of results is also important. While this is also given weight in project approval, supervision and evaluation procedures, the question to be asked is whether the current balance is right? With constrained budgets and demanding delivery and disbursement targets, TTLs often feel the safest option is to manage design predominantly as a WB process and to organise implementation with PIU-like arrangements and limited reliance on government structures. By contrast, a project which closely follows Government policies and systems and builds in joint working with other donors (and by implication ought to achieve more sustainable results) necessarily takes time to prepare and is likely to need closer supervision. Especially where the staff responsible are Washington-based, existing project preparation and supervision budgets do not in general allow adequate time for such an approach.

25. It may be that in a more decentralised structure and within a context of pre-existing relationships and a pre-established knowledge base, the preparation and supervision budgets would be sufficient. Yet it is also worth asking if there is not too much emphasis placed on Board deadlines? And whether the balance between delivering a lending operation on time and delivering a lending operation which is effective in achieving sustainable development results is being properly considered?

26. Staff turnover is another factor militating against the careful, slow preparation of harmonised and aligned operations which start later but should have a higher probability of disbursing effectively and having greater development impact. In many cases, sector staff will be assigned to country operations for periods which are too short to permit the ‘luxury’ of a slow design process. The pattern of individual promotions with its emphasis on ‘deliverables’ – that is on Board approvals or on completed analytical work – seems also to work against a balanced approach to operational efficiency and development effectiveness.

27. In terms of individual motivation and commitment, there is little doubt that the majority of World Bank staff have internalised the lessons of the “Assessing Aid” report (1998) and of the subsequent aid evaluations, leading to the adoption of the Paris Declaration. Bank staff recognise the necessity to try to utilise country systems and structures so as to strengthen them and build lasting capacity for economic management and service delivery. They struggle to find the time to do this properly and to build the necessary safeguards against the fiduciary risks frequently associated with the use of country systems.

28. Operational staff also pointed to two areas where they did not feel they were receiving clear guidance and support from headquarters in relation to H & A activities.

- Firstly, the messages on the need to show ‘zero tolerance’ for corruption were generally seen to run counter to other messages stressing the importance of the use of country systems. Specifically, staff felt that they were being encouraged to avoid the use of ‘risky’ government systems in favour of extra-budget structures and the use of WB procedures. Yet they were equally conscious that by working outside of government systems, these would never be strengthened and that, moreover, if Bank projects provided resources for government activities, then they would free up domestic resources, which might potentially be used in corrupt ways (the fungibility argument). Staff yearned for more integrated operational guidance in which control of corruption was linked to the building of robust government systems and thus to the alignment agenda.
- Secondly, staff felt that legal and procurement procedures were not uniformly and consistently supportive of H & A activities. In particular, they spoke of a general reticence towards the use of government or joint donor arrangements and of a lack of clarity over the precise rules governing the adoption of non-Bank systems. Discussions with legal and procurement staff suggest that a large part of the problem is the tendency of operations staff to make ‘deals’ with governments and other donors before consulting properly with legal and procurement departments. Steps are in place to improve the quality of communications and guidance material and to provide information to other donors on the legal constraints faced by the World Bank and to develop, in consultation with other donors, approaches that can be taken by the World Bank (and other multi-laterals) to facilitate joint operations. It will be important to implement these measures promptly and comprehensively.

### **C. Recommendations on the Way Forward**

*How might the World Bank contribute to greater progress in Harmonisation and Alignment?*

29. Without doubt there is much that has already been done within the Bank to contribute to the H & A agenda. Some of the fruits of this work are already being seen. Yet, it is clear that there are further actions that could be taken to accelerate progress. These relate both to the internal incentives which shape the Bank's ability to respond to the demands of H & A and to the external environment, where the World Bank could afford to be bolder in engaging with other donors and with partner governments to find ways of reducing the costs of harmonisation and alignment.

**30. Recommendations to improve internal incentives:**

- a. Continue to support the promotion of Country Directors and Country managers with a commitment to and a flair for harmonisation and alignment; and to reinforce their managerial position.
- b. Emphasise harmonisation and alignment work in the promotion of Sector Managers and Sector Directors and invite Sector Boards to consider how far (and with what effect) such criteria were utilised in the June/ July 2006 promotion decisions.
- c. Continue to strengthen country offices so that they have the necessary staff and infrastructure to support H & A in the key sectors of operation. This is likely in turn to require:
  - i. Emphasis on the recruitment and training of appropriately qualified Locally Recruited Staff (LRS).
  - ii. Efforts to locate Task Team Leaders at the country or regional level and/ or to use LRSs increasingly for Task Team Leadership.
  - iii. Placement of Operations Staff (ideally senior staff) in country offices with job descriptions focused explicitly on the development of H & A practices to enhance portfolio quality.
  - iv. Closer attention in the design of the CAS to the delivery constraints faced by the WB in an environment of harmonisation and alignment. In most cases, this is likely to require a narrowing of the numbers of sectors of involvement.
- d. Re-visit the existing systems for management and monitoring of the cycle of Board approvals and disbursements to examine whether more emphasis could be placed on effective disbursement/ development effectiveness and relatively less on quick preparation times. This would require longer preparation times to be factored into budgets and given overall budgetary constraints would probably entail greater sector concentration in the design of CASs and increased use of PRSC operations to finance sector reform and development activities. In addition, we would recommend a careful analysis of QAG review procedures and reporting to Senior Management so as to give greater emphasis to the use of country systems and multi-donor frameworks. Essentially, TTLs need to be empowered to justify longer preparation times where they can identify resulting gains in alignment or harmonisation likely to lead to more effective operations.

- e. Review the nature of ‘corporate messages’ and Presidential directives so as to give a more integrated message on the relative balance to be given to fiduciary assurance and protection against corruption relative to risk-taking through H&A actions aimed at improving development effectiveness. The key point here is that messages must address the need to build government systems so as to reduce the potential for corrupt practices and must recognise that such long-term development gains are likely to entail short-term fiduciary risks.
  - f. Re-examine how the delivery of fiduciary assurance mechanisms through the Legal and procurement departments could be geared to be more supportive of H&A efforts, including clear distinctions between rules and 'accepted practice' (which could be more flexible). Progress is being made in a number of areas and the main requirement would appear to be to consolidate improvements and strengthen the quality of communications. We would recommend the following steps:
    - i. Periodic internal workshop events bringing together operations staff with legal, procurement and FM staff. The purpose would be to share and discuss frustrations and advise of ongoing initiatives to improve procedures in support of H & A.
    - ii. Wide dissemination and publicity of the 2005 note produced by the Legal Department on the nature of MoUs.
    - iii. Completion and wide dissemination of the Check-list of Frequently Asked Questions on the legal issues commonly arising in joint donor operations.
    - iv. Perseverance with the joint-donor work being undertaken on procurement with a view to producing a tool for joint assessment and strengthening of country procurement systems, akin to the PEFA methodology for PFM systems.
    - v. Establishment of an international joint-donor forum on legal issues in harmonisation and alignment, which should include both legal and operations staff from different agencies.
    - vi. Updating of the procedural guidance notes for operations involving multi-donor financing so as to specify explicitly the requirement for early consultation with FM, Procurement and Legal departments.
  - g. Periodic training on H&A should be provided so as to permit opportunities for cross-country sharing of experiences. This could usefully be supported by country-level training on country systems and where appropriate on interpersonal and negotiation skills (relationship-building) as well as on language and cultural issues.
31. **Recommendations to engage with external stakeholders:** Harmonisation remains a time-consuming and administratively inefficient process. This will not change fundamentally until serious initiatives are launched at the international level to streamline the international aid architecture and to introduce a much stronger push for

selectivity and focus than is currently present in the Paris Declaration. This is likely to involve:

- A reduction in the number of development agencies operating in the most aid dependent countries.
- A limitation on the maximum number of development agencies engaged in each sector.
- A clearer international framework for monitoring donor performance, so as to create a more effective regulatory framework than that currently provided by the OECD-DAC and by existing multi-lateral arrangements.

32. This is an agenda which goes well beyond the terms of reference of the current study; nor is it an agenda particular to the World Bank. Yet it seems clear that if serious attempts to embrace and advance this agenda are not made, then the extent of progress with H & A will always be constrained. We would encourage the senior management of the World Bank to consider how best to initiate dialogue in this area.

# **1 INTRODUCTION: PURPOSE & STRUCTURE OF THE SYNTHESIS REPORT**

## **1.1 Objectives of the Study**

33. The Paris Declaration on Aid Effectiveness committed donors and recipient governments to a series of actions aimed at improving country ownership. Much has been done to advance this agenda: joint country action plans on harmonisation and alignment have been prepared, increased use has been made of aid modalities more aligned to government systems and a range of joint donor initiatives have been launched under the OECD-DAC Working Party on Aid Effectiveness. At a corporate level, the World Bank in common with other bi-lateral and multi-lateral agencies has expended major efforts in support of the harmonisation and alignment agenda.

34. Yet, progress has also served to highlight how much more needs to be done. Partner countries are demanding faster progress and it is important for the World Bank to continually re-evaluate how effectively it is addressing the Paris commitments. There is clearly a range of factors constraining progress and many of these are outside of the scope of influence of the World Bank. However, work by the Overseas Development Institute (ODI) in 2005 highlighted the significance of incentives in aid agencies as a key part of the explanation<sup>1</sup>. This is at first sight a set of issues which should be more amenable to change and thus deserves closer attention.

35. The 2005 ODI study examined the internal incentive systems of six donor agencies, including the World Bank, and identified elements which both support and militate against staff compliance with alignment and harmonisation objectives. The study drew attention to a range of positive and negative incentives facing Bank staff, but its focus on the headquarters level of the agencies meant that insufficient attention could be given to the incentives shaping operational engagement at country level, including those specific to the local context.

36. The present study builds on the earlier work by examining the incentives facing Bank staff engaged in country-level operational work. Through case studies in Cambodia and Ghana, as well as research at headquarters level, the study draws out more detail on the incentives on country level staff for harmonisation and alignment. This document presents the synthesis report of the study.

37. The objective of the study is to identify both positive and negative incentives shaping engagement by operational staff in alignment and harmonisation. The study aims to draw out lessons from the country experiences and use these as the basis for practical recommendations on how the Bank might encourage staff to implement its commitments under the Paris Declaration. The country case studies are not evaluations of the work of the World Bank at country level with respect to harmonisation and alignment, but are rather an opportunity to draw inspiration from the field in order to inform headquarters level policymaking.

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<sup>1</sup> De Renzio et al 2005.

38. In keeping with the 2005 study, the purpose of this study is not to evaluate or judge the World Bank's effectiveness in deploying internal incentive systems or implementing the Paris Declaration. The purpose of the study is "to come to a better understanding of the factors working in favour of or against harmonisation, and to highlight some concrete actions that [the World Bank] can implement in order to improve [its] capacity to engage in harmonisation in a constructive and effective manner."<sup>2</sup>

## **1.2 Approach to the Synthesis Report**

39. This synthesis report was written on the basis of two country case studies and additional research in Washington DC. The headquarters work consisted of a four-day visit in April 2006 by two ODI consultants and two retired World Bank officials, during which time interviews were conducted with key informants; there was a follow up presentation of initial conclusions in late June 2006, where comments from World Bank staff were also incorporated. The country case studies of Cambodia and Ghana each comprised a literature review and a week-long visit by an international consultant in May and June 2006, supported by a nationally-based consultant. The country visits included interviews with key informants in the Bank, attendance at relevant local events (including in the case of Cambodia workshops on harmonisation and alignment, joint retreats with other development partners, and the World Bank's CAS Implementation Retreat), interviews with government, key informants in other donor agencies, and other consultants based in country.

## **1.3 Structure of the Report**

40. Following a very brief overview of the conceptual framework in Chapter 2, we examine in Chapter 3 the country-level incentives facing operational staff, asking to what extent government, civil society, or other development partners in country have driven the process of harmonisation and alignment. Chapter 4 examines the role of corporate incentives in the World Bank in relation to the country office, while Chapter 5 examines the relevance of individual staff incentives. Chapter 6 outlines the implications for the World Bank, identifying some issues that could be addressed at headquarters level and presenting the study's recommendations.

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<sup>2</sup> De Renzio et al 2005, p. 1

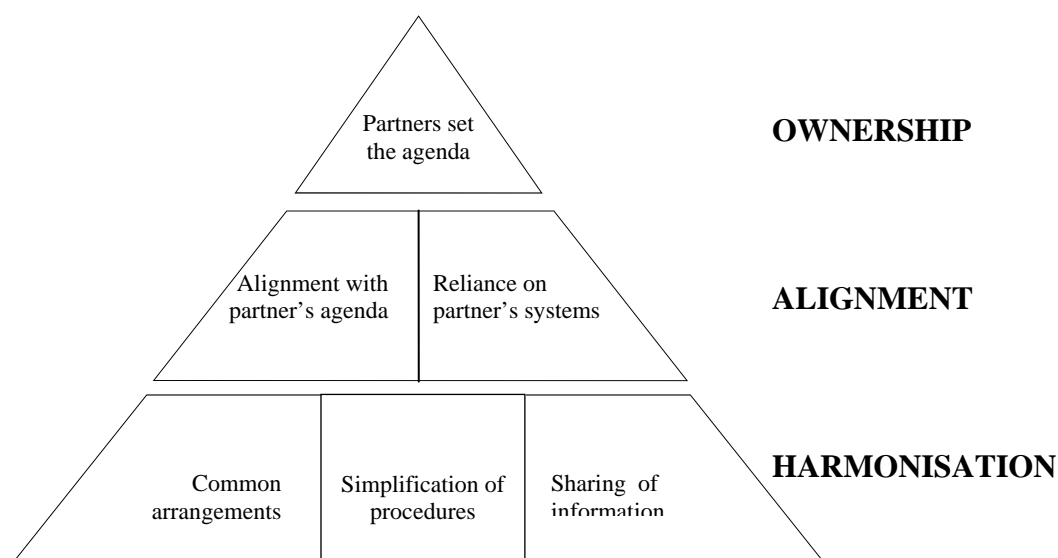


## 2 CONCEPTUAL BACKGROUND

41. This paper has adopted the conceptual framework of the previous ODI study on incentives for harmonisation and alignment in aid agencies.

### 2.1 Harmonisation and alignment

42. International efforts to come to a common understanding of harmonisation and alignment have resulted in the following graphic representation. The focus in this paper will be on both harmonisation and alignment issues, although broader issues of ownership are largely beyond its scope.



### 2.2 Incentives

43. Incentives can be defined as “the rewards and punishments that are perceived by individuals to be related to their actions and those of others.”<sup>3</sup> Individual and collective behaviour in aid agencies is influenced by a number of different factors:

- Knowledge and understanding of the external environment;
- Perceptions of political and/or managerial priorities;
- Personal motivation and adherence to agency mission;
- Criteria for performance assessment/career advancement of staff members;
- Peer pressure/recognition related to certain types of behaviour.<sup>4</sup>

44. This study focuses on the incentives at work at country programme level in the World Bank. This includes incentives within the World Bank, at both the corporate and individual levels, and those external to the Bank, deriving from the actions and attitudes of partner governments and fellow donors.

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<sup>3</sup> Ostrom, E. et al.: *Aid, Incentives and Sustainability. An Institutional Analysis of Development Cooperation*. SIDA Studies in Evaluation 02/01. SIDA, Stockholm, 2001 (p. 6).

<sup>4</sup> De Renzio et al, p. 5

### **3 WHAT IS DRIVING PROGRESS AT THE COUNTRY LEVEL?**

#### **3.1 Are governments driving the process of harmonisation and alignment?**

45. The Paris Declaration commits partner countries to:

- "Exercise leadership in developing and implementing their national development strategies through broad consultative processes.
- Translate these national development strategies into prioritised results-oriented operational programmes as expressed in medium-term expenditure frameworks and annual budgets.
- Take the lead in co-ordinating aid at all levels in conjunction with other development resources in dialogue with donors and encouraging the participation of civil society and the private sector."<sup>5</sup>

46. It is apparent that the strength of ownership from the recipient government is a key variable in determining how donors (including the World Bank) behave around harmonisation and alignment issues. This confirms the findings of the 2005 ODI study: "A proactive government taking a leadership role in coordinating donor activities will inevitably create an enabling environment for harmonisation."

47. Different types of ownership affect the possibilities for harmonisation and alignment differently. It matters whether the partner governments are:

- in a substantive aid management and coordination role, including preparation of projects
- giving strong messages about expectations of donors (including expectations about use of country systems and aid modalities)
- providing a strong policy steer (nationally and sectorally) to allow for alignment;
- implementing policy commitments and executing projects in an efficient manner utilising established country systems and procedures.

48. In middle-income countries, some or all of these elements are often in place, and governments are perceived to provide strong leadership to donors and lenders. Sources in the World Bank reported that in countries like Bulgaria and Morocco, it is assumed that the Bank will use the government's fiscal year, budget and Treasury account. In this context, the problems of alignment do not present themselves so acutely. This is not to say that they are not present but governments are perhaps better able to cope with the resulting administrative strains. With less donors and lenders, the need for harmonisation is also less pressing –

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<sup>5</sup> PD 2005, para 14

indeed middle-income countries frequently encourage competition for investment lending. Nevertheless, externally financed projects will frequently have separate PIUs and use the procurement systems of the financier rather than those of the government; pooling of funds and co-financing of projects is rare and so too is joint analytical work. There is therefore a continuing need for MIC governments to identify which of these practices are administratively most costly and to lay down H & A priorities.

### **Government leadership of aid management in Botswana, 1970s onwards**

During the 1970s and later, Botswana was a textbook example of how poor countries could expand the flow of aid resources, use the resources productively, and retain full control over aid allocations and disbursements. It was able to do this during a period when mineral revenues were expanding rapidly, and challenging the government to absorb both aid and domestic revenues effectively. Its success contributed to a virtuous cycle of sound economic management, with the result that Botswana today is a middle income country with strong public institutions and an entrenched democratic tradition.

Botswana's success in managing aid was built on the following foundations:

- A high quality series of national development plans, which provided a realistic macro-fiscal framework, clear sector policies, and a public investment program, used as the basis for annual budgets and donor programs.
- A strong combined finance and planning ministry (MFDP), which centrally managed the aid relationship, determined the composition of donor programs, allocating projects to donors on the basis of the suitability of their aid procedures. MFDP maintained a strong project cycle routine, requiring all projects to originate in the National Development Plan, and be written up and appraised in accordance with country system standards, regardless of donor requirements. Donors played no role in project preparation, but appraised what departments had prepared and MFDP had approved. All donor missions began and ended in MFDP and had a MFDP staff member assigned to them.
- A core of forward looking donors (UK, Norway and Sweden) prepared to channel their aid entirely through country systems, by disbursing into the Consolidated Fund, accepting central tender board procedures, routine government fiscal reports and auditing by the country's Supreme Audit Institution. Donors not prepared to accept country systems were, in practice, assigned lower priority projects. Aid agencies were encouraged to set up well staffed resident missions, and empower their staff to take project decisions locally.
- A pragmatic approach to technical assistance, shared by the core donors, using expatriates in line positions under civil service rules until qualified locals were available. This permitted absorptive capacity to expand in line with aid and mineral revenues. High priority was given to monitoring project implementation, and tackling bottlenecks. As a result projects were implemented on time.
- Maintaining effective country systems by training, equipment modernization, realistic civil service pay structures, and, regardless of whether the donor required it or not, scrupulously ensuring that national procurement and financial management rules were followed in project implementation. No project could be implemented that was not in the plan or the Development Budget, no loan could be raised unless authorized by the National Assembly, and all procurement had to be consistent with Central Tender Board regulations.

49. Botswana in the 1970s is another example of strong leadership of aid management (see box above). In the light of contemporary aid practice, it is interesting to note what Botswana did not do. Very few PIUs were established. Almost all projects were implemented departmentally by regular civil servants, as part of their ministry's capital program. There was limited co-financing, and the Government preferred to deal with donors individually, turning down offers for Consultative Group or Round Table meetings. MFDP

disdained local donor coordination meetings, but kept an open door for any donor who wished to discuss a project or government policy. Had a Bank mission proposed a PRSP or CDF, it would have been told to read the National Development Plan. MFDP officials knew the Government was using aid effectively, but did not regard their management of aid as a regional exception. Many of the same practices would have been found in Kenya, Mauritius or Tanzania at that time.

50. In most aid-dependent countries today, governments generally provide much less leadership to donors. Governments are often formally in charge of aid management and coordination systems, but their capacity to manage and direct aid flows may be limited despite support from UNDP or other donors. Country capacity to identify and prepare projects is often extremely limited, with the effect that project preparation is carried out by donor agencies. This is not to say that governments are inclined to simply 'rubber-stamp' projects, but that the real work of preparing them must often be done by donors.

51. Government expectations about donor behaviour may be set out firmly in some cases. In Uganda, the Partnership Principles (in Volume III of the Poverty Eradication Action Plan) set out the government's expectations of donors. In Ghana, the Government has issued a *Harmonisation and Aid Effectiveness Action Plan*, which was presented to the November 2005 Aid Consultative Group meeting. This includes actions across the full range of areas covered by the Paris Declaration and is backed up by an energetic aid coordination team recently recruited into the Ministry of Finance.

52. Notwithstanding the important step forward this represents for Ghana, the situation has not yet been reached when a consistent and unequivocal set of messages on donor behaviour is being transmitted. In particular, there remains a considerable ambivalence about the use of on-budget procedures based on government systems. Stand-alone off-budget projects represent a significant volume of resources for many spending ministries, which do not have to undergo the scrutiny of the Ministry of Finance, of Parliament or the Auditor General. Most of these projects also represent a major source of legitimate opportunities for salary supplementation. In an environment of uncompetitive salaries, where it is exceedingly difficult to retain and motivate qualified staff, there is an understandable desire to protect these opportunities. Hence, there is resistance within the Ministry of Health to move from off-budget common pool funding to funding through budget support and a subtle but steady opposition from most line ministries to the closure of off-budget projects and PIUs. Such ambivalent messages are a common feature of many aid-dependent countries – particularly those where public sector salary reform is least advanced.

53. In Cambodia, the RGC has recently begun to send stronger messages to donors about its expectations, as shown in the extract below (mirrored in numerous other recent policy documents). However, the RGC has not sent strong messages so far about aid modalities or use of country systems and many of the strong messages from central parts of government are not echoed at sectoral level. In Cambodia, just as in Ghana, Government representatives at line ministry level are happy to accommodate different donor behaviours to maintain access to funds.

**Cambodia: RGC expectation of donors**

"In the spirit of the Rome and Paris Declarations, there is now an *urgent need for development cooperation partners to give a high priority to:*

- harmonizing their practices to minimize the burden on implementing institutions and to reduce wastage through duplication of activities in order to enhance ODA effectiveness;
- aligning their support with the Royal Government’s development priorities outlined in the just completed National Strategic Development Plan for 2006-2010;
- ensuring that management arrangements of ODA supported programs and projects follow the OECD/DAC guidelines on best practices for “managing for results” and the principle of Government ownership of the development management process; and
- ensuring that there is a greater net transfer of ODA resources, which are targeted to reach the poor and vulnerable, to reduce poverty and to achieve Cambodia’s Millennium Development Goals.”<sup>6</sup>

### ***National Policy Frameworks***

54. In middle-income countries, national policy frameworks are often well-established, with related sectoral policy in place. In low-income countries, unified national policy frameworks may be established through a national development plan or PRS (although sometimes only recently, as in the case of Cambodia) or may be virtually non-existent (especially in conflict-affected countries), while policy at sectoral level is likely to be unevenly developed. In Cambodia (prior to 2003), there existed 3 separate national policy documents, each supported or required by a different donor (the World Bank supported the PRSP, the ADB supported the constitutionally-mandated Socio-Economic Development Plan II, while UNDP supported the MDG action plan). Action within the donor community to address this state of affairs was necessary before there could be substantive coherent leadership from the government on the policy agenda.

55. However, alignment with national policy is not straightforward, even after donors and government have agreed on policy priorities. Government and donors may have different expectations about the appropriate ways to involve donors in specific policy areas, particularly areas of sensitivity. In Cambodia, governance is at the heart of the government’s strategy and the WB’s CAS has a strong focus on governance issues and anti-corruption. When the CAS was first drafted, the government sent strong signals to the WB that it should focus on other issues. Although the strategies may have been formally aligned in that both government and the WB prioritised corruption, the government would have preferred the Bank to work on less contentious issues.

56. This is a good illustration of some of the complexities of ownership: support for a government’s strategy cannot mean an abrogation of the fiduciary duties of WB or other donor staff. Even where policy is formally aligned, donors do not work on the government’s priorities simply because the government believes they should. Donors, including the World Bank, maintain a strong internal perception of the areas they should be working on, and use national policy to leverage their influence more effectively. Government, in response, often has definite opinions about which donors should work on different areas, with which donors may disagree<sup>7</sup>.

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<sup>6</sup> RGC 2006a.

<sup>7</sup> In Zambia, following proposals from donors as to which donor should lead which sector, the Government responded with counter-proposals, rejecting most of the suggestions for the sectors to be led by the Bank. The GoZ proposed instead that the Bank should lead on housing, a sector the Bank had never supported in

57. Sector policy is frequently weak in low-income countries, limiting the possibilities for alignment. In Cambodia, the WB and others have supported the development of strategies in a number of areas (usually through Technical Working Groups) thus providing a basis for future policy alignment. This is a common situation, mirrored in many other aid-dependent countries, including Ghana where a framework of a dozen sector and thematic working groups has been created. The extent to which these strategies could really be said to be 'owned' in an uncomplicated way by the government is not clear, but donors justify these actions on the basis that they are working on the foundations for greater ownership and alignment in the future.

58. In many aid-dependent countries, the presence of a formal framework for government-donor dialogue is a critical incentive for donors to harmonise and align at country level, and avoid individual conversations with government which may be conflicting and are certainly time-consuming. Where a framework for such dialogue exists, donors can exert pressure on one another to avoid 'side conversations' or bilateral meetings with government, urging each other to use the established joint fora for dialogue. Johnson et al note that some "governments have virtually no in-country fora for policy dialogue with donors, often leaving such dialogue to be led by and conducted among donors, even though they perceive this as a highly negative circumstance which undermines their ability to inform donors accurately about their policies."<sup>8</sup>

59. It is important to note that there are circumstances where the government is in a sufficiently strong position vis á vis the donors that such structures may not be helpful. The 1970s Botswana government preferred to deal with donors individually, turning down offers for Consultative Group or Round Table meetings. In some cases, governments may perceive harmonisation as 'ganging up' by the donors.

#### **The complex framework for managing donor-government relations in Cambodia**

In 2005, RGC established a somewhat complex and formal system for relating to donors on matters of policy. At the apex is the annual Consultative Group Meeting, which is co-chaired by the Minister of Finance and the World Bank. Below that are the quarterly meetings of the Government-Donor Coordination Committee (GDCC), which monitor progress in the Joint Monitoring Indicators (JMIs) adopted at the CG Meeting. And below that is the Technical Working Group (TWG) structure, the main arena where donors interact with government on technical issues related to the different sectors. There are 18 sector-specific TWGs but they vary in effectiveness considerably.<sup>9</sup> There is a TWG specifically for Partnership and Harmonisation, which is taking forward work on the OECD DAC Survey on Paris Declaration Indicators, the RGC's Action Plan on Harmonisation, Alignment and Results<sup>10</sup> and the RGC's Strategic Framework for Development Cooperation Management (considered the "sector strategy for H&A").

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Zambia and where it has no expertise among the staff of the Africa region. One observer said this showed that the Government was being "assertive, at last"!

<sup>8</sup> Johnson, Martin, and Bargawi 2004, p. 25

<sup>9</sup> See Blunt and Samneang 2005 for more on the factors that contribute to variations in effectiveness

<sup>10</sup> The Action Plan has been endorsed by 12 development partners: Australia, Canada, Denmark, France, Germany, Japan, Sweden, UK, ADB, EC, UN, and WB.

60. Formal systems for donor-government dialogue also have high transactions costs for donors, and sometimes for government also. In many cases, sectoral working groups are inefficient and time-consuming. In Cambodia, for instance, Technical Working Group meetings may have over 100 attendees. Ensuring that sectoral groups are run effectively is important to minimising coordination fatigue and maintaining goodwill.

61. Possibilities for systems alignment are also affected by the activities of government. Messages from government about their expectations of donors on systems alignment are important, with middle-income countries providing strong messages to donors about their use of national systems. However, the strength or weakness of government systems is seen as the crucial stumbling block to greater alignment. The World Bank inspects, certifies, and requests amendments to these systems, even in MICs. Where government is not capable of making necessary amendments, a process of capacity building is usually put in place, but this can take years to bear fruit in some cases. In Cambodia, weak systems and high levels of corruption limit opportunities for systems alignment. Progress has been made on agreeing Standard Operating Procedures for loans and National Operating Guidelines for grant assistance, but it is not clear that government has been driving this process.

62. Thus, the simple vision of ownership presented in the Paris Declaration is rarely present on the ground. In the reality of low-income, aid dependent countries, policy alignment and use of country systems is a subtle business, involving careful negotiation and interaction with partner governments. As a result, it is risky and it is time consuming. In such environments, the Bank could (and indeed has) taken steps to promote harmonisation and alignment, such as: supporting the development of an H&A strategy or aid policy (through, for instance, Results and Resources CGs); supporting the development of national and sectoral strategies to which donors can align; supporting formal frameworks for government-donor interaction and ensuring that such frameworks are efficient and effective; supporting long-term capacity development to enable eventual systems alignment. Staff wish for a clearer acknowledgement of the reality of alignment, an operational appreciation of the time dimension and for clearer guidance on how to manage the risk frontier.

### **3.2 Have civil society organisations been a source of pressure?**

63. Civil society actors in country do not usually have a large impact on the World Bank in terms of providing incentives for harmonisation and alignment. This is true even in those rare cases where there are locally-based NGOs that have the mandate and capacity to engage directly with questions of donor behaviour.

#### **Civil society in Cambodia**

In 2001, NGO Forum published a critical paper on WB and ADB lack of harmonisation around the publication of the first PRSP which outlined in detail the problems between the major agencies at the time and the possible consequences for ownership. Although this paper did create some consternation worldwide about WB behaviour, and did have an influence in country more generally, the Cambodian situation was already recognised within the Bank, and the Bank took steps accordingly (initiating a change of Country Manager, see below). Bank staff say that the publication of this paper was not a main incentive to change their behaviour.

### **3.3 Has donor peer pressure been important?**

64. Country-level relationships between World Bank staff and other donor agencies are critical to the success of harmonisation efforts. Furthermore, the World Bank is influenced by and is influential upon the activities of other donors, thus directly affecting possibilities for alignment.

65. The Paris Declaration is perceived to be one of the most important international agreements for securing greater harmonisation and alignment. Nevertheless, although donor agencies may support the Paris Declaration at HQ level, the degree to which country level staff in various agencies support (or understand) the agenda differs widely. In Cambodia, all agencies agree that aid effectiveness is at the forefront of the development agenda, yet there is significant variability between donor agencies in their knowledge and understanding of the factual detail of the Paris Declaration, the RGC's own declaration on the subject, and the conclusions drawn by each agency as to the implications for behaviour.

66. The OECD DAC Survey on Paris Declaration Indicators has been launched recently, and, in many countries, is being taken seriously as an opportunity to move forward on aspects of the Paris Declaration Agenda. This is likely to improve the general understanding of the agenda in country, but it also provides incentives to donors (individually and collectively) to alter their behaviour. The World Bank in Cambodia has not hesitated to take up this opportunity, using the launch of the DAC survey to ask staff to report on how their projects measure up against the Paris Indicators, and to commit the country office to the elimination of parallel PIUs from all the World Bank's projects.

67. However, it is of some relevance that not all donors share a similar understanding of what the Paris Declaration means for them. This is not simply a variable understanding of facts, but a difference in interpretation. In Cambodia, the World Bank is perceived by some as having an "extreme view" of what the Paris Declaration entails, which other donors do not share.<sup>11</sup> Some at WB HQ believe that the Paris Declaration does not actually represent a consensus amongst donors, and still allows for fundamental differences in working practices. The DAC Survey will provide an opportunity for donors in country to hold a substantive discussion of their differences, and may lead to a common 'localised' understanding of the implications of the Declaration.

68. "The aid system lacks important error-correcting mechanisms. Rather, incentive problems in one part of the system can propagate and inflame those in other parts."<sup>12</sup> The Paris Declaration commits all signatory donors (and partner governments) to "reform procedures and strengthen incentives—including for recruitment, appraisal and training—for management and staff to work towards harmonisation, alignment and results."<sup>13</sup> However, current incentives within other donor agencies have a serious impact on the possibilities that the World Bank has for working towards harmonisation and alignment in country.

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<sup>11</sup> Blunt and Samneang 2005.

<sup>12</sup> Ostrom et al 2001 p. xvi

<sup>13</sup> PD 2005 para 36.



69. Even a weak interpretation of the Paris Declaration commits donors to changing their behaviour in certain defined directions. However, there are many instances of donors that do not or cannot presently live up to their Paris commitments. One major (multilateral) donor agency in Cambodia, for instance, noted that they have recently been informed by their headquarters that they need to prioritise their own work over joint work, despite explicit commitments in Paris to joint assessments, joint training, joint strategies, joint missions, and even joint donor offices where possible.

70. Bilateral agencies also struggle with internal incentives, notably the need for 'flags'. In southern Sudan, the World Bank managed Multi-Donor Trust Fund is supposed to provide funds to support reconstruction, reform and capacity building. However, the bilateral donors in the MDTF have also set up a separate pool of funds, and also operate bilaterally. One bilateral donor, fully committed to the Paris Declaration in many other ways, is reported to have a separate \$2 million program covering exactly the same territory as the MDTF. Bilaterals (and other agencies) also have a need to be seen by their populace to be working in certain countries or sectors, even if that country or sector is well-served by other donors.

71. Bilateral donors also have differences in their relationship with the WB at country level as opposed to HQ level. In-country representatives of bilateral donors may wish the Bank to be more flexible on certain procedures, such as procurement or financial management, to allow for greater harmonisation or alignment. However, these same donors sit on the Board of the WB where they often seek stringency over flexibility. This creates the "race to the bottom" effect noted in the 2005 ODI study.

72. The World Bank does have some influence on these other donors, both at headquarters and country level. In Cambodia, for instance, the World Bank was the first donor to substantively address the difficult situation prior to 2003, when the heads of the three major agencies (UN, ADB, and WB) were not communicating with each other and were supporting competing national strategies. The World Bank galvanised major change amongst the donor community through a change in personnel at Country Manager level, stimulating the creation of the 'Quadrapartite Group' and several subsequent H & A innovations.

#### **Quadripartite Group in Cambodia**

The Quadripartite Partnership, consisting of the WB, ADB, UN and DFID, began when three of the agencies were coincidentally preparing country assistance strategies at the same time, in 2003. This took place during the year-long hiatus in government activity after the 2003 elections; during this time the donor community had considerable time for building relationships. The WB, DFID, and ADB spent a full year preparing 15 pages of joint analysis on the situation in Cambodia, which then provided a concrete basis for moving forward to harmonised and complementary strategies. The UN joined the partnership following the completion of these strategies. The heads of each agency now meet once a month for a working lunch, and the agencies have an annual joint retreat.

#### **The World Bank and other donors in Cambodia**

The complexity of the donor environment in Cambodia means that the possibilities for transformational progress on harmonisation and alignment is constrained. On balance, the World Bank in Cambodia does not appear to be under pressure from most other donors in country to work in a more harmonised or aligned way, but rather appears to be putting

pressure on those other donors to fulfil their Paris commitments. However, elements of the donor community in Cambodia are watchful for behaviour by the WB that does not conform to the spirit of the Paris Declaration. The World Bank is well-engaged in attempting to strengthen sector-wide ways of working, and is considerably better equipped to move forward on this aspect of the agenda than many other donors. Peer pressure from other donors is not a primary incentive for the World Bank to harmonise and align.

73. In Cambodia, a constrained resource envelope for a country programme provides a strong incentive for the World Bank to work closely with other donors. The World Bank is one of five major players, with a relatively small programme due to a low CPIA rating. There is a strong incentive felt throughout the office to leverage resources most effectively by working with or through other donors.

74. In the Ghana office, where the country programme is larger, the motivations for working closely with other donors are different, deriving almost exclusively from the obvious inefficiencies generated by a lack of harmonisation in a highly aid-dependent context with many development agencies. In addition, the Government looks to the World Bank to lead the harmonisation effort, liaising closely with WB staff on the design of the national Harmonisation & Alignment Action Plan. Other donors are simultaneously supportive and watchful of the Bank, which can occasionally create tensions. Nevertheless, it seems clear that it is the motivations of the World Bank office staff themselves and the particular interests of the Country Director which have been the key drivers of H & A efforts.

75. The need to harmonise effectively with other donors is particularly keen in countries where government is not providing effective leadership to donors – which is to some extent the case in Ghana. In these circumstances, it is particularly important that donors avoid undermining emerging or fragile ownership. For example, the Ghana staff commented that the "huge effort" that has to be put into donor harmonization, taking up much of the time of Bank staff, can tend to work against government ownership, partly because the compromises achieved among donors may not accord with government priorities. TTLs from other regions echoed this sentiment, noting that there are instances when staff have been so involved with achieving agreement among donors that they had little time to interact with government.

76. This illustrates the wider truth that there are inherent limitations to how far harmonisation can be pursued so long as the overall architecture for aid provision remains unchanged. In Ghana and other similarly aid dependent countries, there are 30 or more bi-lateral and multilateral development agencies in operation, with a dozen or more active in each of the main sectors. In such circumstances, even with a strong consensus on development approaches and a powerful commitment to the Paris Declaration, harmonisation is inevitably very time-consuming – particularly in the absence of a clear policy framework and a strong government leadership. Again, many Bank staff expressed a sense of frustration at the apparent lack of appreciation of these realities.

## **4 WORLD BANK INCENTIVES AT THE CORPORATE LEVEL**

77. Much has been done in the Bank to put in place appropriate incentives for working in a harmonised and aligned way, but there is scope for improvement. Some factors emerged clearly from the country studies and other interviews as ‘drivers for change’ – which therefore need to be emphasised to achieve greater progress – and others as ‘obstacles to change’, which need to be mitigated as far as possible. There is a third set of factors which sit in the middle. Corporate incentives are broadly supportive of change but more could be done.

### **4.1 Decentralisation**

78. The 2005 ODI study found that "in recent years, there has been a gradual process of decentralising more staff, resources and responsibilities to the country level, in many cases by moving Country Directors to the field, and by giving them full responsibility for deciding the shape of the country programme."<sup>14</sup>

79. Harmonisation and alignment happens predominantly at country level. An essential determinant of the Bank’s success in engaging with the agenda is the presence of staff within resident country missions who are able to maintain the continuity necessary to build knowledge and contacts and have the time available to invest in relationship building with government and other donors. A general rule seems to be that where the Task Team Leader is resident in the country of operations, the WB’s role in H & A is more effective. Regionally-based TTLs also appear to be more effective in this respect than Washington-based TTLs.

80. Those staff whose positions are still based in Washington feel that they are not in country for sufficient time to be able to work with other donors effectively, even if they travel to the country a considerable amount. When operational staff are not decentralised, small project preparation and supervision budgets are seen to work against the possibilities for better harmonisation and alignment. Staff cite examples of being asked to work on sectoral approaches with a budget to visit the country twice a year. In addition, staff turnover can militate against the careful, slow preparation of harmonised and aligned operations which start later but should have a higher probability of disbursing effectively and having greater development impact. In many cases, sector staff will be assigned to country operations for periods which are too short to permit the ‘luxury’ of a slow design process. This, combined with small budgets for project preparation and supervision, does not allow for effective policy dialogue with government or effective harmonisation with other donors.

81. There is a difference between staff who are based in country and those who work on more than one country in a region. However, in East Asia, regionally-based staff were all aware of the importance of harmonisation and alignment, many were prepared to work in different and challenging ways to support ownership, and most felt that they had enough contact with the country to be able to engage in the national context. Regional staff are also in

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<sup>14</sup> ODI 2005, p. 2.

most cases supported by locally recruited staff, who are able to remain rooted in the country context. For example, the Ghana office has a number of experienced LRSs, who support Washington-based staff<sup>15</sup> and in some cases have TTL duties of their own.

82. There is one potential drawback to decentralisation to country: having a member of staff in the country office means that they must always be utilised, even if circumstances change. If for instance, the pipeline gets interrupted (for example, due to a hiatus in government activity, or an INT investigation as in Cambodia), or if government priorities change, the office is likely to react more slowly to this change than if staff can be simply redeployed elsewhere in the region or world.

83. However, this is in turn a reflection of a wider problem, which is the very task-focused nature of the distribution of roles and responsibilities. In general staff time (and budgets) are geared to very specific outputs or ‘deliverables’ – Board approvals, documented supervision missions or completed analytical work. At one level, this is clearly rational. In an attempt to be responsive to client demands (for technical specialist knowledge and cost-effective projects), the Bank is organised on a matrix management model that means staff report to both technical departments and country/regional departments, with a strong emphasis on delivering on individual projects. This promotes efficiency and good management within the Bank as an individual organisation.

84. However, it tends to squeeze out the time for relationship building with government and other donors, which is so crucial to the success of harmonisation and alignment. A contrasting staffing model is that of the DFID country offices, which will all have resident economists, governance advisers and social development advisers, even where they may not have specific investment operations to manage. These staff engage in constant dialogue with government and in general analytical and knowledge acquisition and dissemination activities, which are of use to the whole country programme rather than being linked to specific operations. In addition, DFID has explicit corporate objectives with regard to influencing other organisations.

85. The Bank's business model and matrix management system mean it cannot replicate the DFID model, but it may be possible to provide some balance to the task-driven staffing structure. For example, the Ghana WB country office provides a strikingly successful example of using an IRS in a way which is not tightly linked to deliverables but rather to the overall portfolio and country programme. The existing strong team of locally recruited staff was supplemented by the placement of a Senior Operations Officer, with an explicit role to focus on the development of effective harmonisation and alignment practices to enhance portfolio quality. The results have been significant and have attracted wide and deserved praise. Few country offices are able to employ such an experienced person in this position but the experience of the Cambodia and Vietnam offices, amongst others, suggests that simply having a person with donor coordination, harmonisation and alignment as a dedicated part of their work can make a real difference. There is, of course, an overhead cost in employing non-project-specific personnel in country offices. However, there may be higher costs involved in having many project-specific personnel engaged in H&A. In the Ghana case, the

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<sup>15</sup> The Ghana office does not yet as use regionally based staff but this is planned.

SOO was hired to enhance portfolio quality, and the general view is that the efficiency savings across the portfolio serve to defray the costs of a non-project related post.

## **4.2 Role of Country Director/Manager**

86. "Harmonisation... is mentioned as one of the criteria in the profile for the recruitment of Country Directors, highlighting the crucial role Country Directors play in pushing for harmonisation both within the Bank and in the donor community at country level."<sup>16</sup> Country Directors (or strong Country Managers) that are thoroughly engaged in the country context play a crucial role in promoting opportunities for harmonisation and alignment. They can create a culture in the country office that means staff expect to work in a joint way with other donors and align with government priorities and systems. They are the single most influential source of incentives on a country office, and are also influential on other donors.

87. Country Directors employ various formal and informal techniques to promote the harmonisation and alignment agenda within their offices including giving specific guidance on operations, letting staff know that joint projects are highly valued, and refusing to sign off on projects that are not joint. Several country managers and directors routinely ask their staff about the possibilities for including other donors in a project, and operational staff mentioned 'kudos' for developing SWAps in some cases.

88. Putting the right Country Manager into office can be critical in bringing about wide-ranging changes in donor behaviour, both within the Bank and in other agencies. The influence of the Country Manager in Cambodia has been decisive in effecting change, and continues to be crucial in institutionalising these changes.

### **The Country Manager in Cambodia**

The position of the donor agencies in Cambodia was problematic in 2002, with the heads of three major agencies not working together. The World Bank senior management made a conscious decision to put in place someone who would bring new experience of the harmonisation and alignment agenda.

The role of the new Country Manager, with continuing support from regional Directors, has been critical in creating a WB Country Office that buys in to the harmonisation and alignment agenda. Sources comment on the personality and way of working of the Country Manager (accepting feedback, working collaboratively, being outspoken in her opinions, and being willing to engage energetically with other donors) and the resulting changed culture of the office. The change in World Bank head of office was instrumental in galvanising wide ranging changes in donor behaviour in Cambodia, both within the Bank (including more Cambodian staff, more information disclosure, more transparent procedures) and in other agencies (primarily change of heads of office with resultant changes in working practices).

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<sup>16</sup> ODI 2005, p. 4.

89. The Ghana office has a resident Country Director. While his commitment to H & A and his presence in country have been influential and important, the fact that the Country Director covers 5 countries within the region and, as a consequence has to travel regularly out of Ghana, has created some problems of continuity. In recognition of this, a Senior Operations Officer is shortly to be placed in Accra, who will effectively play the role of a Country Manager. There are a number of other country offices where a staff placement of this kind is likely to be helpful, suggesting some need to modify the general ‘rule’ that Country Managers are not placed in offices where there is a resident Country Director.

### **4.3 Joint Country Assistance Strategies**

90. The CAS in Cambodia has been used to support institutionalisation of the harmonisation and alignment approach in the WB Cambodia office. Not only was the CAS process carried out jointly with two other agencies, it also incorporated elements of the H&A agenda into the expected outcomes over the next five years as well as intermediate targets and indicators. It has thus been an important process with particular benefits arising from developing a shared analysis with the other donor agencies. But the Cambodia office are quick to point out that the CAS has not been a driver of transformational change, which has depended more on the changed attitudes and working practices of Government and donor staff. The CAS has, however been useful in institutionalising changes throughout the WB office (and those of the two partner agencies) and in providing formal ways to monitor progress against H & A objectives.

91. In Ghana, the preparation of the forthcoming CAS is being undertaken in conjunction with several other agencies, as a joint assistance strategy. In principle, this holds out the possibility of an explicit ‘division of labour’ between the main donors and lenders to Ghana, which would serve to reduce the number of agencies working in each sector and to structure H & A principles into the design of the country programmes of a number of agencies. As in the case of the Cambodia CAS, it will also embody annual targets to monitor progress in H & A.

92. Although the initiative clearly holds promise, there are doubts about how effective it will be in the absence of a strong Government leadership. At present, it is being driven by the main donor agencies within Ghana (including the World Bank), with the encouragement and approval of Government but not following guidelines and principles explicitly laid down by Government. As a result the pressure to harmonise and, indeed, to rationalise operations derives from a mutual appreciation of its importance by the donors involved and not from any external compulsion. Such a process can evidently go no further than the boundaries of a common consensus position – influenced in part by the extent to which the more “progressive” donors are willing to exert peer pressure but more definitively by the extent to which the less “progressive” are willing to accept it!

93. The concept of a Joint Assistance Strategy has been taken further in Zambia, Tanzania and Uganda, where the number of agencies brought into the process has been higher and the extent of Government “steer” over the process has been stronger. Nevertheless, even in these countries, progress has been predominantly in relation to the harmonisation of processes and procedures; there has been only modest progress in rationalising the numbers of agencies working in different sectors. It seems that in the more aid dependent countries, Government may express a clear policy position in favour of the rationalisation of the numbers of agencies but will stop short of actually refusing to allow

individual agencies to work in their chosen sectors. The impression is that aid policy is perceived to be too closely bound up with broader diplomatic and commercial relations to make it worthwhile taking the risk of seriously displeasing donor agencies. Only in India and Vietnam, where the balance of power is rather different, have governments actually gone so far as to refuse permission to certain aid agencies to work in their chosen sectors.

#### **4.4 Pressure to deliver**

94. As a bank, it is normal that the WB should be judged by the level of its lending portfolio and by its ability to design and manage that portfolio within relatively tight administrative budgets. Yet the quality of results is also important. Staff interviewed for this study still perceive that the Bank's overriding purpose is to 'move money' and process loans, a tendency noted in the 1992 Wapenhans Report and in Robert Wade's work on integrating the environment into World Bank lending. Wade writes: 'The primary criteria in evaluating staff members' performance relate to the speed and efficiency of processing of loans.'<sup>17</sup>

95. The key factor that staff mention as constraining possibilities for harmonisation and alignment is the pressure to deliver: getting a lending operation prepared, agreed with government and presented to the Board at the agreed time. The pressures to disburse money quickly and show early results following Board approval are also strong, but these appear to be given less weight than the issue of timely Board approval. Time is the key constraint here, with additional pressure mounting towards the end of the budget year.

96. With constrained budgets and demanding delivery and disbursement targets, TTLs often feel the safest option is to manage design predominantly as a WB process and to organise implementation with PIU-like arrangements and limited reliance on government structures. By contrast, a project which closely follows Government policies and systems and builds in joint working with other donors (and by implication ought to achieve more sustainable results) necessarily takes time to prepare and is likely to need closer, more labour-intensive supervision. Especially where the staff responsible are Washington-based, existing project preparation and supervision budgets do not in general allow adequate time for such an approach.

97. It may be that in a more decentralised structure and within a context of pre-existing relationships and a pre-established knowledge base, the preparation and supervision budgets would be sufficient. Yet it is also worth asking if there is not too much emphasis placed on Board deadlines? And whether there is proper consideration of the balance between delivering a lending operation on time (and related considerations of 'quantity' of money/projects) and delivering a lending operation which is effective in achieving sustainable development results (and related considerations of 'quality' of projects)?

98. Ostrom and colleagues (in relation to SIDA) also highlight this tendency to give pre-eminence to concerns over administrative budgets and disbursement targets: "If an organisation had created positive incentives to resist this budgetary strategy, one would expect to find that 1) few staff would mention the pressure to disburse as a regular part of

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<sup>17</sup> Robert Wade, 'The World Bank's Struggle to Integrate the Environment', Global Economic Institutions Newsletter Issue 5, June 1997 <http://www.cepr.org/gei/5rep2.htm>

their work experience and 2) various informal, as well as formal, strategies would be in place to try to discourage this strong motivation to subordinate other priorities to budgetary imperatives."<sup>18</sup> Given that all WB operational staff mention the pressure to disburse as a regular part of their work experience, it is clear that the Bank has not yet created sufficient incentives to counter-act this “budgetary strategy”.

99. The Bank is not alone in this pressure to deliver. "This need to 'move the money' is a universal incentive in all public bureaucracies."<sup>19</sup> However, it is also clear that the Bank is one agency where the pressure to deliver is, in general, very strong. DFID staff, for instance, feel little pressure to disburse, while all operational staff interviewed at the Bank were unanimous in citing pressure to deliver as a primary obstacle to better harmonisation and alignment.

100. Quality assurance is the main method in the Bank of ensuring that projects that come before the Board have properly addressed issues of quality and effectiveness. However, sector managers are primarily responsible for ensuring the quality of lending, and most do so on the basis of technical excellence. The matrix management model means that country-based considerations of harmonisation and alignment are not a core responsibility of sector managers, and as such these considerations could be lost. It is in part to counteract this tendency that the Quality Assurance Group (QAG) have recently agreed to use the tools at its disposal to review H&A considerations on proposed projects.

101. The time and resources that it takes for donors to work in a harmonised and aligned way are in conflict with the pressure within the Bank to deliver quickly (as are other 'quality' issues). Although H&A is not the only issue that affects the quality of a project, staff interviewed for this study repeatedly raised the issue of the time and resources required to work in a harmonised and aligned way. A routine staff survey in Kenya revealed that staff spend considerable amounts of time dealing other donors. A recent study by DFID amongst the donor community in Cambodia found this was the case amongst many donors. “All donor personnel below the level of agency head (as well as some heads) say that they spend a great deal of time on aid coordination... Even some of its strongest proponents felt that it might have got 'a little out of hand' at the expense of 'more substantive' issues.”<sup>20</sup> Inefficient coordination, harmonisation, and alignment arrangements exacerbate this problem - for instance large and unwieldy sector working groups.

102. Time allocations within a project are important for good project management, and harmonisation requires that sufficient time is allocated for TTLs to work with other donors once a project has been started. TTLs and their managers tend to think that H&A is not budgeted for adequately, noting that SWAPs and PRSCs have extremely high transactions costs for donors. One TTL reports that it took two years to convince government and donors to eliminate a PIU. Also, there are increased demands on the time of project managers when they work in a more harmonised and aligned way. When there is no PIU, there is increased work for the TTL, because there is a need to visit all the government departments that are

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<sup>18</sup> Ostrom et al 2001, p. xxiv

<sup>19</sup> Ostrom et al, 2001, p. 70.

<sup>20</sup> Blunt and Samneang, 2005, p. 17.



involved in the implementation of the project, rather than have meetings with a single PIU. Sufficient time allocations for supervision within a project thus become important. However, staff perceive that project supervision budgets are squeezed.

103. Although harmonisation and alignment is extremely time-consuming for staff, due mainly to the large amounts of liaison with many other donors, it is not always the case that this is the main obstacle to delivering a project quickly. Among other factors, internal procedures at the World Bank may slow the process down. Several observers (including non-WB observers) noted the lengthy internal review process at the Bank that enables many different camps within the Bank to comment on a PAD. Although this is of course part of ensuring the quality of a project (and ensuring that certain standards are adhered to), this can be frustrating for other donors when working jointly. Ideally, the Bank should establish a balance between a comprehensive (internal) review process that ensures quality across a large number of variables, and a quality review process that is accessible to other stakeholders where necessary and is sufficiently light to focus on the critical components in a given country situation.

104. A key element of the alignment agenda is the elimination of parallel PIUs. Many sector managers and TTLs do want to mainstream the leadership and management of projects and programs within government, and avoid parallel PIUs, but they find this difficult to do while there is such a demand for early results within the Bank. Most operational staff appreciate the need to at least mainstream the PIUs and put them firmly within the structure of government. However, most feel that if the members of PIUs are not paid higher than civil service salaries, good staff to lead and manage the projects could not be attracted, motivated and retained.

105. The key to the elimination of PIUs is pay reform, but this has proved extremely difficult. The Bank continues to use PIUs in many cases: a recent study by Operational Quality and Knowledge Services has found that despite a tight definition of PIUs, the Bank still uses them widely. Even in cases where the Bank and other donors have integrated PIUs into government systems, salary supplementation is still common. Not only does this generate tensions between normal civil servants and government staff working on Bank-supported activities, it can also obscure who are the real owners of these operations, as well as generating potentially unsustainable staffing incentives. A study assessing DFID-financed technical assistance for economic management in Ghana identified this as a major threat to sustainability and a frequent cause of operational problems<sup>21</sup>. In Nicaragua and Honduras, the widespread use of salary supplementation by the multi-lateral development banks is also acknowledged as a major problem.

106. Given that harmonisation and alignment activities take significant time and are often in conflict with internal pressures to deliver in several organisations, it is crucial that efforts to harmonise and align are undertaken in a strategic and efficient way with a clear understanding of what will be gained. For instance, government-donor sector working groups should be kept as efficient as possible; silent partnerships considered instead of joint working; and withdrawal from certain sectors should be considered. There is some danger of

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<sup>21</sup> Ghartey, Adom, Andrew Lawson & Aarti Shah, Developing capacity ? An evaluation of DFID-funded TC personnel for economic management in Sub-Saharan Africa: Ghana Case Study, Oxford Policy Management/ DFID, September 2005.

reification of the H&A agenda within the donor community, and it is important to maintain a clear link with results rather than 'harmonising for its own sake'. Efficiency concerns apply to H&A initiatives and should not be treated as unimportant.

#### **4.5 Internal procedures**

107. Headquarters-level staff in Procurement, Law, and Financial Management were all keen to stress that their procedures did not work against the possibilities for harmonisation and alignment. However, operational staff perceive that internal Bank procedures do not support working in a more harmonised and aligned way, citing inflexibility as a key impediment. The development of the Standard Operating Procedures in Cambodia (joint procedures between the WB, ADB, and RGC) was considered a case in point, where other donors were aligning to the World Bank's standards. Some staff felt that senior members of the Law, Financial Management and Procurement networks in HQ were engaged in protecting their specialised area.

108. In some cases, pre-existing headquarters-level agreements amongst donors spell out the ways in which differences in procedure will be dealt with. For instance, the EC and the World Bank have an agreement which includes (amongst other things) detail on the way that their different thresholds for international competitive bidding will be dealt with in joint initiatives. This facilitates joint operations between these agencies in various ways. In other cases, however, harmonisation is in the early stages.

109. **Procurement:** The procurement alignment issue remains serious. Very few donors align with government systems; donors dispute the systems to be used; different procurement staff within the World Bank have varying views on how to best approach this issue. Almost no procurement system in Africa is realistically ready for alignment. In Cambodia, recently agreed Standard Operating Procedures include procurement guidelines that the government, World Bank, and Asian Development Bank will adhere to, but this was not a case of donors aligning to government systems!

110. The flexibility permitted within the procurement policies in the World Bank should be better exploited by operational staff to facilitate working with other partners. Borrowers have to abide by procurement policies, but these policies allow a case by case analysis, based on the country context and the specificities of the specific project, to decide on the procurement methods and parameters.. These elements allow some scope for adaptability in deference to the rules of other partners. However, WB staff sometimes may not realise that there is more flexibility in the policies than they might consider, may lack time or other incentives to use this flexibility to its full potential or to consult appropriately, or may not feel equipped to deal with difficult internal conversations about derogating from standard practice in the interests of harmonisation. .

111. Procurement is no longer seen as a technical addition to operational work in the World Bank but is more integrated into development work. Procurement is under the management of OPCS so in this sense the World Bank is not in the same situation as other multilateral development banks where there is a divide between procurement and operations. In addition, procurement specialists are sometimes involved in capacity building exercises in country, especially procurement lawyers.

112. **Legal:** Country Directors, Sector directors and managers, and TTLs complained about the risk averse approach of some lawyers to MOUs, although others were seen to be supportive and flexible in the negotiation of MOUs. They also complained about the lack of model MOUs, and beyond that, the lack of good generalised staff guidance regarding the use of MOUs. As with procurement, the conflation of rules and practice is seen as detrimental to flexibility. Lawyers feel they that they are brought in too late in the process of MOU development, that they are not regularly included in the task team in the initial stages of preparation, and that there are often not enough resources to include a lawyer in mission travel.

113. Lawyers themselves believe that there is a need to involve lawyers early in negotiations that involve MoUs or other quasi-legal agreements, because "it cannot be assumed that such documents are not legally binding." Lawyers also believe that there is a need for more upstream legal work in consultation with operational staff and other donors on harmonisation. A proposed Legal Harmonisation Initiative suggests work between agencies addressing a number of operational issues, including MoUs, SWAps, MDTFs, agreements on information disclosure, and the use of country safeguard and fiduciary systems in joint operations.

114. **Financial Management:** There is considerable concern about the impact of the high priority being given to anti-corruption by the President on the H&A agenda. Staff perceive that this emphasis makes it less acceptable to use government systems that are seen as more open to corruption than World Bank systems. The matter has been compounded by US Congressional pressure to ring-fence US contributions to the Bank, including IDA. There is some evidence that the "zero tolerance" message is being interpreted by some operations staff as "Do not use country systems," although INT stated in interview that they do take a differentiated approach on a sector-by-sector basis. There has been a substantial rise in the number of projects being sent for second and third screenings by financial management. Operational staff are confused by the current messages from the President and INT, and are unclear about the implications for their work. In such an environment, staff may well become more risk-averse.

115. This is at odds with previous efforts in the WB to simplify and modernise FM requirements. The World Bank now accepts any reporting system that reports on all the funds that pass through an entity (not just WB funds), and has been (until recently) more willing to work with sub-optimal systems as long as there was transparency on the risks. Various pieces of analytic work are no longer mandatory (such as CFAAs and CPARs), but instead analysis is conducted on the basis of country needs under the auspices of the PEFA initiative – itself an excellent example of the development of a harmonised approach to PFM diagnostics.

116. The Cambodia Country Office has taken the unusual step of inviting INT to take part in a Fiduciary Review process of major projects in country, with recent findings showing major corruption. Government has suspended three projects as a result. The view of the Country Manager is that over the long term, this emphasis on corruption will support the changes that will make it possible to align with government systems more effectively. However, operational staff need guidance on how to balance these concerns in their work.

117. **Trust Funds:** The experience of Cambodian staff has been that multi-donor trust funds are onerous and time-consuming to set up if they are at all out-of-the-ordinary. In the

Health sector in Cambodia, for instance, setting up a well-known style of trust fund with DFID was not problematic. But in other sectors, other donors have noted that the World Bank counterpart was reluctant to attempt a trust fund, giving the impression it would be difficult and time-consuming to set up a trust fund. This is in tune with messages from Washington that if Trust Funds are 'normal' then headquarters doesn't need to be involved too much, but if they are unusual in some way then country offices should expect some back-and-forth. The lengthy process which was required to establish the East Timor Multi-donor Trust Fund would appear to confirm this perception.

## **4.6 Summary**

118. Many of the corporate incentives for harmonisation and alignment are already in place in the World Bank, even if more could be done. Country Managers/Directors are the single most influential source of incentives for a country office; they have a variety of formal and informal tools at their disposal for promoting H&A should they wish to prioritise it. Whether they do is likely to be dependent in part on their previous experiences. Within low income countries, there are signs that the World Bank hierarchy is now very deliberately choosing Country Managers and Country Directors who are seen to have a commitment and flair for harmonisation and alignment. This is clearly a trend that must continue.

119. Decentralisation is well-progressed in many cases, although staff that are not decentralised (generally sector staff and TTLs) feel that their project budgets do not allow for necessary deep engagement in the country context and with other donors. The CAS (or Joint CAS in some cases) provides a way of institutionalising H&A objectives, and formally monitoring progress against them; however, in the case of Joint CASs the opportunities are constrained by the level of consensus amongst the donors.

120. The pressure to deliver and disburse is felt strongly within the Bank. While there may be good organisational reasons for this pressure, it is seen to act as a disincentive to harmonisation and alignment. The time and resources required to work in a harmonised and aligned way are seen to be in conflict with Board deadlines, and it is tempting for staff to ensure that money will be disbursed on time by working through (efficient) PIUs rather than (inefficient) government systems. However, there are good examples of country level staff who are not linked to deliverables, but rather to donor coordination and H&A, or even the overall portfolio; these staff are seen to have the space to work effectively on H&A.

121. Finally, internal Bank procedures in procurement, law, financial management, and trust funds are seen as hindering attempts to harmonise and align. It is important to distinguish between rules and practice in all areas in order to allow greater flexibility, and for expectations around the anti-corruption agenda to be made clear in relation to H&A.

## **5 WORLD BANK INCENTIVES AT THE INDIVIDUAL LEVEL**

### **5.1 Staff career prospects**

122. Staff feel a pressure to be visible within the Bank to enhance their career prospects, and delivering projects or analytical work on time is seen as a way to increase their visibility. Promotion prospects depend predominantly upon sector managers rather than country managers, and several sources confirmed that most sector managers look primarily at deliverables in determining promotions. Successfully meeting the ‘pressure to deliver’ mentioned earlier is seen as the key way of securing career prospects. This confirms the findings of the 2005 ODI study.

123. This focus on ‘deliverables’ for promotion is the case not only for lending sectors like human development or infrastructure but also PREM for analytical and advisory work. Staff who reported to PREM suggested that it was only in recent months that there was recognition in PREM that the harmonisation and alignment agenda was important for them. Technical standards within sectors are also an important driver for recognition, but do not always promote harmonisation and alignment, as was seen earlier.

124. There is some informal recognition and visibility for those who manage to work this way, as noted in the 2005 ODI study. However, operational staff do not feel that their hard work in achieving H&A is recognized at appropriate levels or in appropriate ways. They feel they are more likely to be criticized for taking too long, since they perceive that expectations of the time taken to deliver a project are becoming more rather than less demanding, and support for the preparation and supervision of operations less.

125. However, many operational staff said that they did not seek rewards in terms of higher pay and promotion. Most engaged in H & A activities because they thought it worthwhile, and because of personal commitment, even though many had suffered from stress in the process. Staff attitudes are generally well-focused on the issues at hand and there is considerable buy-in to the logic behind H&A. The formal incentives to support this buy-in are, however, largely absent.

### **5.2 Recruitment**

126. Personality was mentioned consistently as a major factor that supports or constrains harmonisation and alignment in country, with particular reference to the personality of the Country Director or Manager. Some felt that recruitment of the right kinds of new staff might be more important than training existing staff. The previous experience of the Country Director or Manager is a major determinant of their way of working; experience in environments where H&A is a priority is seen as a critical asset.

127. **Locally recruited staff:** The change in Country Manager in Cambodia has resulted in the recruitment of more Cambodian staff, resulting in just under half of professional sector staff being Cambodian. National staff are being brought in at a high level; given serious responsibility; and given opportunities to do placements in other offices, including Washington. There are deliberate efforts to increase the level of their responsibility over time, although the leads in each sector are presently international staff.

128. A similar process has taken place in Ghana but over a longer period and as a result, the process of promoting and supporting LRS staff has proceeded further. A clear majority of professional sector staff in the Country Office are locally recruited Ghanaian staff. Most of these have some TTL responsibilities and/or hold significant responsibilities in deputising for Washington-based TTLs.

129. There is a recognition in both Country offices of the benefits that local staff can bring to harmonisation and alignment efforts (language skills, social contacts with Government and others, and an "understanding of how things work"). One member of staff noted that their social and professional networks are a "usually under-explored complement to the expat-expat networks that can make a big difference to how well donors rub along."

### **5.3 Training**

130. "Harmonisation components have been introduced in training courses, such as for example in orientation for new staff and in operational courses looking at recent developments." (ODI, 2005) In addition, there is training in WB policies and procedures that aims to show that there is nothing in the WB policies and procedures to prevent staff from acting in a more harmonised and aligned way. No members of staff in Cambodia remembered receiving any training in harmonisation and alignment per se, but neither did they feel a lack. Staff in Ghana did recall having received such training but also stressed the usefulness of the mentoring role being played by Tina Kimes, the Senior Operations Officer responsible for portfolio quality and H & A.

131. Understanding of the 'real' workings of government and donor communities is critical for working on the H&A agenda, but there is a sense that in-depth knowledge is currently imperfect. Training on recipient government structures, policy and procedures (formal and informal), as well as the activities of other donors in country, is an important part of immersing staff into the country context and facilitating harmonisation and alignment. This is not provided by WB HQ, but could be provided in the country office. In many cases, it would make sense to provide such training jointly with other donors. In Cambodia, for instance, the Quadripartite Group would be an obvious place for donors to train new staff in the recently agreed Standard Operating Procedures and National Operating Guidelines.

132. There was some doubt over whether it is possible to 'train' staff at the Country Director level in the harmonisation and alignment agenda. Some felt that country circumstances are too variable to expect to be able to mandate the harmonisation and alignment agenda across the board. Others felt that circulating good practice examples is more likely to be effective.

133. One area where HQ level training could support H & A is language training for staff in certain countries. In Cambodia, for example, the World Bank is the only donor who produces its documentation in English and Khmer, a fact that is well appreciated by local sources. Yet relatively few Cambodian employees in the Bank office work well in English and even fewer of the WB IRS (or other donor) staff are able to work in Khmer.

### **5.4 Summary**

134. Individual staff incentives for harmonisation and alignment are largely informal. Formal incentives for promotion are mainly focused on sectoral technical excellence and

meeting targets for deliverables. Recruitment of staff with H&A skills (including LRS) is largely at the discretion of the Country Manager/Director. Recruitment of Country Managers/Directors with such skills is largely at the discretion of senior management, although there are welcome signs that such CDs are being chosen for aid-dependent countries. Training in country systems and structures (and language) is largely informal at present but more formal training could support greater H&A.

## **6 CONCLUSIONS AND RECOMMENDATIONS**

### **6.1 Are corporate and individual incentives within the World Bank supporting the process of harmonisation and alignment?**

135. Much has been done in the World Bank in a short space of time to support harmonisation and alignment, and there is considerable staff commitment to the logic of this agenda. However, it is difficult to be clear-cut about exactly which incentives favour H & A and which militate against it. The final result of the interplay of different incentives and motivations is both context-specific and even person-specific. Nevertheless, some factors emerged clearly from the country studies and other interviews as ‘drivers for change’ – which therefore need to be emphasised to achieve greater progress, and others as ‘obstacles to change’, which need to be mitigated as far as possible. There is a third set of factors which sit in the middle. Here, incentives are broadly supportive of change but more could be done. The table below summarises the overall picture.

136. Country Directors (or strong Country Managers) that are thoroughly engaged in the country context play a crucial role in promoting opportunities for harmonisation and alignment. They can create a culture in the country office that means staff expect to work in a joint way with other donors and align with government priorities and systems. They are the single most influential source of incentives on a country office, and are also influential on other donors.

137. Within the low income, high aid dependency countries, there are signs that the World Bank hierarchy is now very deliberately choosing Country Managers and Country Directors who are seen to have a commitment and flair for harmonisation and alignment. This is clearly a trend that must continue.

138. The increase in importance of Country Directors relative to Sector Directors and Sector Managers within the internal budget process which has occurred over the last 10 years has served to reinforce the role of the Country Director, making them a key driver of the H & A process. This has been linked with a general decentralisation of staff and responsibilities to country level, which has also been favourable to harmonisation and alignment.

139. For the moment, the role of Sector Managers and Sector Directors in relation to H & A is more ambiguous. Technical excellence is naturally enough a major driver of decision-making and may at times militate against joint working. It is also true that the task-focused structure of budgeting for the use of sector staff can tend to squeeze out the time for the country-specific relationship-building and knowledge acquisition which is so important to the success of H & A and to the eventual effectiveness of joint operations. This is not to suggest that Sector Managers and Directors are unsympathetic to the importance of harmonisation and alignment: it is simply that the balance of their current incentives is not yet unequivocally in favour of H & A. More attention is needed to line up internal incentives more effectively.

140. Harmonisation and alignment happens predominantly at country level. An essential determinant of the Bank’s success in engaging with the agenda is the presence of staff within resident country missions who are able to maintain the continuity necessary to build knowledge and contacts and have the time available to invest in relationship building with government and other donors. A general rule seems to be that where the Task Team Leader is



resident in the country of operations, the WB’s role in H & A is more effective. Regionally based TTLs also appear to be more effective in this respect than Washington-based TTLs.

141. In addition, those country offices able to set up the necessary supporting infrastructure to maintain continuous dialogue with government and donors in its sectors of operation appear to achieve better results on H & A. In Cambodia, the build-up of locally recruited staff has been important in this respect. In Ghana, the existing strong team of locally recruited staff was supplemented by the placement of a Senior Operations Officer, with an explicit role to focus on the development of effective harmonisation and alignment practices to enhance portfolio quality. Few country offices are able to employ such an experienced person in this position but the experience of the Vietnam office and others suggests that simply having a person with donor coordination, harmonisation and alignment as a dedicated part of their work can make a real difference.

**Table 1. Internal incentives within the World Bank and their effects on Harmonisation and Alignment**

Factors driving change towards H&A	Areas where more could be done to generate positive incentives	Factors constraining progress towards H&A
<b>A. INCENTIVES AT THE CORPORATE LEVEL</b>		
<ul style="list-style-type: none"> <li>• Selection of Country Directors/ Country Managers committed to H&amp;A Agenda</li> <li>• Decentralisation of staff and responsibilities towards Country level</li> <li>• Reorientation of the CAS and related procedures to emphasise H&amp;A agenda.</li> <li>• Development of internal and cross-donor common guidelines on FM which place clear emphasis on use of country systems as default option.</li> <li>• Development of PEFA methodology for diagnosing PFM weaknesses and developing harmonised approaches to PFM strengthening.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate messages in relation to H&amp;A and the fight against corruption are too mixed, and at times contradictory. These need to be integrated so that the fight against corruption is seen as a part of the same drive for aid effectiveness and not as an argument against progress in H&amp;A.</li> <li>• Internal procedures on Legal and Procurement questions not uniformly &amp; consistently supportive of H&amp;A. In both cases, there is a continuing need for cross-agency and internal WB initiatives which will facilitate the application of legal and procurement checks within aligned/ harmonised operations.</li> </ul>	<ul style="list-style-type: none"> <li>• Pressures to deliver new lending operations and hit ambitious disbursement targets within tight administrative budgets.</li> <li>• Task-focused structure for budgeting the use of staff, especially Sector Staff. [Allocations for discrete products, e.g. PADs, analytic work, tend to leave time for country level relationship building and knowledge acquisition relatively under-budgeted.]</li> </ul>

Factors driving change towards H&A	Areas where more could be done to generate positive incentives	Factors constraining progress towards H&A
<b>B. INCENTIVES AT THE INDIVIDUAL LEVEL</b>		
<ul style="list-style-type: none"> <li>Personal motivation and commitment: WB staff want to promote effective development and fully recognise relevance of H&amp;A.</li> </ul>	<ul style="list-style-type: none"> <li>Training: past training on H&amp;A seen as useful but focus needs to change: less on principles and more on practical experience sharing, and on 'soft' skills, such as relationship-building. Also need for more emphasis within each country on building knowledge of local systems and (where relevant) languages.</li> </ul>	<ul style="list-style-type: none"> <li>Staff career prospects are seen to be linked to numbers of 'deliverables', e.g. Lending operations, analytic work, not to relationship building.</li> <li>Staff turnover within country programmes is relatively high with TTLs 'moving on' soon after Board approvals.</li> </ul>

142. These positive corporate incentives are to a degree counter-balanced by the more traditional incentives prevailing with the World Bank. The key factor that staff mention as constraining possibilities for harmonisation and alignment is the pressure to deliver: getting a lending operation prepared, agreed with government and presented to the Board at the agreed time. The pressures to disburse money quickly and show early results following Board approval are also strong, but these appear to be given less weight than the issue of timely Board approval. Time is the key constraint here, with additional pressure mounting towards the end of the budget year.

143. As a bank, it is normal that the WB should be judged by the level of its lending portfolio and by its ability to design and manage that portfolio within relatively tight administrative budgets. Yet the quality of results is also important. While this is given weight in project approval, supervision and evaluation procedures, the question to be asked is whether the current balance is right? With constrained budgets and demanding delivery and disbursement targets, TTLs often feel the safest option is to manage design predominantly as a WB process and to organise implementation with PIU-like arrangements and limited reliance on government structures. By contrast, a project which closely follows Government policies and systems and builds in joint working with other donors (and by implication ought to achieve more sustainable results) necessarily takes time to prepare and is likely to need closer supervision. Especially where the staff responsible are Washington-based, existing project preparation and supervision budgets do not in general allow adequate time for such an approach.

144. It may be that in a more decentralised structure and within a context of pre-existing relationships and a pre-established knowledge base, the preparation and supervision budgets would be sufficient. Yet it is also worth asking if there is not too much emphasis placed on

Board deadlines? And whether the balance between delivering a lending operation on time and delivering a lending operation which is effective in achieving sustainable development results is being properly considered?

145. Staff turnover is another factor militating against the careful, slow preparation of harmonised and aligned operations which start later but should have a higher probability of disbursing effectively and having greater development impact. In many cases, sector staff will be assigned to country operations for periods which are too short to permit the ‘luxury’ of a slow design process<sup>22</sup>. The pattern of individual promotions with its emphasis on ‘deliverables’ – that is on Board approvals or on completed analytical work – seems also to work against a balanced approach to operational efficiency and development effectiveness.

146. In terms of individual motivation and commitment, there is little doubt that the majority of World Bank staff have internalised the lessons of the “Assessing Aid” report (1998) and of the subsequent aid evaluations, leading to the adoption of the Paris Declaration. Bank staff recognise the necessity to try to utilise country systems and structures so as to strengthen them and build lasting capacity for economic management and service delivery. They struggle to find the time to do this properly and to build the necessary safeguards against the fiduciary risks frequently associated with the use of country systems.

147. Operational staff also pointed to two areas where they did not feel they were receiving clear guidance and support from headquarters in relation to H & A activities.

- Firstly, the messages on the need to show ‘zero tolerance’ for corruption were generally seen to run counter to other messages stressing the importance of the use of country systems. Specifically, staff felt that they were being encouraged to avoid the use of ‘risky’ government systems in favour of extra-budget structures and the use of WB procedures. Yet such staff were equally conscious that by working outside of government systems, these would never be strengthened and that, moreover, if Bank projects provided resources for government activities, then they would serve to free up domestic resources, which might potentially be used in corrupt ways (the fungibility argument). Staff yearned for more integrated operational guidance in which control of corruption was linked to the building of robust government systems and thus to the alignment agenda.
- Secondly, staff felt that legal and procurement procedures were not uniformly and consistently supportive of H & A activities. In particular, they spoke of a general reticence towards the use of government or joint donor arrangements and of a lack of clarity over the precise rules governing the adoption of non-Bank systems. Discussions with legal and procurement staff suggest that a large part of the problem is the tendency of operations staff to make ‘deals’ with governments and other donors before consulting properly with legal and procurement departments. Steps are in place to improve the quality of communications and guidance material and to provide information to other donors on the legal constraints faced by the World Bank and to develop, in consultation with other donors, approaches that can

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<sup>22</sup> In Cambodia, for instance, one donor noted that a particular World Bank project had had four TTLs in three years.

be taken by the World Bank (and other multi-laterals) to facilitate joint operations. It will be important to implement these measures promptly and comprehensively.

## **6.2 How might the World Bank contribute to greater progress in Harmonisation and Alignment?**

148. Without doubt there is much that has already been done within the Bank to contribute to the H & A agenda. Some of the fruits of this work are already being seen. Yet, it seems clear that there are further actions that could be taken to accelerate progress. These relate both to the internal incentives which shape the Bank's ability to respond to the demands of H & A and to the external environment, where the World Bank could afford to be bolder in engaging with other donors and with partner governments to find ways of reducing the costs of harmonisation and alignment.

### **6.2.1 Recommendations to improve internal incentives**

149. We recommend the following actions to strengthen the internal incentives of the World Bank for progress with harmonisation and alignment:

- a. Continue to support the promotion of Country Directors and Country managers with a commitment and flair for harmonisation and alignment; and to reinforce their managerial position.
- b. Emphasise harmonisation and alignment work in the promotion of Sector Managers and Sector Directors and invite Sector Boards to consider how far (and with what effect) such criteria were utilised in the June/ July 2006 promotion decisions.
- c. Continue to strengthen country offices so that they have the necessary staff and infrastructure to support H & A in the key sectors of operation. This is likely in turn to require:
  - i. Emphasis on the recruitment and training of appropriately qualified Locally Recruited Staff.
  - ii. Efforts to locate Task Team Leaders at the country or regional level and/ or to use LRSs increasingly for Task Team Leadership.
  - iii. Placement of Operations Staff (ideally senior staff) in country offices with job descriptions focused explicitly on the development of H & A practices to enhance portfolio quality.
  - iv. Closer attention in the design of the CAS to the delivery constraints faced by the WB in an environment of harmonisation and alignment. In most cases, this is likely to require a narrowing of the numbers of sectors of involvement.
- d. Re-visit the existing systems for management and monitoring of the cycle of Board approvals and disbursements to examine whether more emphasis could be placed on effective disbursement/ development effectiveness and relatively

less on quick preparation times. This would require longer preparation times to be factored into budgets and given overall budgetary constraints would probably entail greater sector concentration in the design of CASs and increased use of PRSC operations to finance sector reform and development activities. In addition, we would recommend a careful analysis of QAG review procedures and reporting to Senior Management so as to give greater emphasis to the use of country systems and multi-donor frameworks. Essentially, TTLs need to be empowered to justify longer preparation times where they can identify resulting gains in alignment or harmonisation likely to lead to more effective operations.

- e. Review the nature of ‘corporate messages’ and Presidential directives so as to give a more integrated message on the relative balance to be given to fiduciary assurance and protection against corruption relative to risk-taking through H&A actions aimed at improving development effectiveness. The key point here is that messages must address the need to build government systems so as to reduce the potential for corrupt practices and must recognise that such long-term development gains are likely to entail short-term fiduciary risks.
- f. Re-examine how the delivery of fiduciary assurance mechanisms through the Legal and procurement departments could be geared to be more supportive of H&A efforts, including clear distinctions between rules and 'accepted practice' (which could be more flexible). Progress is being made in a number of areas and the main requirement would appear to be to consolidate improvements and strengthen the quality of communications. We would recommend the following steps:
  - i. Regular internal workshop events bringing together operations staff with legal, procurement and FM staff. The purpose would be to share and discuss frustrations and advise of ongoing initiatives to improve procedures in support of H & A.
  - ii. Wide dissemination and publicity of the recent note produced by the Legal Department on the nature of MoUs.
  - iii. Completion and wide dissemination of the Check-list of Frequently Asked Questions on the legal issues commonly arising in joint donor operations.
  - iv. Perseverance with the joint-donor work being undertaken on procurement with a view to producing a tool for joint assessment and strengthening of country procurement systems, akin to the PEFA methodology for PFM systems.
  - v. Establishment of an international joint-donor forum on legal issues in harmonisation and alignment, which should include both legal and operations staff from different agencies.
  - vi. Updating of the procedural guidance notes for operations involving multi-donor financing so as to specify explicitly the requirement for early consultation with FM, Procurement and Legal departments.

- g. Periodic training on H&A should be provided so as to permit opportunities for cross-country sharing of experiences. This could usefully be supported by country-level training on country systems and where appropriate on interpersonal and negotiation skills (relationship-building) as well as on language and cultural issues.

## **6.2.2 Recommendations to engage with external stakeholders**

150. Harmonisation remains a time-consuming and administratively inefficient process. This will not change fundamentally until serious initiatives are launched at the international level to streamline the international aid architecture and to introduce a much stronger push for selectivity and focus than is currently present in the Paris Declaration. This is likely to involve:

- A reduction in the number of development agencies operating in the most aid dependent countries.
- A limitation on the maximum number of development agencies engaged in each sector.
- A clearer international framework for monitoring donor performance, so as to create a more effective regulatory framework than that currently provided by the OECD-DAC and by existing multi-lateral arrangements.

151. This is an agenda which goes well beyond the terms of reference of the current study, nor is it an agenda particular to the World Bank. Yet it seems clear that if serious attempts to embrace and advance this agenda are not made, then the extent of progress with Harmonisation and Alignment will always be constrained. We would encourage the senior management of the World Bank to consider how best to initiate dialogue in this area.

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