

3 BANGLADESH

INTRODUCTION

BANGLADESH IS A SOUTHERN ASIAN COUNTRY with a population of 144 million. In 2006, its population growth of 1.9% per annum was faster than the global average of 1.78% for low income countries. In this same year, the country also had a gross national income (GNI) per capita of USD 2 340 (in purchasing power parity terms). The most recent poverty survey estimates, from 2000, indicate that 41.3% of people live below the dollar-per-day international poverty line, with 84.0% living below the

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Improving policy and sector priorities Implementing the annual development plan at all levels Sustaining empowered leadership at operational level	Use the development of the new Poverty Reduction Strategy (PRS) and the Joint Co-operation Strategy to develop priorities Better linkages between the Annual Development Plan and the medium-term budget framework at ministry level Develop capacity development and joint assistance strategies
Alignment	Moderate	Continued use of donor systems	Raise awareness on well-functioning country systems; build confidence in country systems
Harmonisation	Moderate	Significant transaction costs	Build and strengthen existing structures in the Government of Bangladesh rather than creating new ones Promote information sharing on analytic work Strengthen HAP Cell, Economic Relations Division (ERD) to promote aid effectiveness across the government
Managing for results	Moderate	Lack of overall results framework Weak capacity in independent statistical institutions	Agree on one result report covering PRS MDG status and Annual Development Plan Mainstream, as appropriate, the ongoing Primary Education Development Programme (PED), Health, Nutrition and Population Sector Programme (NPSP) joint reviews and UN joint annual reviews of results
Mutual accountability	Moderate	Inconsistency in donor conditionalities	Implement HAP

OVERVIEW

Box 3.1:
Challenges and priority actions

two-dollars-per-day line. However, Bangladesh is making progress on the Millennium Development Goals (MDGs) and has already met MDG 3 on promoting gender equality in primary and secondary education. Furthermore, it is likely to meet MDG 2 for universal primary education.

Total net official development assistance (ODA) was USD 1 223 in 2006, with the World Bank, Asian Development Bank (ADB), United Kingdom and the International Monetary Fund the four largest donors. Aid accounted for 1.9% of GNI in 2006. Thirteen donors responded to the 2008 Survey, with their aid constituting around 85% of total ODA. Having increased the focus on aid effectiveness issues, the survey process may itself promote improvements.

The political turmoil resulting from the declaration of a state of emergency, coupled with the resignation of the president in 2007 as chief advisor of the caretaker government, present a challenging governance environment. In addition, two severe floods, the hugely damaging cyclone Sidr and low investor confidence in 2007 have had significant effects on the economy. It is imperative therefore that the government and donors work together to deliver progress on aid effectiveness and development results.

OWNERSHIP

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

In the 2006 Baseline Survey, Bangladesh received a rating of C for ownership, together with 62% of participating countries assessed. Such a rating implied that little progress was being made and the basis existed for even more substantive progress.

In the 2008 Survey, Bangladesh again received a C on account of its operational development strategy, suggesting that there has been little improvement since the last monitoring survey. This infers that the government must exert greater leadership so as to achieve the Paris Declaration 2010 target of a B rating.

INDICATOR 1

Do countries have operational development strategies?

Bangladesh has strived to develop a long-term vision. Poverty reduction is at the heart of the government's development strategy to 2010 and is built into its partnership agreement on poverty reduction with the Asian Development Bank. This is based upon the country's Poverty Reduction Strategy Paper (PRSP), *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction*. This PRSP is comprehensive in scope and linked strongly to the MDGs. Bangladesh's country report for the 2008 Survey notes that, despite there being clear priorities and objectives in the plan, these are not always connected strongly enough within the sectoral priorities, and that a lack of adequate prioritisation may delay achievements in critical sectors. The report goes on to note that while progress has been achieved in relation to some strategic goals, it has been slow in others – usually as a result of institutional weaknesses and poor co-ordination of external assistance. The implementation of the lessons learnt from overcoming these weaknesses is a challenge that remains for Bangladesh, though the government is developing plans to overcome this in collaboration with different stakeholders.

The government is using a medium-term budgetary framework (MTBF) to begin the process of more strategic budgeting to align public expenditures with national priorities. In the 2006 fiscal year, the government piloted a new budget process integrating the revenue and capital spending envelopes under the Annual Development Program (ADP). This was rolled out to more ministries in the 2007 fiscal year. Prior to this, there was little integration, and largely without a strategic medium-term framework or policy orientation. These changes are helping to assure greater funding certainty to priority projects. However, a number of challenges remain.

While the government is making progress in implementing the MTBF, revenues and expenditures are based on a high-growth scenario. The severe storms of 2007 affected the implementation of the ADP, with the government estimating that only 25% of the plan had been carried out. This was compounded by slow preparation, approval and implementation of projects, which widened the gap between commitments and disbursements. Capacity problems can reduce the scope for wider program-based budgeting, which is partly due to weak financial controls and management capacity at the level of line ministries. However, loss of knowledge due to staff transfers and challenges such as fulfilling donor conditionality are exacerbating the situation.

Modest progress is being made in relation to giving a greater performance orientation to the budget. The MTBF ministries are required to provide output indicators and targets for the next three years, complimented by baseline data. Time will tell if this influences expenditure allocations.

In terms of broader ownership, the government established a structure, the National Steering Committee and twelve thematic groups, to consult with wider stakeholders during the formulation of the PRSP. A separate structure, the National Poverty Reduction Council, has been established to address implementation, and monitoring and evaluation efforts. This provides a venue for consultations with stakeholders and includes representatives from wider civil society. As a result, both civil society and the private sector have participated in the formulation of the PRSP. Parliament's role in the development of the PRSP was also consultative: the constitution does not require parliamentary approval of development planning. Nonetheless, the PRSP is recognised as capturing national development policy, rather than the strategy of the existing government. Parliamentary oversight of the PRSP is irregular beyond the review process of the budget by the Finance Committee. ■

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

Overall, progress towards the Paris Declaration 2010 targets on alignment has been relatively strong in terms of the headline figures for this Declaration, but the picture is complex and these figures must be unpacked for a number of the indicators. Bangladesh still needs to significantly strengthen its public financial management (PFM) systems; progress in this area has been slow despite important reforms having taken place. There has been progress on aligning ODA flows to national priorities and, despite the lack of a national strategy, good progress has been made to co-ordinate support to strengthen capacity. There has also been a significant rise in the proportion of aid using country PFM and procurement systems. However, this rise is due to only a minority of donors: the majority of donors actually report a decline in the use of these systems. The picture on the use of parallel project implementation units (PIUs) is similarly complex. Most donors report a fall in parallel PIUs, but one donor reports a huge rise, which is masking the overall progress of donors as a whole.

BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

INDICATOR 2a

How reliable are country public financial management systems?

In the 2006 Baseline Survey, Bangladesh received a rating of 3.0 for its PFM systems, placing it just below the average score of 3.2 for all International Development Association (IDA) countries. The country chapter noted that PFM in Bangladesh remained weak, but that the government had prepared a PFM improvement plan that included all of the required critical elements. Public financial accountability was judged to be at an early stage in Bangladesh, particularly given the dependence of key accountability institutions (*e.g.* the comptroller and auditor general) on government resources. Since then, some progress in strengthening PFM has been made. For example, the government is beginning to use computers for budget accounting and reporting. It has also sought to strengthen internal and external accountability, audit and scrutiny. There is now only a wait of one year – instead of two years – for final audited accounts. In addition, a process is now underway to give the comptroller and the auditor general more financial and administrative authority. The government has established baseline ratings for core PFM functions and a PFM improvement programme has begun. However, a number of challenges remain. For example, ministries do not receive accounting information in a timely manner, partly due to fragmentation and lack of clear responsibilities within government. Attempts to reform PFM at sub-national levels are also lacking.

The global Paris Declaration 2010 target is for half of partner countries to register a half-point increase in the rating they receive for the reliability of their PFM systems. For Bangladesh, this entails moving from the 3.0 received in the 2006 Baseline Survey to 3.5. The latest CPIA data give the country a rating of 3.0, in common with nearly 25% of countries taking part in the 2008 Survey. This suggests that considerable work lies ahead in order to reach the 2010 target.

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

The reliability of country procurement systems was not assessed for the 2006 Baseline Survey, although the country chapter noted that procurement has been prey to corruption in Bangladesh. Despite steady progress, improving the transparency and competitiveness of public procurement remains a challenge. Progress has been made in three key areas: Parliament's passing of the Public Procurement Act (PPA) in 2006; the introduction of Public Procurement Rules (PPR) in 2008 for all public sector entities; and the implementation of a procurement tracking and monitoring system within the Ministry of Finance. The establishment of an Anti-Corruption Commission in 2005 has yet to have an impact, despite moves by the government to assure its independence. A number of concerns remain including inadequate enforcement of regulations, delays in awarding contracts and political interference. The government is therefore beginning a second round of reforms, funded by the World Bank, to support capacity development, strengthen implementation and monitoring at the sectoral level, and engage stakeholders in monitoring contractual and procurement outcomes. As yet, no rating has been provided for 2008.

INDICATOR 2b

How reliable are country procurement systems?

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

INDICATOR 3

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

TABLE 3.1:
Are government budget estimates comprehensive and realistic?*

	Government budget estimates of aid flows for 2007 (USD m) a	Aid disbursed by donors for government sector in 2007 (USD m) b	2005	2007*	
			(for reference)	c = a / b	c = b / a
Asian Dev. Bank	355	371	81%	96%	
Australia	1	0	42%	0%	
Canada	30	11	23%	35%	
Denmark	55	30	14%	54%	
European Commission	65	3	26%	4%	
Germany	20	29	63%	70%	
Global Fund	0	19	--	0%	
IFAD	3	11	68%	27%	
Japan	45	42	72%	94%	
Korea	15	15	--	99%	
Netherlands	20	15	18%	73%	
Norway	30	3	97%	11%	
Sweden	28	0	2%	0%	
Switzerland	2	0		29%	21%
United Kingdom	70	61		34%	87%
United Nations	85	91	91%	94%	
United States	65	29		0%	45%
World Bank	640	682	100%	94%	
Average donor ratio	--	--	47%	50%	
Total	1 530	1 411	88%	92%	

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

** In order to avoid double-counting, aid channelled through secondary donors (e.g. UN) is reported against the secondary donor or the donor at the point of delivery of aid, not the bi-lateral donor.

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

In the 2006 Baseline Survey, an impressive 88% of aid disbursed was accurately estimated in the budget, although it should be noted that for the average donor the proportion was 47%. This led to the country's 2010 target being set at 94%, which represents a halving of the proportion of aid flows to the government sector that are not reported on the government budget.

The 2008 Survey reports a solid aggregate rise to 92%, along with a rise to 50% for the average donor. The government is increasing its leadership role in co-ordinating development assistance – including the co-ordination of all external assistance relating to the PRSP and the formation of eight groups to follow up on implementation – though the efficiency of these groups varies.

Most of the external partners have aligned their assistance strategies with the PRSP, which includes a joint strategy for Bangladesh for 2005-09 prepared by the World Bank, ADB, the United Kingdom and Japan. The PRSP is also open to more donors to join. A number of development partners and the government have shown a keen interest in developing a joint co-operation strategy as a response to, and in support of, the upcoming 2nd Poverty Reduction Strategy: *Moving Ahead*. This could be a key instrument in improving the aid harmonisation efforts in Bangladesh.

If progress continues at the current rate, meeting the 2010 target for Indicator 3 should be relatively easy for Bangladesh. The main challenges remaining are: weaknesses in the government account reporting system such that payments are not reflected in the accounts until actually made; the frequency of reporting and recording required by donors; and the lack of systematic co-ordination among the various administrative entities throughout the entire planning cycle; and a lack of skilled staff.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

The 2006 Baseline Survey reported that 31% of donor technical co-operation to Bangladesh was provided in a co-ordinated manner. After the Survey, donors and the government were working to define standards for co-ordinated technical assistance.

INDICATOR 4

TABLE 3.2:
How much technical
co-operation is co-ordinated
with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007
Asian Development Bank	2	5	69%	48%
Australia	6	6	--	100%
Canada	17	44	62%	38%
Denmark	20	20	99%	100%
European Commission	5	12	--	42%
Germany	11	11	33%	99%
Global Fund	--	--	--	--
IFAD	2	2	--	100%
Japan	12	12	11%	100%
Korea	5	5	--	100%
Netherlands	10	10	5%	97%
Norway	1	3	100%	26%
Sweden	0	0	--	100%
Switzerland	6	10	14%	58%
United Kingdom	46	46	0%	100%
United Nations	35	81	29%	43%
United States	9	14	0%	63%
World Bank	28	28	6%	100%
Total	215	310	31%	69%

The 2008 Survey reports a significant improvement in co-ordination to 69% of donor technical co-operation being provided in a co-ordinated manner. This suggests that Bangladesh has already met the 2010 target, despite the fact that a comprehensive capacity development strategy has yet to be developed. The government needs to focus on this issue as the next PRSP is formulated. With regard to this lack of a comprehensive strategy, donors are attempting to consult regularly during the design and implementation phases of technical co-operation programmes and projects, as a means of reducing overlaps and enhancing harmonisation. There has also been a major co-ordination effort in the recent Preparation of Electoral Roll with Photographs (PERP) programme.

USING COUNTRY SYSTEMS

INDICATOR 5

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

The 2006 Baseline Survey reported that 53% of aid to the government sector in Bangladesh made use of the country PFM systems and noted that a large proportion of this was accounted for by budget support. Given its weak score of 3.0 for the reliability of its PFM systems (Indicator 2a), a 2010 target for the use of those systems was not set. The low score of 3.2 for the 2008 Survey means that, again, a target for the use of these systems cannot be set.

The 2008 Survey indicates a significant rise – to 77% – in the proportion of aid using country systems. However, this masks a complex situation in which only three of the donors reported a rise in the use of such country systems and more than one-half of the others actually reported a decline in use. The largest rise has been in Bangladesh's use of financial reporting systems, though again this masks a complex situation in which the rise results from the use of the systems by a minority of donors whereas the majority of donors actually reported lower use. Overall, donors appear to be more willing to use budget and auditing systems than those for financial reporting. One possible reason for this complexity, suggested by the government, is that the revised definition for the indicator has resulted in more accurate reporting. In addition to the ongoing weaknesses in Bangladesh's PFM systems, which limit donors' confidence in being able to use them, the biggest challenge for donors is to balance fiduciary risk controls with flexible procedures for promoting results. In order to reassure donors, financial reporting and control procedures also need to be strengthened further, particularly for line ministries. A lack of capacity is reducing the opportunity for the country to move towards the implementation of output-focused budgeting. Internal control and audit functions within government can be improved; external audit needs improvement and better punctuality, with a focus on major risks rather than minor issues.

TABLE 3.3:
How much aid for
the government sector
uses country systems?*

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005 (for reference)	2007	Procurement systems (USD m) e	2005 (for reference)	2007 e / a
						avg (b,c,d) / a			
Asian Development Bank	427	427	427	427	100%	100%	326	62%	76%
Australia	0	0	0	0	31%	--	0	--	--
Canada	11	0	0	0	0%	0%	0	0%	0%
Denmark	26	0	0	0	0%	0%	26	9%	99%
European Commission	4	1	1	1	100%	23%	0	87%	0%
Germany	30	0	19	19	16%	41%	19	0%	62%
Global Fund	15	15	0	15	67%	67%	11	0%	70%
IFAD	13	13	0	4	100%	44%	13	100%	100%
Japan	53	26	26	26	59%	49%	26	29%	49%
Korea	7	2	2	2	--	31%	2	--	31%
Netherlands	15	3	3	3	100%	19%	3	100%	19%
Norway	2	1	1	1	67%	42%	1	100%	42%
Sweden	0	0	0	0	--	--	0	--	--
Switzerland	0	0	0	0	100%	0%	0	100%	0%
United Kingdom	66	17	6	6	100%	15%	11	100%	17%
United Nations	102	91	77	79	74%	80%	0	5%	0%
United States	32	0	0	0	--	0%	0	--	0%
World Bank	714	520	520	714	33%	82%	559	56%	78%
Total	1 518	1 117	1 082	1 297	53%	77%	996	48%	66%

* To avoid double-counting, aid channelled through secondary donors (e.g. UN) is reported against the secondary donor, or the donor that is at the point of delivery of aid, not the bi-lateral donor.

In 2007, 66% of aid for the government sector made use of the country’s procurement systems - a rise of 10% from the level recorded in the 2006 Baseline Survey. This reflects the efforts made by the government to reform procurement. Progress is being made, particularly in the health and education sectors. No target has been set for 2010, and the challenge lies in maintaining consistency in the implementation and monitoring of the new PPA and PPR. The next reform will focus on these challenges, particularly in relation to key sectors. Progress here will have to be made to sustain the increased use of Bangladesh’s procurement system.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

INDICATOR 6

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be “parallel” when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

TABLE 3.4:
How many PIUs are parallel to country structures?

	2005 (for reference)	2007 (units)
Asian Development Bank	0	0
Australia	0	0
Canada	0	0
Denmark	3	2
European Commission	3	1
Germany	0	0
Global Fund	0	0
IFAD	0	0
Japan	0	0
Korea	--	0
Netherlands	4	2
Norway	0	0
Sweden	0	0
Switzerland	0	0
United Kingdom	4	0
United Nations	0	19
United States	24	0
World Bank	0	0
Total	38	24

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

The 2006 Baseline Survey recorded a total of 38 parallel PIUs, but noted that most donors do not make use of them. Nonetheless, steps were being taken to consolidate multiple parallel PIUs in the education and health sectors.

The 2008 Survey records a total of 24 parallel PIUs. Without the introduction of 19 new parallel PIUs by the United Nations, this total would have dropped to 5 parallel PIUs, well below the 2010 target of 13 parallel PIUs. The introduction of parallel PIUs by the UN also reflects the fact that, in some cases, delegated co-operation requires the maintenance of PIUs for monitoring purposes. This reduction was achieved largely through better integration of the units into government structures and the hiring of internal government staff. However, continuing problems with the definition of the indicator may have contributed to the decline for some donors.

PROVIDING MORE PREDICTABLE AID

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

INDICATOR 7

TABLE 3.5:
Are disbursements
on schedule and recorded
by government?*

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2005	2007*
				(for reference)	c = a / b c = b / a
Asian Development Bank	342	364	427	84%	94%
Australia	0	16	0	42%	0%
Canada	18	11	11	23%	63%
Denmark	50	35	26	22%	70%
European Commission	66	81	4	16%	82%
Germany	20	28	30	24%	70%
Global Fund	6	29	15	--	22%
IFAD	3	13	13	68%	21%
Japan	32	53	53	72%	60%
Korea	15	4	7	--	27%
Netherlands	24	15	15	9%	64%
Norway	46	10	2	41%	22%
Sweden	33	19	0	2%	58%
Switzerland	3	3	0	29%	93%
United Kingdom	69	66	66	34%	95%
United Nations	109	137	102	74%	80%
United States	62	47	32	0%	76%
World Bank	680	643	714	100%	94%
Average donor ratio	--	--	--	40%	61%
Total	1 578	1 574	1 518	91%	100%

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

** To avoid double-counting, aid channelled through secondary donors is recorded against the secondary donor, not the bi-lateral donor.

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

In 2005, an impressive 91% of scheduled disbursements to Bangladesh were recorded by the government. The country report attributes this small shortfall to the fact that either donors did not notify the government of disbursements, or the government recorded them inaccurately. The global Paris Declaration 2010 target is to reduce the predictability gap by one-half, giving the country a target of 94%. The 2008 Survey results show that predictability has risen to 100%, hence exceeding this target. The key task now will be to improve the predictability of aid by each donor, which is at 61%.

INDICATOR 8

How much aid is untied?

UNTYING AID

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country’s capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

On the basis of data covering 90% of aid, the 2006 Baseline Survey reported that 82% of aid to Bangladesh provided by members of the OECD-DAC was untied. The average level of untying for the countries participating in the 2006 Baseline Survey was 75%. The Paris Declaration 2010 target is for continued progress over time with untying. The most recent data, covering 94% of aid provided to Bangladesh by members of the OECD-DAC, shows progress has been made and that 93% of aid is untied. The country chapter notes that various efforts have been made to reduce tying, including to: re-examine internal rules relating to the bidding process; move gradually towards local bidding; survey international bidding and the related costs; and pursue a programme-based approach (PBA) through delegated co-operation. ■

HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

Progress on harmonisation is mixed for Bangladesh. The 2008 Survey found that the proportion of aid using PBAs decreased due to a reduction in both budget support and other forms of PBAs. While the rise in the proportion of joint missions masks the less welcome news that there has been a significant rise in the total number of missions as well, the rise in the proportion of joint analytical work has occurred against the backdrop of a rise in the total amount of analytical work.

USING COMMON ARRANGEMENTS**INDICATOR 9**

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

TABLE 3.6:
How much aid is
programme based?

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
Asian Development Bank	109	87	196	427	7%	46%
Australia	0	6	6	17	6%	35%
Canada	0	17	17	44	61%	38%
Denmark	0	29	29	33	92%	87%
European Commission	0	0	0	33	57%	1%
Germany	0	8	8	30	0%	28%
Global Fund	0	10	10	25	100%	40%
IFAD	0	0	0	13	0%	0%
Japan	0	2	2	53	7%	4%
Korea	0	0	0	7	--	0%
Netherlands	0	0	0	50	45%	0%
Norway	0	0	0	12	7%	0%
Sweden	0	0	0	9	74%	0%
Switzerland	0	5	5	10	21%	48%
United Kingdom	0	1	1	115	0%	0%
United Nations	15	28	43	103	11%	41%
United States	--	32	32	37	0%	86%
World Bank	417	103	520	714	80%	73%
Total	540	328	868	1 733	41%	50%

In order to avoid double-counting in cases where one donor disburses ODA funds on behalf of another, it is the donor who makes the final disbursement to the government that reports on these funds.

In the previous round of monitoring, 41% of aid to Bangladesh was recorded as making use of PBAs, a figure that suggested meeting the Paris Declaration 2010 target of 66% might be possible. The 2008 Survey suggests that 50% of aid made use of PBAs in 2007, reflecting an increase in both the amount of aid provided as budget support (a form of PBA) and in the amount of aid using other PBAs. The World Bank's Aid Effectiveness Review notes that both donors and the government are making considerable efforts to use common arrangements, particularly in the areas of accounting pooling, procurement procedures, performance-based financing, and common audit and reporting requirements. Funding has been pooled in the primary education and health sectors, and in the preparation of the electoral roll. For some sector programmes, challenges remain in ensuring that implementation is sequenced with donor commitments, so that budget execution follows development plans more closely. This in turn will require the Annual Development Plan to be more realistic and the administration capacity and country PFM systems to be stronger.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

INDICATOR 10a

The 2006 Baseline Survey reported that only 19% of donor missions to Bangladesh were conducted jointly. It also noted that the government had requested that more missions be conducted jointly to ease the burden on officials. Data for the 2008 Survey show an increase to 21% of missions being conducted jointly. However, this rise masks a huge jump in the total number of missions, from 286 in 2006 to 362 in the 2008 Survey. More than one-half of donors recorded a rise in their total number of missions, with two multi-lateral donors contributing the majority of the rise and conducting 58% of the total missions. This increase may partly be due to these donors experiencing a rise in the awarding of contracts and disbursement.

TABLE 3.7:
How many donor missions
are co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005 (for reference)	2007 c = a / b
Asian Development Bank	41	116	22%	35%
Australia	2	3	--	67%
Canada	2	25	22%	8%
Denmark	4	10	0%	40%
European Commission	6	14	13%	43%
Germany	6	14	40%	43%
Global Fund	0	2	0%	0%
IFAD	2	8	63%	25%
Japan	2	31	9%	6%
Korea	0	8	--	0%
Netherlands	1	4	72%	25%
Norway	0	0	--	--
Sweden	4	4	38%	100%
Switzerland	1	2	40%	50%
United Kingdom	0	7	20%	0%
United Nations	22	35	95%	63%
United States	0	0	0%	--
World Bank	21	79	15%	27%
Total	86	362	19%	24%

* The total of co-ordinated missions was adjusted to avoid double-counting in 2005, where a discount factor of 35% was applied. For 2007, the in-country survey team collected more detailed information on missions, allowing for the elimination of double-counting at source.

Given the rise in the proportion of joint missions, meeting the 2010 target of 40% of missions being conducted jointly should be relatively easy to meet. However, donors will need to pay much more attention to the total number of missions they impose on the government. One challenge is that the government does not currently track the number of missions.

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility in ensuring that the analytical work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits. It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need also to draw on partner countries' own analytical work and, where appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytical work that is undertaken jointly.

INDICATOR 10b

	Co-ordinated donor analytical work* (analyses)	Total donor analytical work (analyses)	2005 (for reference)	2007
	a	b		c = a / b
Asian Development Bank	6	18	38%	33%
Australia	2	2	--	100%
Canada	6	6	100%	100%
Denmark	7	7	0%	100%
European Commission	2	3	25%	67%
Germany	0	0	0%	--
Global Fund	0	3	0%	0%
IFAD	0	0	--	--
Japan	1	9	60%	11%
Korea	0	1	--	0%
Netherlands	0	5	0%	0%
Norway	0	0	--	--
Sweden	0	0	0%	--
Switzerland	0	1	--	0%
United Kingdom	0	1	--	0%
United Nations	43	64	100%	67%
United States	1	3	33%	33%
World Bank	3	5	29%	60%
Total	53	128	38%	42%

TABLE 3.8:
How much country analysis is co-ordinated?

* The total of co-ordinated joint analytic work was adjusted to avoid double-counting in 2005, through the application of a discount factor of 25%. For 2007, the in-country survey team collected more detailed information on missions, allowing for the elimination of double-counting at source.

Indicator 10b shows an encouraging increase from the 38% reported in the 2006 Baseline Survey to 42% in the 2008 Survey. Encouragingly, there was a significant rise in the volume of country analytical work, from 70 to 128 units. Adjusting for double-counting, meeting the 2010 target of 66% of analytical work in Bangladesh being co-ordinated should be relatively easy. Donors are sharing information at co-ordination meetings, alongside their joint analytical work. The move towards the PBA of pooled funding appears to be catalysing progress on more joint analysis in some sectors. The UN system in Bangladesh has also agreed to co-ordinate its analytical work. One improvement would be for both donors and government to share analytical work more openly; this would allow easier access to end users. ■

MANAGING FOR RESULTS

INDICATOR 11

Do countries have results-based monitoring frameworks?

THE PARIS DECLARATION CALLS on donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank’s review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent and monitorable results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

At the time of the 2006 Baseline Survey, the World Bank’s Aid Effectiveness Review gave Bangladesh a rating of D for its framework reporting and performance assessment. This put the country in the same category as 34% of assessed countries taking part in the 2006 Baseline Survey and indicated that some progress is possible.

Bangladesh’s rating has risen to C in the 2008 Survey, reflecting the fact that action has been taken and some progress is being made. With its well-established systems for gathering poverty data, Bangladesh has already met the 2010 target of moving up one grade, though much more improvement is possible. One challenge facing the government is in co-ordinating the data collection efforts of various ministries and agencies. Capacity issues also remain a challenge, though work is underway to provide technical assistance to the government in this area. The government is also moving ahead with the monitoring and evaluation agenda, which would benefit from improved policy linkages with poverty diagnostic tools. ■

MUTUAL ACCOUNTABILITY

INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

At the time of the 2006 Baseline Survey, no mutual assessment had taken place. However, it was hoped that the implementation of the HAP might provide the basis for an assessment. The country chapter for 2007 notes that Bangladesh has no mechanism for a formal mutual assessment involving all stakeholders, and that attempts to conduct a joint assessment vary from donor to donor. Some joint assessment is occurring at the level of the sectoral mechanisms for the pooling of donor funding. ■

PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

PROGRESS TOWARDS GREATER AID EFFECTIVENESS in Bangladesh is mixed. Although both government and donors are committed to the Paris Declaration, meeting the 2010 targets will be a challenge. In order to make significant progress, the government will need to show greater leadership and donors will need to work with the government to build capacity. Progress in both harmonisation and alignment has been varied. As a result, headline improvements for some indicators are the result of real improvements by some donors that effectively mask significant slippage by others. Country systems still need significant attention if donors are to align more closely. While progress has been made in developing Bangladesh's framework for monitoring and performance assessment, further progress is required. Finally, developing a mechanism for mutual assessment of progress towards aid effectiveness should be a priority. ■

SUMMARY
TABLE 3.9

INDICATORS		2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	C	C	B or A
2a	Reliable public financial management (PFM) systems	3,0	3,0	3,5
2b	Reliable procurement systems	Not available	Not available	Not applicable
3	Aid flows are aligned on national priorities	88%	92%	94%
4	Strengthen capacity by co-ordinated support	31%	69%	50%
5a	Use of country PFM systems	53%	77%	No target
5b	Use of country procurement systems	48%	66%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	38	24	13
7	Aid is more predictable	91%	100%	94%
8	Aid is untied	82%	93%	More than 82%
9	Use of common arrangements or procedures	41%	50%	66%
10a	Joint missions	19%	24%	40%
10b	Joint country analytical work	38%	42%	66%
11	Results-based monitoring frameworks	D	C	B or A
12	Mutual accountability	No	No	Yes

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ACRONYMS

ADB	Asian Development Bank
ADP	Annual Development Program
CPIA	Country Policy and Institutional Analysis
ERD	Economic Relations Division
GNI	gross national income
GOB	Government of Bangladesh
HAP	Harmonisation Action Plan
HNPSP	Health, Nutrition and Population Sector Programme
MDGs	Millennium Development Goals
MTBF	Medium-Term Budgetary Framework
ODA	official development assistance
PBA	Programme-Based Approach
PEDP	Primary Education Development Programme
PFM	public financial management
PIU	project implementation unit
PPA	Public Procurement Act
PPR	Public Procurement Rules
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
UN	United Nations