



FEB 02 2003

Secretary
Economic Relations Division
Ministry of Finance
Government of Bangladesh

NO. ERD/Secy/Misc-1/2003/

30 January 2003

Dear Colleague:

**Joint Government-Donor Working Groups on
Aid Governance**

The Government of Bangladesh and its Development Partners (DPs) have a shared interest in improving the efficiency and governance of the use of development assistance. The Finance Minister has therefore asked the donor community to work with senior government counterparts to review three important issues that affect the implementation of development assistance – procurement, financial reporting and auditing, and training.

Separate joint government-donor Working Groups are being established on each of these issues to identify modifications of government and donor policies, procedures and practices that could improve the efficiency, accountability and transparency of development assistance. The Government and donor members of the Working Groups are listed in the enclosure. I look forward to your active personal participation in this important exercise.

In order to inaugurate the Working Groups, a joint meeting of all members will be held on 20 February 2003 at 11:00 a.m. at the IDB Bhaban Auditorium, Agargaon, Dhaka. The remainder of this letter provides a brief introduction to the groups' terms of reference, which will be discussed at the meeting.

Each Working Group will consist of a relatively small and manageable number of members. The groups may co-opt additional members, if additional expertise and/or experiences are needed to be tapped into to strengthen the quality and acceptability of the findings and outcome of their work.

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One source material for this initiative is the report of a survey of 21 Dhaka-based donor agencies about existing safeguards against the misuse of foreign aid to Bangladesh, conducted under the auspices of the Local Consultative Group (LCG). The donor missions were asked to provide information about the methods and mechanisms they use to insure accountability in their assistance programs. The survey identified a number of problems that require attention as well as some promising "best practices" that might be suitable for broader adoption. The survey is useful in identifying problems from the donors' perspective. It will be important for the government members of the Working Groups to complement this perspective by sharing their experience with the implementation of development assistance.

The Working Groups' activities will be overseen by a Steering Committee composed of the ERD Secretary, the IMED Director-General, the World Bank Country Director (as LCG Chair) and the UN Resident Coordinator (as an LCG Executive Committee member).

Each Working Group is expected to undertake the following activities:

1. Review the relevant sections of the draft report on *Transparency and Accountability in Foreign Aid in Bangladesh: Summary of Donor Survey on Existing Safeguards* and other relevant source material to gain a better understanding of the "best practices" that have emerged as well as of the problems reported in the donor survey.
2. Invite the institutions represented within each Working Group to comment on the findings of the draft report – for the purposes of (a) identifying additional pertinent issues, (b) arriving at broad agreement on the relative importance of the issues identified and (c) identifying which issues are amenable to relatively easy early solutions and which require more in-depth review and extensive consultation.

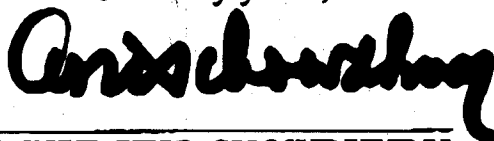
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3. Request relevant partners within the Government and within the donor community to (a) carry out additional studies of particular issues which could throw more light on the problems affecting aid governance in Bangladesh, (b) devise appropriate and acceptable solutions to such problems, and (c) commission additional research and studies on relevant issues by knowledgeable consultants in cases, where additional empirical evidence and facts are deemed to be beneficial.
4. Communicate information, at regular intervals, to the concerned government institutions and donors about the activities of each working group, the progress it has made, and the solutions it has identified.
5. Report on progress to the Finance Minister and Steering Committee by May 1, 2003. The Working Groups will report their findings and recommendations at the Bangladesh Development Forum to be held in Dhaka on May 17-18.

I would like to thank you in advance for your contribution to this important exercise.

With regards and best wishes,

Sincerely yours,



ANISUL HUQ CHOWDHURY

WORKING GROUPS

Procurement Working Group

Chair: Mr. Manik Lal Samadder, Secretary, IMED

GoB: Joint Secretary
Economic Relations Division
Ministry of Finance

Joint Secretary
Finance Division
Ministry of Finance

Joint Secretary
Ministry of Primary and Mass Education

Chief Engineer
Roads and Highways Department

Chief Engineer
Local Government and Engineering Department

Chairman
Bangladesh Power Development Board

Development Partners (DPs)

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Financial Reporting/Auditing Working Group

Chair: Mr. Motahar Hossain
Director General
Directorate General
Foreign -aided Projects Audit

GoB: Joint Secretary
Finance Division
Ministry of Finance

Joint Secretary
Ministry of Health and Population Welfare

Chairman
Rural Electrification Board

Director General
Implementation, Monitoring and Evaluation Division

Director
Foreign Aid Budget and Accounts (FABA)
Economic Relations Division

Director
Directorate General
Foreign -aided Projects Audit

Development Partners (DPs)

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Training Working Group

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Ministry of Establishment

GoB: Joint Secretary (Administration)
Economic Relations Division

Joint Secretary
Ministry of Education

Joint Secretary
Ministry of Environment and Forest

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