



2006 Survey on Monitoring The Paris Declaration

Country Chapters

BANGLADESH

The 2006 Survey on Monitoring the Paris Declaration was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. This chapter is based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the 2006 Survey on Monitoring the Paris Declaration can be downloaded at the OECD website:

www.oecd.org/dac/effectiveness/monitoring

A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

3 BANGLADESH

IN 2004, BANGLADESH HAD A POPULATION OF ABOUT 137.5 MILLION, and a per capita gross national income (GNI) of USD 440. By 2006, the population had reached 139.8 million and per capita income had reached USD 482. In 2000, 36% of the population was in extreme poverty, falling under the international dollar-a-day poverty line. A further 47% fell under the two-dollars-a-day poverty line. Total net official development assistance (ODA) to Bangladesh in 2004 was USD 1.4 billion, although this accounted for just 2.35% of GNI.

Responses to the 2006 survey in Bangladesh accounted for 88% of ODA. The survey responses, taken together with the World Bank desk reviews which form the basis for the baselines/targets for some of the indicators, demonstrate that some progress has been made towards meeting the standards of aid effectiveness set out in the Paris Declaration, but that significant challenges remain. The main challenges and priorities for the future are summarised below.

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Improving clear long-term vision.	Continue reforms to budget process.
Alignment	Moderate	Improving country systems.	Draw up national capacity-building strategy.
Harmonisation	Moderate	Continued predominance of uncoordinated project approaches.	Explore scope for expansion of sector-wide approaches.
Managing for results	Moderate	Weak dissemination of development information.	Establish monitoring and evaluation systems at sector and local levels.
Mutual accountability	Moderate	Lack of specific indicators of government/donor performance.	Implement Harmonisation Action Plan.

OVERVIEW
Box 3.1
Challenges
and priority
actions

OWNERSHIP

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking. Nor, of course, can it be measured by a single indicator. It requires a combination of cross-cutting factors that engage both donor and government. For donors it means supporting countries' leadership and policies. It also means gearing their overall support to countries' national development strategies, institutions and systems. This is commonly referred to as "alignment". Donors are in a better position to do that when governments set out clear priorities and operational strategies. This is the main focus of Indicator 1 of the Paris Declaration, which is assessed below with reference to the World Bank's 2006 Aid Effectiveness Review of Bangladesh.

INDICATOR 1

The government of Bangladesh identified poverty reduction as the main focus of its development strategy in 2000. Although a long-term strategy has not been comprehensively laid out, aspects are included in Bangladesh's Poverty Reduction Strategy Paper (PRSP) for 2005-07, *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction*. Some sector policies (e.g. education) are in place. The PRSP sets out preliminary development targets linked to the Millennium Development Goals (MDGs), and some even go beyond MDG targets. The PRSP prioritises targets through a policy framework highlighting pro-poor growth, human development and governance. It provides a good basis for further developing Bangladesh's strategy.

The government is in the early stages of linking the budget process with national priorities through a Medium-Term Budget Framework developed as part of the PRSP. The framework brings together the recurrent and capital budgets and should increase funding to priority programmes. 2006 is the first year of PRSP implementation, and there are signs that revenues and expenditures will be broadly in line with the new budget framework.

Bangladesh received a C rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for Indicator 1. This puts it within reach of the 2010 target to achieve a B or an A rating. The government will need to further refine its long-term vision and medium-term strategy, particularly at the sector level, and continue to reform the budget process if this target is to be met.

ALIGNMENT

BANGLADESH IS AT AN EARLY STAGE of alignment between government priorities and systems, and donor policies and procedures. However, the government is playing an increasingly active role in managing its aid, and the agreement of the PRSP has facilitated a more government-led dialogue with donors.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a Indicator 2a provides an indication of the quality of Bangladesh's public financial management systems. The score is based on the World Bank's Country Policy and Institutional Assessment (CPIA Indicator 13). In 2005 Bangladesh's rating was 3 on a six-point scale (ranging from a low of 1 to a high of 6).

The World Bank's 2006 Aid Effectiveness Review describes how public financial management (PFM) in Bangladesh remains weak. However, the government has now prepared a financial management improvement plan that includes all the key elements of effective public financial management. The Bank judges public financial accountability in Bangladesh to be at an early stage. One key problem is that the Office of the Comptroller and Auditor General, while constitutionally independent, remains dependent on the government for resources. A process for making audit standards compliant with international standards has been launched, and the government is considering a Public Expenditure Framework of Accountability, but progress to date has been limited. The government will need to prioritise PFM reforms if Bangladesh is to meet the target of a score of 3.5 on CPIA Indicator 13 by 2010.

INDICATOR 2b No score is currently available for Indicator 2b on the quality of Bangladesh's procurement systems. The World Bank's 2006 Aid Effectiveness Review notes that procurement has been a major source of corruption in Bangladesh. New public procurement regulations were introduced in 2003 to usher in uniform procurement regulations for all public sector bodies, consistent with international standards, and Parliament is considering a public procurement law.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The agreement of the PRSP in Bangladesh has encouraged donors to align their strategies with national priorities. Comprehensive and transparent reporting on aid, and how it is used, is critical not only to ensure that donors align aid flows with national development priorities but also to achieve accountability for the use of development resources and results. The objective of Indicator 3 is to increase the credibility of the budget as a mechanism for governing actual allocation and utilisation of development resources – an important criterion for making alignment a reality rather than a loose principle. To this end, it seeks to encourage a reasonable degree of congruence between how much aid is reported in the budget and how much aid is actually disbursed. In doing so, it recognised that the formulation of the budget is a central feature of the formal policy process. So the degree to which donor financial contributions are fully and accurately reflected in the budget provides a relevant indicator of the degree to which there is a serious effort to align aid with country policies and policy processes, and to be transparent.

The table below provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Bangladesh is 88%. Achieving the target agreed in Paris of 94% (halving the gap) for this indicator will require concerted efforts by donors and government.

Are government budget estimates comprehensive and realistic?

INDICATOR 3
Table 3.1

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Asian Development Bank	208	258	81%
Australia	6	14	42%
Canada	8	34	23%
Denmark	5	38	14%
European Commission	8	31	26%
Germany	24	38	63%
Global Fund	--	8	
IFAD	9	14	68%
Japan	45	63	72%
Netherlands	5	26	18%
Norway	4	4	97%
Sweden	0	13	2%
Switzerland	12	3	29%
United Kingdom	85	29	34%
United Nations	133	147	91%
United States	1	0	0%
World Bank	696	696	100%
Total	1 249	1 414	88%

* Baseline ratio is $c = a / b$ except where government's budget estimates are greater than disbursements ($c = b / a$).

INDICATOR 4
Table 3.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Asian Development Bank	5	8	69%
Australia	0	0	--
Canada	31	50	62%
Denmark	10	10	99%
European Commission	0	0	--
Germany	2	7	33%
Global Fund	0	0	--
IFAD	0	0	--
Japan	2	17	11%
Netherlands	1	26	5%
Norway	6	6	100%
Sweden	--	--	--
Switzerland	2	11	14%
United Kingdom	0	1	0%
United Nations	12	43	29%
United States	0	38	0%
World Bank	1	20	6%
Total	73	238	31%

The budget gap in Bangladesh is relatively small (12%) in comparison to other countries in the survey and should improve in the near future. For example, USAID has recently started including all of its funding in agreements with the government, even though much of it is disbursed directly by USAID.

This gap reflects a number of factors, including different financial years between donors and the government (this is the case with the Asian Development Bank), delayed communication of aid disbursements by donors and imperfect communication among government agencies. For example, the government and DFID will need to improve their channels of communication. In order to meet the target that 94% of aid to the government sector be recorded in the budget by 2010, the government and donors will have to work together to improve the accuracy and timeliness of data, and continue aligning donor strategies with the PRSP.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The government is increasingly assuming responsibility for planning, managing and implementing capacity-building projects. For their part, donors have taken steps to co-ordinate their technical assistance with country programmes, including through sector-wide approaches (SWAp) in education and health. However, co-ordinated technical assistance, including that incorporated into SWAp, accounted for only 31% of technical assistance to Bangladesh in 2005. As part of the follow-up to this survey, the government and donors are working to define standards for co-ordinated technical assistance. The development of a comprehensive capacity development strategy around which donors could co-ordinate would help Bangladesh reach the target of 50% co-ordinated technical assistance by 2010, but the government has not yet taken steps to develop such a strategy.

INDICATOR 5a
Table 3.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg(b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e / a
Asian Dev. Bank	258	258	258	258	100%	160	62%
Australia	14	0	0	13	31%	--	--
Canada	34	0	0	0	0%	0	0%
Denmark	38	0	0	0	0%	3	9%
European Commission	31	31	31	31	100%	27	87%
Germany	38	19	0	0	16%	0	0%
Global Fund	8	8	8	0	67%	0	0%
IFAD	14	14	14	14	100%	14	100%
Japan	63	37	37	37	59%	18	29%
Netherlands	26	26	26	26	100%	26	100%
Norway	4	4	0	4	67%	4	100%
Sweden	13	--	--	--	--	--	--
Switzerland	3	3	3	3	100%	3	100%
United Kingdom	29	29	29	29	100%	29	100%
United Nations	147	130	99	98	74%	8	5%
United States	0	0	0	0	--	0	--
World Bank	696	342	0	342	33%	388	56%
Total	1 414	899	503	854	53%	680	48%

USING COUNTRY SYSTEMS

On average, 53% of aid for the government sector uses Bangladesh's public financial management systems. A large proportion of this is accounted for by budget support, but levels of budget support have varied considerably over time. Given Bangladesh's moderately weak score for public budgetary and financial management (Indicator 2a), no internationally agreed targets have been set on use of country PFM systems. (This should not, however, prevent government and donors from agreeing on a target for Bangladesh). The steps being taken by the government to improve the quality of PFM systems should encourage donors to use them, but these improvements will also need to be effectively communicated if progress is to be made.

Government and a number of donors (Asian Development Bank, Switzerland and Denmark) have noted some inconsistency in the way donors report using country systems, especially with regard to how strictly the criteria have been applied.

Some 48% of aid uses national procurement systems. As a good sign, the introduction of new procurement regulations (see above) has helped donors to use national systems, particularly in the context of sector-wide approaches. Without data on Indicator 2b, no target can currently be set for Indicator 5b.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to “avoid to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes”. Although 38 parallel project implementation units (PIUs) are currently in place, most donors do not make use of them. Steps are nevertheless being taken to reduce the number of PIUs, for example, by consolidating multiple PIUs in the education and health sectors. If the target of a two-thirds reduction in the number of parallel PIUs to 13 is to be reached by 2010, those donors that frequently use PIUs will need to change their approach.

INDICATOR 6
Table 3.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Asian Dev. Bank	0
Australia	0
Canada	0
Denmark	3
European Commission	3
Germany	0
Global Fund	0
IFAD	0
Japan	0
Netherlands	4
Norway	0
Sweden	0
Switzerland	0
United Kingdom	4
United Nations	0
United States	24
World Bank	0
Total	38

PROVIDING MORE PREDICTABLE AID

Indicator 7 focuses on the government’s ability to record disbursements in its accounting system for the appropriate year (see table below).

The table above looks at predictability from two different angles. The first angle is donors’ and government’s combined ability to disburse aid on schedule. In Bangladesh, donors scheduled USD 1 366 million for disbursement in 2005 and actually disbursed – according to their own records – slightly more than expected (USD 1 414 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors’ and government’s ability to record comprehensively disbursements made by donors for the government sector. In Bangladesh, government systems recorded USD 1 249 million out of the USD 1 414 million notified as disbursed by donors (88%), indicating that only a small proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

INDICATOR 7
Table 3.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) c	Baseline ratio* (%) c=a/b c=b/a
Asian Development Bank	208	174	258	84%
Australia	6	14	14	42%
Canada	8	34	34	23%
Denmark	5	24	38	22%
European Commission	8	50	31	16%
Germany	24	6	38	24%
Global Fund	--	9	8	
IFAD	9	14	14	68%
Japan	45	63	63	72%
Netherlands	5	50	26	9%
Norway	4	10	4	41%
Sweden	0	13	13	2%
Switzerland	12	3	3	29%
United Kingdom	85	29	29	34%
United Nations	133	180	147	74%
United States	1	0	0	0%
World Bank	696	695	696	100%
Total	1 249	1 366	1 414	91%

* Baseline ratio is $c = a / b$ except where disbursements recorded by government are greater than aid scheduled for disbursement ($c = b / a$).

In Bangladesh, this combined predictability gap amounts to USD 117 million (9% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

In conclusion, in-year predictability is not a major problem in Bangladesh. This is at least in part because aid accounts for a relatively small proportion of expenditures, which makes project execution less of a problem than in more aid-dependent countries. The target of a 4% predictability gap by 2010 is within easy reach. A greater concern is that most aid is not disbursed on a timetable that coincides with the budget cycle.

UNTYING AID

According to OECD data covering 90% of aid to Bangladesh, 82% of aid is untied. There are no formal discussions about reducing tying.

INDICATOR 8

INDICATOR 9
Table 3.6

How much aid is programme based?

	Programme-based approaches			Total disbursed (USD m) d	Baseline ratio (%) e=c/d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b		
Asian Development Bank	0	20	20	280	7%
Australia	0	2	2	26	6%
Canada	0	31	31	51	61%
Denmark	0	45	45	49	92%
European Commission	0	27	27	47	57%
Germany	0	0	0	43	0%
Global Fund	0	17	17	17	100%
IFAD	0	0	0	14	0%
Japan	0	4	4	63	7%
Netherlands	0	18	18	40	45%
Norway	0	1	1	19	7%
Sweden	0	13	13	17	74%
Switzerland	0	2	2	12	21%
United Kingdom	0	0	0	200	0%
United Nations	0	19	19	172	11%
United States	0	0	0	92	0%
World Bank	300	258	558	696	80%
Total	300	457	757	1 837	41%

HARMONISATION

DONORS IN BANGLADESH have been making efforts to co-ordinate their activities more effectively, including through pooled funding, shared procedures and SWApS. This has been facilitated in part by the fact that a number of major donors have decentralised significant implementation responsibilities to staff in Bangladesh. An “Aid Governance” initiative was launched in 2003 to address questions of harmonisation.

USING COMMON ARRANGEMENTS

Some 41% of aid to Bangladesh is channelled via programme-based mechanisms, and thus makes use of common procedures. Budget support from the World Bank accounted for 40% of this, with the remainder disbursed via two SWApS in health and education. Some major donors have also drawn up a joint results matrix for measuring progress on their projects and programmes. Some bilateral donors are considering providing budget support to Bangladesh, but the government and

donors will need to work together to identify the scope for further programme-based approaches at the sectoral level. In this way, they can bring the country closer to the 2010 target of 66% of aid to be disbursed via programme-based approaches.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The government has requested that more donor missions be conducted jointly, in light of concerns about the burden imposed on government officials by uncoordinated and numerous country missions. Only 19% of missions by donors to Bangladesh were joint in 2005.

Less than half (38%) of the country analytical work conducted by donors in Bangladesh in 2005 was jointly done by more than one donor. For example, donors contributing to the SWAp in the health sector have established a trust fund to carry out joint analytical work. The government is keen to encourage this kind of initiative, and hopes to spearhead the process.

How many donor missions are co-ordinated?

INDICATOR 10a
Table 3.7

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Asian Development Bank	10	45	22%
Australia	--	0	--
Canada	6	27	22%
Denmark	0	11	0%
European Commission	2	16	13%
Germany	4	10	40%
Global Fund	0	3	0%
IFAD	5	8	63%
Japan	3	34	9%
Netherlands	18	25	72%
Norway	0	0	--
Sweden	3	8	38%
Switzerland	2	5	40%
United Kingdom	5	25	20%
United Nations	19	20	95%
United States	0	1	0%
World Bank	7	48	15%
Total (discounted*)	55	286	19%

* The total of co-ordinated missions has been adjusted to avoid double counting.
A discount factor of 35% has been applied.

How much country analysis is co-ordinated?

INDICATOR 10b
Table 3.8

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Asian Development Bank	3	8	38%
Australia	--	0	--
Canada	1	1	100%
Denmark	0	2	0%
European Commission	3	12	25%
Germany	0	1	0%
Global Fund	0	1	0%
IFAD	0	0	--
Japan	3	5	60%
Netherlands	0	2	0%
Norway	0	0	--
Sweden	0	1	0%
Switzerland	0	0	--
United Kingdom	0	0	--
United Nations	20	20	100%
United States	1	3	33%
World Bank	4	14	29%
Total (discounted*)	26	70	38%

* The total of co-ordinated analysis has been adjusted to avoid double counting.
A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11 **MANAGING FOR RESULTS IS KEY** to enhancing aid effectiveness. The Paris Declaration recommends that donors work alongside partner countries to manage resources on the basis of desired results, and use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance and assessment framework. Bangladesh scored a D rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for this indicator. This suggests that considerable progress will need to be made if Bangladesh is to meet the target of a B or an A score by 2010.

According to the World Bank's 2006 Aid Effectiveness Review, the strongest element of Bangladesh's performance and assessment framework is the availability of poverty data and statistics, based on regular surveys carried out by the Bureau of Statistics. That said, the various data-gathering efforts need to be better co-ordinated.

The government's dissemination of development information and policy is judged to be weak by the World Bank, but steps are being taken to address this, including the translation of a summary of the PRSP into Bangla. The National Poverty Focal Point is developing a national monitoring and evaluation system to track PRSP implementation and its consequences. An independent committee for monitoring PRS implementation and attainment of MDGs has been constituted by the government, with representatives from academia, the private sector and non-governmental organisations (NGOs). At the same time, a decision has been taken to form working groups in all relevant ministries/divisions for monitoring poverty reduction strategy implementation and attainment of MDGs, with representatives from government, the private sector, NGOs and research institutions. The World Bank expects this to play an increasingly important role over time. The PRSP also describes plans for a unified monitoring and evaluation framework to provide feedback to policy makers.

MUTUAL ACCOUNTABILITY

INDICATOR 12 **THE PARIS DECLARATION** calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. As such, governments need to take steps to improve country accountability systems and donors need to be transparent about their own contributions. Indicator 12 measures one important aspect of mutual accountability: whether country-level mutual assessments of progress in implementing agreed commitments take place.

The government has been working with donors on a Bangladesh Harmonisation Action Plan, based on the Paris Declaration. This plan was

approved in August 2006. No specific indicators of government and donor performance have yet been agreed, but plans are in place to set these now that the Harmonisation Action Plan has been accepted. The government and donors have established a task force to follow up on implementation of the Action Plan. This implementation process should help Bangladesh meet the target for Indicator 12 by 2010. The Local Consultative Group and the Joint Committee for Monitoring the Implementation Progress of the Poverty Reduction Strategy vis-à-vis Donor Co-ordination also act as fora for government and donors to hold each other to account, although neither currently meets the criteria for Indicator 12.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Bangladesh. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the baseline survey undertaken in Bangladesh under the aegis of the National Co-ordinator (Nargis Islam).

INDICATORS	2005 BASELINE	2010 TARGET
1 Ownership – Operational PRS	C	B or A
2a Quality of PFM systems	3.0	3.5
2b Quality procurement systems	Not available	Not applicable
3 Aid reported on budget	88%	94%
4 Co-ordinated capacity development	31%	50%
5a Use of country PFM systems (aid flows)	53%	No target
5b Use of country procurement systems (aid flows)	48%	Not applicable
6 Parallel PIUs	38	13
7 In-year predictability	91%	96%
8 Untied aid	82%	More than 82%
9 Use of programme-based approaches	41%	66%
10a Co-ordinated missions	19%	40%
10b Co-ordinated country analytical work	38%	66%
11 Sound performance assessment framework	D	B or A
12 Reviews of mutual accountability	Yes	Yes

Table 3.9
Baselines
and targets

ACRONYMS

CPIA	Country Policy and Institutional Assessment
GNI	Gross National Income
MDGs	Millennium Development Goals
NGO	non-governmental organisation
ODA	official development assistance
PFM	public financial management
PIU	project implementation unit
PRSP	Poverty Reduction Strategy Paper
SWAp	sector-wide approach