

Aid Management in Bangladesh

-A Review of Policies and Procedures

Aid Effectiveness Unit

Economic Relations Division, Ministry of Finance
Government of the People's Republic of Bangladesh
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Acronyms

AAA	Accra Agenda for Action
ADP	Annual Development Programme
AEU	Aid Effectiveness Unit
CGA	Controller General of Accounts
DAC	Development Assistance Committee
DMFAS	Debt Management and Financial Analysis System
DP	Development Partners
ERD	Economic Relations Division
FABA	Foreign Aid Budget and Accounts
FAPAD	Foreign Aided Projects Audit Department
FY	Fiscal Year
FYP	Five Year Plan
GDP	Gross Domestic Product
GoB	Government of Bangladesh
HAP	Harmonisation Action Plan
HNPSF	Health, Nutrition and Population Sector Programme
IMED	Implementation, Monitoring and Evaluation Division
IRR	Internal Rate of Return
JCS	Joint Cooperation Strategy
JMI	Joint Monitoring Indicators
LCG	Local Consultative Group
MTBF	Medium Term Budgetary Framework
NGO	Non-governmental Organisation
NOG	National Operational Guidelines
NSAPR	National Strategy for Accelerated Poverty Reduction
ODA	Official Development Assistance
PD	Paris Declaration
PEDP	Primary Education Development Programme
PIU	Project Implementation Unit
SOP	Standard Operating Procedures
TA	Technical Assistance

Preface

Aid is an important instrument to catalyze development, but only if it is managed in an effective manner. Significant efforts to enhance the effectiveness of development assistance have been made over the last ten years through three High-Level Forums on Aid Effectiveness and numerous issue-specific events. There have been some improvements internationally as well as in Bangladesh. Yet the aid and development landscape continues to evolve.

Learning from what works best in development cooperation practice, global aid architecture has emerged through a set of principles and institutional arrangements that govern aid flows to developing countries. Although there is no uniform pattern, certain norms to improve aid effectiveness have developed through discussions in the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), which eventually formalised these issues through the Paris Declaration on Aid Effectiveness in 2005 and its successor, the 2008 Accra Agenda for Action.

Bangladesh is a signatory to the Paris Declaration and is committed to implement the principles endorsed in the Declaration. There have been notable improvements in recent years in aid effectiveness at the macro level in Bangladesh, most visibly in the mobilisation of external resources in support of the Millennium Development Goals, strengthening country systems, budget support, sector-wide programmes, donor coordination and so on. Yet we have to admit that evidence-based knowledge in support of what works and what does not is still very weak. In order to make aid more effective, clear understanding of an evolving new architecture in the development ecosystem, one that is dynamic, responding to new challenges and new approaches, is essential.

The Government and our Development Partners are fully aware about the growing problems of aid fragmentation, with diverse aid relationships due to increasing number of partners, both bilateral and multilateral, each having its own mandate and procedures as well as fund proliferation and the shrinking aid volume. There are on-going challenges with implementation of the current aid effectiveness agenda in this complex environment in the midst of limited absorption capacities of government institutions.

We are fully aware that the agenda of reforms in the development arena has to recognize the global concerns. Aid effectiveness efforts enable us to consider the efficiency in the use of resources, whether development assistance or fragmented national capacity, how much it is deployed to national priorities, and the extent to which there is an overall coherence in aggregate allocations and the use of complementary modalities. A set of clearly defined directives embedded in an aid policy is a prerequisite to have the aid effectiveness principles implemented to accrue development results. In Bangladesh, we have the elements of aid policy spread over many different government documents, but not in a single coherent piece.

I must thank all stakeholders who provided us with necessary inputs to finalize the review of the whole process of aid management in Bangladesh. I would also take this opportunity to inform you that this study is a pioneering effort to review the aid management procedures followed by different government institutions and our development partners based on the existing systems. The deficiencies of the current systems and practices, their root causes and the challenges of global aid effectiveness principles have been documented in this report. The conclusions and recommendations appear to be reasonable and achievable. I am confident that this analytical work will widen our intellectual horizons to take the recommendations of this study forward towards the formulation of a consolidated National Aid Policy.



M Musharraf Hossain Bhuiyan

Secretary, ERD

Executive Summary

Foreign aid plays an important role in Bangladesh. The pattern of foreign aid has undergone a striking transformation in Bangladesh during the last four decades. The average yearly aid totalled US\$ 1.3 billion over the 40-year period. Although aid only accounts for roughly 2 percent of GNI, it constitutes almost 50 percent of the country's annual development budget. In fiscal year (FY) 2009/10, the amount of foreign aid disbursed was US\$ 2.2 billion. As the country developed, its reliance on these forms of aid gradually decreased so much so that, in 2000-2010, food aid and commodity aid together accounted for only 6% of total aid. The share of project aid, on the other hand, steadily grew over the years, from 26% during 1971-1980 to 94% during 2000-2010. In FY 2009/10, project aid constituted 96% of total foreign aid.

The effectiveness of foreign assistance as a means to contribute to sustainable development in the country has, at times, been the subject of debate. Different surveys and assessments have come to the conclusion that the development assistance provided by a wide range of partners could produce much better results should they be better coordinated, as well as more harmonized and aligned with national priorities and systems. Similarly, it has been pointed out that strong government leadership, as well as effective and efficient government institutions are crucial to ensure that foreign aid is effectively utilized. Hence, improving aid effectiveness is a joint responsibility of the Government of Bangladesh and its development partners.

This report presents the findings and recommendations of a review of policies and procedures relating to aid management in Bangladesh. The assessment is based on the analysis of relevant studies and other documents as well as discussions with a number of government officials, involved directly or indirectly, with aid management.

The Government of Bangladesh (GoB) has taken considerable steps towards local implementation of the global aid effectiveness agenda (Paris Declaration principles and Accra Agenda for Action) in recent years. On the Government side, related initiatives are primarily spearheaded by the Economic Relations Division of the Ministry of Finance through its Aid Effectiveness Unit (AEU). Despite laudable achievements at the policy level, progress towards integrating aid and development effectiveness considerations into the national development planning, programming and budgeting process has been limited. One has to be realistic, however, concerning the AEU's ability to instigate and manage the related change process, in the light of the unit's capacity and

institutional arrangements.

Bangladesh has a heterogeneous development partner structure. It also has the basic structure of a good formal machinery of collective dialogue with development partners in the form of the Local Consultative Group (LCG) mechanism. However, this mechanism has not yet reached its full potential as an effective coordination tool, especially regarding development cooperation activities at sector level. Development partners are divided among themselves by the scale of their programme, their enthusiasm for the international aid effectiveness agenda and the extent to which authority has been decentralized to country offices. This situation creates coordination challenges for the Government of Bangladesh. These are further aggravated by the fact that many development partners spread their aid budget over a large number of sectors, resulting in considerable aid fragmentation. While there has been moderate progress in harmonizing ODA flows to national development priorities in recent years, alignment with country systems and procedures still remains limited.

GoB and DPs have taken various joint initiatives to strengthen their relationships and to establish a mutual accountability mechanism, culminating in the recent formulation of a Joint Cooperation Strategy (JCS). The JCS consists of a core document, which outlines a joint vision for aid effectiveness in Bangladesh and contains corresponding partnership commitments by GoB and DPs. Policy level commitments are in the process of being translated into practical changes through the formulation of a JCS action plan. Despite serious commitment on the part of the Government and its development partners, producing results towards development effectiveness remains a challenge.

Aid and development effectiveness in Bangladesh is less than it could be due to a number of interlinked and interdependent structural, procedural and capacity problems. The traditional development administration is characterized by a rule-based hierarchical style of management, which strongly relies on ridged and complex procedures to achieve envisioned results. This approach, however, promotes compliance instead of creativity and input-orientation instead of results-orientation. Further, it is rarely conducive to foster efficiency and innovation. Structurally, a host of central government agencies are involved in development administration creating an overly complex process. Looking at the institutional arrangement of aid management it becomes obvious that numerous agencies are directly involved in programming and budgeting, and even in project implementation.

The involvement of several agencies at central level may be argued to be necessary due to the limited capacities at the level of line ministries and agencies. Moreover, it can also be argued that the dominant role of the Planning Commission in programming and budgeting is necessary, because individual line ministers do not have the strength to withstand “lobbying” and “political interference”. Further, the complex process is meant to reduce the risk of corruption and misuse of funds. Contrary to this traditional school of thought, the reality in aid management is that the complexity of the process contributes to delays and efficiency loss and reduces transparency and accountability. This mitigates potential checks-and-balance arrangements commonly associated with bureaucratic processes. Although line ministers are responsible to Parliament, the compliance-driven process, in fact, results in stronger accountability of line ministers to the Planning Commission.

Foreign aid is a catalyst to support development. Consequently, aid effectiveness should be considered and approached in the wider context of development effectiveness. Hence, it is crucial to follow a holistic approach towards aid effectiveness that goes beyond the level of policy dialogue, joint declarations and evaluations in the context of the global aid effectiveness agenda. Whilst related initiatives are necessary, they are by themselves not sufficient to improve the effectiveness of foreign aid as a means to support development in Bangladesh.

While many of the problems outlined above can only be solved in the longer term, some efficiency gains could be made in the short to medium term by addressing identified challenges related to policy and procedural constraints. These challenges are interlinked and sometimes interdependent. Trying to address specific procedural issues without enhancing institutional and individual capacities, for example, is unlikely to have the desired effect. Similarly, enhancing individual and institutional capacity gaps will not necessarily increase the overall institutional performance if structural and policy issues are not addressed. Hence, in order to be meaningful, efforts to enhance aid management capacities and systems have to happen within the context of a wider policy reform and should be well coordinated with already ongoing initiatives in this area.

Main Recommendations

Formulation of a consolidated statement of aid policies

While different rules and regulations related to aid and debt management exist there is currently no single, consolidated statement of aid policies that outlines GoB's priorities regarding the provision of foreign assistance, including preferred aid modalities, basic principles to be followed, the main procedures and corresponding roles and responsibilities for the provision, acceptance, coordination and management of foreign assistance, etc. An aid policy should enable the Government to derive greater benefit from the assistance provided by its partners, and to reduce the often high transactions costs associated with this assistance.

Improvement in the state of foreign aid regime

It is true that there has been marked improvement in the overall management of foreign aid in Bangladesh. But much more needs to be done in order to achieve the target for becoming a middle income country by the year 2021. The Government and its Development Partners have taken various initiatives to reform their relationships and to establish a mutual accountability mechanism that culminated in the recent formulation of joint Cooperation Strategy (JCS). A paradigm shift in cooperation and dialogue between the government and its DPs is on the card with well articulated JCS action plan. In the milieu of all these, a few other engagements from both the Government and the Development Partners may lead to observable improvement in the state of foreign aid regime to enhance development effectiveness. Chief among these are mentioned below:

Increased effectiveness of the technical working groups

- Development partners need to engage with lead ministries/agencies to establish guidelines for technical working groups and to identify a roadmap and monitoring tool for increased aid effectiveness;
- Line ministries and technical working groups should identify the nature of transaction costs associated with aid management and agree upon specific prescriptive actions to redress them;
- Programme-based approaches must evolve so that they represent real efficiency in aid management, including pooled technical cooperation, joint

reviews, increased use of evaluations and common implementation arrangements using government systems;

Enhanced implementation of the strategic framework

- The Development Partners should routinely include Line Ministries, ERD and the Planning Commission in any arrangement for new financing and country strategy;
- The DPs should ensure that details of all their disbursements are timely entered into the government database and provide copies of signed project/programme documents and agreements to the concerned government department;
- The DPs should ensure that consultations with ERD take place on an annual basis and get the data validated.

Improved aid information management system

A crucial precondition for enabling the Government to coordinate development partners and manage aid flows effectively is the availability of accurate and timely aid data. The Government has a number of information management systems that provide data on foreign assistance. But the overarching need to obtain timely and accurate data from development partners on their disbursements in a harmonised format remains unmet. Therefore, a web-based aid information management system may be needed.

Aid Management in Bangladesh

1.0 Introduction

Poverty reduction has always been the major development challenge for Bangladesh. It was and still is the overarching objective of the government since independence in 1971. Sustained economic growth since the early 1990s has allowed the country to make good progress in poverty reduction and gains in Human Development Index despite a series of domestic and external setbacks. During the past decade of 2000-01 to 2009-10 Bangladesh has achieved an average GDP growth rate of 5.83 percent per year with GDP per capita reaching US\$ 685 in 2010. Revenue reforms led to increased revenue/GDP ratio from 9.6 in 2000-01 to 11.0 in 2009-10. The expenditure/GDP ratio has also increased significantly during this period and remained 14.5 percent in 2009-10. The poverty incidence declined from 58.8 percent in 1991-92 to 31.5 in 2010, while extreme poverty rate declined from 41 to 17.6 percent over the same period. However, Bangladesh still faces the reality that 46.8 million of its population live in poverty, of which 26.13 million are considered to be extreme poor. Moreover, disparities in poverty across different occupational groups, gender and regions are persisting, if not growing. Bangladesh is also one of the countries most vulnerable to the negative impacts of global climate change, with an increasing population and a shrinking land surface. The country has always been a major recipient of Official Development Assistance (ODA) and effective management of aid, for that matter, is one of the serious concerns for the Government of Bangladesh (GoB).

The Government of Bangladesh and its Development Partners (DPs) continue to collaborate on improving aid effectiveness. Part of this has focused on the specific implications of the Paris Declaration and Accra Agenda for Action for aid design and management in the Bangladesh context. Part has been about more general improvements in the management, implementation and monitoring of the ODA.

While there has been moderate progress in the alignment of ODA flows to national development priorities, stakeholders, by and large, agree that its impact on overall aid management and development effectiveness remains limited. This is not the case for Bangladesh alone. Aid as a development issue has been a subject of ongoing analysis since the inception of modern development cooperation after the Second World War. A constant theme has been the search for ways to improve its development contribution and in

particular, its effects on country capacity development. It is realised that no serious effort at improving overall aid effectiveness can make much headway without clearly understanding the key challenges at the country level. Addressing issues like knowledge and capacity gaps in the area of ownership, alignment, harmonisation, results management and accountability will be key. This study is undertaken at the behest of Aid Effectiveness Working Group to review the aid management systems in the Bangladesh context and to bring an international perspective in the country analysis. This report sets out findings, conclusions and recommendations.

2.0 Foreign aid scenario in Bangladesh

2.1.0 Aid Volume

Foreign aid plays an important role in the country's economic development. The average yearly aid totalled US\$ 1.3 billion over the 40-year period. Although aid only accounts for roughly 2 percent of GNI, it constitutes almost 50 percent of the country's annual development budget.

2.1.1 Aid Flow in Bangladesh

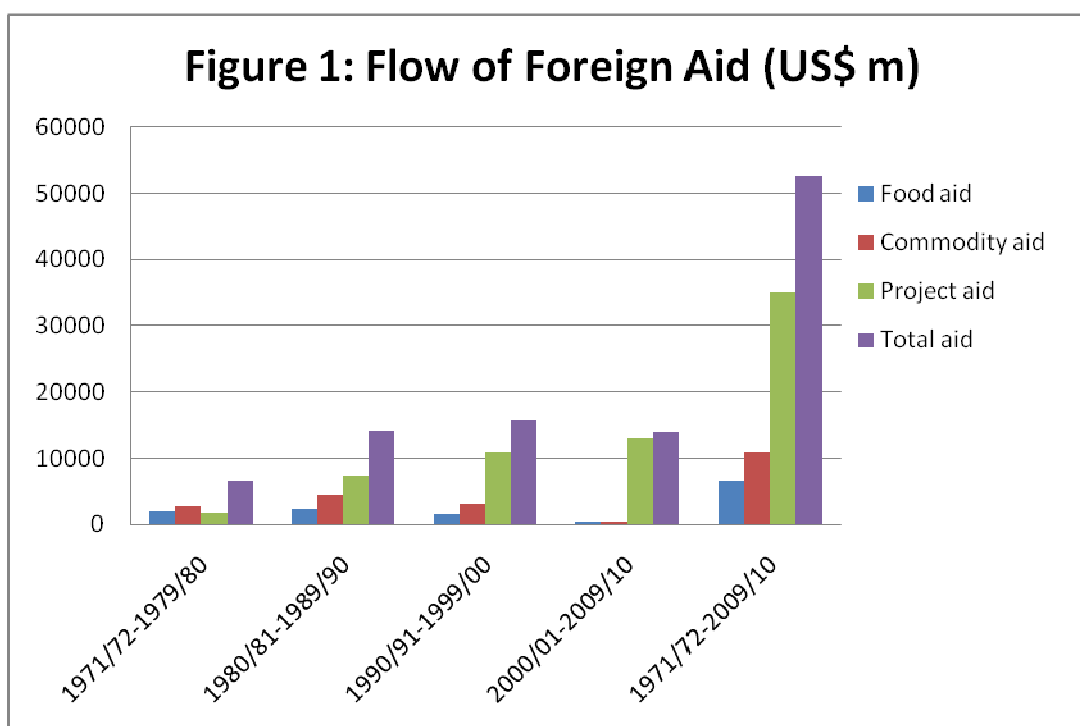
Since independence in 1971, Bangladesh has been striving hard for the development of the country and for the economic emancipation of millions of poor people. In this endeavour, the development partners have been playing a vital role by extending support and cooperation in different forms. These assistances include food aid, commodity aid, project aid and technical assistance.

Table 1: Flow of External Assistance: 1971/72-2009/10 (in million US\$)

Fiscal Years	Food Aid	Commodity Aid	Project Aid	Total Aid	Average Yearly Aid
1970/71-1979/80	2,090	2,768	1,749	6,607	660
1980/81-1989/90	2,346	4,435	7,340	14,121	1,412
1990/91-1999/00	1,537	3,169	10,911	15,617	1,562
2000/01-2009/10	613	536	15,104	16,253	1,625
Total	6,586	10,908	35,104	52,598	1,315
%	12	21	67	100	

Source: FAB, ERD, Ministry of Finance, Government of Bangladesh.

Table 1 shows the flow of external assistance into Bangladesh during the last 40 years, from 1971 to 2010. During this period of almost four decades, the volume of foreign aid totalled US\$ 52.6 billion.¹ From US\$ 6.6 billion in the first decade of Bangladesh’s independence, foreign aid more than doubled to US\$ 14.1 billion in the second decade (1980-1990). In the third decade (1990-2000), foreign aid increased slightly (by about 10%) to reach US\$ 15.6 billion before falling by around 10% and reaching US\$ 16.2 billion during 2000-2010. In fiscal year (FY) 2009/10, according to figures computed by the Foreign Aid Budget and Accounts (FABA) Branch of the Economic Relations Division (ERD), Ministry of Finance, the amount of foreign aid disbursed was US\$ 2.2 billion.²



2.1.2 Food Aid, Commodity Aid and Project Aid

Most of the foreign aid received by Bangladesh comes in three forms: (a) food aid, (b) commodity aid, and (c) project aid. Of the total aid of US \$52.6 billion, about 67% was disbursed in the form of project aid, 21% as commodity aid, and 12% as food aid. Table 2 shows how the shares of the three forms of aid have changed over time. Commodity aid and food aid were the dominant forms of aid in the decade that followed the independence of Bangladesh. These forms of aid constituted 42% and 32% respectively of the total aid during 1971-1980. As the country developed, its reliance on these forms of aid gradually

¹ Flow of External Resources into Bangladesh (as of 30 June 2010), Economic Relations Division, Ministry of Finance, Government of the People’s Republic of Bangladesh, Dhaka,

² Primary data from FABA, ERD

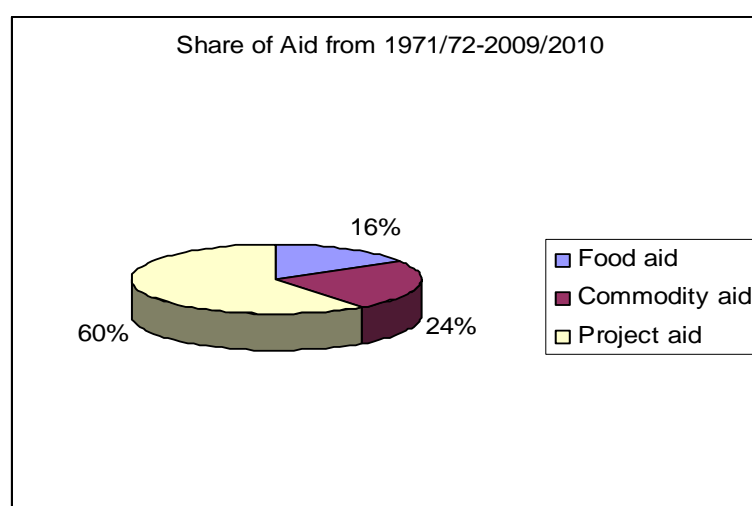
decreased so much so that, in 2000-2010, food aid and commodity aid together accounted for only 6% of total aid. The share of project aid, on the other hand, steadily grew over the years, from 26% during 1971-1980 to 94% during 2000-2010. In FY 2009/10, according to the figures computed by FABAs, project aid constituted 96% of total foreign aid.³

Table 2: Share of Food Aid, Commodity Aid and Project Aid: 1971/72-2009/10

Fiscal Years	Food Aid	Commodity Aid	Project Aid	Total Aid
1971/72-1979/80	32	42	26	100
1980/81-1989/90	17	31	52	100
1990/91-1999/00	10	20	70	100
2000/01-2009/10	3	3	94	100
Total	16	24	60	100

Source: FABAs, ERD, Ministry of Finance, Government of Bangladesh.

Figure 2: Share of Foreign Aid in US\$ in Million



2.1.3 Loans and Grants

Loans and grants are the main types of external assistance. During the period under review, loans constituted more than half (57%) of the total aid received by Bangladesh, while grants made up around 43% of all foreign assistance (see Table 3). However, the share of grants and loans in total aid changed over time. In the first decade after Independence (1971-1980), grants constituted more than half (51%) of all foreign aid. This

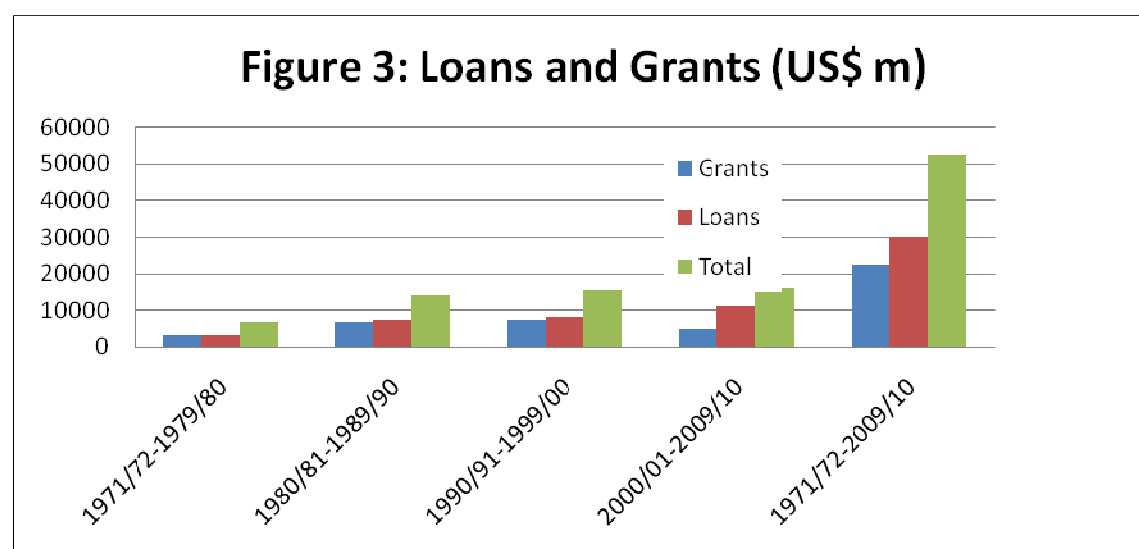
³ Flow of External Resources into Bangladesh, Economic Relations Division, Ministry of Finance, Government of the People's Republic of Bangladesh, Dhaka

share dropped consistently over the next three decades and constituted less than a third (32%) of aid during 2000-2010. The share of loans in total aid correspondingly grew from 49% in 1971-1980 to 68% in 2000-2010.

Table 3: Percentage distribution of Loans and Grants: 1971/72-2009/10

Fiscal Years	Grants		Loans		Total Aid
	Value	Percentage	Value	Percentage	
1971/72-1979/80	3,360	51%	3,247	49%	6,607
1980/81-1989/90	6,742	48%	7,379	52%	14,121
1990/91-1999/00	7,379	47%	8,238	53%	15,617
2000/01-2009/10	5,122	32%	11,131	68%	16,253
Total	22,603	43%	29,995	57%	52,598

Source: FABA, ERD, Ministry of Finance, Government of Bangladesh.



2.1.4 Donor-wise Aid Flow

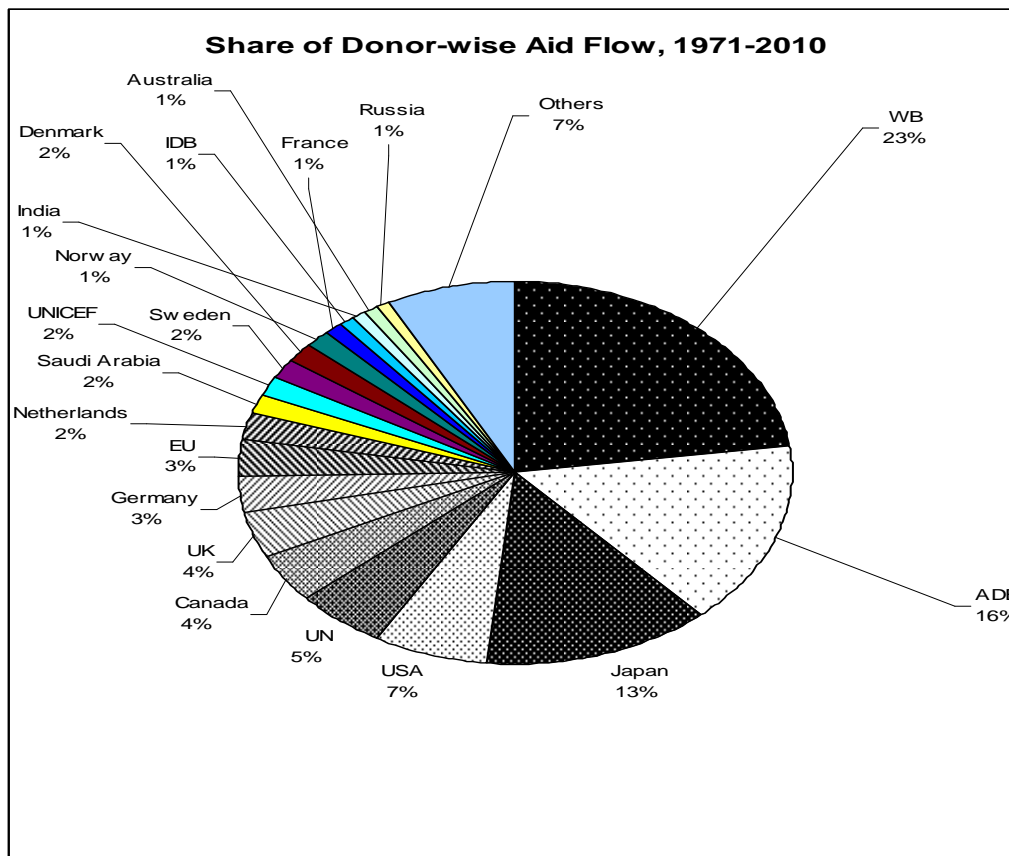
The following Table shows the donor-wise aid flow into Bangladesh during the fiscal years 1971/72-2009/10. During this period, a total of US\$ 52.6 billion came in as foreign aid in the forms of grants and loans. Three development partners – World Bank, Asian Development Bank (ADB) and Japan – accounted for 52% of all external assistance. The biggest donor was the World Bank, which provided 23% of the total aid, almost entirely in the form of loans. ADB ranked second with a contribution of slightly more than 16% of the country's external assistance, almost entirely in the form of loans. Japan was the biggest bilateral

donor, accounting for almost 14% of the total aid, almost evenly split between loans and grants.

Table 4: Donor-wise Aid Flow into Bangladesh: 1971/72-2009/10 (in million US\$)

Donors	Grant	Loan	Total	Share (%)
1) World Bank	269	11664	11933	22.69
2) Asian Development Bank	70	8114	8184	15.56
3) Japan	3308	3753	7061	13.42
4) United States of America	2,787	763	3,550	6.75
5) UN System (except UNICEF)	2744	20	2764	5.25
6) Canada	2087	16	2103	4.00
7) United Kingdom	1973	89	2062	3.92
8) Germany	1436	268	1704	3.24
9) European Union	1534	48	1582	3.01
10) Netherlands	1,078	71	1,149	2.18
11) Saudi Arabia	587	315	902	1.71
12) UNICEF	907	0	907	1.72
13) Sweden	794	24	818	1.57
14) Denmark	805	68	873	1.66
15) Norway	709	6	715	1.34
16) France	325	256	581	1.10
17) Islamic Development Bank	22	504	526	1.00
18) India	206	235	441	0.85
19) Australia	388	49	437	0.83
20) Russia	35	359	394	0.76
21) Others	538	3374	3912	7.44
Total	22602	29996	52,598	100.0

Source: FABA, ERD, Ministry of Finance, Government of Bangladesh.



The aid pattern has undergone significant changes during the last four decades. Beginning with the dominance of food and commodity aid mostly as grants, in the immediate post-independence period, aid flows have shifted gradually to project assistance with more loans. Over the past few years, aid focus has turned to investment projects rather than capacity development technical assistance. There has also been marked change in the range of policy conditionalities related to foreign assistance. The boundary of traditional structural adjustment policies has been extended either as pre-conditions or corollaries to foreign aid, to such areas as upholding human rights, promoting democracy, and emphasising good governance.

2.2 Patterns of development partners

Bangladesh receives ODA from a range of development partners, including bilateral and multilateral agencies, as well as International Non-Governmental Organisations (INGOs). Among its multilateral agencies are the Asian Development Bank (ADB), the European Union (EU), the World Bank (WB), the Islamic Development Bank (IDB) and United Nations (UN) agencies. Among the bilateral partners are the traditional members of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation

and Development (OECD) including the South Korea, as well as non-DAC and 'emerging' donors, like China, India, and so on. Some other donors (e.g. France) provide support through other Development Partners by participating in pooled funding. Hence, the Government of Bangladesh has to deal with a rather heterogeneous development partner structure, which has inherent challenges for aid coordination. However, the donor community in Bangladesh, organised under the umbrella of the Local Consultative Group (LCG) of the Government, continuously provide extensive support by engaging in a dynamic dialogue not only with the Government, but also within its own ranks. The LCG is composed of 32 Bangladesh-based representatives of bilateral and multilateral donors.

2.3 Aid coordination challenges

While it is true that Bangladesh is blessed with enormous support in the form of ODA since its independence, it is equally true that aid also posed coordination challenges for the Government at different times. Efforts to improve coordination and harmonisation have to deal with the fact that development partners in Bangladesh are divided among themselves by:

- *The scale of their programme*, whereby a few donors (WB, ADB, UK, Japan and IMF) account for the majority of the total foreign budget;
- *The enthusiasm for the international aid effectiveness agenda*, whereby some development partners, for example member states of the European Union (EU), have made far-reaching aid effectiveness commitments (e.g. regarding a division of labour), while others are far less forthcoming concerning the implementation of the Paris declaration and the Accra Agenda for Action, or even expressed their reservations. It is argued that with many donors competing with each other for visibility and quick success, development partners treat the limited public sector capacity (and the limited recurrent budget) as a common-pool resource, and in effect undermine that resource than building it up;
- *The extent to which authority has been decentralised to country offices*, while few focal development partner offices seem to have significant authority to decide about aid allocations and participation in joint DP, as well as DP-Government initiatives, combined with considerable flexibility regarding the application of administrative and financial procedures, other receive their directions primarily from their HQs and require approval for any deviation from the prescribed plan. These differences between development partners further aggravate coordination challenges resulting from fragmented aid and also affect initiatives to address these challenges, for example through implementing the global aid effectiveness agenda at local level;

- *Aid and development effectiveness in Bangladesh is moderate* due to a number of interlinked and interdependent structural, procedural and capacity problems. Addressing these problems requires a holistic approach that combines policy level initiatives with concrete reform efforts at the operational level in a systematic manner.

2.4 GoB aid management structure

The Economic Relations Division (ERD) of the Ministry of Finance is the designated authority within GoB for the overall management of aid. It leads the process as the focal point of the Government for interfacing with the development partners and for co-ordination of all external assistance inflows into the country. Its main focus is to assess country needs, coordinate with development partners and line ministries, plan, mobilize and determine allocation of external assistance in relation to the country's development programme priorities. ERD also maintains external economic relations with governments and international and regional bodies. As the Government's aid coordinating authority, ERD is tasked with aid programming and budgeting, initiating, negotiating and signing agreements, and keeping the development partners informed on the use of development assistance. In pursuance with the mandate, ERD is required to examine and scrutinize foreign assistance proposals, as well as assessing DPs performance, in order to be able to rationalise external assistance according to country needs and DPs' comparative advantages. It is also important for the aid coordinating authority to take more proactive measures to improve the comparatively low rate of aid disbursement.

Management of foreign debt including repayment of principal and interest amounts due to different lenders also constitutes an important part of ERD's mandate. GoB's Rules of Business 1996 (revised up to February 2009)⁴ mandates ERD to:

- serve as the "focal point" of GoB for development partners as well as the "coordinating body" for ministries/divisions/departments and other government institutions in the management of ODA (mobilisation, allocation and utilisation);
- sign on behalf of GoB, pursuant to the delegation of authority, any legal agreements with multilateral/bilateral development partners and international organisations pertaining to acceptance and allocation of ODA;

⁴ Allocation of Business Among Different Ministries and Divisions: Schedule 1 of the Rules of Business 1996 (Revised up to February 2009), Cabinet Division, Government of Bangladesh

- lead preparatory work, in cooperation with relevant ministries and institutions, for all international meetings on resource mobilisation; and
- represent GoB in the Local Consultative Group (LCG) and lead the forum to actively participate in all development efforts of the government.

The Rules of Business also describes the responsibilities of other key government institutions that play a role at different stages of aid management cycle (identification, formulation, negotiation, implementation and monitoring and evaluation). The Planning Commission is responsible for the formulation of macroeconomic framework, including the preparation of the National Strategy for Accelerated Poverty Reduction (NSAPR), five-year plans and public investment policies, etc. The Ministry of Finance, together with other relevant ministries/divisions/institutions, is responsible for the preparation of the medium-term budgetary framework (MTBF) and the annual budget for implementing annual development programmes (public investments). Based on the need Planning Commission finalized the development resource requirement for Ministries/Divisions. The line ministries/divisions are responsible for the preparation of sectoral public investment programmes/projects, in cooperation with the Ministry of Planning and ERD (in case of ODA involvement), and their implementation. The Bangladesh Bank acts as the banker to the Government, while the Ministry of Foreign Affairs serves as its diplomatic window.

2.5 GoB aid management procedures

Foreign aid is a substantive source of financing the country's Annual Development Programme (ADP), which consists of a number of individual and joined-up programmes/projects drawn on the basis of national development strategy (NSAPR) and/or five-year plans. Since almost half of ADP is financed by foreign aid, the quality of project design, efficiency of project approval and capacity of implementation process are important determinants of aid management and its effectiveness.

Development programmes/projects are prepared by the implementing agencies of the line ministries in keeping with sectoral priorities. These go through an intricate approval process involving the line ministries/divisions, Planning Commission and the Finance Division.⁵ Approved projects and unapproved projects (agreed in principle by the

⁵ For a detailed discussion on the project approval process, see GoB Project Approval Process: A Scoping Study, Aid Effectiveness Unit, ERD, Ministry of Finance, Government of Bangladesh,

government) are included in the ADP. A critical analysis of the project approval process reveals the following issues:

2.5.1 Development planning process: Low utilisation of development funds and poor implementation of development programmes is a common phenomenon in Bangladesh. The national planning process is characterized by numerous problems, a few of which are mentioned below as key challenges that need immediate remedial measures.

a. *Paucity of trust in institutions and their people:* A general lack of trust in different institutions involved in the process could be observed, which is attributed to the absence of a deep rooted discipline in development planning. This applies at all levels, from implementing department/agency to Planning Commission via the sponsoring ministry/division. The sponsoring ministry is not confident about the capacity of its subordinate department/agency as to the formulation of a quality project proposal and its effective implementation. The persistent weakness in the agencies/departments has created this situation while the understaffed planning wing/branches do not have enough time to redesign the project. Political pressure sometimes becomes an impediment for proper design of the project when they pressurize for hasty project design as well as approval. The planning wing/branches of the ministries are not properly set up with appropriate staff. Specialization has not yet taken place. Cadre officials are merely posted according to their discipline and specialization. The wings/branches are institutionally weak leaving the officers without supporting staffs. The ministries sometimes depute staff from the Agencies/Departments for the planning wing/branches who do not have strong motivation and can present security concerns in terms of information leakage. The planning wing/branches are always overburdened as it has to work with two thirds of manpower. These problems are compounded over time and project appraisal at the ministry suffers from poor scrutiny. The Planning Commission also lacks the capacity and sufficient time to improve the project design. They shift the responsibility for poor design of the project onto the Planning Wing of the Ministry who has limited authority. In contrast, the Ministry and agencies blame the Planning Commission for excessive scrutiny and wasting time during the approval. So, the planning environment is characterized by responsibility shifting from one party to the other for non-performance.

b. *Poorly drafted DPP/TPP:* The departments/agencies within the ministry/division fall short of necessary expertise to formulate DPPs/TPPs that demonstrate the outputs and outcomes

in the context of national strategy for accelerated poverty reduction. With a few exceptions, most DPPs/TPPs fail to articulate the proposed programme/project contribution to achieving the national strategy and/or sector strategy in the form of structured/verifiable outputs. Nor do they establish linkages between strategies at different levels.

c. Inadequacy of reliable information/statistics at ministry/department level: Most programme/project formulation is inhibited by inadequacy of appropriate information. The system of inter-departmental/inter-ministerial sharing of experience, disseminating best practices across the ministries/departments and preserving best practice documentation in compendium form is not in common use. Programme/Project formulation is dependent either on consultant's expertise or on existing stock of knowledge (cutting and pasting). Moreover, in-house availability of sector-wise reliable data in the ministry/division/department level for impact analysis and outcome determination is still limited. Most proposals are formulated on the basis of, quite overtly questioned, BBS data and/or Bangladesh Bank data.

d. Too much reliance on process sequence: The existing programme/project approval system is characterized by a sequence of several steps at different levels. There is very limited flexibility for operational independence based on outputs and outcomes. There is a lack of coordinated approach on project/program staffing and other logistical support for smooth operation. The Finance Division considers the proposal for project staffing while Planning Commission considers other areas. This creates problems in deploying appropriate set up for project operation. Project Evaluation Committee (PEC) may be the proper forum to determine the project staff-PC.

e. Inadequate application or non-application of Logical Framework (log frame): The application of log frame in the preparation of DPPs/TPPs and in the evaluation of those documents at different levels is quite scanty and far from being satisfactory. Subjective and objective based approach is still being largely used in project formulation, assessment and evaluation. As a result, the benefits of structured illustrations of input-output relationship couldn't be capitalized in the project document. So, it moves back and forth in between desks at different levels for clarification and justification. The officials at agency/department level lack proper knowledge on logical framework and other project management tools which generally cause poor implementation.

f. Lack of E-processing of DPP/TPP: Taking advantage of E-processing has yet to be operationalised in the entire cycle of programme/project assessment, evaluation and

approval process. Infrastructure for accruing benefits of e-Government is in the process of being made functional in the Planning Division to anchor related government offices to become inter-connected and integrated, allowing them to access each other's resources and database instantaneously, share electronic files and documents, communicate more efficiently and integrate decision-making and development efforts. In an effort to implement Digital ECNEC a *state-of-the-art* Data Centre (Web-based) is established in the Planning Division with facilities for on-line submission of DPP/TPP and subsequent follow-up by sponsoring agencies keeping the sponsoring ministry in the loop. Once it is operationalised, significant scope for reducing time-lag between submission and final approval will be created to enforce dynamism in the entire cycle of development programme/project management.

g. Inadequate Ministerial authority for DPP approval: The initiating ministry does not have any authority to approve DPP. In case of TA project, the Minister/Adviser/State Minister of the sponsoring ministry can approve TPP costing up to Tk.7.0 crore (US\$1.029M) on the basis of DSPEC recommendation. In case of approval of survey/feasibility study proposal the ministerial ceiling is Tk.2.0 crore (US\$294 K) only. The ministerial authority for project revision is also restricted to first revision with several other conditions. This ceiling is not sufficient in present day context

h. Lack of appropriate human resources at the agency, ministry and PC level: The current state of staffing does not support effective implementation of the concept. Although, the planning wing set-up at ministry level varies from 3-12 staff headed by a Joint Chief and assisted by Deputy Chief/Assistant Chiefs, all representing economic cadre, one could hardly find a complete planning wing in any ministry across the government. Most of the planning wing(s) are understaffed as well as poorly staffed with inadequate skill and expertise. Almost similar opinion goes *true* with staffing of IMED and Planning Commission. Although the size of the ADP has multiplied over the decades, there has not been any change in the staffing pattern of IMED and Planning Commission. Almost the same number of people (managing Tk. 2,500 crore ADP in early 1970s) are managing the more complex functions of planning, monitoring, and evaluation for an ADP of over Tk.30,000 crore.

i. Restriction on DPP revision: The restriction on DPP revisions has also been identified as a major constraint for managerial flexibility, which ultimately affect the timely utilisation of

ODA.⁶ The process of revision also requires the involvement of different government agencies.

j. *Weak M&E system*: The existing monitoring and evaluation arrangements are fragmented and defocused. Currently, M&E related functions at the central level are mainly shared between the General Economics Division (GED) and IMED. While GED mainly focuses on assessing progress at the impact level, IMED primarily focuses on input and output monitoring in relation to ADP implementation. This arrangement suffers from a number of shortcomings: first, monitoring activities of IMED and GED are not well aligned due to lack of a coherent national M&E system. Second, there is overall insufficient focus on the outcome level.

2.5.2 *ODA disbursement process*: The funding for the programmes/projects is generally channelled through Bangladesh Bank, with some exceptions where donors directly disburse funds to approved programme/project bank account bypassing the central bank. The DP-GoB agreements spell out the funding modality, although fund management is subject to compliance with governing rules and procedures of the government related to development projects. Depending on the clauses of the agreements signed between ERD and DPs, the latter also use their own rules and regulations for making procurement and hiring consultants.

2.5.3 *Programme implementation, reporting and assurance*: The responsibility for implementing development programmes/projects lies with project directors who are appointed by respective line ministries/divisions. The project directors are the budget holders for allocated funds and remain accountable both to the Government and the respective DP for achieving development results. The project directors provide expenditure reports to the DPs financing their projects in addition to routine reporting to respective ministry and IMED. The progress in project implementation is monitored and evaluated by IMED of the Ministry of Planning. The DPs also have their own monitoring and evaluation mechanisms. Accounting and auditing of foreign-aided projects are overseen by the office of the Controller General of Accounts (CGA) and the Foreign Aided Projects Audit Directorate (FAPAD) of the Office of Comptroller and Auditor General of Bangladesh.

2.5.4 *Aid information management system*: As mentioned earlier, approximately 70% of foreign aid is currently given in the form of loans. So, external debt management is a very

⁶ A project can, in principle, only be revised twice.

important part of aid management. It should be mentioned here that Bangladesh's foreign debt consists mostly of external public debt, which makes up almost 96% of total external debt. The DPs are required to report all programme/project loan/grant disbursements to the Foreign Aided Budget and Account (FABA) Branch of ERD on a regular basis. FABA records all foreign public debt and disbursements. It uses the Debt Management and Financial Analysis System (DMFAS) 5.3 software for the purpose.⁷ FABA also makes projections of foreign aid based on the financial needs of the project directors and line ministries. Payment of service charges and repayment of loans are managed by ERD.

An analysis of the aid flow records reveals that there exists significant difference between the disbursement records of FABA and DPs, particularly in respect of grants. Although calendar year/financial year mismatch has been identified as the principal reason for such differences, yet the lack of timely information sharing between the Government and the DPs is no less important a reason for this differences in amount of aid. There is growing realization of the need to strengthen FABA further, to deal with the aid information requirements of the nation as well as for DPs to adapt to the country accounting system, to consolidate the use of information for enhancing aid effectiveness.

3.0 Aid Management and its effectiveness

An important pre-requisite of aid effectiveness is the existence of adequate policies and procedures of aid management in recipient countries. In this paper, the main elements of aid management in Bangladesh are highlighted. There is no written aid policy in Bangladesh but elements of it exist in various official documents.⁸ The findings, presented below, represent the results of review of such documents and consultations with relevant government officials in an attempt to explore GoB's current status with aid management policy and procedures.

The fundamental policy objective of aid management is to ensure effectiveness in resource use so as to maximise the benefits for the people of Bangladesh through strengthened national systems and procedures. It requires better aid coordination and resource

⁷ Since 1992, DMFAS – a computer-based debt management system introduced by UNCTAD – has supported FABA and, more recently, the Bangladesh Bank in producing reliable and complete data. A UNDP-funded project, Capacity Building for Management of Foreign Aid in Bangladesh (CBMFAB), is providing capacity building support to FABA and Bangladesh Bank in this area.

⁸ See, for example, ERD Handbook, Economic Relations Division, Ministry of Finance, 6th July 2008

mobilisation mechanisms that are based on Bangladesh's leadership, ownership and mutual accountability.

3.1 National Ownership – a continuous quest

The effective use of all resources is premised not only on technical processes of aid management but also on developing a common vision and a shared set of priorities. Although, government ownership over development processes in Bangladesh has been assessed as moderate, weak linkages between policy, strategy and implementation procedures remain to be a major challenge.

3.1.1 Aid fragmentation: The manner in which aid is provided to Bangladesh reflects aspects of fragmented vision and unrelated priorities. This limits its contribution to building tangible partnerships and its impact on developing national capacity to determine, lead and manage the development outcomes. The Government of Bangladesh is expected to exercise strong leadership to avoid fragmentation and mitigate challenges. However, government capacity to press development partners, especially large volume donors, to rationalize their activities is often lacking.

The challenges are aggravated by the spread of aid budget over a large number of sectors by most development partners. This undermines the value and effectiveness of foreign assistance in Bangladesh, as it increases the transaction costs, as well as the coordination challenge, resulting in potentially wasteful duplication and overlaps in the delivery of aid, competition for scarce skills, and distorting of sectoral allocations of domestic resources. In sectors where increasing fragmentation leads to growing competition between development partners, the effect can be that the development partners and government ministry counterparts become increasingly focused on the results of their own projects, losing sight of the broader and more strategic objectives of the national programme. The competition among many donors for visibility and quick success at the country level creates burden on the limited public sector capacity and in effect, undermines the common-pool resource rather than building it up.

3.1.2 Leadership dilemma: Development Partners frequently refer to 'ownership' when they would like the government to take the 'lead' on a specific issue. However, DPs demand more 'leadership', mainly where they would like to see the government take actions on

issues high on the Development Partners' agenda. But, in fact they are frequently unwilling to fully accept government leadership and ownership and often undermine it through interventions that are not in line with national priorities, unpredictable aid disbursements, and fragmented aid delivery through parallel structures. Moreover, the assistance policy of some of the well-meaning DPs to limit the concept of national ownership only to participatory stakeholder consultations engender misrepresentation that sometimes lead them to act on behalf of the host government and its citizens in the assumption that they know what is the best for the country. DPs' HQ demands on country offices to demonstrate progress – of whatever kind, sometimes lead to *ad hoc* approaches focusing on short-term results that also undermine national ownership.

3.1.3 Leadership at Working Group level: Moreover, government leadership in the technical working groups could not be effectively linked to the development of plans that clearly articulate national priorities. Progress could be found at some sector/thematic levels (health and education, for example) in elaborating NSAPR/Five Year Plan (FYP) priorities as programmes/policies or strategic plans, yet they could not provide a catalyst for increased programme formulation by GoB, moving away from the trend of development partners developing most project proposals and leaving sometimes limited scope for accommodating sectoral/thematic needs. In the absence of a reliable public financial management system, the much-needed sector/thematic budgeting practices and procedures to support and link corresponding sector/thematic plans at both macro and sector levels could not be rooted deep into the system.

The Government is aware of the capacity constraints in the lead ministries/divisions (Planning and Finance, including ERD and Implementation Monitoring and Evaluation Division - IMED) and the line ministries and agencies for carrying out their aid coordination and management functions. The Government is also aware of the current practice of some DPs of approaching and entering into agreements with individual government ministries/divisions/agencies without any prior coordination through ERD in violation of the existing rules and regulations.

3.2 Alignment with national priorities

While there has been moderate progress in aligning ODA flows to national development priorities at the aggregate level, its adoption at the sector/thematic level is quite scanty and

limited only with one or two programme-based approaches. It is not yet clear as to the extent to which the introduction of sector-wide programmes in education and health have served to lower transaction costs as the sectors are still characterized by either individually implemented project support or low performance. Even though these may be aligned with the sector programme, it is likely that the benefits of programmatic approach may remain elusive. This also raises questions as to the extent to which these programmes have allowed for a rationalised predictable funding envelope to be identified based on the NSAPR/FYP while the continued large number of projects elsewhere is not conducive to coherent sector-wide management or to the strengthening of government systems.

3.2.1 Use of national systems: The alignment with national systems and procedures still remains limited. The latest DAC survey indicated that the use of GoB's procurement and public financial management systems has slightly increased. However, this masks a complex situation in which only a few development partners have actually increased the amount channelled through national systems, while the majority of DPs resorted to use their own systems. Lack of confidence in national systems posed a serious dilemma for both GoB and DPs in the context of strengthening national systems and then ensuring that information is adequately recorded for budgeting and accounting. Despite progress, improving the transparency and competitiveness of public procurements remains a challenge. Progress has been made in three key areas: *passing of the Public Procurement Act in Parliament in 2006; the introduction of Public Procurement Rules in 2008 for all public sector entities; and the implementation of a procurement tracking and monitoring system within the Ministry of Finance.* Still a number of key concerns remain including inadequate enforcement of regulations, delays in awarding contracts and political interference.

3.2.2 Use of GoB project document format: Apart from limited use of country PFM and procurement systems, many development partners do not use GoB's project document format, i.e. Development/Technical Assistance Project Pro-forma (DPP/TPP) and do also not directly follow the Government's process for project formulation and approval on the plea that the process is very cumbersome and often results in inordinate delays. Many development partners prepare project document using their own formats and leave it to their counterpart government agency to translate the proposal into a DPP/TPP and formalise it through the approval process. As a consequence, it happens that the approved DPP/TPP and the original DP project document do not entirely match, which often slows down the project implementation that ultimately affect the timely utilization of funds.

3.2.3 *ODA disbursement*: In spite of gradual improvements in aid coordination in recent years, the Government is concerned about the fact that a significant portion of ODA still bypasses the national budget process because of direct funding by many development partners to project implementers or by channelling funds through non-governmental organisations (NGOs). Apart from the fact that GoB has often only limited information about ODA channelled through NGOs, this approach only shifts the bureaucratic burden from one agency to another. This situation has resulted in: (a) inadequate government ownership of many projects; (b) sectoral priorities overriding national priorities and the projects being supply-driven rather than being demand-driven; (c) “piecemeal” efforts and insufficient coordination by DP agencies on sector issues and institution building; (d) proliferation of different procurement, disbursement, auditing and monitoring procedures among agencies; and (e) formation of DP-supported project implementation/management units.

3.2.4 *Predictability*: The ability to predict aid flows is important for more efficient use of resources and more effective development results. Improved predictability is basically dependant on aggregate fiscal discipline that fosters allocative efficiency and operational efficiency. In the absence of any baseline pertaining to aid flows in Bangladesh, it is difficult to make an assessment of how predictable aid is and has been over the past few years, and how predictable the national budget and planning processes are and have been during the corresponding period. It is also difficult to assess the degree to which the resources are allocated in accordance with the strategic priorities of the government and the rate at which resources that are allocated towards and spent on the government’s strategic priorities are actually translated into results. Moreover, lack of information inhibits analytical review of aid movement in respect of such critical issues as how of much aid is on plan, on budget, on parliament, on treasury, on procurement, on accounting, on audit and on report.

Although predictability is not considered to be end in itself, it is an important criterion of effective public financial management. Aid predictability is a subset of the broader issue of the management of public resources irrespective of their source. As for Bangladesh, predictability at higher levels of aggregation may seem to be somewhat workable. It does allow the Government to make confident predictions of total aid in a given year, but with much less certainty about which donors and sectors will benefit from aid. In turn this

makes it hard to provide predictable resource guidelines to line ministries and service delivery agencies. On the DP side, total disbursements may be highly predictable, but the amount destined for the sector and the alignment with national priorities may be much less predictable.

3.2.5 Use of Parallel Project Implementation Units: Low aid utilisation rates are often attributed to limited absorptive capacities of implementing agencies. A common method to address this issue is using Parallel Project Implementation Units (PIUs). A general rise in the number of PIUs has been noted although 2008 DAC survey showed a decline in the use of PIUs. There seems to be an inherent dilemma in using PIUs, which can be stated succinctly as one of simple paradox. The PIUs hold out the immediate promise of efficient project management and operations, but may over time exacerbate the very management problems in the government. Comments of the senior GoB officials consulted during this review exercise suggest that by purporting to demonstrate high level public sector performance, they actually degrade the public sector. The experience is that such bypassing is not neutral; it often undermines the legitimacy and effectiveness of the implementing agencies – making it harder for mechanisms to ensure that projects and programmes are ultimately incorporated into government’s own budgeting and other institutional arrangements for effective continuity.

3.3 Harmonization with national practices

The result of many developing partners working in many sectors distracted attention, resources and effort from the NSAPR/FYP effort. The need for setting priority for the development partners to harmonise their support to ensure achieving results, as opposed to simply managing aid, was hardly anchored in the past with national planning. These challenges are aggravated by the fact that most development partners in Bangladesh spread their aid budget over a large number of sectors, resulting in considerable aid fragmentation. This seriously undermines the value and effectiveness of ODA in the country, as it increases the transaction costs, as well as the coordination challenge. It thus results in potentially wasteful duplication and overlaps in aid delivery, distortion of sectoral allocations of domestic resources and competition for scarce skills.

Good practice in harmonisation through partnership by delegated cooperation and/or co-financing arrangement between development partners has not been instituted on a large

scale with the exception of Primary Education Development Programme (PEDP), Health, Nutrition and Population Sector Programme (HNPS), Comprehensive Disaster Management Programme (CDMP), Strengthening Bangladesh Police through Reform Programme (PRP) and a few others. Further, some development partners are in the process of dialogue with GoB on performance-based budget support. The prospect of some more programme-based arrangements is maturing in Water and Sanitation, Land Utilization, ICT, and in extended programmes for Health and Education as part of the Joint Cooperation Strategy Action Plan. However, in many sectors, programmes are still not well coordinated and there are a variety of funding mechanisms with many donors operating separately causing overlap, duplication and high transaction costs for both government and DPs. While the proportion of joined-up missions and analytical work has slightly increased, there has also been a significant rise in the total number of missions and the total amount of analytical work. As a consequence, the benefit of lower management costs and more efficient use of resources by working with a less diverse set of partners could not yet be popularised.

3.4 Managing for results

With renewed emphasis on '*Managing for Development Results*' approach for the successful implementation of NSAPR/FYP, it is important to link collective efforts to promote aid effectiveness to the broader objective of promoting improved development effectiveness. The much needed link between aid effectiveness work and efforts to realise improved and persistent development results is poor, if not absent. It is quite apparent that Bangladesh aid coordination challenge is formidable. The manner in which aid is programmed, managed and delivered, therefore, influences the outcomes of development assistance as much as the amount that is provided. It thus requires pursuing a more evidence-based approach to aid management, meaning that the collection, analysis and interpretation of data become increasingly important. Only then can lessons learnt be properly documented so that they can be fed back into policy and decision-making dialogue.

3.4.1 Aid Information Management System (AIMS): A well structured aid information management system, based on result based monitoring and evaluation tools and database, is the cornerstone of any *Managing for Results* system. It is well underscored in all forums of development management that more needs to be done in managing for development results. The lack of a complete and reliable database at the national and/or sub-national

level for objective verification of results of development intervention undermines the use of available information.

A crucial precondition for enabling the Government of Bangladesh to coordinate development partners and manage aid flows effectively is the availability of accurate and timely aid data, as well as the ability of the government officials to analyze the data to package and present it in a way that allows informed and data-influenced decision-making. At the moment there is a lack of comprehensive and timely data to facilitate well-informed decision-making, and evidenced-based dialogue with development partners.

3.4.2 Use of DMFAS: The FABA used Data Management and Financial Analysis System (DMFAS) is an off-the-shelf debt management system developed and promoted by the United Nations Conference on Trade and Development (UNCTAD). This system allows FABA to track loan disbursements, payment of principals and interest. The system has the capacity to track grants, but current FABA report contains very little information on grant funded projects. DMFAS is currently used only to monitor external public debt. External private debt is monitored by the Bangladesh Bank (BB) while the Debt Management Office of the Finance Division consolidates the information recorded in FABA and BB systems. The domestic debt is also monitored by this office.

3.4.3 Use of other systems: In addition to DMFAS, Finance Division maintains the Integrated Budgeting and Accounting System (IBAS) for budget preparation and expenditure monitoring. This system is currently not fully operational. The following IT-based systems have also been developed by the Planning Division and awaiting for being put to use for planning, implementation and monitoring of development projects.

- Project Planning System – to facilitate enabling opportunity for online submission and approval of project proposals;
- Annual Development Programme Management System – to facilitate the compilation of ADP;
- Project Information management System – to facilitate online reporting on project physical and financial progress to IMED;
- Foreign Aid Monitoring System – to facilitate online tracking of negotiations between ERD and DPs and storage of related agreements.

Despite the use of various existing information management systems, the overarching lack of timely and accurate data on ODA in a harmonised format has not yet been addressed appropriately. None of the existing systems contains a suitable interface for development partners to enter information on their assistance directly into a central system that is accessible to all stakeholders. Instead, development partners receive requests for the same type of information from different government institutions and provide information in diverse formats, making it more difficult for GoB to compile and analyse the information. The lack of comprehensive information on foreign aid flows makes alignment of foreign assistance with national priorities a real challenge, in particular as a considerable part of foreign aid is not being disbursed through the government sector and not recorded in the national budget and national accounts.

3.4.4 Development results framework: The use of common development results frameworks has not, to date, been widespread in the government nor among the development partners. But now a national development results framework is currently under development as part of the Sixth Five Year Plan. LCG Working Groups are beginning to develop sector level results frameworks. Remaining challenges will include the lack of comprehensive aid data (which has also been a deterrent factor in the way of a more evidenced-based dialogue on a rationalisation of sector support). In the absence of comprehensive, accessible aid data, both the GoB and DPs, and the DPs among themselves, have not yet agreed on the broader framework for joint monitoring and review of the status and progress of development interventions. Joint Monitoring Indicators (JMIs) have not as yet been firmly agreed upon and established. In the absence of Standard Operating Procedures (SOP) and National Operational Guidelines (NOG) for technical working groups and implementing agencies, measurable outcomes could not be properly documented in the NSAPR database and thus linking development assistance to results could not be made operational. A major challenge facing the Government is in coordinating the data collection efforts of various ministries and agencies. Isolated initiatives for the analysis of the development results are there, but they are not effectively linked with the PRS Policy matrices, the ADP and the monitoring of Bangladesh MDGs to establish a national results database. The new national Development Results Framework will begin to tackle some of these issues.

3.5 Mutual Accountability

The concept of accountability implies answerability and enforceability. This is being coined as *mutual accountability* when it is related to aid management and endorsed as one of five Paris Declaration (PD) principles for ensuring effectiveness to achieve development results. The emphasis on *mutual* accountability thus refers that the effectiveness of aid largely depends on the quality of relationships between aid ‘provider’ and aid ‘recipient’. It is observed that aid relationship between GoB and the DPs remain “publicly cordial, but discordant in practice”. Although both the political economy and technical attributes of the aid regime in Bangladesh have undergone important changes since the 1990s, the issues surrounding the changes in the regime have not been subjected to any in-depth enquiry and dialogue among GoB, the civil society and DPs to spell out how extensively political and global concerns such as bad governance and dysfunctional democracy should remain within the domain of aid policy. Hence, progress in creating mutual accountability mechanisms has been moderate.

Aid relationships are often characterised by huge asymmetries in power and information which results in rather unequal partnerships. The Government of Bangladesh is not able to challenge the demands of many donors. The much promoted concept of ‘ownership’ between the Government, as recipient of ODA and donors remains simply a nice theory but is rather heartless in practice. As for example, no sanction exists if donors fail to deliver on what they have committed, from the point of ‘mutual accountability’.

Bangladesh has the basic structure of a good formal machinery of dialogue between the Government and its development partners in the form of Local Consultative Group (LCG) mechanism, consisting of institutionalised forums at national and sector thematic level. The recently signed Joint Cooperation Strategy (JCS) and its agreed actions plan consolidated the formal dialogue mechanism. The Bangladesh Development Forum (BDF) in early 2010 and stock taking of the progress in the last quarter of 2010 demonstrated strong commitment of the Government and its DPs to working better together. However, past experience with the LCG mechanism have been mixed. The limited government ownership and especially the low level of involvement of the relevant government agencies in many LCG Working Groups (sub-groups) undermines the benefits of continuous dialogue amongst the development actors in ensuring accountability at the sector/thematic level. Overall, the LCG mechanism has not yet reached its full potential as an effective

coordination tool. The quality and frequency of dialogue within the individual WGs varies, while the effectiveness of individual groups largely depends on who is chairing them. LCG WGs tend to be more effective in sectors that receive 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.

3.6 General issues

In addition to what have been described in the previous sections, the aid management procedures followed by GoB suffer from a number of other general weaknesses, as revealed by this review. Some of the major weaknesses are listed below.

- Although the ERD Handbook is used, there is no standard format for loan agreements. DP formats are used and different DPs use different formats.
- GoB is unable to (a) access all committed foreign funds within their planned release schedule and (b) fully utilise all disbursed resources effectively due to a very complex project formulation and approval process.
- Weak aid information flow due to non-submission of timely disbursement reports by some DPs to FABA. Some DPs take a long time to send the required data. The project directors report to donors on project expenditures, not keeping FABA in the loop.
- There is no written policy or act guiding external debt management. The Public Debt Act of 1944 covers only domestic debt.
- The capacity of debt managers is still weak. Despite technical assistance for modernisation of debt management, on-line tracking of disbursements has not yet been developed. In addition, there is a shortage of staff and huge turnover in the debt management agency. The educational qualifications of staff in many cases are not relevant for developing business procedures. There is also a lack of institutional memory.
- When donor funds enter the GoB system, the transaction is reflected in the national accounts. There is no reconciliation between the numbers recorded by FABA and the Bangladesh Bank. There is also a time lag between deposit of aid money into the GoB system and its reflection in the national accounts.
- There is a gap between commitment and disbursement. Sometimes ministries do not know how much they have in the pipeline. Also, DPs sometimes divert money

from projects to mitigate emergencies caused by disaster. Sometimes projects are late to start because of litigation over land ownership. So donor money lies idle.

- There are problems of coordination among agencies and departments involved in aid management. For instance, it was reported that there is a lack of coordination among the debt management department, foreign exchange department and statistical department of Bangladesh Bank.
- Weak involvement of LCG working level sub-groups at the sector/thematic level reflects serious disconnect between national priorities and the sector/thematic priorities in programme/project planning and implementation.
- Weak participation in negotiation process where national priorities should be mentioned properly.
- Implementing Ministries are violating the planning discipline, as a result project suffers seriously and revisions are needed.

4.0 Reform initiatives in aid management

4.1 ERD in the leadership – AEU as nodal point

In recent years, aid coordination and management have undergone a number of changes as a result of compliance with major international commitments including PD and Accra Agenda for Action (AAA). Bangladesh has signed these two international commitments. ERD – *as national aid coordinating authority*, has assumed the driving seat to foster an effective partnership with DPs on the basis of mutual commitment, trust, respect and confidence for the implementation of post-PD formulated Bangladesh Harmonisation Action Plan (HAP).⁹ In 2006, Poverty Reduction Strategy (PRS)-HAP cell was created within ERD to facilitate PRS implementation follow-up actions, aid harmonisation and related donor. Following the Accra meet, institutional mechanism to support aid coordination and management through a more vibrant relationship between GoB and DPs has been re-emphasised through reengineering PRS-HAP business line and renaming it as Aid Effectiveness Unit (AEU) within ERD. This reflects the Government's interest and involvement in fast-tracking regular government procedures and demonstrating quick progress towards implementing policy commitments made and endorsed in different international forums.

⁹ Bangladesh Harmonization Action Plan, PRS-HAP Cell, ERD, Ministry of Finance, August 2006

In response to the continuously evolving challenges, GoB is fully committed to its overall policy to provide leadership and assume ownership of its aid coordination functions, based on the principles of mutual accountability, in order to improve ODA effectiveness with a changed vision for a strengthened development cooperation partnership model.

4.2 Joint Cooperation Strategy - a road map for action

The Joint Cooperation Strategy (JCS)¹⁰, which was signed on 2nd June 2010 by GoB and 18 DPs, reflects the government's policy on the mechanism of LCG – a high level GoB-DP coordination committee. With the signing of JCS, a new frontier has opened up for government and development partners to hold each other accountable for making concrete and measurable progress towards greater aid effectiveness.

The JCS is a joined up commitment by GoB and the participating DPs to implement the AAA, in the spirit of the principles of PD in the local context based on mutual respect, support and accountability. It enjoins upon the GoB and DPs to make available appropriate resources, knowledge and capacity to implement the JCS action plan. Whilst not legally binding, by adopting the JCS, all signatories to this strategy aspire to make significant contribution in GoB efforts to achieve its overarching poverty reduction objective.

Implementation of the JCS action plans will require reforms in the current aid architecture. The initial joint action plans thus emphasised securing political agreement by GoB as a whole-of-Government approach involving all key actors in aid management. An attempt is underway to take individual action points beyond the ERD with a carefully drawn road map considering the existing capacities and procedures of the government ministries and implementing agencies as well as political realities. A more flexible and less detailed, living-document type action plan is adopted to allow GoB to formulate its own aid policy statement that would eventually guide future dialogue on more concrete action points.

On the part of DPs, the JCS clearly articulated the need to resist the pressure that their HQs may transmit to 'make progress' on implementing commitments made in Paris and Accra. It is urged on the DPs not to run the risks of doing too much to force the pace of demonstrating ownership principle.

¹⁰ Bangladesh Joint Cooperation Strategy: 2010-2015.

In February 2010, the Bangladesh Development Forum (BDF) met in Dhaka where the Government and its development partners reconfirmed their commitment towards regular dialogue and the implementation of JCS action plans.

4.3 LCG Working Group -a collective dialogue mechanism

Against the above background, GoB is set to take advantage of regular consultations within the technical working groups and LCG and institutionalise the cooperation arrangement. The purpose of the LCG WGs is to support GoB's dialogue, coordination, implementation and monitoring of the development programmes in line with the national strategy for poverty reduction and the upcoming 6th Five Year Plan 2010-2015).

In particular, it can establish close liaison with the sector/thematic joint technical working groups to maintain up-to-date information on progress. In implementing action plans, each working group presents summary progress reports at regular intervals. In addition, the LCG Secretariat can be made fully functional by involving ERD to support the work of DPs and other stakeholders. The chairs of the technical working groups can be supported to ensure alignment of the DP-supported activities with government priorities and harmonisation of DP practices. Also, the capacity of the concerned GoB institutions can be built in order to improve the effectiveness of ODA that is mobilised and delivered in the sector/thematic area of the technical working group.

As part of the implementation principles of JCS, the government stresses the need for restructuring the technical working groups of LCG with more active participation from sector/ministry, preferably chairing/co-chairing the group, in order to set sector/thematic priorities and establish their linkage within nationally prioritised strategy. Ensuring that this new mechanism functions effectively and efficiently for improving aid effectiveness is a highly prioritised policy of the GoB and the DPs.

In view of the JCS action plan, a joint Aid Effectiveness Working Group (AE WG) has been established within the LCG structure. This group is responsible for monitoring the implementation of the JCS and reporting regularly to the LCG plenary on progress.

5.0 Conclusion

Government is committed to pursue a policy whereby all development programmes and projects funded through ODA should be planned, designed and implemented to achieve the over-arching national goal of poverty reduction and achievement of the Millennium Development Goals. There is noticeable change in the mindset of many development agencies, government institutions and professionals in Bangladesh. It provides a positive ground for more concrete actions to improve the effectiveness of foreign assistance to the national development process.

In its efforts to maximise the benefit of ODA for the people of Bangladesh, the Government should step up measures to mitigate the key challenges it faces in achieving its development goals. Much remains to be done for improving aid effectiveness by ministries and government agencies in implementing development programmes and projects. Bangladesh's development partners also need to do more to harmonise their practices and procedures for minimising the burden on the limited capacities of GoB ministries and agencies, and to ensure greater transparency in the use of resources that are reported to have been disbursed to Bangladesh. The following actions are recommended to improve aid management practices in Bangladesh.

6.0 Recommendations:

6.1 Develop an Aid Policy and Strategy:

While different rules and regulations related to aid and debt management exist, scattered in different GoB documents, there is currently no single, consolidated statement of aid policies that outlines GoB's priorities, basic principles and procedures for the provision, acceptance, coordination and management of foreign assistance. An exhaustive aid policy should enable the Government to derive greater benefit from the ODA provided by its partners, and to reduce the often labelled high transaction costs associated with this assistance. It may sometimes be argued that the adoption of an aid policy is an unnecessary diversion because the Government's priorities, principles and procedures are already expressed in such documents as NSAPR/Five Year Plan. But the objective of a policy is to provide appropriate guidance so as to ensure that the aid received is of such a type, and is

so deployed, as to maximise its contribution to the priorities set out in the NSAPR/FYP and other similar documents.

There is no standard model for an aid policy. The form and content of such a document largely depends on the developmental needs of a country and the priorities set by its government. While the aid policy should be the result of broad consultations within Government, as well as between Government and development partners, the aid policy would essentially be a statement of intent of Government and thereby a manifestation of national ownership.

6.2 Prepare an Aid Policy formulation action plan:

For formulating the aid policy, GoB can constitute a **national aid policy task force** with representation from the Ministry of Finance, Ministry of Planning and other relevant Ministries. This task force will need to follow a consultative and consensus-building approach while drafting the aid policy document. Various government institutions that are affected by the aid policy will need to be consulted and their views taken into consideration. Although GoB will have the ultimate say in what to include in the document, the government will need to convince the DPs, as far as possible, about the provisions of the policy, which should also reflect a realistic understanding of donor perspectives.

6.3 Establish an Aid information management system:

A crucial precondition for enabling the Government of Bangladesh to coordinate its Development Partners and manage aid flows effectively is the availability of accurate and timely aid data, as well the ability of GoB staff to analyse the data and present it in a way that allows informing and influencing decision-making. At the moment, there is a lack of comprehensive and timely data to facilitate informed decision-making based on evidence-focused dialogue with Development Partners. A government-owned electronic aid information management system for the DPs to regularly enter information on their assistance portfolios can play a very crucial role in improving the coordination and in turn the overall effectiveness of ODA.

6.4 Increase effectiveness of the technical working groups (LCG Working Group):

Development Partners need to engage with lead ministries/agencies to establish guidelines for technical working groups and to identify a roadmap for increased aid effectiveness along with monitoring tools. Line ministries and technical working groups should identify the nature of transaction costs associated with aid management and agree upon specific prescriptive actions to address them. More programme-based approaches must evolve so that they represent real efficiency in aid management, including pooled technical cooperation, joint reviews, increased use of analytical works and evaluations and common implementation arrangements using government systems.

6.5 Enhance effectiveness in the implementation of the strategic framework mandate:

In all cases of new financing and formulation of new country strategies the Development Partners should routinely include ERD and Planning Commission. The details of all DP disbursements should be entered in the Government database and the copies of all agreements and signed project documents should be provided to FABAs for records. The Development Partners should also ensure that the data are validated through annual consultation with ERD.

6.6 Enhance impact of technical cooperation through capacity development:

In the context of major reforms and the use of programme-based approaches, development partners should work together to assess and rationalise the capacity and advisory components of their support. The DPs should also actively participate in and support all analytical work covering technical cooperation within the Planning Commission. The recommendations of these studies should be linked to the implementation of all action plans across the line ministries.

6.7 Promote mutual accountability:

Key ministries in the Government and the development partners should conduct joint reviews across all reforms and make every effort to work better in using aid more effectively and efficiently. Where necessary, LCG WGs may choose to undertake independent monitoring exercises to identify partnership-based interventions to overcome partnership-based challenges.

7.0 Guiding principles

There is encouraging evidence of development partner's harmonizing their approaches to work better together in key sectors. Still much remains to be done to take aid coordination activities beyond the level of cosmetic to ensure that partnerships contribute to real development effectiveness in the country. The following principles, in this respect, deserve special consideration while formulating aid policy.

- 7.1 All development cooperation programmes and projects of multilateral and bilateral donors and NGOs should be aligned with GoB's development priorities.
- 7.2 All development partners should fully respect the Government's ownership of development cooperation programmes and projects.
- 7.3 To the extent possible, all DPs should shift the programme modality of their cooperation activities away from stand-alone project approach to sector/thematic and/or programme-based approaches in programming their activities that will eventually be funded through budget support.
- 7.4 In sector/thematic areas where policies and strategies for implementing national development priorities are not fully developed or lack vigour, appropriate partnership arrangements (e.g. technical working groups) will be used to assist government institutions in elaborating policies, strategies and programmes.
- 7.5 All development cooperation programmes and projects should include, where possible, a provision on capacity development of the institutions that implement the programmes or projects.
- 7.6 To the extent possible, development cooperation activities should make appropriate use of national institutional mechanisms, delivery systems, and human resources.
- 7.7 To the extent possible, development cooperation activities should be predictable and aligned with national budget cycles, financial systems and national monitoring systems.
- 7.8 DPs should be required to ensure that their practices do not create burden on government administrative and management systems, and give high priority to harmonising their practices and procedures.
- 7.9 Concurrently, GoB should continue to give high priority to implement its reforms to improve its institutional systems, mechanisms and procedures for facilitating greater efficiency and effectiveness of development cooperation activities.

7.10 GoB should exercise its leadership responsibility in all institutional mechanisms used for resource mobilisation and aid coordination for ensuring transparent accountability by all partners.

7.11 With respect to the **use of loans**, the implications of each new loan should be carefully examined, including its impact on macroeconomic stability, before acceptance of the loan. Generally, consideration of loan assistance should be encouraged in the case of:

- Infrastructure development programmes and projects that can produce large impacts on the national economy and have high internal rate of return (IRR) on investment.
- Areas that help generate and promote external sector transactions that enhance foreign exchange earning capabilities.
- Social sector that can enhance the socio-economic growth via human capital/resource development.
- Some feasibility studies and other pre-investment analyses that can be financed from internal sources, minimising the expenditure on consultants and foreign experts out of loan assistance.

7.12 With respect to **technical assistance (TA)**, GoB policy requirements should be set in such a manner to make a substantial contribution to the national development process. Reliance on technical assistance and expatriate consultants should be rationalised and reduced by building domestic institutional capacity through the transfer of expertise and technical know-how, and by making appropriate and selective use of technical assistance. In planning for technical assistance, it should be ensured that the TA is demand driven and supports rather than substitutes local capacity. TA is required to be focused on facilitating the implementation of large projects, government's reform programmes and functions related to developing strategies for national socio-economic development, and for building capacity at all levels to formulate, implement and monitor development activities. The national aid policy task force can adopt a **five-stage process** for formulating the aid policy, as described in the box below:

Stage 1	Preparation and distribution of a concept paper that would serve as the basis for stakeholder consultations. The concept paper should include the following: (a) objectives of the aid policy; (b) process through which it will be prepared; (c) issues to be addressed; and (d) policies that might best resolve the identified issues.
Stage 2	Holding of two separate workshops for stakeholders from (a) government agencies and (b) development partners for getting their reactions to the concept paper. The stakeholders would be asked to give their written comments on the concept paper within a stipulated time frame.

Stage 3	Revision of the concept paper on the basis of comments received from the stakeholders and upgrading of the concept paper into the first draft aid policy. Distribution of the document among stakeholders (GoB and DPs) for their further comments and feedback.
Stage 4	Holding of second round of consultation meetings with government agencies and DPs either separately or jointly. These meetings would also consider the implications of the proposed aid policy for the status, location, resourcing and training of personnel who would be responsible for its implementation.
Stage 5	Finalisation of the aid policy document on the basis of the feedback received from consultations and submission of the same for approval of the Cabinet. Preparation of an action plan for implementing the aid policy.

When preparing the aid policy, the following points should be considered:

- Strong backing of the senior political leadership is essential to make the aid policy effective.
- Strong country ownership of the aid policy is needed. This can be ensured by involving GoB officials in drafting the document.
- All concerned government agencies need to have a joint understanding of the nature, objectives and content of the aid policy.
- Early provisions for policy implementation have to be made and an action plan prepared.

Suggested Form and Content of Aid Policy Document

There is no standard model for an aid policy. The form and content of such a document largely depend on the developmental needs of a country and the priorities set by its government. In the context of Bangladesh, the aid policy document could consist of the following 10 sections, the form and content of which are briefly described below.

Section 1: Background and Rationale of National Aid Policy

By way of an introduction, the first section of the aid policy document could provide a brief history of the volume and trends of foreign aid in Bangladesh since the inception of the country. This section could also make an assessment of the current foreign aid situation and present an overview of aid-related issues. Finally, the section could discuss the rationale for formulating a comprehensive national aid policy document.

Section 2: Objectives and Guiding Principles

The second section could re-state the objectives and principles of the Paris Declaration and Accra Agenda for Action as they relate to the context of Bangladesh. The ultimate objective of the aid policy is to improve the effectiveness of foreign aid provided to the country. This section could also explain how foreign assistance could best contribute to achieving the goals of the Five-Year Plan and other strategy documents. In this context, this section could also state how the DPs could contribute to making aid more effective through:

- Alignment of aid with national development strategies
- Utilisation of country systems
- Untying of foreign assistance and reduction of other practices that reduce development value of aid
- Measures to decrease transaction costs
- Reduction of conditionality and collective adherence to joint performance assessment framework

Section 3: Criteria for Prioritising Aid

The third section could discuss the screening criteria used by GoB for assessing foreign assistance proposals such as:

- Conformity with fiscal policy – sustainability of external debt
- Contribution to government resources in achieving national priorities set in relevant documents like the Five-Year Plan and sector plans

- Provision of necessary financial and technical resources to help the country to sustain high economic growth
- Contribution to attaining regional balance by targeting underdeveloped and/or disadvantaged areas
- Implementation modality – using national capacities and resources
- Extent to which foreign aid is tied

This section could also declare GoB's right not to accept aid proposals that do not fulfil the minimum screening requirements.

Section 4: Preferred Modalities of Foreign Aid

The fourth section could discuss the various modalities of foreign aid like project aid, sector-wide approaches, general budget support, and technical assistance, etc. Aid modalities differ in terms of their compatibility with efficient budget planning and management and the level of flexibility provided to the government regarding the efficient delivery of public resources. So GoB could rank these modalities and express its preferences. Key issues that need to be emphasised include the following:

- **Financial terms and arrangements:** This section could express GoB's preferences and priorities regarding grants versus loans, including terms of loans. It could also include a discussion on borrowing ceiling with the aim of: (a) providing overall guidance to debt managers on the maximum amount that can be reasonably borrowed without running the risk of defaulting on debt servicing; (b) ensuring that the Five-Year Plan can be financed without compromising the sustainability of the budget or the debt burden; and (c) maximising the absorption of high-quality financing offered to fund the Five-Year Plan. The minimum level of financial contribution of a development partner could also be expressed in this section.
- **Operation of horizontal and vertical funds:** Horizontal funds have a country-wide approach and address a broad range of themes and sectoral issues, while vertical funds focus on a particular set of issues within a sector. Both types of funds have their advantages and disadvantages. These investments need to be balanced and complementary in order to ensure long-term aid effectiveness and sustainability.
- **Channelling aid through NGOs:** This section could contain a statement on how aid should be channelled through NGOs so that the type and level of assistance is reported to the government and the aid is aligned with national priorities.

- **Channelling aid through Private Sector:** A vibrant private sector and a large pool of inexpensive labour contributed significantly towards the continuation of a robust growth during the past decade and showing sign of sustainability. The increasing role of private sector in maintaining macroeconomic stability should be underpinned in the appropriate perspective. This sector can also be shaped up as a channel of providing aid to ensure improvement in the delivery of public good as is being considered by the Government in its vision for Public Private Partnership.
- **Provision of technical assistance:** This section could provide guidance on how to improve local ownership of technical assistance (TA) and align it with Bangladesh's capacity development needs. It should also describe the process and corresponding roles and responsibilities for TA demand and TA management.
- **Harmonization & Rationalization of Aid:** This section could express GoB's intention to rationalise foreign aid and reduce aid fragmentation and transaction costs through the establishment of harmonization & rationalization amongst DPs. The aid policy could recommend that DPs concentrate on a limited number of sectors/thematic areas in accordance with their demonstrated comparative advantage.

Section 5: Roles of GoB Institutions and DPs in Aid Mobilisation and Management

The fifth section of the aid policy could clearly spell out the roles and responsibilities of various GoB institutions and DPs in the entire cycle of aid-funded projects/programmes in terms of:

- Identification and initial conception
- Formulation of proposals
- Assessment and approval
- Negotiation and signing
- Administration
- Implementation and reporting

Section 6: Sustainability Issues

The sixth section could address issues relating to the sustainability of foreign-funded interventions. For instance, the maximum extension period of projects and programmes, after which costs would be absorbed by the domestic budget, could be defined in this section.

Section 7: Aid Reporting Requirements and Modalities

The seventh section of the aid policy could describe the frequency and format of reporting to GoB by DPs on their aid activities. The government could set up a web-based aid information management system into which the DPs could enter and update information on their aid portfolio on a quarterly or semi-annual basis. This would help in establishing a standardised and harmonised reporting process based on a single format that would enable GoB to conduct aid flow analyses.

Section 8: Monitoring and Evaluation

The eighth section could explain the process of assessing the impact of foreign aid on national development priorities based on a common results-oriented framework. It could also suggest using indicators listed in the Five-Year Plan for assessing overall progress.

Section 9: Mechanisms of GoB-DP Dialogues

The ninth section could present a vision for institutionalising channels of collective GoB-DP dialogues, including guidance on how to resolve disagreements that might occur from time to time. Such dialogues are crucial for the successful implementation of Five-Year Plans and Annual Development Programmes. This section could also throw light on the mechanism of the Local Consultative Group (LCG) and define GoB preferences regarding LCG structure and related issues (for example, chairing arrangements).

Section 10: Mutual Accountability

The tenth and last section could describe the mechanisms for periodically assessing mutual progress in implementing the aid policy and Action Plan of the Joint Cooperation Strategy. It could suggest the establishment of a dedicated GoB-DP Working Group on Aid Effectiveness for coordinating and monitoring implementation of the JCS Action Plan to support the full implementation of the aid policy and commitments made in the Paris Declaration and Accra Agenda for Action. This section could also suggest using Independent Monitoring Groups, consisting of renowned independent experts, for assessing development cooperation and issues relating to GoB-DP partnership.

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