
BANGLADESH

INTRODUCTION

BANGLADESH is a low-income country with a gross national income (GNI) of USD 580 per capita (2009) which has grown at an average rate of 4% per annum since 2005 (WDI, 2011). It has a population of 158 million, approximately 50% of whom lived under the 1.25 dollar-a-day income poverty line in 2005 (WDI, 2011).

Bangladesh is particularly vulnerable to the negative impacts of global climate change. Sustained economic growth since the early 1990s has contributed to a significant improvement in poverty conditions in the midst of many challenges. However, inequality remains high, and Bangladesh continues to be home to the third largest population of poor people in the world.

Net official development assistance (ODA) to Bangladesh in 2009 totalled USD 1 227 million (OECD, 2011a). Since 2005, net ODA has averaged 2% of GNI and 21% of central government expense (WDI, 2011). The top five donors provided 64% of Bangladesh's core ODA (OECD, forthcoming). ■

SUMMARY OF PROGRESS

PROGRESS ON THE PARIS DECLARATION INDICATORS depends on improvements in aid management by both donors and partner governments. The government and donors have taken considerable steps towards the implementation of the global aid effectiveness agenda. The Joint Co-operation Strategy (JCS) signed in 2010 outlines a joint vision for aid effectiveness in Bangladesh and contains corresponding partnership commitments both by the government and donors. Since 2005, data on 12 indicators have been consistently measured. Out of 12 indicators with applicable targets, only 3 were met (indicators 3, 4 and 8). A further three indicators have remained static, five have progressed and four have seen setbacks since the previous survey. Operational development strategies have not improved since 2005. By contrast, the government showed great efforts in aligning aid through the improvement of country systems. Harmonisation has been addressed, but with limited results, especially in the use of common arrangements. Results-oriented frameworks and mutual accountability dimensions have not improved since 2007 and are below target, thus leaving the Government of Bangladesh with many challenges ahead. ■

TABLE 1:
Baselines and targets
for 2010

INDICATORS		2005 REFERENCE	2007	2010 ACTUAL	2010 TARGET
1	Operational development strategies	C	C	C	B or A
2a	Reliable public financial management (PFM) systems	3.0	3.0	3.0	3.5
2b	Reliable procurement systems	Not available	Not available	Not available	No Target
3	Aid flows are aligned on national priorities	88%	92%	100%	94%
4	Strengthen capacity by co-ordinated support	31%	69%	54%	50%
5a	Use of country PFM systems	53%	77%	65%	No Target
5b	Use of country procurement systems	48%	66%	29%	No Target
6	Strengthen capacity by avoiding parallel PIUs	38	24	18	13
7	Aid is more predictable	91%	100%	84%	96%
8	Aid is untied	89%	89%	93%	More than 89%
9	Use of common arrangements or procedures	41%	50%	34%	66%
10a	Joint missions	19%	20%	29%	40%
10b	Joint country analytic work	38%	42%	47%	66%
11	Results-oriented frameworks	D	C	C	B or A
12	Mutual accountability	N	N	N	Y

TABLE 2:
Learning from success
and challenges

	ACHIEVEMENT OR CHALLENGE	LESSON OR PRIORITY ACTION
Ownership	<p>Achievement: Extensive participation of stakeholders in the formulation, monitoring and evaluation of the national development strategy.</p> <p>Challenge: Supportive strategies are not efficiently translated into sectoral and ministerial priorities due to capacity constraints within implementing agencies.</p>	<p>Lesson: Establishment of an inclusive multi-stakeholder approach and implementation framework.</p> <p>Priority action: Adoption of a relevant approach to aid effectiveness work at the country level to facilitate synergies between capacity, ownership and leadership.</p>
Alignment	<p>Achievement: Almost all donors have a multi-year country assistance programme/strategy reflecting their commitments in development assistance.</p> <p>Challenge: There are a number of interlinked structural and capacity problems that seriously reduce the efficiency and effectiveness of the entire public sector.</p>	<p>Lesson: All country assistance programmes are shared with the government to align with country strategies.</p> <p>Priority action: Enhancing aid management capacities and systems within the context of a wider governance reforms and co-ordinated with a comprehensive national capacity development strategy.</p>
Harmonisation	<p>Achievement: The Joint Co-operation Strategy agreed between the government and donors on how to work better together to make aid more effective.</p> <p>Challenge: Limited use of common arrangements and programme-based approaches (PBAs).</p>	<p>Lesson: Government's commitment to encouraging donors to work on the same set of objectives and rules and sharing project information.</p> <p>Priority action: Securing wider acceptance of PBAs and consistently applying them to other sectors.</p>
Managing for results	<p>Challenge: Results frameworks are not used by either government or the majority of donors.</p> <p>Challenge: Capacity constraints of implementing agencies in managing and co-ordinating aid</p>	<p>Priority action: A national development results framework should be utilised as part of the Joint Co-operation Strategy action plan.</p> <p>Priority action: Capacity building should be emphasised as a national development objective.</p>
Mutual accountability	<p>Challenge: Make local consultative group (LCG) consultations more inclusive and increase their effectiveness as co-ordination tools.</p>	<p>Priority action: Establishment of competent, efficient and well-resourced LCG secretariat to complement the plenary as an effective decision-making body.</p>

ABOUT THE SURVEY

THIS CHAPTER ASSESSES PROGRESS against the quantitative indicators provided by the Survey on Monitoring the Paris Declaration, drawing on data provided by the government and donors, the OECD and the World Bank. In addition to this, it draws on qualitative evidence submitted to the OECD by the national government which incorporates feedback from donors and other stakeholders. Stakeholders note that it is possible that in places definitions and concepts were interpreted differently by survey respondents in 2011 compared with previous years. A degree of caution should be taken when analysing the trends shown by some of the indicators.

The 2011 survey responses cover 19 donors and 91% of Bangladesh's core ODA. The Paris Declaration Monitoring Survey in Bangladesh was conducted in 2006 and 2008. The 2011 Survey was managed by the Aid Effectiveness Unit in the Economic Relations Division of the Ministry of Finance, and the Donor Focal Point under the aegis of the National Co-ordinator. ■

OWNERSHIP

AID IS MOST EFFECTIVE when it supports a country-owned approach to development. It is less effective when aid policies and approaches are driven by donors. In the context of the Paris Declaration, ownership 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.

Indicator 1 assesses the operational value of a country's development strategy. In particular, it looks at the existence of an authoritative country-wide development policy (*i.e.* a unified strategic framework), the extent to which priorities are established, and whether these policies are costed and linked with the budget. All of these features are important to harness domestic resources for development, and to provide a basis for the alignment of aid to development priorities. Each country has provided evidence against these criteria, and this has been translated into a score by the World Bank using the same methodology as in the 2006 and 2008 surveys. A five-point scale runs from A (highest score) to E (lowest score). The Paris Declaration targets 75% of partner countries achieving a score of A or B by 2010.

In 2010, Bangladesh received a rating of C for ownership, the same score as in 2005 and 2007. This implies that little progress is being made on the formulation of a unified development framework and that room for improvement remains.

Bangladesh's poverty reduction strategy, the National Strategy for Accelerated Poverty Reduction II (NSAPR-II), serves as a transitional national development strategy for the 2008-2011 period. It is based on the long-term "Vision 2021" policy of Bangladesh to become a middle-income country, and is a comprehensive strategy with a road map for pro-poor economic growth, with clear priorities and provisions to address major constraints to accelerate sustainable and inclusive development. The need for enhancing aid effectiveness according to the Paris Declaration has been highlighted in the NSAPR-II for the first time.

An extensive participatory process informs the formulation and finalisation of the national development strategy, including stakeholders such as civil society, NGOs, the private sector, academia, mass media organisations and vulnerable groups under the direction of the General Economics Division (GED) of the Planning Commission. A well-structured implementation framework has been incorporated in the national development strategy, recognising the role of these stakeholders. Different regulatory bodies and necessary provisions have been established for all stakeholders to become involved in the monitoring and evaluation of the implementation process.

INDICATOR 1

Do countries have operational development strategies?

However, the NSAPR implementation has revealed that the formulation process has not been effectively translated into sectoral and ministerial priorities and objectives due to capacity constraints at the implementing agency level. As a result, operational programmes were not included in the national strategic framework and linkages have not been effectively established between medium-term expenditure and budget frameworks and the annual budget.

Government leadership in the technical working groups is not yet effectively linked to the development of plans that clearly articulate national priorities. A more relevant approach is required for greater aid effectiveness at the country level to facilitate synergies between capacity, ownership and leadership. Bangladesh has a basic structure of collective dialogue with donors under the local consultative group (LCG) mechanism. Despite its advantages, this mechanism has not yet reached its full potential as an effective co-ordination tool, especially regarding development co-operation activities at the sector level. ■

ALIGNMENT

AID THAT IS DONOR DRIVEN AND FRAGMENTED is less effective. For aid to be effective, it must make use of national development strategies and use and help strengthen capacity in national systems, such as those for procurement and public financial management. The Paris Declaration envisions donors basing their support fully on partner countries' aims and objectives. Indicators 2 through 8 of the Paris Declaration assess several different dimensions of alignment.

In terms of alignment, the Government of Bangladesh has made little improvement, even experiencing some setbacks on a number of indicators when compared to 2007. The reliability of public financial management systems have not improved from previous years and continue to be low, leading to the limited use of country systems by donors. Aid flows are well aligned to national priorities but less predictable. Government capacity has been improved through the elimination of parallel project implementation units, but co-ordinated support has fallen since 2007, although it still meets the 2010 target.

INDICATOR 2 Building reliable country systems

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. Do these systems either adhere to good practices or are there plans for reform? If countries have reliable systems, donors are encouraged to use them for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

INDICATOR 2a How reliable are country public financial management systems?

Indicator 2a of the Paris Declaration assesses whether PFM systems meet broadly accepted good practices or whether credible reform programmes are in place. 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).

To score highly, a country needs to perform well against all three of the following criteria: a comprehensive and credible budget linked to policy priorities; an effective financial management system 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 with effective arrangements for follow up. Meeting the global 2010 target requires half of partner countries to move up at least one measure (*i.e.* 0.5 points) between 2005 and 2010.

In the 2011 Survey, Bangladesh received a rating of 3.0 for its public financial management (PFM) systems, the same score as in the 2006 and 2008 surveys. Efforts to improve its PFM systems have been underway for several years with computerisation at the core of reforms. However, despite ongoing investments to strengthen public resource management capacities, weaknesses remain in the government's resource management system. Some of these are amenable to interventions, while others are deeply entrenched and contribute to a low, and at times ineffective and inefficient, utilisation of development resources.

Indicator 2b was first measured in 2008 by 17 countries. The process is one of self-assessment, using the Methodology for the Assessment of National Procurement Systems developed by the OECD-DAC Task Force on Procurement. The methodology includes baseline indicators to compare a country's systems to internationally-accepted good practice, as well as a new set of indicators. These indicators assess overall performance of the system, compliance with national legislation and standards and whether there is a reform programme in place to promote improved practices. The results are expressed as grades on a four-point scale running from A (the highest) to D (the lowest). The 2010 target is for a third of partner countries to move up at least one measure (*i.e.* from D to C, C to B or B to A) although not all countries will perform an assessment.

Bangladesh has no data regarding the reliability of its procurement systems. There is thus no target or rating available for this indicator. However, Bangladesh has made progress in establishing a legal and policy foundation for an effective public procurement system, especially in the enactment of the Public Procurement Act in 2008. Two World Bank funded procurement reforms in Bangladesh have been implemented to strengthen procurement law and procurement capacity. Nevertheless, improvement in the overall procurement performance remains limited, especially in respect of efficiency of procurement process and contract management.

The government is aware of the fact that actual procurement operations and practices still have significant weaknesses and recognises the benefits of a stronger regulating body and improved legislation in streamlining national procurement processes. Moreover, the government also needs to continuously engage donors to use the country's procurement law.

Comprehensive and transparent reporting on aid, and its use, helps ensure that donors align aid flows with national development priorities. When aid directed to the government sector is fully and accurately reflected in the national budget it indicates that aid programmes are well connected with country policies and processes. This also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

As a proxy for alignment, indicator 3 measures the percentage of aid disbursed by donors for the government sector that is included in the annual budget for the same fiscal year. The indicator reflects two components: the degree to which aid is aligned with government priorities, and the extent to which aid is captured in government's budget preparation process. Budget estimates can be higher or lower than disbursements by donors and are treated similarly for the purpose of measuring indicator 3 despite the different causes.

The 2010 target is to halve the proportion of aid flows that are not currently reported on government budgets, with at least 85% of aid reflected in the budget.

In 2010, 100% of scheduled disbursements to Bangladesh were recorded by the government, meeting the 2010 target. The two largest donors to Bangladesh in this regard, the World Bank and the Asian Development Bank both scored 100%, while a sizable proportion of remaining donors scored above 90%. However, the average donor ratio was recorded at 63%, and the United States, the fourth largest donor in this regard, registered 0%. This indicates that the overall figure of 100% does not give a fully representative indication of the proportion of funds accurately recorded on budget.

Discrepancies in budget estimates relate mainly to the limited information capture of aid flows in the budget. Reasons for discrepancies include differences in fiscal years between donors and the government, weaknesses in the government aid information management system, and differences between government and donor development priorities.

The availability of accurate and timely data, along with the ability of the government to analyse data and present it in a way that effectively influences decision making is a crucial precondition for enabling the Government of Bangladesh to co-ordinate donors and manage aid flows effectively. The collection of aid information from donors poses another pressing issue. Donors are requested to submit information on

INDICATOR 2b

How reliable are country procurement systems?

INDICATOR 3

Aligning aid flows on national priorities

their assistance to various government institutions in different formats, which in consequence, complicates the compilation and analysis of information by the government. Therefore, the establishment of an online, government-owned aid information management system to allow donors to regularly enter information on their assistance portfolios will play a crucial role in improving co-ordination and the overall effectiveness of foreign aid.

TABLE 3:
Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows in 2010 (USD m) a	Aid disbursed by donors for government sector in 2010 (USD m) b	2005		2007		2010 *		Total aid disbursed through other donors (USD m)
			(for reference)		(for reference)		(%) c = a / b c = b / a		
Asian Dev. Bank	1 205	1 205	81%		83%		100%		0
Australia	0	0	42%			0%	--		16
Canada	10	12	23%			37%	85%		0
Denmark	63	26	14%			47%		41%	1
EU Institutions	24	11	26%			7%		48%	111
GAVI Alliance	0	24	--		--		0%		0
Germany	49	50	63%		66%		99%		0
Global Fund	28	13	--		--			47%	0
IFAD	20	25	68%		21%		83%		0
Japan	121	133	72%		86%		92%		13
Korea	20	6	--			50%		28%	1
Netherlands	5	5	18%			75%	100%		36
Norway	3	0	97%			6%		0%	4
Sweden	0	0	2%			0%	--		27
Switzerland	0	0		29%		4%	--		2
United Kingdom	56	56		34%		94%		99%	52
United Nations	214	197	91%		83%		92%		0
United States	0	71		0%		49%	0%		0
World Bank	437	435	100%		90%			100%	0
Average donor ratio			47%		47%		63%		
Total	2 256	2 267	88%		92%		100%		262

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

INDICATOR 7 Providing more predictable aid

For many countries, aid is a vital source of revenue and resources. Being able to predict aid disbursements – both in terms of how much aid will be delivered and when – is important to enable countries to manage public finances and undertake realistic planning for development. 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 manner according to agreed schedules.

Indicator 7 examines the in-year predictability of aid for the government sector by measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in their accounting system as having been disbursed. Indicator 7 therefore assesses two aspects of predictability. The first is the ability of donors to disburse aid according to schedule. The second is the ability of government to record disbursements for the government sector as received in its accounting system. Indicator 7 is designed to encourage progress in relation to both, with the aim of halving the proportion of aid not disbursed (and not captured in the government's accounting system) within the fiscal year for which it was scheduled by 2010. The ultimate goal is to improve not only the predictability of disbursements, but also the accuracy with which they are recorded in government systems – an important element to support ownership, accountability and transparency.

	Disbursements recorded by government in 2010 (USD m) a	Aid scheduled by donors for disbursement in 2010 (USD m) b	2005		2007		2010 *		For reference: Aid disbursed by donors for government sector in 2010 (USD m) d	For reference: % of scheduled aid disbursements reported as disbursed by donors in 2010 **	
			(for reference)	(for reference)	(for reference)	(for reference)	(%) c = a / b	(%) c = b / a		(%) e = d / b	(%) e = b / d
Asian Dev. Bank	612	526	84%	84%	94%	--	86%	597	88%	88%	
Australia	0	0	42%	--	--	--	--	0	--	--	
Canada	10	10	23%	--	63%	--	99%	10	100%	--	
Denmark	22	26	22%	--	70%	--	83%	27	--	99%	
EU Institutions	7	0	16%	--	82%	--	0%	9	--	0%	
GAVI Alliance	0	38	--	--	--	--	0%	34	89%	--	
Germany	47	46	24%	24%	70%	--	97%	53	--	87%	
Global Fund	13	11	--	--	22%	--	88%	18	--	64%	
IFAD	13	26	68%	--	21%	--	50%	26	100%	--	
Japan	104	114	72%	--	60%	--	91%	114	100%	--	
Korea	38	6	--	--	27%	--	17%	6	88%	--	
Netherlands	0	3	9%	--	64%	--	10%	4	--	79%	
Norway	3	0	41%	--	22%	--	0%	0	--	--	
Sweden	7	0	2%	--	58%	--	0%	0	--	--	
Switzerland	0	0	29%	29%	93%	--	0%	2	--	12%	
United Kingdom	80	117	34%	34%	95%	--	68%	54	46%	--	
United Nations	123	261	74%	74%	80%	--	47%	259	99%	--	
United States	0	110	0%	0%	76%	--	0%	84	77%	--	
World Bank	437	510	100%	100%	94%	--	86%	425	83%	--	
Average donor ratio			40%	40%	64%	64%	46%			76%	
Total	1 517	1 805	91%	91%	100%	100%	84%	1 721	95%	95%	

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

** Ratio is e=d/b except where disbursements recorded by donors are greater than aid scheduled for disbursement (e=b/d).

In 2007, 100% of scheduled disbursements to Bangladesh were recorded in public accounts, but decreased to 84% in 2010, falling below the 2010 target. Among major donors in this regard, the World Bank, the Asian Development Bank, Germany and Japan scored comparatively highly at above 85%. However, the average donor predictability was only 45%, indicating a wide variability.

Past experience in Bangladesh shows that project approval and implementation are often slow, specific conditionalities are not met, and non-adherence to donor procedures often causes delays.

Substantial progress has been reported on overall aid predictability. Almost all donors in Bangladesh have multi-year country assistance programmes/strategies reflecting their commitments in development assistance to Bangladesh. All country assistance programmes are shared with the government to align with the country strategy and some of them are updated annually.

Despite noteworthy improvements in predictability by way of sharing donors' future commitments with the government, the rate of aid disbursements has not improved. There are diverse views regarding the causes of discrepancies between disbursements and commitments. The lack of a system for sharing donors' annual schedules or plans with government, reflecting in-year predictability on a regular and systematic basis, may also be attributed as one of the causes. Nor are there systems for systematic and consistent communication at the sector level with regard to the availability of aid towards financing sectoral priorities.

Capacity constraints present significant challenges to development and poverty reduction efforts and their sustainability. These relate both to aid management capacities (the ability of the government to capture, co-ordinate and utilise aid flows more effectively) and also to broader capacities for the design and implementation of policies and service delivery.

TABLE 4:
Are disbursements on schedule and recorded by government?

INDICATOR 4
Co-ordinating support to strengthen capacity

Under the Paris Declaration donors committed to providing technical co-operation 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. Successful capacity development is led by the partner country.

Indicator 4 focuses on the extent to which donor technical co-operation (an important input into capacity development) is country-led and well co-ordinated. It captures the extent to which technical co-operation is aligned with objectives articulated by country authorities, whether country authorities have control over this assistance, and whether arrangements are in place to co-ordinate support provided by different donors. The Paris Declaration target is for 50% of technical co-operation flows to be implemented through co-ordinated programmes that are consistent with national development strategies by 2010.

TABLE 5:
How much technical co-operation is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m)	Total technical co-operation (USD m)	2005 (for reference)	2007 (for reference)	2010 (%) c = a / b
	a	b			
Asian Dev. Bank	2	6	69%	48%	36%
Australia	0	0	--	100%	--
Canada	11	11	62%	38%	100%
Denmark	7	7	99%	100%	100%
EU Institutions	4	6	--	42%	69%
GAVI Alliance	0	0	--	--	--
Germany	20	20	33%	99%	100%
Global Fund	0	0	--	--	--
IFAD	0	0	--	100%	--
Japan	23	23	11%	100%	100%
Korea	1	2	--	100%	23%
Netherlands	0	0	5%	97%	100%
Norway	1	1	100%	26%	100%
Sweden	0	0	--	100%	0%
Switzerland	0	0	14%	58%	--
United Kingdom	35	38	0%	100%	91%
United Nations	93	106	29%	43%	87%
United States	2	114	0%	63%	2%
World Bank	23	72	6%	100%	32%
Total	221	407	31%	69%	54%

The 2010 data reveal that among the total technical assistance provided by 19 donors during 2010, 54% was co-ordinated, a decrease from 69% from 2007. Despite this, Bangladesh has met the 2010 target of 50%. A wide variation among donors at the country level is evident. While some donors such as Canada, Denmark, Germany, Japan, the Netherlands and Norway provided fully co-ordinated technical co-operation, large donors in this regard such as the United States and the World Bank scored considerably lower.

Aid and development effectiveness in Bangladesh are lower than they could be due to a number of inter-linked structural and capacity constraints that seriously reduce the efficiency and effectiveness of the entire public sector.

The most significant obstacles to co-ordinated capacity development include: the absence of a comprehensive national capacity development strategy; donor-driven and project-based uncoordinated capacity development interventions; the internal politicised nature of aid co-ordination between line ministries and frequent changes in the mandate of government institutions; weak government capacity in managing assistance and implementation; the volatile political environment; lack of unified and comprehensive database for tracking resources (from non-governmental and charitable organisations); and the lack of a mechanism to avoid duplication of efforts. These structural problems can only be solved in the longer term. With the support

of donors, the government has taken diverse initiatives to achieve improvement in its overall capacity such as the approval of National Human Rights Commission Act and the establishment of a Human Rights Commission, while a Public Administration Reform for larger intervention across the government is under consideration. Shifting from conventional technical assistance is a priority to be addressed by the government and donors, with the aim to align external aid allocations to national policies, planning cycles and the budget.

However, in order to be effective, efforts to enhance aid management capacities and systems must take place within the context of wider governance reforms and be co-ordinated with a comprehensive national capacity development strategy.

Donor use of a partner country’s established institutions and systems increases aid effectiveness by strengthening the government’s long-term capacity to develop, implement and account for its policies to both its citizens and its parliament. The Paris Declaration commits 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. Indicator 5 is directly linked to indicator 2 on the quality of public financial management (PFM) and procurement systems.

INDICATOR 5
Using country systems

TABLE 6:
How much aid for the government sector 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	2005 (for reference)	2007 (for reference)	2010 (%) avg(b,c,d)/a	Proc. systems (USD m) e	2005 (for reference)	2007 (for reference)	2010 (%) e / a
Asian Dev. Bank	597	597	597	597	100%	100%	100%	184	62%	76%	31%
Australia	0	0	0	0	31%	--	--	0	--	--	--
Canada	10	0	0	0	0%	0%	0%	0	0%	0%	0%
Denmark	27	0	0	0	0%	0%	0%	11	9%	99%	43%
EU Institutions	9	0	0	0	100%	23%	0%	0	87%	0%	0%
GAVI Alliance	34	0	0	0	--	--	0%	0	--	--	0%
Germany	53	33	33	33	16%	41%	63%	33	0%	62%	63%
Global Fund	18	18	0	0	67%	67%	33%	10	0%	70%	58%
IFAD	26	26	26	26	100%	44%	100%	26	100%	100%	100%
Japan	114	73	73	73	59%	49%	64%	73	29%	49%	64%
Korea	6	0	0	0	--	31%	0%	0	--	31%	0%
Netherlands	4	4	4	4	100%	19%	100%	4	100%	19%	100%
Norway	0	0	0	0	67%	42%	--	0	100%	42%	--
Sweden	0	0	0	0	--	--	--	0	--	--	--
Switzerland	2	0	0	0	100%	0%	0%	0	100%	0%	0%
United Kingdom	54	0	0	0	100%	15%	0%	0	100%	17%	0%
United Nations	259	53	53	115	74%	80%	29%	19	5%	0%	7%
United States	84	0	0	0	--	0%	0%	0	--	0%	0%
World Bank	425	110	423	380	33%	82%	72%	140	56%	78%	33%
Total	1 721	915	1 211	1 229	53%	77%	65%	501	48%	66%	29%

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding for the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting and auditing) as a proportion of total aid disbursed for the government sector. The 2010 target is set relative to indicator 2a on the quality of PFM systems. For partner countries with a score of 5 or above on indicator 2a scale the target is for a two-thirds reduction in the proportion of aid to the public sector not using the partner country’s PFM systems. For partner countries with a score between 3.5 and 4.5 on indicator 2a, the target is a one-third reduction in the proportion of aid to the public sector not using partner country’s PFM systems. There is no target for countries scoring less than 3.5.

INDICATOR 5a
Use of country public financial management systems

In 2010, use of country PFM systems has declined considerably from 2007, although no target is applicable. Among major donors in this regard, the Asian Development Bank and the World Bank respectively scored highest at 100% and 72%, while the United Kingdom and United States score considerably lower.

The use of country PFM systems by donors is confined within some sectoral and multi-donor-funded projects – reasons for this stem from perceived fiduciary risks regarding national financial accounting and reporting systems in the absence of an output-based budgeting system. In addition, the perception of corruption causes reluctance among donors to use budget support or programme-based approaches as preferred aid modalities. For some donors, their headquarters' legal frameworks restrict the use of country systems given differing institutional constraints.

INDICATOR 5b

Use of country procurement systems

Indicator 5b follows a similar graduated target to indicator 5a which is set relative to Indicator 2b on the quality of procurement systems. For partner countries with a procurement score of 'A', a two-thirds reduction in the proportion of aid for the public sector not using the country's procurement systems and for partner countries with a procurement score of 'B' to reduce the gap by one-third.

In 2010, only 29% of aid for the government sector made use of the country's procurement systems, a significant setback from previous years. However, no target has been set for 2010.

A major reform programme has been implemented to improve country procurement systems resulting in significant improvements in legal and policy frameworks, and to some extent, in the level of transparency of procurement process. However, use of national procurement systems by donors in Bangladesh is rather limited and donor systems are used in most procurement decisions. Despite the government's efforts to improve and bring discipline in government procurement, greater use of country procurement systems is inhibited by a widespread feeling among donors of compromised accountability and reliability. Moreover, some donors are constrained by headquarters' regulations in using national procurement systems.

INDICATOR 6

Avoiding parallel implementation structures

When providing development assistance, some donors establish dedicated project management units or implementation units (PIUs) – to support development projects or programmes. A PIU is said to be "parallel" when it is created by 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 development efforts, distort salaries and weaken accountability for development.

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 counts the number of parallel PIUs being used in partner countries. The target is to reduce by two-thirds the number of parallel PIUs in each partner country between 2005 and 2010.

The 2011 Survey records a total of 18 parallel PIUs, a reduction from the 24 parallel PIUs in place in 2007. Bangladesh is therefore close to meeting the 2010 target of no more than 13 parallel PIUs.

The 2011 Survey in Bangladesh suggests that the creation of parallel PIUs is a response to perceived weakness in the policy and capacity of mainstream government institutions, and that most PIUs are created in technical assistance projects. In most cases, projects are designed and formulated at the behest of the donors due to lack of government capacity to plan, design and implement the project activities by government agencies. This is further aggravated by the lack of donor confidence in the country systems and procedures. Donors therefore seek to rely on their own systems and technical professionals from outside the government.

Both the Government of Bangladesh and donors are aware of the substantial challenges posed with PIUs and are committed to work together to promote the use country systems and management arrangements in an effort to complement national capacity development and reduce parallel PIUs.

	Parallel PIUs		
	2005 (for reference)	2007 (for reference)	2010 (units)
Asian Dev. Bank	0	0	0
Australia	0	0	0
Canada	0	0	0
Denmark	3	2	1
EU Institutions	3	1	0
GAVI Alliance	--	--	0
Germany	0	0	0
Global Fund	0	0	0
IFAD	0	0	0
Japan	0	0	0
Korea	--	0	0
Netherlands	4	2	0
Norway	0	0	0
Sweden	0	0	0
Switzerland	0	0	0
United Kingdom	4	0	3
United Nations	0	19	14
United States	24	0	0
World Bank	0	0	0
Total	38	24	18

TABLE 7:
How many PIUs are parallel to country structures?

Aid is “tied” when restrictions are placed on the countries that goods and services may be purchased from, typically including the donor country and/or another narrowly specified group of countries. Untied aid not only improves value for money and decreases administrative burdens, but also supports the use of local resources, country systems and the harmonisation of donor support provided through pooled or joint aid instruments and approaches.

INDICATOR 8
Untying aid

	Total bilateral aid as reported to the DAC in 2009	Untied aid	2005 (for reference)	2007 (for reference)	Share of untied aid
Australia	-0.2	-0.2	12%	96%	100%
Austria	0.0	0.0	0%	0%	100%
Belgium	0.0	0.0	100%	100%	100%
Canada	0.9	0.9	17%	95%	100%
Denmark	13.7	6.9	91%	84%	50%
Finland	0.1	0.0	100%	100%	0%
France	1.3	0.9	100%	65%	74%
Germany	36.3	36.0	93%	100%	99%
Greece	0.0	0.0	100%	0%	--
Ireland	2.3	2.3	100%	100%	100%
Italy	0.5	0.0	100%	0%	1%
Japan	449.3	449.3	100%	100%	100%
Korea	69.7	18.8	--	0%	27%
Luxembourg	0.6	0.6	100%	100%	100%
Netherlands	21.2	20.8	95%	98%	98%
New Zealand	1.3	1.3	98%	100%	100%
Norway	3.1	3.1	49%	100%	100%
Spain	2.3	1.7	99%	96%	74%
Sweden	25.2	25.2	100%	100%	100%
Switzerland	20.5	20.5	100%	100%	100%
United Kingdom	601.1	601.1	100%	100%	100%
United States	151.9	111.9	31%	44%	74%
Total	1 401	1 301	89%	89%	93%

TABLE 8:
How much bilateral aid is untied?

Source: OECD Creditor Reporting System.

Data on the extent to which aid is tied are based on voluntary self-reporting by donors that are members of the OECD's Development Assistance Committee (DAC). The Paris Declaration target is to continue progress towards untying all aid between 2005 and 2010.

In 2010, 93% of aid to Bangladesh was untied, exceeding the 2010 target of more than 89%. Most donors untied almost all their aid with the notable exception of the United States, Spain, Korea, Italy, France and Finland. Donors have reported a further improvement in untying aid at country level with the introduction of public procurement rules that broaden the scope of participation of local/regional firms in both international and national competitive biddings. International best practices are generally followed in all cases of procurement within the donor policy framework.

CONDITIONALITY

Conditionalities are still embedded in Development Credit Agreements and attached to aid disbursements, which according to government officials are unrealistic and impact negatively on aid utilisation. ■

HARMONISATION

POOR CO-ORDINATION OF AID increases the cost to both donors and partner countries and significantly reduces the real value of aid. Harmonisation of aid delivery procedures and the adoption of common arrangements help reduce duplication of effort and lower the overall transaction costs associated with aid management. 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 co-ordinate analytic work.

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A good mechanism for aid co-ordination can be described as one that has shared objectives and integrates the various interests of stakeholders. Indicator 9 assesses the degree to which donors work together – and with partner governments and organisations – by measuring the proportion of total ODA disbursed within programme-based approaches (PBAs). In practice, there are many different approaches and modalities which can use PBAs and harmonisation takes place at various levels.

At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* a sector programme or strategy) and establishing a single budgetary framework that captures all resources (both domestic and external). At another 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 two-thirds of aid flows are provided in the context of PBAs.

The 2010 survey data indicate that the proportion of aid disbursed within programme-based approaches (PBAs) has decreased from 50% in 2007 to 34% in 2010. This places the country a long way from the 2010 target of 66%. Aside from the Asian Development Bank, Australia, GAVI Alliance Sweden and the United Nations, most donors make very little use of PBAs.

In Bangladesh, no particular aid modality automatically qualifies as a PBA. A range of aid modalities can be considered as to contain the features of a PBA, including project aid delivered in a sector-wide approach, through a basket fund, or through a pooled arrangement for technical co-operation.

Some government-led programmes using PBAs have demonstrated stronger sector-based operational frameworks and moderate progress in government leadership for putting a sector strategy into operation with clear results-oriented priorities.

INDICATOR 9 Using common arrangements

	Programme-based approaches			Total aid disbursed (USD m) d	2005 (for reference)	2007 (for reference)	2010 (%) e = c / d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b				
	Asian Dev. Bank	126	215				
Australia	0	26	26	50	6%	35%	51%
Canada	0	4	4	14	61%	38%	31%
Denmark	0	0	0	37	92%	87%	0%
EU Institutions	0	0	0	50	57%	1%	0%
GAVI Alliance	0	34	34	34	--	--	100%
Germany	0	30	30	53	0%	28%	56%
Global Fund	0	0	0	42	100%	40%	0%
IFAD	0	0	0	26	0%	0%	0%
Japan	0	3	3	114	7%	4%	3%
Korea	0	0	0	6	--	0%	0%
Netherlands	0	0	0	49	45%	0%	0%
Norway	0	0	0	10	7%	0%	0%
Sweden	0	6	6	7	74%	0%	84%
Switzerland	0	0	0	17	21%	48%	0%
United Kingdom	0	0	0	218	0%	0%	0%
United Nations	99	88	186	273	11%	41%	68%
United States	0	0	0	115	0%	86%	0%
World Bank	0	87	87	425	80%	73%	21%
Total	225	492	717	2 137	41%	50%	34%

TABLE 9:
How much aid is
programme-based?

While there has been a notable shift in donor attitudes in embarking on common arrangements for aid disbursements, some country offices encounter resistance from their headquarters in attempting to shift toward PBAs or country requirements. Evidence suggests improvement in the efficiency of aid delivery within PBAs areas such as in the health nutrition and primary education sectors where pooled funding modalities are in place. The government intends to expand PBAs to other sectors such as water and sanitation, secondary education, land utilisation and Information and communication technology.

The proportion of aid moving towards common arrangements has increased over time, but difficulties in securing a wider acceptance of PBAs and its application to other sectors across the government remain a challenge for the future.

A common complaint of partner countries is that donors make too many demands on 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. The 2010 target is that 40% of donor missions to the field are conducted jointly.

The 2011 Survey reported that only 29% of 403 donor missions to Bangladesh were conducted jointly, a rise from 20% in 2007. However, this falls well short of the 2010 target of 40%.

Increased co-ordination of missions will continue to be a challenge as long as there is no robust system for donors to record and plan missions and to share information. The Economic Relations Division of the Ministry of Finance, as the aid co-ordinating authority, is responsible for facilitating such missions and has a facility for extended co-operation. However, only a few donors make use of this facility.

INDICATOR 10a
Joint missions

TABLE 10:
How many donor missions are co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005* (for reference)	2007* (for reference)	2010 (%) c = a / b
Asian Dev. Bank	11	53	22%	35%	21%
Australia	0	1	--	67%	0%
Canada	5	13	22%	8%	38%
Denmark	1	2	0%	40%	50%
EU Institutions	16	31	13%	43%	52%
GAVI Alliance	0	1	--	--	0%
Germany	6	15	40%	43%	40%
Global Fund	0	6	0%	0%	0%
IFAD	2	26	63%	25%	8%
Japan	2	15	9%	6%	13%
Korea	0	6	--	0%	0%
Netherlands	13	14	72%	25%	93%
Norway	0	0	--	--	--
Sweden	0	1	38%	100%	0%
Switzerland	10	10	40%	50%	100%
United Kingdom	4	8	20%	0%	50%
United Nations	60	111	95%	63%	54%
United States	3	73	0%	--	4%
World Bank	8	56	15%	27%	14%
Total	115	403	19%	20%	29%

*The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 35% is applied.

TABLE 11:
How much country analytic work is co-ordinated?

	Co-ordinated donor analytic work* (units) a	Total donor analytic work (units) b	2005* (for reference)	2007* (for reference)	2010 (%) c = a / b
Asian Dev. Bank	0	3	38%	33%	0%
Australia	0	1	--	100%	0%
Canada	3	3	100%	100%	100%
Denmark	8	9	0%	100%	89%
EU Institutions	8	9	25%	67%	89%
GAVI Alliance	0	0	--	--	--
Germany	0	0	0%	--	--
Global Fund	1	4	0%	0%	25%
IFAD	1	1	--	--	100%
Japan	0	2	60%	11%	0%
Korea	1	1	--	0%	100%
Netherlands	1	1	0%	0%	100%
Norway	0	0	--	--	--
Sweden	0	0	0%	--	--
Switzerland	0	0	--	0%	--
United Kingdom	0	1	--	0%	0%
United Nations	30	61	100%	67%	49%
United States	3	11	33%	33%	27%
World Bank	2	3	29%	60%	67%
Total	47	100	38%	42%	47%

* The total of coordinated missions has been adjusted to avoid double counting.
A discount factor of 25% is applied.

Country analytic work is the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies. It includes country or sector studies and strategies, country evaluations and discussion papers. The Paris Declaration foresees that donors should conduct analytic work jointly where possible as it helps curb transaction costs for partner authorities, avoids unnecessary duplicative work and helps to foster common understanding. Indicator 10b measures the proportion of country analytic work that is undertaken jointly. The 2010 target is that 66% of country analytic work is carried out jointly.

In the 2011 Survey, 47 % of 100 analytical works were co-ordinated, a five point increase from the previous survey. However, this falls short of meeting the 2010 target of 66%. The data reflect that there has been some progress in harmonising donor analytical work through the use of sector-wide and other programme-based approaches, as well as modest progress on joint missions and analytical work. However, the pace of change is relatively slow. More joint efforts in particular will be needed within the government for expanding programme-based approaches in other sectors. Donors need to provide strong policy-level support for harmonising activities to reduce the transaction costs of providing aid.

AID FRAGMENTATION

Fragmented aid – aid that comes in many small slices from a large number of donors – creates high transaction costs and makes it difficult for partner countries effectively to manage their own development. Aid fragmentation also increases the risk of duplication and inefficient aid allocation among donors. A pilot analysis on fragmentation of country programmable aid carried out at the country level by the OECD in collaboration with GIZ reveals that aid fragmentation increased from 2005-09 alongside an increase in country programmable aid (OECD 2011b).

In Bangladesh, programme-based approaches (PBAs) are a preferred measure to respond to the aid fragmentation challenges in Bangladesh. The 2010 survey data reveal evidence of increasing efforts to undertake analytical work in partnership. There are more prominent demonstrations of sharing information on analytical work among development partners in the Local Consultative Group (LCG) plenary sessions on a regular basis. However, despite progress on harmonisation, the pace of change is relatively slow. More joint efforts in particular will be needed within the government for expanding PBAs across sectors and enhancing dialogue on division of labour at the country level. ■

MANAGING FOR RESULTS

BOTH DONORS AND PARTNER COUNTRIES should manage resources according to well-defined, desired results, measuring progress toward them and using information on results to improve decision making and performance. Achieving this implies strengthening capacity to undertake such management and emphasising a focus on results. Countries are expected to develop cost-effective and results-oriented reporting and performance assessment frameworks, while donors commit to use them and refrain from requiring separate reporting.

Indicator 11 assesses the quality of a country's results-oriented frameworks. In particular, it considers the quality of the information generated, stakeholder access to information, and the extent to which the information is utilised within a country level monitoring and evaluation system. The government provides evidence against these criteria through the survey, and this is translated by the World Bank into a score running from A (highest score) to E (lowest score).

The Paris Declaration 2010 global target is to reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.

Bangladesh's national development strategy (NDS) has a monitoring and evaluation (M&E) framework. However, the use of common development result frameworks in Bangladesh is currently neither popular in

INDICATOR 10b
Joint country
analytic work

INDICATOR 11
Do countries have
results-oriented
frameworks?

the government nor among donors. The lack of a comprehensive aid data stands as a deterrent factor of a more evidence-based dialogue among donors.

Qualitative inputs to the survey suggest that the data meets monitoring and evaluation (M&E) quality requirements, although data collection does not serve the purpose of decision-oriented information. In particular, the present system does not effectively reflect project contributions to overall sectoral/national outcomes.

Progress in increasing stakeholder access to information has been made. The NDS progress reports and public expenditure data are available on the internet and in hardcopy. The enactment of a “Right to Information Act 2009” has contributed to a substantial increase in the access to information at the country level.

Overall, progress in managing for results has been very limited. There is little endeavour to comprehensively report on results. Only recently have donors taken the initiative to link their programmes and resources to country development results as articulated in the NDS. A national development result framework is under drafting as part of the Joint Commitment Strategy action plan. ■

MUTUAL ACCOUNTABILITY

INDICATOR 12

Mutual accountability

STRONG AND BALANCED MECHANISMS that support accountability are required at all levels for aid to be most effective. Donors and partner country governments should be accountable to their respective publics and to each other for implementing their commitments on aid, its effectiveness, and the results to which it contributes.

Indicator 12 examines whether there is a country-level mechanism for mutual assessment of progress on partnership commitments including on aid effectiveness. There are three criteria that must all be met, the existence of an aid policy or strategy agreed between the partner country government and donors; specific country-level aid effectiveness targets for both the partner country government and donors and an assessment towards these targets undertaken by both partner and donors in the last two years and discussed in a forum for broad-based dialogue.

The 2010 target is for all partner countries to have mutual assessment reviews meeting these criteria in place.

Bangladesh does not have a mutual accountability system involving all stakeholders. Nevertheless, Bangladesh made significant progress in improving aid relationships, in particular through the 2010 Joint Co-operation Strategy which represents an achievement and proof of willingness between government and donors to consolidate formal dialogue and re-enforce commitments. The strategy formulation involved extensive participation from parliament, civil society, academia, and other stakeholders.

The country has in place a good formal dialogue structure between the government and donors in the form of the local consultative group (LCG) which consists of institutionalised forums at the national, and sector/thematic level. The government-led Bangladesh Development Forum in early 2010 was highly appreciated by participants, including donors, parliament, civil society organisations, academia, private sector and mass organisations. However, some challenges surfaced in the process, including the limited review of the government’s performance, the total absence of a review of donor performance and aid policy implications caused by unilateral cancellation of commitments by some bilateral donors, and the absence of a consolidated aid policy, all representing major challenges in the formulation of priorities.

Despite its advantages, the LCG mechanism still needs further improvement to become an effective co-ordination tool. Limited ownership and the low level of involvement of government agencies in LCG working groups undermine the benefits of continuous dialogue among development actors in ensuring accountability at sector/thematic level. LCG working groups tend to be more effective in sectors receiving support through a programme-based approach. A competent, efficient and well-resourced LCG secretariat has not yet been established to complement the plenary as an effective decision-making body. ■

NOTES

The quantitative information presented in this chapter is taken from data provided by national co-ordinators up to 31 July 2011, following the data validation process with stakeholders at the country level. It was not possible to modify or correct any data received after this date.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

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