

LCG SUBGROUP REVIEW

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Bangladesh

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LCG Subgroup Review

Executive Summary

1. Rationale and Methodology of the Review

The LCG met on November 15, 1999, and among other things agreed that a more complete review of the LCG Subgroup mechanism should be conducted, following up on the process which had been initiated by the World Bank in August 1998 whereby a matrix had been developed on the status of activities of the subgroups. UNDP, UK, USA, ADB, the Netherlands and the World Bank volunteered to form a working group¹ to revive the process and conduct the review.

The methodology for the current review includes the following process:

- Updating the August 1998 matrix, through a questionnaire distributed to all the chairs of the LCG sub-groups.
- Conducting interviews with heads of missions, heads of development co-operation agencies, and heads of UN organisations to solicit their views on the current LCG structure and suggestions for improvement and change.
- Discussing the draft review report with the chairs of the LCG sub groups;
- Presentation of the report to LCG.

The report first gives a brief situation report on the current aid coordination mechanisms in the country, and follows this up with an analysis of the strengths and weaknesses of the system. On the assumption that the mechanism will continue to be in effect, the report concludes by offering options for improving the effectiveness and efficiency of the subgroups.

2. Current Aid Coordination Mechanisms in Bangladesh

2.1 The Bangladesh Development Forum (BDF) and the Local Consultations Group (LCG)

Due to its historical dependency on external aid, Bangladesh has one of the strongest local presence of donors, both globally and within South Asia. This large presence created the need for mechanisms that would help to coordinate activities of the various donors and the Government of Bangladesh.

One such mechanism is the Bangladesh Development Forum (BDF) which functions as the apex body for dialogue and aid coordination at the international level. The members of the BDF comprise the Government of Bangladesh and international and locally-based representatives of donor agencies. Until 1999, when it was renamed, the BDF existed as the Bangladesh Aid Group (BAG), also commonly referred to as the Aid Consortium. The BDF meets annually in Paris, the only exception to date being the 1997 BDF which was held in Dhaka.

¹ The Working Group comprised Andre Klap (UNDP); Joan Silver (USAID); Renate Pors (Netherlands Embassy); Alistair Fernie (DFID); Syed Nizamuddin (the World Bank); Raihan Elahi (the World Bank); Rezaul Karim Khan (ADB); and Shamim Hamid (UNCT).

To meet the demand for aid coordination at the local level, the World Bank initiated the Local Consultations Group (LCG) in the mid-seventies as an informal group for facilitating local aid coordination and donor-Government dialogue on development issues and priority reforms in Bangladesh. Since inception, the LCG has gone through an evolutionary process that considerably enhanced its scope and significance, and it currently functions as the apex forum for local aid coordination and policy dialogue between Government and donors in Bangladesh.

The members of the LCG include the Bangladesh-based local representatives of the BDF, with the Secretary, External Resources Division (ERD), representing the Government. The World Bank has traditionally coordinated and chaired all LCG meetings, but since the mid-nineties the Government has taken the initiative to selectively coordinate and chair LCG meetings on topical development issues. These meetings are attended by representatives of ERD, relevant line ministries and government agencies, and donor representatives. This has, to some extent, helped to foster greater government ownership of the reform agenda which is reflected in the Government coining and promoting the use of the term "development partners" to signify the spirit of development cooperation and partnership between the Government and the donors.

The LCG on average meets about 8-12 times annually, to discuss topical development issues with the Government and within the donor community itself (See Annex I for a list of LCG Meetings held since 1988). The main focus of the LCG has been preparations for the annual BDF meetings², and follow-up to the memorandum of understanding (MOU) that is issued at the end of each Paris meeting on key reform targets for the coming year. A matrix of the status of reform actions is regularly prepared to facilitate this review. In recent years however, the issuance of the MOU and preparation of the matrix have been discontinued, as the Government does not feel obliged to report its reform actions with reference to these benchmarks.

In spite of this, and in order to help focus the dialogue on specific high priority issues, donors identified 18 priority reform actions for the 1999 BDF meeting, and presented a progress report on the status of implementation of these 18 reform actions at the BDF 2000 meeting. However, although the reform actions were discussed at the BDF, there was little explicit reference to the benchmarks and the obligation of GOB to take cognisance of them. Focusing on some of the high priority development issues and targets for more effective dialogue at the BDF, therefore continues to be a challenge.

A further challenge for the LCG is to stimulate GOB follow-up on reform actions. For example, although the Government has been working on policy reforms in a number of key areas such as the National Education Policy and the National Health Policy, and although donors have expressed interest in conducting a dialogue on such issues, the Government is yet to initiate discussions of these policies in LCG meetings. Again, while the Government organised an international workshop on public administration reforms in early 1999, to which donors were

² Some donors have expressed their preference for holding the BDF Meetings in Dhaka rather than in Paris, as it ensures a more broad-based Government participation in this high-level dialogue, particularly by the key line ministries. The Government however prefers to hold the meetings outside the country because of the difficult political situation. Because of deterioration in the macroeconomic situation in FY90 (???), a Mid-Term Review (MTR) (???) meeting was held for the first time in Dhaka that year. Subsequently MTR meetings were considered necessary to follow up during the course of the year on the AGM/BDF discussions and understanding reached in Paris. Consequently MTR meetings have become a regular annual event since then.

invited, the Public Administration Reform Commission (PARC) has been slow in implementing reforms in this area. A similar situation exists in the privatisation agenda.

The level of Government participation in preparations for the BDF meetings has varied over the years. The ERD coordinated a series of LCG meetings in preparation for the 1997 BDF that was held in Dhaka, but such extensive dialogues were not proposed or considered necessary for subsequent BDF meetings that were held in Paris, only two meetings - one on human development and the other on food security - having been organised by ERD in preparation for the 1999 BDF. Other LCG meetings coordinated by the Government have been limited to donor assistance for Chittagong Hill Tracts and post-flood relief and rehabilitation.

The generally slow pace of reforms has caused donors to fall back on the high-level BDFs and MTRs to pursue dialogue with the Government on the key development issues and challenges. Consequently, in recent years the LCG has focused largely on the preparations and follow-up to the BDF, a process that has become more participatory over the years, including seeking dialogue with civil society organisations as well as the LCG subgroups. This was especially evident in the preparation of the BDF 2000, the main theme of which was good governance and poverty reduction strategies. This change in donor tactics has also enabled the agenda at the BDF to focus on substantive development issues, instead of narrowly focusing on aid pledging and related discussions as has been the practice in the past.

2.2 The LCG Subgroups

While the LCG adequately coordinates external aid at both the internal and local levels, it does not offer an enabling environment for in-depth dialogue on sectoral issues and cross-cutting themes essential to development. To fill this gap a second tier in aid coordination was created in the form of LCG subgroups of which there are currently 22 in existence³.

These subgroups focus on the more technical and detailed aspects of the sectoral, thematic, or region-specific issues. Currently there are 13 sectoral subgroups addressing agriculture, food security and nutrition, fisheries, water resource management, water supply and sanitation, education, health and population, energy, railways, urban sector, rural infrastructure, roads and highways, and micro-finance. There are eight thematic subgroups addressing poverty, gender, good governance, NGOs, private sector development, environment, project implementation issues, and macroeconomic management and technical assistance. And there is a region-specific subgroup for addressing development issues in the Chittagong Hill Tracts. Among these subgroups, two which most actively promote aid coordination are the food security and nutrition subgroup which closely monitors food assistance and food aid shipments, and the health and population subgroup which focuses on investment and donor assistance to the health and population sector program (HPSP).

There is considerable variation in the operational intensity of the subgroups. Some subgroups, such as food security and nutrition, and education, meet at regular/frequent intervals, maintain records and generate substantive output. Again, since 1997, a number of subgroups have been making important contribution to the BDFs/MTRs, by preparing annotated agenda for the meetings. The health and population subgroup has contributed substantively to the design and formulation of the HPSS and HPSP. On the other hand, some subgroups, such as environment,

³ See Annex II for the current operational status of the subgroups.

and private sector development, remained inactive over a long period of time, although the latter reinvigorated itself and has met on a bi-monthly basis for the past year.

While this inaction could arise partly from the lack of written terms of reference, many subgroups operate effectively on their informal mandate of aid coordination through information sharing, dialogue on topical issues, maintaining common databases, identifying gaps in donor assistance, avoiding duplication, and generally pursuing common donor interests, particularly for improved project implementation and faster reforms. The topics and issues are selected by consensus of the subgroup members.

In view of the important information being generated by some subgroups, there may be merit in regularly publishing an LCG report on external assistance along the lines of the report prepared by the UNDP some years ago (reference....?). This will provide a donor document for ready reference in tandem with the GOB Annual Development Plan (ADP) and the ERD annual report on the flow of external assistance in Bangladesh.

The survey conducted for the review indicates that there is a shared view that the potential of the LCG subgroups is not being fully exploited. It is felt that the role of the subgroups should not be limited to promoting effective aid coordination and information sharing, but should also include holding dialogues on sectoral and cross-cutting thematic development issues so as to provide more substantive and technical input into the aid coordination process⁴. To fulfil such enhanced roles however, challenges must be met such as convergence on priorities and approaches of the country assistance strategies of the respective agencies represented in the subgroups.

There is variation in the perception of the function of the subgroups, with several considering themselves to be primarily fora for donor interaction to which NGO and private sector representatives may on occasion be invited to participate. There is need therefore to clarify the character of the subgroups and come to a consensus on whether participation of NGO, civil society, and private sector participation should be encouraged.

Participation in subgroups has not been a problem for interested donors, particularly since the subgroups generally exercise a fairly open membership policy. The chair or leadership is usually determined by the active involvement of a donor in a particular sector/theme and the willingness of that donor to assume the management role. Some subgroups have permanent chairs, while others rotate the chair. Occasionally, an existing leadership is not accorded full recognition.

Most subgroups have expressed satisfaction at the current practices and procedures for notification and dissemination of the outcome of the meetings: agenda are usually circulated a week or two before the meeting; and all subgroups prepare minutes which are circulated within a week of the meetings. Some groups distribute minutes to all subgroup members, while others distribute it to only those who attended the particular meeting. With the exception of two, all subgroups maintain records of the deliberations. The two exceptions record information based upon the topic of the meeting. Secretarial support for the subgroup is usually provided by the

⁴ During the survey, eight subgroups expressed interest to work beyond aid coordination and information sharing, and include handling crisis situations, assisting the GOB in major schemes, and influencing policy change initiatives, in their terms of reference.

lead donor's office and is generally considered adequate. Few subgroups felt the need for more formal secretarial arrangements, or the need of consultants/facilitators to assist them in their functions.

2.3 Role of the Government in Aid Coordination and Policy Dialogue

As indicated earlier, since the mid-nineties, in consultation with the donors, the Government has been selectively coordinating and chairing LCG meetings on topical issues. Senior representatives of relevant line ministries make presentations at these meetings, which are followed by donor assessment and reactions. In recent years, the Government has also coordinated and chaired Mid-Term Reviews held in preparation for the BDFs; or to coordinate donor response to crisis situations such as the prolonged floods of 1998; or in response to donor proposals.

However, since the series of such GOB-led meetings in preparation for the 1997 BDF, there has been a hiatus in government initiative in this area. The reasons for this include the slow pace of reforms, reflecting an apparent lack of GOB commitment; lack of follow-up actions by GOB after the LCG/BDF deliberations; and the apparent lack of GOB interest in dialogue with donors on sectoral policies such as the national education policy and the national health policy. Such lack of government initiative has consequently raised doubts within the donor community about the usefulness of such meetings. On the other hand however, no instance can be cited when any burning issue raised by donors, that warranted immediate attention, was not heeded or acted upon by the Government.

The main cause of donor frustration is therefore the reactive, rather than proactive, role played by the GOB, which mostly responds to crises situations such as floods or crop shortfalls, or reacts to donor proposals and initiatives, rather than proactively articulating and seeking donor views and assistance for its development strategies. The most recent example of desultory GOB participation was the Civic Society Forum held on March 28, 2000, which offered a unique opportunity to engage key civil society actors in dialogue on governance issues and the national poverty reduction strategy which were on the BDF 2000 agenda. The Government representation at this meeting was very poor and the Government handled this event in a fairly perfunctory manner. Such lack of proactive initiative raises questions about the prospects of the Government taking the lead in preparing a nationally owned Poverty Reduction Strategy Paper (PRSP) through a highly participatory process.

It is of course recognised that while lack of institutional capacity contributes to the unsatisfactory government participation and initiative, other factors help to promulgate this position. These include the absence of a decisive stance on many development issues, wavering commitment to faster reform actions, the absence of a sense of urgency, the difficult political situation, and currently the forthcoming election cycle.

At the level of the subgroups, Government participation is marginal. Government ministries and agencies are often unaware of the existence of these subgroups, and even when aware, the GOB does not recognise them as legitimate bodies authorised to discuss policy issues with government officials. However, on those occasions when GOB has been invited to participate, officials have often made presentations and contributed to discussions which many subgroups found to be very useful. In general, junior or mid-level officials, who are seldom in a position to participate effectively or respond definitively to comments and queries, attend the meetings.

On rare occasions, there may be high level government participation such as at one Governance subgroup meeting which was attended by the Secretary of Local Government Division, Secretary of Social Welfare, Secretary of Statistics Division, Secretary of Finance Division and the Auditor & Comptroller General.

In the circumstances, if the subgroups are to operate primarily as think tanks and focus on policy analysis, rather than high level policy dialogue, the subgroups may benefit from the participation of mid-level government officials/technocrats who, while unable to talk definitively on policy issues on behalf of the Government, can offer relevant data and background information needed for policy analysis.

On the other hand some perceive the subgroups as fora for discussing issues within the donor community only, feeling that involving government, NGO and private sector representatives in the meetings may inhibit the free and informal discussions currently held on strategies to address specific issues.

There is need therefore for convergence and uniformity on the mandates and terms of reference of the various subgroups, keeping in mind that taxing the limited time of GOB officials, particularly those at senior levels, should be avoided. To this end mechanisms should be explored for informing sharing within the donor community about individual agency-GOB exchanges, so as to spare the Government from having to meet individually with donors to discuss the same topics/issues.

A case in point where the Government has refused to recognise, and therefore does not participate in the subgroup, is the education subgroup although it is one of the most proactive and technically competent subgroups capable of carrying out sector analysis. This is demonstrated by the fact that although donors to date have not officially received a copy of the draft National Education Policy, the subgroup has taken the initiative to informally procure and comment on the draft, as the policy is of special interest to donors who are supporting a high share of the investment in the education sector, particularly in primary education. The Government however has failed to take cognisance of this input. Thus the education subgroup illustrates the situation where in spite of being proactive and competent, a subgroup remains ineffective due to the lack of cooperation by the GOB.

Frustration has also been experienced in other areas of policy dialogue with the Government, such as the national poverty agenda. About three years ago the Secretary ERD coordinated a number of meetings with the LCG subgroup on poverty issues, BIDS researchers and relevant ministries and government agencies. One of the objectives of these deliberations was to contribute to the design of a poverty monitoring system. BIDS was commissioned to develop a set of standard indicators which could be officially adopted for the purpose of poverty monitoring, and to design a programme for training GOB officials in the use of the indicators. The work was never completed and the discussions bore no fruit.

At the 1998 MTR, the chair of the subgroup on poverty issues floated the idea of entrusting a central institution to serve as a focal point for coordinating and facilitating initiatives for poverty reduction. The proposal visualised an institutional framework, such as the Planning Commission or the Ministry of Finance, for mainstreaming poverty in the development agenda by creating a link between decision makers, development agencies, and generators and users of poverty

data. In response to the proposal, the Finance Minister observed that since poverty reduction was a cross-cutting theme, it could be entrusted neither to a single Ministry nor to a single focal institution. The hiatus between the GOB and donor perceptions on poverty reduction strategies led to subsequent discussions being an exercise in futility.

In this context it is to be noted that the ERD, which is the main liaison between the Government and donors, suffers from weak institutional capacity which has hampered its ability to facilitate a more productive relationship between the donors and relevant line ministries and agencies. To overcome this handicap, Canada at the BDF 2000 in Paris proposed strengthening ERD capacity, a proposal which, given the important role played by the ERD in facilitating donor assistance, should be given serious consideration. A more immediate cause for concern is the departure in the near future of the incumbent ERD Secretary, a very senior, experienced and competent civil servant, who has been retained on extended contract after his official retirement. His presence has helped to avert incompetencies arising from the institutional incapacity of the ERD, and the process of strengthening the ERD should be initiated while the incumbent Secretary is available to provide the necessary leadership.

3. Strengths and weaknesses of the LCG Sub-group mechanism

3.1 The Relationship between the LCG and the Subgroups

The interviews conducted for the review indicate that there is a widespread feeling that with the LCG focusing primarily on BDF/MTR preparations, the coordination process has become formulaic and unproductive and is not fostering progress on key issues such as moving towards better GOB-led coordination.

With respect to the subgroups, the general opinion is that subgroups with clear sectoral remit, such as education, or with relatively narrow thematic agenda such as microfinance, are amongst the most active. Subgroups addressing wider cross-cutting themes such as poverty, and aid implementation, have often found it difficult to agree on a focused and productive agenda, the lack of consensus often resulting in poor attendance at the infrequently-called meetings, in spite of the importance accorded to such themes by all donors.

These shortcomings have not been conducive to fostering interaction between the LCG and the subgroups. Current connectivity between the subgroups and the LCG is limited mostly to preparation for the BDF and MTR. Under the overall guidance of the LCG, the subgroups have been effective at preparing coordinated donor positions and at nominating spokespersons for these events. There is little evidence of the LCG exploiting the expertise and comparative advantage of the subgroups, and there is felt need for the LCG to play a greater role in promoting networking and knowledge sharing among the subgroups.

The interviews also indicated that the expertise and comparative advantage of the various subgroups were not being fully exploited with regard to issues outside the BDF/MTR context. It was felt that the LCG could play a greater role in promoting networking and knowledge sharing among the subgroups.

The LCG can also be more proactive in raising issues that need to be addressed by subgroups, particularly where better donor coordination is a priority. The LCG may encourage an existing subgroup to broaden its remit, establish temporary working groups, or meet more often, to

address the issues, or if the situation merits it, may even suggest creating a new subgroup. Cases in point include private sector development which is a key donor coordination issue in terms of policy to promote pro-poor growth; disaster preparedness and management to enable better aid coordination among donors; and more effective donor coordination in arsenic mitigation.

It is also felt that there is scope for the subgroups to play a greater role in setting the LCG agenda which could comprise a series of important issues which the LCG can prioritise according to the urgency of the situation. Such issues may include land policies, SWAPs, EFA 2000, coastal zone management, and other topics identified at the subgroup meetings. This would enable the LCG to facilitate high-level advocacy coordination in areas beyond the BDF/MTR agenda. However, the short notice given for convening LCG meetings precludes the participation of subgroups in setting the agenda and is not conducive to encouraging stronger linkage between the LCG and the subgroups.

The subgroups should also contribute more substantively to the BDF/MTR agenda, through closer interaction between the World Bank and other donors. A more effective consultative process could be facilitated by establishing a small but efficient multidonor group which can share the preparation responsibilities and is competent to meet the tight deadlines and schedules that are an intrinsic part of the BDF/MTR preparations.

Among the concerns expressed during the interviews include the World Bank's dual role as a major donor and a donor coordinator which sometimes leads to confusion, particularly when the Bank expresses views and opinions over important issues. It is essential therefore, that the chairs of the LCG and the subgroups ensure that they act as representatives of the donor community as a whole. It is also preferable that donors operating in sectors where an existing donor coordination mechanism exists, should utilise that mechanism for aid coordination.

In view of the above observations, the following suggestions are forwarded for strengthening linkage between the LCG and the sub groups:

- Subgroups should be invited to propose BDF agenda.
- Before proposing a topic of discussion, the LCG chair should consult relevant subgroup(s) to benefit from their expertise and experience.
- The LCG should annually review subgroup activities and propose follow-up action in areas/issues that are not receiving adequate attention.
- Under the guidance of the LCG, the World Bank should continue to play the leading role in preparing for the BDF/MTR, but should seek greater collaboration with subgroups and share draft agendas and documents early to ensure donor consensus.
- The LCG should prepare an annual plan of meeting dates and agenda, to be revised as and when necessary, provisionally fixing its next meeting date and agenda at the end of each meeting.

3.2 The Missing Middle

With the LCG and the subgroups operating at their own levels, one of the most-frequently cited concerns is the "missing middle" forum between the high-level, BDF/MTR-centred LCG, and individual subgroups, for addressing the most important issues on which donors need more strategically collaboration. These issues include:

§ Finding ways of moving towards better GoB-led and owned coordination

In the light of the CDF and PRSP agenda, this is a key issue for most donors. An overall approach is necessary, for conducting consultations and dialogue on a regular basis with other stakeholders, especially on poverty strategies. Given the current political situation and the lack of institutional capacity and poor policy implementation, donors are aware that this is a long-term agenda. In spite of this, some donors strongly feel that the step forward needs to be taken now, and want to remain fully engaged in these processes rather than leave them primarily to the World Bank/IMF. A possible small donor group to identify next steps with GoB has been suggested [check this with whatever USAID were asked to do after last LCG].

§ Dialogue on Sector-Wide Approaches programmes (SWAps)

There is an immediate felt need for a forum to discuss SWAps, as some donors have well-developed overall views on SWAps while others are still feeling their way about deliberately differentiating between sectors. Some donors have been trying to promote read-across from the existing health SWAp to other sectors such as education, which are looking at more sectoral approaches. Various donors have been conducting dialogues with relevant line ministries and ERD, often sending quite different messages. The existing subgroup system does not offer the environment necessary to foster coordination of donor views on SWAps, or linkages and lesson-learning between sectors.

§ Common country strategy preparation/consultation

Several donors have expressed interest in sharing the consultation and/or analyses process for the formulation of their country strategies, and have even proposed producing joint strategies. Such strategic convergence is currently of special interest to the EC and the EU member states, but the approach has been discussed within the like-minded group, particularly under the long-term perspective of the CDF/PRSP process which will be of relevance to donors and GOB alike. While such strategic convergence is important, there is need to exercise caution over burdening the GOB and national stakeholders with collective and individual donor consultation initiatives. The existing coordination mechanisms do not allow space for dialogue on such potential joint initiatives.

§ Donor division of labour across sectors

While donor coordination within sectors has recently begun to receive attention, there is currently little discussion on donor coordination across sectors. There is wide variation in sectoral involvement of donors with some donors confining themselves to as few as three or four sectors, while others work in a dozen or more. Although most donors assess the activities of other donors and their comparative advantage in particular sector(s), there is need for a more formal forum in which to exchange views on this aspect of donor coordination.

§ Identification of new ways of working

Donor agencies globally are engaged in exploring strategies for increasing efficiency and effectiveness through better coordination and collaboration. In Tanzania the Utstein group (Germany, the Netherlands, Norway and the UK) are piloting a new form of coordination which involves pooled funding and greater division of labour. Such initiatives raise questions about harmonising rules and procedures and relaxing

individual donor requirements on appraisal, project documentation, accounting, and monitoring and evaluation in the interests of improved and more efficient outcomes. In Bangladesh the UN Development Assistance Framework (UNDAF) which the UN Country Team is in the process of developing, is moving towards simplification and harmonisation of programmes and operations to increase efficiency and effectiveness of UN interventions. Several donors in Bangladesh are interested in exploring these new mechanisms of coordination and collaboration, but lack the forum in which to voice their interest and exchange experiences. Discussions and increased understanding on some of these questions (within the constraints which capital procedures impose) may facilitate better donor coordination in specific subgroups.

There are several ways in which the functions of the missing middle forum can be pursued:

- ◆ LCG could meet more frequently to address specific issues that are of interest to the majority of the members. Should the issues be too technical for a general LCG meeting, alternate mechanisms may be used such as:
 - ◆ Creating a new group comprising the deputy or the intermediate heads of agencies. Such a group will have an identity distinct from the LCG and fill the gap of the missing middle. The terms of reference of this group will include co-ordinating and networking with the LCG and the subgroups. The effective operation of such a group could in time make some of the current subgroups redundant.
 - ◆ Mandating an existing subgroup to function as the missing middle. However, there is no existing subgroup that can adequately encompass the agenda of the missing middle agenda.
 - ◆ Holding regular meetings of the subgroup chairs which could promote cross-fertilisation and knowledge sharing between subgroups.

However, if more effective donor coordination is to be achieved, there is need for creating an enabling environment for necessary dialogue which the missing middle forum will be able to facilitate.

4. Improving the Effectiveness and Efficiency of the LCG Subgroups

The preceding discussions indicate that there is ample scope for improving the effectiveness and efficiency of the subgroups. To over-regulate/control the formation and functioning of the subgroups would, however, pose problems in terms of administering such a process itself. This could also hamper their efficient and effective performance. Leadership and good management by the LCG and the subgroup chairs, supplemented by the coordination role of the World Bank, remain essential factors for effective coordination. Given these factors, the most promising ways to maximise the effectiveness and efficiency of the subgroups include:

- § clearly defining parameters within which a subgroup should be established and should operate, and assuring these are understood and respected at all levels in the donor coordination process;
- § providing guidance in administrative/operational practices for greater impact and efficiency;
- § identifying types of support that donors may be able to extend for improving and maintaining the subgroup operations. exploring opportunities where clustering/merging subgroups may improve their impact and efficiency; and

- § exploring opportunities where clustering/merging subgroups may improve their impact and efficiency.

4.1 Subgroup Parameters -- The subgroup parameters need to be clearly understood, and respected, by all participants at all levels in the donor coordination process. Suggested parameters to define the subgroups' role and responsibilities include:

- § Developing agenda and preparing donor position papers on sectors/themes for the BDF;
- § Formulating/facilitating coordination among donors with respect to development policies, programs, and project plans;
- § Formulating/facilitating coordinated policy/response to specific development-related issues/problems as may arise from time to time in Bangladesh;
- § Knowledge sharing among donors in support of the above objectives.
- § Ensuring meetings are scheduled only for issues relevant to the objectives of the group.

The subgroups should not serve as coordinating groups for the planning and implementation of multi-donor projects. The establishment of a "Donor Consortium," as for the PDSP, is recommended.

Exchanges of information at a technical level should be limited to subsidiary, optional meetings specified for that purpose, and/or to posting on electronic bulletin boards or distribution via "technical networks."

Special attention needs to be paid to the scope and responsibilities of subgroups on cross-cutting themes such as poverty, women-in-development, and environment, as they are clearly distinct from sectoral subgroups such as education and population-health. The thematic subgroups need to ensure that their work is coordinated with and contributes to the work of the sectoral groups. The thematic subgroups may play a special role in advising/informing the LCG on policy matters of broader concern.

There is need for the chairs of the LCG and of the subgroups to make clear distinction between their dual roles as representatives of donor groups and as representatives of their own agencies/organisations.

For more effective coordination, there is need to ensure that the role of the LCG and the subgroups be recognised and their participation ensured in all coordination processes initiated by donors, individually or collectively.

4.2 Subgroup Operations -- With respect to operational aspects of the subgroups, the following suggestions should be considered:

The scope and objectives of each subgroup should be discussed by the group on a periodic basis, updated as appropriate, and shared with other subgroups and the LCG. Periodic updating of the subgroups' matrix is one possible vehicle for doing this.

The LCG and the SGs should, periodically, reassess the nature and alignment of the SGs.

The formation of new subgroups should be demand-driven and may be initiated by the LCG, or by a group of donors.

Taking into consideration the divergence in views, policies need to be established regarding the participation of GOB and NGOs representatives at subgroup meetings, within the context of the specific objectives of the subgroup and of overall coordination.

Notice of subgroup meetings and proposed agenda should be circulated sufficiently ahead of time to allow guest participants to determine whether attendance at a particular meeting is a priority.

Minutes of subgroup meetings should be maintained and circulated among LCG and subgroup chairs. The minutes should be brief, recording decisions taken or actions planned, or a summary should be provided for circulation.

4.3 Support for the Subgroups -- Resources need to be committed to support the overall coordination process. Suggestions for support include the following:

An "Advisory Group" might be set up to assist the LCG, the World Bank, or the subgroups, to address issues or processes related to the role and operations of the subgroups, for example, to provide/obtain the necessary background information to help avoid overlap and duplication in terms of reference and objectives for proposed new subgroups. Such a group might be independent of the subgroups, as is the current Working Group, or drawn from the subgroups themselves. Depending on what, if any forum is established to address the "missing middle" described in Section 4.2 above, it might be separate from or integrated with this.

A "secretariat" should function as institutional memory for the complete LCG process including the subgroup mechanism. The World Bank might include maintaining records and minutes of subgroup activities as part of its LCG coordination function.

Donors should consider making short-term interns available to assist with special tasks such as periodic updating of information on the subgroups, under the guidance of the Advisory Group.

Facilitator(s)/management consultants could be engaged to provide support such as assisting with intra and/or inter-group discussions, serving as a cross-fertilising catalyst for promoting coordination/collaboration, and improving internal operations of individual subgroups.

4.4 Number and Alignment of Subgroups -- The effectiveness and efficiency of subgroups will be enhanced if they are formed, retained, clustered and/or merged so as to minimise duplication of effort, and maximise cross-fertilisation and coordination among related development areas/issues. (It was suggested in Section 4.2 above, that a periodic reassessment of the nature and alignment of the subgroups be undertaken.)

Towards this end, a number of substantive/sectoral "clusters" have been identified, where there appear to be overlaps and/or complementarities between subgroups that may serve as a basis either for combining these, or for efforts to improve coordination between them.

Any decisions to combine or coordinate among existing subgroups needs to be worked through by the SGs, with each other. Changes in realignment of subgroups may result in some things being lost. In some cases this may have a positive impact on the coordination process, for example, where it is appropriate to move certain types of issues/topics to subsidiary discussion groups and/or technical information networks. In other cases, the overall impact of realignment may be negative. The trade-off needs to be considered in each instance.

As a starting point for generating discussion/consideration by the subgroups of the any possible realignment of groups, Annex IV suggests some possible areas where the current subgroups might form clusters, merge, or identify the need for a new group.

In conclusion it may be said that organisational structure and processes are only part of the whole picture in terms of the effectiveness and efficiency of the subgroups. As a vehicle of donor coordination, much of the success of the subgroups rests on leadership, management and vision of the chairpersons of the LCG and the subgroups. Above all, they must recognise that donor coordination is a collaborative process, and should operate with openness and team spirit, reaching out to involve other relevant parties - internal and external to the LCG and the subgroups - in the process.

ANNEX I : HISTORICAL LIST OF LCG MEETINGS AND TOPICS DISCUSSED

3.2.1.1.1 LCG Meetings held during 1988		
1.	February 29, 1988	Current Economic Situation
2.	July 14, 1988	Commodity Aid Utilization
3.	August 25, 1988	Project Aid Utilisation
4.	November 09, 1988	Current Economic Situation
5.	December 11, 1988	1988 Flood Rehabilitation and Relief
LCG Meetings held during 1989		
1.	February 27, 1989	Current Economic Situation
2.	April 06, 1989	Non-Governmental Organisation (NGOs)
3.	May 11, 1989	Women in Development
4.	September 19, 1989	Flood Rehabilitation in Bangladesh
5.	October 16, 1989	National Water Plan
6.	November 09, 1989	Current Economic Situation
7.	December 06, 1989	Population Issues in the Context of the Fourth Five-Year Plan
8.	December 14, 1989	Local Resource Mobilisation
3.2.1.1.1.1 LCG Meetings held during 1990		
1.	March 12, 1990	Women in Development
2.	March 27, 1990	Current Economic Situation
3.	May 13, 1990	Poverty Alleviation Impact of Public Expenditure
4.	September 26, 1990	Flood Action Plan
5.	November 6-7, 1990	Mid-Term Review
3.2.1.1.1.2 LCG Meetings held during 1991		
1.	April 04, 1991	Country Economic Memorandum(CEM)
2.	April 20, 1991	Technical Assistance Policy
3.	April 25, 1991	Transport Sector Development
4.	May 13, 1991	Post-Cyclone Rehabilitation of Infrastructure
5.	May 16, 1991	Women in Development
6.	July 21, 1991	Post-Cyclone Rehabilitation of Infrastructure
7.	September 04, 1991	Post-Cyclone Rehabilitation of Infrastructure
8.	October 23, 1991	Food Policy Review
9.	October 31, 1991	Country Economic Memorandum (CEM)
10.	November 25, 1991	Poverty Alleviation
LCG Meetings held during 1992		
1.	January 13, 1992	Progress in Primary Health and Family Planning and Primary Education
2.	January 30, 1992	TA Policies and Procedures
3.	February 10, 1992	National Water Plan
4.	February 17, 1992	Human Development Report
5.	March 1, 1992	Flood Action Plan
6.	March 5, 1992	Flood Action Plan
7.	March 10, 1992	Country Economic Memorandum (CEM)
8.	March 17, 1992	Private Sector Development
9.	March 24, 1992	Multi-Purpose Cyclone Shelter Program
10.	March 31, 1992	Poverty Monitoring and WID Progress Report
11.	April 12, 1992	Environment
12.	May 21, 1992	Local Government Finance and SIFAD Progress
LCG Meetings held during 1993		
1.	January 17, 1993	Project Implementation and Aid Utilisation in FY93
2.	January 19, 1993	Three Year Rolling Plan
3.	February 4, 1993	Primary and Mass Education
4.	February 7, 1993	Primary Health and Family Planning
5.	March 4, 1993	Country Economic Memorandum 1993

6.	March 21, 1993	Local Government Reforms
7.	May 15, 1993	Poverty Assessment and Strategy
8.	May 17, 1993	Flood Action Plan
9.	September 30, 1993	Women in Development
10.	October 14, 1993	CEM Mission and Discussion of Future CEMs
11.	October 23, 1993	Interim Review with Finance Minister
12.	December 9, 1993	Primary and Mass Education
13.	December 12, 1993	Family Planning and Health
14.	December 14, 1993	Financial Sector Reform
LCG Meetings held during 1994		
1.	January 13	Food Policy and Management in Bangladesh
2.	January 30	NGO Regulation
3.	February 10	ADP implementation, aid utilisation and follow-up of the understandings reached in the last Aid Group meeting in Paris
4.	March 3	Government-donor meeting on Administrative Reforms
5.	March 05	CEM Wrap-up Meeting (ERD)
6.	March 06	LCG Meeting on CEM (RMB)
7.	April 5-6	GOB Inter-ministerial meeting to review implementation of IDA assisted projects and disbursements against respective credits
8.	April 7	Government-donor meeting on Poverty monitoring
9.	June 19	Government-donor meeting on CDVAT
10.	October 30	Plan and Programme for Primary & Mass Education in Bangladesh
11.	November 19/20	Trip to North-West, and discussion on North-West situation
12.	November 24	National Environment Management Action Plan(NEMAP)
13.	December 13	Government-donor meeting on ADP Implementation
3.2.1.1.3 LCG Meetings held during 1995		
1.	January 9	LCG on Aid Group Meeting 1995
2.	January 28	Government/donor meeting on follow up to AGM meeting
3.	March 23	LCG on AGM and CEM
4.	April 13	Wrap up meeting on PRMAC
5.	May 25	AGM and LCG sub-group
6.	July 11	Government/donor meeting on Budget
7.	September 21	Aid Coordination activities
8.	November 22	Agenda for Action
LCG Meetings held during 1996		
1.	January 23	GOB/donors meeting on Implementation Progress of ADP 1995-96
2.	January 30	GOB/donors meeting on Follow-up to Bangladesh Aid Group Meeting held in April 1995 at Paris
3.	March 5	To review the evolving situation and the prospects for continuing the reform agenda and for implementing our respective assistance programs
4.	April 9	GOB/donors meeting at ERD chaired by Dr. Wahiduddin Mahmud
5.	May 13	LCG meeting on the Bank report "Government that Works: Reforming the Public Sector"
6.	June 17	LCG meeting on Agenda for Action
7.	June 24	Study on Government-NGO Relations
8.	July 10	LCG meeting on Paris Aid Group
9.	July 21	GOB/donors meeting on forthcoming Annual Budget for FY96/97
10.	August 7	LCG meeting on Paris Aid Group Meeting 1996
11.	August 24	GOB/donor meeting on forthcoming Bangladesh Aid Group Meeting
12.	November 4	LCG meeting on "Follow-up to the Paris Meeting and Donor Feedback on the World Bank's Economic and Sector Work on Bangladesh"
LCG Meetings held during 1997		
1.	January 20	LCG meeting on Sub-Groups
2.	February 5	LCG meeting on Proposal to set up LCG Sub-Groups for addressing Financial Sector

		and ADP
3.	February 23	LCG meeting on Donors' Preparations for the Mid-Year Briefing
4.	April 2	LCG Sub-Group meeting on General Agriculture
5.	May 22	LCG sub-group on Poverty
6.	June 3	LCG meeting on (i) approach to and preparations for the next AGM in Dhaka, (ii) current status of the reform agenda, and (iii) ways to improve donor coordination on, sector credits and policy advice
7.	June 22	LCG meeting on FY98 Budget
8.	June 24	GOB (Finance Minister)/donors meeting on Budget
9.	August 28	GOB/donors meeting on (i) Project Cycle and Implementation; (ii) New Approaches to Development & Project Planning Issues
10.	September 4	GOB/donors meeting on (i) Poverty Monitoring & Poverty Alleviation (ii) GO-NGO Relationship--Role of NGOs in development and poverty alleviation, and (iii) Privatisation Policy and Privatisation of SOEs
11.	September 23	LCG meeting on Agenda for AGM
12.	September 30	GOB/donors meeting on (i) Follow up to Beijing Declaration; and (ii) Urban Development and Management Strategy
13.	October 6	GOB/donors meeting on (i) Administrative Reform; (ii) Local Government; and (iii) Food Security)
14.	October 19	LCG meeting on Macroeconomic Situation and Growth Prospects; Governance, Public Sector Management and Local Government Reforms and Project Implementation Issues
15.	October 20	LCG meeting Private Sector Development, Human Development and Food Security
LCG Meetings held during 1998		
1.	January 19	LCG meeting on: To Review Future LCG Activities
2.	February 15	LCG meeting on CAS for Bangladesh
3.	February 16	LCG meeting on Donors Assistance for the Chittagong Hill Tracts
4.	February 22	GOB/donors meeting on Chittagong Hill Tracts
5.	February 12	GOB/donors meeting on Governments Development Program in the Chittagong Area
6.	April 6	Donors meeting to discuss the agenda for the May 12 Donors' Meeting
7.	May 4	Donors meeting on Preparatory LCG Meeting for the Meeting of Donor Representatives
8.	August 12	LCG meeting to discussed: <ul style="list-style-type: none"> ◆ Progress on the reform agenda (World Bank to Report) ◆ Timetable for LCG meetings (World Bank to Report) ◆ Status of assistance to Chittagong Hill Tracts (UNDP to report); and ◆ Working of LCG subgroups (World Bank to report)
9.	August 18	GOB/Donors meeting on Flood Situation
10.	September 20	Donors meeting on Coordination of External Assistance for Flood Rehabilitation
11.	November 16	LCG meeting on: <ul style="list-style-type: none"> (i) Donors response to the floods and (ii) Agenda for the next Development Forum Meeting
LCG Meetings held during 1999		
1.	February 14	LCG meeting for Preparations for the Bangladesh Development Forum Meeting 1999
2.	March 4	LCG meeting for Preparations for the Bangladesh Development Forum Meeting 1999
3.	March 18	GOB/Donors meeting for Preparations for the Bangladesh Development Forum Meeting 1999 on Human Development: Education, and Health, and Nutrition
4.	March 24	LCG meeting for Preparations for the Bangladesh Development Forum Meeting 1999
5.	April 13	GOB/donors meeting for Preparations for the Bangladesh Development Forum Meeting 1999 on Food Security
6.	April 27	LCG meeting to discuss: <ul style="list-style-type: none"> ◆ Follow up on the Development Forum Meeting 1999 and discuss the future course of action; ◆ To seek views on the World Bank's Country Assistance Strategy (CAS) for Bangladesh, in the light of developments since issuance of the CAS in March 1998.

7.	June 10	LCG sub-group convenors meeting
8.	June 17	LCG Meeting to discuss the preparations for a mid-term consultative meeting will be held in September 1999
9.	November 15	LCG meeting To Discuss the Agenda for the 2000 Development Forum Meeting
LCG Meetings held during 2000		
1.	February 10	LCG meeting held at WBDO on: <ul style="list-style-type: none"> ◆ Donor perspectives on the political situation and prospects for reforms in pre-Election Bangladesh: Open Discussion ◆ Civil Society and Development Forum Meeting arrangements in Dhaka and Paris ◆ Progress of review of activities of LCG sub-groups
2.	March 15	Preparations for the Development Forum Meeting 2000
3.	May 15	LCG meeting held at WBDO to discuss: <ul style="list-style-type: none"> ◆ FY00 outcome and FY01 Budget (IMF) ◆ Outcome of the Bangladesh Development Forum (BDF) Meeting ◆ Agenda for donor workshop on governance on May 25. ◆ Update on the review of LCG Sub-Group activities
4.	May 25	Donors workshop on Governance

ANNEX III : LCG Subgroup chairs

Sub-Group	Chairman's Name and E-mail No.	Agency
Good Governance and Public Sector Management	Mr. Andre Klap, Resident Representative a.i., andre.klap@undp.org	UNDP
Poverty Issues	Mr. Shams Mustafa, Program Officer, shams.mustafa@undp.org	UNDP
WID Issues	Ms. Shahida Azfar, Country Representative, sazfar@unicef.org	UNICEF
Project Implementation Issues	Mr. John Ray Cahoon, Head Social Infrastructure	Asian Development Bank
Railways	Mr. John Ray Cahoon, Head Social Infrastructure, jcahon@mail.asiandevbank.org	Asian Development Bank
Power	Mr. Shamsuddin Ahmed, Sr. Project Officer, sahmed@mail.asiandevbank.org	Asian Development Bank
Urban Sector	Mr. Narhari Rao, Sr. Economist, nrhao@mail.asiandevbank.org	Asian Development Bank
Education	Dr. Terri Kelly, First Secretary (Education), t-kelly@dfid.gov.uk	Department for International Development (DFID)
Fisheries	Mr. Tim Robertson, First Secretary (Fisheries and Aquatic Resources), t-robertson@dfid.gov.uk	Department for International Development (DFID)
Roads & Highways	Mr. Peregrine Swann, First Secretary, p-swann@dfid.gov.uk	Department for International Development (DFID)
Environment	Dr. Azharul H. Mazumder, Environmental Officer, azmazumder@usaid.gov	USAID
Private Sector Development	Mr. Richard Rousseau, Team Leader, Enterprise Development Team, rrousseau@usaid.gov	USAID
TA Coordination and Macroeconomic Management	Mr. Ronald Hicks, Resident Representative, imfdhaka@bangla.net	International Monetary Fund
Food Security and Nutrition	Mr. Werner Kiene, Representative, werner.kiene@wfp.org and umme.kulsum@wfp.org	World Food Program
Micro-Finance	Ms. Monique Angers, First Secretary, monique.angers@dfait-maeci.gc.ca	Canadian High Commission
Water Management	Mr. Peter de Vries, First Secretary (Water Sector), , nlgovdha@bangla.net	Royal Netherlands Embassy
Health and Population	Mr. Jan Waltmans, First Secretary, Deputy Head, Development Section, , jha.waltmans@dha.minduza.nl	Royal Netherlands Embassy
NGOs	Mr. Muhammad Taher, Program Officer, dhaka@sdn.net	Swiss Development Cooperation
Rural Infrastructure	Mr. Mohi Uz Zaman Quazi, Transport Engineer, Energy & Infrastructure Team, mquazi@worldbank.org	World Bank Office, Dhaka
Water Supply and Sanitation	Mr. Babar N. Kabir, Country Sector Leader, RWSG, bkabir@worldbank.org	World Bank Office, Dhaka
Agriculture	Mr. Rashid Faruquee, Principal Economist and Team Leader, Rural Development Team, rfaruquee@worldbank.org	World Bank Office, Dhaka
Chittagong Hill Tracts	Mr. Zahed H Khan, Urban Specialist, zkhan3@worldbank.org	World Bank Office, Dhaka

ANNEX IV

POTENTIAL AREAS FOR REALIGNING CURRENT LCG SUB-GROUPS

Changes in the alignment of the current subgroups (SGs) could have an impact on the number of meetings donors attend, but such changes are most likely to be significant in terms of improving coordination of policy and information within a substantive areas involved

Potential areas for clustering and/or realigning current subgroups may be as follow::

1. Food Security, and Agriculture – The Food Security agendas appear to encompass most of what is covered by the Agriculture SG. Combining these two SGs should be considered.
2. Food Security and Rural Infrastructure - Given the breadth of the issues covered by the Food Security SG, including disaster impacts and rural development, could/should Rural Infrastructure go under Food Security? Or, given the already broad coverage of the Food Security SG, could some of its agenda be carried out under the Rural Infrastructure SG? If separate SGs continue, does a coordinating arrangement on overlapping issues, e.g. cross-representation at relevant meetings, make sense?
3. Food Security and Population-Health – The scope of the Food Security Group is particularly wide. Given this, and for substantive reasons, the question of where primary responsibility for nutrition issues does/should lies between this and the P-H SG.
4. Roads and Railways – Could these SGs be combined as one “Transport” SG, particularly as the main donors, World Bank and ADB are involved in both SGs.
5. Water Resources (Water Management, Water Supply and Sanitation, and Fisheries) – There appears to be scope for a broader SG, or an umbrella-type arrangement to deal with the area of Water Resources. The SGs for Water Management and for Water Supply and Sanitation appear to have considerable overlap. While Fisheries is more distinct, it should be closely tied in to issues concerning Water Resources, if not by being combined, then by treating these groups as a cluster and assuring cross-representation at meetings.
6. Economic Growth – Consideration should be given to whether one or more combinations of the four SGs dealing with the Economic Growth theme is possible, and/or whether there should be some sort of umbrella arrangement for integration/coordination on policy. Within this overall Economic Growth area, two specific suggestions for possible combining of activities should be discussed.
 - Private Sector, and Microcredit – Both in terms of specific issues addressed, and from the longer term confluence of policy, it would make sense to consider whether these two groups should be combined.
 - Macroeconomic Management, and Poverty – Indications from the matrix are that the Poverty SG has had difficulty dealing with too diffuse/undefined a topic. Should

these issues be addressed under a broader umbrella of Economic Growth, and tied together with Macroeconomic Management?

7. Governance, and Urban Sector – Are there enough overlaps concerning Governance as this relates to the Urban Sector, to justify combination, or at least greater coordination between these two groups?
8. Women in Development, and Environment – These two cross-cutting groups deserved special attention to assure that their analyses, issues, and policy recommendations are informed by, and conversely, communicated to those other groups with related interests. It would be useful to ask each group to examine what the current arrangements for such coordination are, and identify areas where this could be increased.