

# Speaking Slots: Building Block on Managing Diversity and Reducing Fragmentation

## Introduction

In their 2005 paper on 'Doing Aid Better', Donald J. Johnston (then Secretary-General of the OECD) and Richard Manning (then Chair of the OECD Development Assistance Committee) made the following statement:

*"Today, more than 60,000 aid projects are being implemented in the developing world. 85% of these projects cost less than US\$ 1 million. Often different administrative procedures, in particular different financial, procurement and reporting rules and mechanisms, set up by development partners are applied. This places a heavy burden on poor countries that lack the administrative capacity to handle these demands, and does not help them building their own systems. Hence, when the project ends, the results are often not sustained."*

Six years later, the situation is basically the same. Despite several joint initiatives by donor and partner countries to harmonise development efforts and reduce duplication, as well as related commitments made in the context of the last three High Level Forums, high degrees of aid proliferation and fragmentation remain a major challenge for many aid-recipient countries, including Bangladesh. The term aid proliferation is generally used to refer to the increasing number of donor channels providing ODA, while fragmentation refers to the increasing number of foreign-funded activities with decreasing financial size.

Fragmentation and proliferation of aid often result in considerable coordination challenges and reduce its effectiveness by:

- Presenting additional challenges to harmonizing and aligning aid, which results in rising transaction costs for recipient countries and donors;
- Potentially creating wasteful duplication and overlap in the delivery of aid;
- Causing competition for scarce skills in recipient countries; and
- Distorting sectoral allocations of public spending by possibly reflecting global rather than local priorities, as aid flows become increasingly earmarked for specific purposes. In sectors where increasing fragmentation leads to growing competition between development partners, the effect can be that development partners, and the 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.

## Situation in Bangladesh

As in other countries, the use of programme-based approaches is one measure by which the Government of Bangladesh and its development partners try to reduce aid fragmentation and resulting challenges in Bangladesh. While the findings of the 2010 Paris Declaration Survey reveal progress in harmonisation efforts, such as an increase in joint analytical work, more needs to be done to effectively address aid fragmentation challenges at country level.

Against this background, the Government of Bangladesh and its development partners signed a Joint Cooperation Strategy in 2010. Among others, both sides committed to “*work towards a rationalisation of sector support in line with national priorities, by exploring options for rationalisation and harmonisation of aid and increased use of programme-based approaches.*” A number of ongoing and planned initiatives will facilitate this process, including:

- The introduction of an **aid information management system**,
- The formulation of a **national aid policy**, and
- The strengthening of existing **collective dialogue mechanisms**.

Reducing aid fragmentation is a joint responsibility of the Government and its partners. In order to achieve more development impact and reduce transaction costs, the Government of Bangladesh and its development partners will work together to rationalize support to sectors and thematic areas, as well as to limit the number of development partners that are ‘active’ in a sector or thematic area to an appropriate level, depending on the needs and capacity of the sector, as well as the comparative advantages of individual development partners.

Against this background, the Government of Bangladesh seeks to address the fragmentation problem by:

- Promoting more joint planning and coordination of development partner activities;
- Creating more common programmes and approaches;
- Encouraging each development partner to identify its comparative advantage; and
- Encouraging all donors to report accurately on their assistance to Bangladesh.

The Government of Bangladesh generally welcomes harmonisation and simplification efforts by different groups of development partners, such as the EU joint programming initiative. It is crucial, however, that such efforts are led by the Government, based on the national development strategy and ultimately fully aligned with the national programming cycle and relevant country systems. Otherwise, such initiatives might undermine true country ownership.