

## *ADB's Selective Trumpeting and Downplaying at the Same Time: "Hitches" Inherent in the Country Systems Approach*

### *The Paris Declaration on Aid Effectiveness ("A Storm in a Tea Cup")*

The concept of Country Systems (CS) traces its roots from the United Nations (UN) Millennium Development Declaration and the Millennium Development Goals (MDGs) of 2000 and the Paris Declaration (PD) on Aid Effectiveness of 2005. Since 2000, when the UN Millennium Development Declaration and the MDGs were adopted, donor agencies have acknowledged the value of enhancing the impact of aid for poverty reduction. The Paris Declaration, on the other hand, is touted by the international donor agencies as the "unprecedented" commitment of donor agencies to reform aid system and aid delivery. The PD follows up on previous declarations: High Level Forum on Harmonization in Rome (2003) and Roundtable for Managing of Development Results in Marrakech (2004). With more than a decade of evolution, PD, by and large, is a significant set of donor commitments to improve the effectiveness of aid for the stated purposes of accelerating the achievement of the 2015 Millennium Development Goals and reducing poverty and inequality. To improve the potency and effectiveness of aid, two-pronged objectives were identified: (1) By taking far-reaching reforms towards the improvement of the delivery and management of aid; (2) For more effective and faster eradication of poverty and inequality, and attainment of MDGs. CS is within the framework of harmonization and the implementation of the Paris Declaration on Aid Effectiveness.

Dominant players in the aid architecture, such as multilateral development banks and development experts, [e.g. United Nations Development Programme (UNDP), the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD-DAC), the World Bank (WB)], affirm and fortify the "development thinking" that 'country-owned' and government-spearheaded development process are key principles to "guarantee" development.

#### *What is the Paris Declaration on Aid Effectiveness?*

In March 2005, development officials and ministers from 91 countries (56 developing countries and 35 donor countries), 26 multilateral agencies, and 14 observers-CSOs attending the Paris High Level Forum issued the "Paris Declaration on Aid Effectiveness", which, essentially, commits developing countries, donor nations and multilateral development banks to a series of actions intended to significantly increase aid effectiveness.

Hailed as an "unprecedented global consensus" and an action-oriented roadmap", the PD outlines five commitment areas to be monitored in terms of how aid should be delivered, namely:

1. **Ownership**
  - Partner countries (PC) exercise leadership
  - Donors support and respect this leadership
2. **Alignment**
  - PCs develop national strategies, institutions, processes and procedures
  - Donors base their support on these strategies, institutions, processes and procedures
3. **Harmonization**
  - Donors collectively harmonize, simplify, coordinate their actions in transparent manner
  - PCs provide the environment & leadership for harmonization
4. **Managing for Results**
  - PCs improve development performance through results-based approaches and regular M&E
  - Donors support PCs to manage resources & improve decision-making for results
5. **Mutual Accountability**
  - Donors and PCs hold each other mutually accountable for development results
  - PCs reinforce participation of stakeholders including parliamentarians
  - Donors support the participatory processes by providing timely & comprehensive information on aid flows

Sources: 1) *The Governance Brief, Issue 12-2005, Asian Development Bank, 2005*  
2) *Primer on Development and Aid Effectiveness: IBON International, 2007*

## World Bank's "Trailblazing" Initiatives on Country Systems (*"To Have Too Many Irons in the Fire"*)

One of the early dominant and key players that initiated and easily jumped into the CS bandwagon is the World Bank. *"WB believes that the use of country system – that is, the country's legal and institutional framework, consisting of its national, sub-national, or sectoral implementing institutions and applicable laws, regulations, rules and procedures - has significant potential to improve development impact."*<sup>1</sup>

The WB outlines its accomplishments in "strengthening staff capability to respond to the lending needs of MICs", under subtopic "use of county systems". WB initially implemented country systems in financial management and national competitive bidding procurement, and the then Management's proposal to develop a pilot program to test the use of country safeguards systems where, in the Bank's judgment, *'they are equivalent to the Bank's policy framework applicable to the operation, and where relevant country implementation practices, capacity and track record are satisfactory'*<sup>2</sup>.

Moving on, in March 2005, the WB came up with a paper *"Expanding the Use of Country Systems in Bank-supported Operations: Issues and Proposals"*. Unpopular and controversial among safeguards advocates, the document, by and large, explores issues for the WB related

to using country systems in three areas (environmental and social safeguards, procurement, and financial management) that are central to effective development spending and sustainable results. The paper outlines a two-year program to pilot the use of borrower environmental and social safeguard systems in Bank-funded operations.

In the same document, admittedly, the WB recognizes its own limitations with regard to environmental and social safeguards, *"Bank thinking related to the use of country systems has evolved with experience in using such systems. Experience to date has been most extensive in financial management and more limited in environmental and social safeguards"*<sup>3</sup>.

### Country Systems in a Nutshell

- Strengthening and applying Country Systems and integrating Project Implementation Units (PIUs) with the intent of helping Developing Member-Countries (DMCs) build and strengthen country systems, and subsequently, allow them to better own and control development programs.
- The Country Systems cover areas such as:
  - Accounting and Disbursement;
  - Auditing;
  - Monitoring;
  - Procurement ;
  - Public Financial Management; and
  - Resettlement and Environment.
- By using the Country Systems, it is to be expected to :
  - Reduce transaction costs;
  - Improve designed and targeted public activities; and
  - Reduce corruption.
- Approaches to realize these objectives involve:
  - Build legislative, regulatory and institutional framework to ensure that national and international requirements can be met and that documentation and tools are available to implement the framework;
  - Develop management capacity to ensure that the framework can be well implemented; and
  - Establish the integrity of country systems, including the availability of control and audit systems, access to information, and effective anti-corruption measures.
- ADB will make greater use of DMCs' own project management capacities, where project quality can be assured. Where PIUs are requested by DMCs, ADB will make sure that they are integrated into the executing agencies. PIU design and operations will be systematically linked to the capacity development objectives of EAs, and PIU exit strategies clearly develop. ADB will also promote the use of integrated joint PIUs for ADB and other development partners' operations.

<sup>1</sup> <http://www-wds.worldbank.org>

<sup>2</sup> Enhancing World Bank Support to Middle Income Countries, February 1, 2005.

<sup>3</sup> Ibid.

## ***Where World Bank leads, Asian Development Bank follows ("Lock, Stock and Barrel")***

As expected, the Asian Development Bank followed the trend. Just like the other MDBs, the ADB is also moving towards the same direction — adoption of the Country Systems. In December 2005, the ADB came up with the TA for Strengthening Country Safeguard Systems, which aims to develop an approach and methodology for assessing country safeguard systems by analyzing the safeguard frameworks in ADB's developing member countries. Country safeguard systems, according to the ADB, *means applicable national laws, regulations, procedures and standards and country's institutional capacity in implementing these laws, regulations, procedures and standards at national, subnational or sectoral levels*<sup>4</sup>.

This TA initiative is in keeping with the ADB's on-going reform agenda and renewed commitment to improve development effectiveness, a safeguard policy update is being undertaken to ensure that ADB safeguard policies remain "*relevant to changing client needs and to new lending modalities and instruments*". The update will explore several areas to strengthen implementation of the policies, including the possible application of country safeguard systems where relevant safeguard frameworks and capacities exist.

Originally, USD 800,000, from the ADB's TA Special Fund, was allocated for this. However, in March 2007, a budget increase, in the amount of USD 100,000, was added to the original budget. The additional amount was financed through the Direct Operations Support Facility of the Cooperation Fund for the Water Sector. Noticeably, amounts posted in the ADB's website are not consistent with those mentioned in the TA Report. Financing Plan/TA Utilization reflect a revised amount of USD 970,000. As of September 2007, US 378,157.17 (39% of USD 970,000) was already disbursed, while USD 591,842.83 (61% of USD 970,000) has yet to be disbursed<sup>5</sup>.

Under the TA, one of the main components is the on-going analytical studies and assessments of country safeguard systems in five developing member countries, to wit: the People's Republic of China, India, Kyrgyzstan, Philippines and Vietnam. Apart from this component, another major component is the planned *series of subregional consultations (Central and West Asia, East Asia, Pacific, South Asia and Southeast Asia, and a separate consultation exclusive to the civil society will also be conducted) involving a broad range of stakeholders (including governments, executing agencies, project-affected persons, civil society, non-government organizations, academe and private sector entities*<sup>6</sup>.

The target date for completion was on June 30, 2007, but, according to an ADB Director, "*The CSS RETA is still on-going. The country reports are under preparation by consultants. Preliminary TA findings will be shared during the SPU consultations, and we expect to have reports available later in 2008.*"<sup>7</sup>

<sup>4</sup> <http://www.adb.org/documents/PIDs/39186012.asp>, Strengthening Country Safeguards Systems: Regional

<sup>5</sup> *ibid*

<sup>6</sup> Minor change in scope and budget increase, Strengthening Country Safeguard Systems, Asian Development Bank, March 2007.

<sup>7</sup> E-mail of Nessim Ahmad (Director, Environment and Social Safeguards, Asian Development Bank) to Mishka Zaman (Manager, Asia Program, Bank Information Center), October 20, 2007.

## ***ADB's Selective Trumpeting and Downplaying at the Same Time: "Hitches" Inherent in the Country Systems Approach***

Inevitably, significant issues surrounding this move are brought to fore. The application of Country Systems, in the main, “*involves greater dependence on a country's existing policies and practices when those are equivalent in intent, spirit and content to ADB policies*”<sup>8</sup>, simply put, the ADB will heavily rely on national procedures and laws instead of the Bank's current policies, and in doing so, raise to prominence the role of the national government.

Not widely known, much less openly discussed, the Bank's motivation in adopting Country Systems was fuelled by the trends in the global development context — the apparent escalating competition among funding institutions to “entice” as many borrowers as possible, less the cumbersome conditionalities attached to the assistance. Particular emphasis is placed on the need for the Bank to improve its strategy for “attracting” member developing countries. The ADB, therefore, has to “cook up” a “palatable menu”.

The hurried timing of the safeguards review and the dubious insertion of the country systems in the safeguards approach (seen by the Bank as if these two are interlocking), double CSOs' frustration and dissatisfaction with the ADB.

The move to adopt Country Systems therefore unavoidably raises concerns and discomfort among the civil society organizations and project-affected people, as to the intent and motive of the Bank, specifically on its corresponding implications on the safeguards, which likeminded non-government organizations at the local, country, international and regional level have fought for and continue to fight for.

Given the limited information on country systems that is disclosed and made available to the public, this briefing paper attempts to bring to fore the interesting aspects of the issue surrounding the implementation of country systems:

### ○ **Aid Effectiveness**

*“The true measures of aid's effectiveness are its contribution to the sustained reduction of poverty and inequality, and its support of human rights, democracy, environmental sustainability and gender equality”*<sup>9</sup>. This aspiration though is farfetched given the fact that the Paris Declaration, while hailed by its signatories as an “*unprecedented broad range of commitments to reform aid system and aid delivery*” (which by the way are not binding), also lacks ambition and clear targets and benchmarks. The commitments are structured narrowly in aid delivery and management that are far removed from the realm of development, human rights, social justice and gender framework. Therefore, if there are loopholes in the basic framework of PD commitments (ownership, alignment, harmonization, managing for results, mutual accountability) consequently, the assumptions made under this flawed framework are likewise punctured.

<sup>8</sup> Technical Assistance Report. Technical Assistance for Strengthening Country Safeguard Systems, Asian Development Bank. December 2005.

<sup>9</sup> From Paris to ACCRA 2008: Will aid become more accountable and effective? A critical approach to the Aid Effectiveness agenda, Draft Paper for Regional Consultation on Aid Effectiveness, September 2007.

A case in point, under commitment area number 2, on alignment, that is, “reliable country systems - number of partner countries that have procurement and public financial management systems that either adhere to broadly accepted good practices or have a reform program in place to achieve these, there are two targets for 2010 — 1) Half of partner countries move at least one measure on the Public Financial Management/Country Policy and Institutional Assessment scale of performance; and 2) One-third of partner countries move up at least one measure on the four-point scale used to assess performance for this indicator<sup>10</sup>”. The targets are set as if the countries operate in a vacuum, and what is simply done is to improve aid delivery and management making it even more donor-focused and detached from country context. The approach does not only address the situation that breeds the imbalance and lopsided relationship between the donor and recipient but perpetuates it. The ADB has articulated that by using the country systems, it is expected to reduce transaction costs; improve designed and targeted public activities, and reduce corruption. All these are tantamount to using aid for the ADB’s own economic policy interests and priorities, sidestepping its commitment to extending aid for poverty reduction.

The prevalence of corruption expands the context of aid effectiveness. It is interesting to note that the 2007 Corruption: Perception Index Regional Highlights in the Asia Pacific Region, Eastern Europe and Central Asia, identified the five ADB pilot countries registered below “5” indicating that these countries face serious levels of domestic corruption<sup>11</sup>.

## o Democratic Ownership

*The ownership principle is meant to be a foundation of the Paris aid effective agenda as well as the other on-going reform processes, including the “One UN reforms<sup>12</sup>”. ADB’s regional TA on strengthening country safeguards systems “will determine the Bank’s corporate approach on country safeguard systems and will require detailed assessments of safeguard systems in selected developing member countries”. Further, according to the ADB, “these assessments will identify commonalities and gaps that will require capacity building, policy adaptation and procedural clarity and definition”.*

### o Country Driven and not Donor Imposed

If the goal then of the TA is to strengthen national capacities and improve country systems, why then is the TA based on the donor demands and requirements and not on the specific requirements of each country? The ADB should seriously look into donor-partner country relationship, where countries truly exercise “ownership”, that is, effective leadership over their development policies and strategies and coordinate development actions. And donors, such as the ADB base and align their support on the partner countries’ national development strategies.

### o Country Context Sensitive and not Donor Agenda Perspective

The national situation and context is not given due consideration in the aid effectiveness process, when in fact this should be the cornerstone of development efforts. In the context of globalization, the primacy of national contexts as the basis for development agenda takes the backseat. A case in point, three out of the five ADB pilot countries are former socialist states (China, Kyrgyzstan and Vietnam). How does ADB then strike the

<sup>10</sup> Pages 9 and 10 of the Paris Declaration.

<sup>11</sup> China - 3.5, 12<sup>th</sup> in Asia Pacific Region country rank; India - 3.5, also 12<sup>th</sup> in the regional rank; Kyrgyzstan - 2.1, 14<sup>th</sup> in Eastern Europe and Central Asia; Philippines - 2.5, ranks 2<sup>nd</sup>; Vietnam - 2.6, ranks 20<sup>th</sup>. (<http://www.transparency.org>)

<sup>12</sup> From Paris to ACCRA 2008: Will aid become more accountable and effective? A critical approach to the Aid Effectiveness agenda, Draft Paper for Regional Consultation on Aid Effectiveness, September 2007.

appropriate approach in moving towards capital economy? If the direction now among ADB-assisted countries is towards market economy, what happens to the long held practices of ensuring that basic services (such as education and health in Kyrgyzstan for example)? How does ADB draw the line so as not to infringe on national sovereignty when there are conditionalities (such as technical assistance) tied with assistance?

- **Multistakeholders Participated and not Technical Consultants Dominated**

Country Ownership means not just the government, but should include broad range of multistakeholders. In a system of democracy, it is unacceptable that limited few –interest of the technical and political elites are reflected in the national development agenda. ADB should provide an enabling environment for multistakeholders participation, that is, mechanisms and processes involving broad range of stakeholders within countries and at the international level. Equally important is creating mechanisms and processes as well to ensure that the voice of communities is recognized.

- **Mutual Accountability**

Ownership implies accountability. The country systems should ensure that mechanisms for mutual accountability are in place. *“In the event that the Country Systems Approach is adopted, what are its implications on the current accountability mechanisms of the Bank? How will the Bank remain accountable to socially-, environmentally- and economically-sustainable lending? The Country Systems approach makes it especially difficult to understand the role of ADB accountability mechanisms*

## Philippine Experience

### Technical Assistance on Harmonization and Managing for Results

- The TA was developed within the global harmonization framework through joint efforts of GoP, ADB, WB and JBIC. It is hoped that the TA would strengthen the Philippines Country Harmonization Program.
- Subsumed in GoP's Harmonization Agenda (Core Outcome of planned development results by 2010: "A more efficient, effective and results-based GoP systems and management of development resources put in place, with support of the Development Partners (such as ADB, GOJ-JBIC), in pursuit of the development goal."
- Sub-outcome number 2 of GoP's Harmonization Agenda: "Country systems streamlined and extensively supported by development partners."
- The TA's primary objective is to enhance development effectiveness and efficiency by (i) encouraging rationalized and simplified procedures for better implementing development projects; (ii) aligning development partner activities with government's planning cycle and development agenda; and (iii) harmonizing development partner policies and procedures among themselves and with government's to minimize costs and delays.
- Desired Impact of TA: Improved development effectiveness, reduced transaction costs leading to higher level of public investment and poverty reduction.
- Four components of the TA: (1) Part A: Support to the Overall Harmonization Agenda; (2) Part B: Procurement and Financial Management Audit; (3) Part C: Managing for Results: Strengthening the Quality of Performance-Based Budget Process; (4) Part D: Improving Project Quality at Entry (GAD, Environment, LAR).
- Executing Agencies: Department of Finance (DoF), Department of Budget and Management (DBM), National Economic and Development Authority (NEDA), Commission on Audit (COA)
- Updates of the TA: (1) Completed stocktaking report on the Philippine Harmonization Agenda, Alignment and Managing for Results; (2) Finalized GoP Harmonization Agenda; (3) Drafted action plans including potential areas for future development cooperation; (4) Finalized GoP Progress Indicators anchored on Paris Declaration; (5) Started Baseline Survey in June 2007 and final report is expected by October 2007.
- Duration of the TA is from January 2006 to September 2007.

Source: Presentation of NEDA Director Mr. Roderick Planta during the Philippine Seminar-Workshop on Aid Effectiveness, Reality of Aid, Sulu Hotel, September 17, 2007

*in the event that project-affected communities bring forward a complaint. Clearly, a body like the ADB's Compliance Review Panel (CRP) does not have jurisdiction to interpret the effectiveness and application of a sovereign country's laws and procedures. However, if the country standards are being used in the context of an ADB-supported project, how will the CRP assess whether ADB is in compliance with its policies?<sup>13</sup>*

- Issue of Transparency

ADB's culture of secrecy and selective disclosure of information makes it even more difficult for the public, including CSOs, to "squeeze" relevant and needed information from the Bank. The public disclosure policy on country systems should explicitly include pertinent information on the policy framework, policy requirements, methodology and tools for assessing country systems, accountability, evaluation of pilot projects and costs.

- Meaningful Participation of Project-affected people

Expanding aid accountability mechanisms to include a wider range of stakeholders is an opportune time to involve project-affected people (usually the poor and vulnerable groups in the community) in the decisions which affect their lives. The approach to country systems should guarantee space for meaningful participation, especially of project-affected people. The NGO Forum on ADB has remained steadfast in its call for the "*protection of the rights of all affected communities and respect for indigenous people's internationally-guaranteed rights, including their rights of ownership over lands and resources traditionally owned or otherwise occupied and used, and only support projects that have free, prior and informed consent of IPs arrived at through their customary decision-making processes<sup>14</sup>*".

- **Managing Capacity Development**

*"In order to implement a country systems approach in a controlled and measured manner, a vast amount of resources and expertise may be necessary. Among other things, the ADB will need to assess a country's safeguard laws and procedures, compare them to Bank's policies, and determine the country's track record in implementing its various systems. Not only is this process subjective, but it also is highly complicated and may demand more resources in the Bank's safeguards department<sup>15</sup>*".

It is anticipated that the use of country systems will require enhanced supervision by the ADB, which in turn necessitates expert capacity of the Bank. This therefore opens up questions on ADB's credibility as a professional capacity development provider.

<sup>13</sup> Country Systems: Does it mean better social and environmental outcomes for ADB projects? by Jennifer Kalafut, Bankwatch, November 2006.

<sup>14</sup> "No to Weakened Standards, Yes to Accountability": Open Letter to ADB on Safeguard Policy Update, NGO Forum on ADB.

<sup>15</sup> Country Systems: Does it mean better social and environmental outcomes for ADB projects? by Jennifer Kalafut, Bankwatch, November 2006.

## ● In Assessing Equivalency and Acceptability

*“Equivalence and acceptability are two criteria for deciding on CSS. ADB would consider a borrower’s CSS to be equivalent to ADB’s, if the borrower’s system to achieve the objectives and adhere to the applicable policy principles set out in ADB safeguards. ADB also assesses the acceptability of borrower/client’s implementation capacity, including track record and practices, before deciding on the use of the borrower’s system”.*

This is a crucial stage because of the probability of falling into the abyss of watered-down safeguards. Clear-cut parameters to gauge equivalency and acceptability should be in place, as well as favorable environment that assure space for transparency and broad participation.

### RECOMMENDATIONS:

The introduction of country systems in the draft safeguard policy hearkens and undermines the on-going review process of the safeguards. The Asian Development Bank should carefully look into the experiences of the World Bank in its use of the country systems, which is said to have been “plagued by over-optimism about political commitments and institutional capacity”.

- Uphold the safeguards. *“Uphold and ensure compliance with international human rights, labor and environmental laws, convention and norms”<sup>16</sup>.*
- Create an enabling mechanism for multistakeholders’ participation.
- Support national development strategies that are country oriented and demand driven.
- Demand for accountability.
- Call on ADB to adhere to the highest standards of transparency and disclosure.

The use of country systems, essentially, would mean that the discourse on safeguards will shift at the national level. Given this context, CSOs need to regroup and reassess their strategic advocacy approach. There is a need to strengthen CSO collaboration at the national and international level and advocate for an enabling environment for CSO participation in the national processes.

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### References:

- 1) *Minor Change in Scope and Budget Increase, Strengthening Country Safeguards Systems, Asian Development Bank, March 2007*
- 2) *Country Systems: Does it mean better social and environmental outcomes for ADB projects? by Jennifer Kalafut, Bankwatch, November 2006.*
- 3) *Monitoring the Paris Declaration, 2006 Baseline Survey Early Findings by Simon Mizrabi, Organization for Economic Cooperation and Development (OECD), October 2006.*
- 4) *www.afdb.org/pls/portal. Piloting the Use of Environmental and Social Country Systems, The Case of Uganda, Development Effectiveness and Awareness Week, June 19-21, 2006.*
- 5) *Institutional Analysis of the Asian Development Bank: Input for the Development of Civil Society Campaign Strategy” by Nurina Widagdo and Lori Udall, paper disseminated to Forum’s network members. April 2006.*
- 6) *Strengthening Capacities for Increased Aid Effectiveness by Claudia Buentjen, The Governance Brief, Asian Development Bank, December 2005.*
- 7) *Technical Assistance for Strengthening Country Safeguards Systems, Technical Assistance Report, Asian Development Bank, December 2005.*
- 8) *Expanding the Use of Country Systems in Bank-supported Operations: Issues and Proposals, Operations Policy and Country Systems, World Bank, March 2005.*
- 9) *Two Decades of Environmental and Social Protection Policies at Risk. News/Bretton Woods Project/September 2004.*

<sup>16</sup> Appendix 3, page 42, ADB Draft Safeguard Policy, Asian Development Bank.

<i>Some of the Salient Comments on World Bank's Country Systems Approach</i>			
<i>Environmental Defense January 21, 2005</i>	<i>Center for International Environmental Law January 2005</i>	<i>Bank Information Center January 26, 2005</i>	<i>International Rivers Network January 10, 2005</i>
<u>Country Ownership</u> means ownership by proposed beneficiaries, affected population, civil society and the poor, as well as by the national government bureaucracies and finance ministries		<u>Country Ownership</u> should not be narrowly defined as the purview of 1 or 2 government ministries, but should involve broad range of national stakeholders	<u>Country Ownership</u> means more than government ownership--- of all sectors of society including CS  Mainstreaming of social and environmental concerns throughout its business model "we are strongly opposed to any weakening of the Bank's safeguard policies under the pretext of country ownership"
Commonality of views on COUNTRY OWNERSHIP: Absence of mechanisms and processes involving multi stakeholders within countries thereby contradicting democratic ownership of the development process and undermines accountability.			
<u>Equivalency Assessment</u> <ul style="list-style-type: none"> <li>o Criteria for evaluating equivalency</li> <li>o Input from project-affected people</li> <li>o Disclosure to the public</li> <li>o Accountability mechanisms (country level)</li> </ul>	<u>Assessing Equivalency</u> <ul style="list-style-type: none"> <li>o Weakens the current <i>substantive obligations</i> of borrowers</li> <li>o "Objectives and principles" – these are essentially the safeguard policies and procedures stripped of most of the procedural and substantive requirements to which both the borrowers and the Bank are subject</li> <li>o Would reduce or remove procedures that are necessary to secure substantive obligations</li> </ul>	<u>Assessing Equivalence</u> <ul style="list-style-type: none"> <li>o Should be judged on a country's existing capacity and track record, not on future commitments (or 'capacity going forward'), especially in areas as sensitive as safeguards</li> <li>o Based on performance and not on written policies</li> <li>o Set of indicators or criteria to help guide staff on judging equivalency/disclosure of these also</li> </ul>	<ul style="list-style-type: none"> <li>o Benchmarks by which progress could be measured (simply relying on national standards instead of Bank's standards will not strengthen institutional capacities)</li> <li>o Equivalence of national standards should be determined based on the full set of existing safeguard policies. The full safeguard policies should continue to be the point of reference for future investigations by the Inspection Panel</li> <li>o Only existing national standards that have a proven implementation track record should be considered in an assessment of equivalency with Bank's policies</li> <li>o Assessment of equivalency should be carried out by independent parties through transparent, participatory processes.</li> </ul>

<i>Some of the Salient Comments on World Bank's Country Systems Approach</i>			
Commonality of views on EQUIVALENCY ASSESSMENT: "Commitments" lack unclear targets and benchmarks.			
<p>Corruption, financial management and procurement</p> <ul style="list-style-type: none"> <li>o CS approach in the areas financial management, international competitive bidding and procurement</li> <li>o Inadequacy of efforts to address corruption in its lending</li> <li>o Lacks clear, specific, objective criteria for equivalency</li> <li>o Undermines the effective and needed strengthening of the Bank's fiduciary responsibilities</li> </ul>	<p>Reliance on Borrowers to identify relevant laws and regulations for comparison</p> <ul style="list-style-type: none"> <li>o The bank's analysis of a country's law and regulations would be based only on "borrower-identified national or sub-national legislation and regulation relevant to the operation</li> </ul>		
<p>Accountability/Inspection Panel</p> <ul style="list-style-type: none"> <li>o Undermines the role of WB's Inspection Panel</li> <li>o Watered-down statements of safeguard policy principles</li> <li>o * a rigorous set of indicators to measure equivalence must be developed</li> </ul>	<p>Securing Adequate Supervision and Accountability</p> <ul style="list-style-type: none"> <li>o Delegation of responsibilities to governments but, fails to provide critical details Bank's supervision</li> <li>o Information disclosure as to evaluation of activities</li> <li>o Ability of Inspection Panel to function effectively</li> </ul>	<p>Accountability and Inspection Panel</p> <ul style="list-style-type: none"> <li>o Limitations in terms of reviewing the soundness of the equivalency determination</li> </ul>	<p>Weaken accountability of the WB to its own standards (ability of Inspection Panel to ensure that project activities conform to safeguard policies could be compromised by requiring that national policies rather than the Bank's safeguard policies be used as the point of reference for investigations</p>
<p>Evaluation, pilots and process</p> <ul style="list-style-type: none"> <li>o More time to address the questions and concerns /adequate time for review and consultation</li> <li>o Pilot projects – identification should be transparent/CS involvement</li> <li>o End of pilot phase – independent 3<sup>rd</sup> party evaluation should be conducted (involvement of CS); result should be disclosed and subject to consultation</li> </ul>	<p>Transparency Deficiencies</p>	<p>Disclosure issues and Bank staff responsibilities</p> <ul style="list-style-type: none"> <li>o Lack of clarity on roles and responsibilities</li> <li>o Expand early notification</li> </ul> <p><u>Selection of Pilots</u></p> <ul style="list-style-type: none"> <li>o CS involvement in helping select pilots /commenting on a country's safeguards systems and track record</li> <li>o Independent evaluation</li> </ul>	<p>At the end of the pilot phase, the experience with pilot projects should be evaluated by independent institutions through transparent participatory processes before any decisions on the future of the use of country systems are taken</p>
<p>Sources: 1) <i>Comments from Environmental Defense on "Issues in Using Country Systems in Bank Operations, January 2005</i>                  2) <i>Comments on World Bank's Proposed Country Systems Approach, Center for International Environmental Law, January 2005</i>                  3) <i>Comments on World Bank's Proposed Country Systems Approach, Bank Information Center, January 2005</i>                  4) <i>NGO Comments on the Use of Country Systems in Bank Operations, January 2005</i></p>			