

Monitoring the Paris Declaration

2008 Survey Country Chapters - Qualitative Assessment-
Bangladesh



**GOVERNMENT OF THE PEOPLE'S REPUBLIC OF
BANGLADESH**

PRS-HAP Cell, Economic Relations Division
Government of Bangladesh
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Abbreviations and Acronyms

ACC	Anti Corruption Commission
ADB	Asian Development Bank
ADP	Annual Development Plan
AOP	Annual Operational Plan
BBS	Bangladesh Bureau of Statistics
BDT	Bangladesh Taka
BEC	Bangladesh Election Commission
BNP	Bangladesh National Party
CIDA	Canadian International Development Agency
CPTU	Central Procurement Technical Unit
CSO	Civil Society Organization
DP	Development Partner
DFID	UK Department for International Development
ERD	Economics Relations Division
EU	European Union
FABA	Foreign Aid Budget and Accounts
GDP	Gross Domestic Product
GED	General Economics Division
GF	The Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria
GoB	Government of Bangladesh
HIES	Household Income and Expenditure Survey
IMED	Implementation, Monitoring and Evaluation Division
HNPSP	Health, Nutrition and Population Sector Programme
JAS	Joint Assistant Strategy
JBIC	Japan Bank for International Cooperation
JICA	Japan International Cooperation Agency
LGED	Local Government Engineering Department
MoF	Ministry of Finance
MoP	Ministry of Planning
MTBF	Mid Term Budgetary Framework
NSAPR	National Strategy for Accelerated Poverty Reduction
PAC	Parliamentary Accounts Committee
PBA	Programme Based Approach
PD	Paris Declaration
PEDP II	Primary Education Development Programme II
PERP	Preparation of Electoral Roll with Photographs
PFM	Public Financial Management
PIU	Project Implementation Unit
PLU	Project Liaison Unit
PPA	Public Procurement Act
PPR	Public Procurement Rules
PRS(P)	Poverty Reduction Strategy (Paper)
REB	Rural Electrification Board
RIBEC	Reforms in Budgeting and Expenditure Control
SIDA	Swedish International Development Agency
SOE	State Owned Enterprises
SWAP	Sector Wide Approach Programmes
UNCAC	UN Convention Against Corruption
WB	World Bank

I. Survey on Paris Declaration Implementation – 2008

The Survey on Implementation of the Paris Declaration was launched globally in January 2008. It took place in 54 countries that received aid. In Bangladesh, the survey was launched on 2 January 2008. The survey relates to CY2007 and in some cases FY2006-07 and it reflects the data and other information of the same period.

The Aid Effectiveness working group¹, under the leadership of National Coordinator and the donor focal points², coordinated collection of the data and report compilation.

This report is prepared³ on the basis of input received through bilateral and stakeholder consultations⁴ for the 12 indicators of the Paris Declaration and some country specific documents on aid effectiveness. It attempts to contribute to Bangladesh's input to 2008 Global Survey Country Chapter and Accra High-Level Forum on Aid effectiveness in September 2008. Overall, 18 Donors⁵ including United Nations Country Team (with 7 UN agencies⁶) and the Government of Bangladesh (GoB) participated in the Survey.

Section I gives an overview of the recent development context in Bangladesh. Section II highlights the qualitative assessment against the 12 indicators in line with the illustrative questions provided by OECD/DAC questionnaire. Section III contains a table of country specific key challenges and recommendations.

¹ PRS-HAP Cell of Economic Relations Division, Government of Bangladesh and Development Partners

² UN and DFID respectively from January-February and February to date

³ Consolidated by Dr. M Harunur Rashid, Ms. Ayshanie Medagangoda-Labé and Mr. Monowar Ahmed, DS, ERD on behalf of the National Coordinator and the Donor Focal Point on the basis of GoB/Donor input and two rounds of stakeholders consultation

⁴ List of people consulted is attached in Annex

⁵ ADB, Australia, Canada, Denmark, European Commission, Germany, GF, IFAD, Japan, Korea (Republic of), Netherlands, Norway, Sweden, Switzerland, United Nations, United Kingdom, USAID and the World Bank

⁶ ILO, UNDP, UNESCO, UNFPA, UNICEF, WFP and WHO

II. Recent development context in Bangladesh

1. In 2007, Bangladesh's population was estimated⁷ at around 158.9 million. The United Nations Development Programme's Human Development Report 2007⁸ places Bangladesh 140th of 177 countries. The country's per capita gross development product (GDP-PPP) was US\$1,994 in 2007.
2. The previous elected government's⁹ tenure ended in October 2006. Bangladesh's Constitution provides for a Non-party Caretaker Government during the period from the date on which the Chief Adviser of such government enters upon office after Parliament is dissolved or stands dissolved by reason of expiration of its term till the date on which a new Prime Minister enters upon his office after the constitution of Parliament. On 11 January 2007, in the face of protests at the outgoing government's choice of the Caretaker Government's leadership, along with fears of vote rigging and a controversial electoral list, President stepped down as the Chief of the Caretaker Government and declared State of Emergency. A 10-member Advisory council was reconstituted and was sworn in on 13 January 2007.
3. The new Non-party Caretaker Government quickly began to address and implement some of the country's long pending institutional reforms. These included separation of the judiciary from the executive; reform of the Election Commission, the Anti-Corruption Commission, the Public Service Commission, the National Human Rights Commission, and the Regulatory Reforms Commission; and overhaul of Right to Information and Consumer Protection legislation.
4. On the economy, Bangladesh achieved 6.5% real GDP growth in the 2006-2007 fiscal year. But two severe floods during 2007, along with a hugely damaging cyclone, and low investor confidence have combined to affect the economy. A set of reforms introduced in the fiscal management sector has started to bear fruit. Government revenue, collected by the National Board of Revenue, rose by 24.6% between July 2007 and January 2008 over the corresponding period of the previous year¹⁰. And historically high remittance inflows (US\$6.56 billion in 2007), and exports have contributed to a more comfortable reserve position.¹¹
5. The most recent Household Income and Expenditure Survey (2005) found that the incidence of poverty in Bangladesh fell from 58.8 per cent in 1991 to 40.0 per cent in 2005. Although Bangladesh is thought to be on track to achieve MDG 1 by 2015, its economic growth has not sufficiently benefited the extreme poor (GED, 2008). Compared to its Asian neighbours, Bangladesh still lags behind some of the key social indicators due to deficiencies in the social services and infrastructures.

⁷ IMF and International financial statistics reported by Economic Intelligence Unit

⁸ UNDP, 2007

⁹ Bangladesh Nationalist Party (BNP)

¹⁰ ADB, 2008

¹¹ IMF and IOM

6. Total revenue receipt for the fiscal year 2007-2008 was estimated at Taka 57,301 crore¹² which is 10.8 percent of GDP. Of this, total foreign assistance¹³ is estimated at Taka 14,658 crore. On the expenditure side, the size of ADP has been determined at Taka 26,500 crore (5 percent of GDP) while the total expenditure has been estimated at Taka 79,614 crore (15 percent of GDP).
7. Government reports¹⁴ show that the share of grants in the total aid package has declined over recent years. Between the country's independence in 1971 and June 2007, about US\$46.46 billion of foreign aid has been disbursed. Of this, 44.4% was in the form of grants, with loans making up the other 55.6%. A reverse trend in channelling foreign aid is observed. The proportion of bilateral aid decreased from 75.4% in 1973/78 to 24.3% in 2006/2007. Over the same period, multilateral aid proportion has increased from 24.6% in 1973/78 to 75.7%. Bangladesh is by no means aid dependent. Net aid-flows account for only 1.2% of GDP. High remittance level and net Foreign Direct Investments are well in excess of ODA.

¹² 1 crore = 10 million

¹³ Including both loan and grants

¹⁴ ERD, Government of Bangladesh, January 2008

III. Qualitative assessment of Paris Declaration indicators for Survey 2008

This section contains consolidated feedback to the Country Chapter of Survey 2008. It is organised against the illustrative questions proposed by OECD/DAC.

1. Ownership

Indicator 1

I. To what extent does the national development strategy (or poverty reduction strategy) set out clear and prioritised objectives for the country?

8. After an extensive, participatory process, and building on the Interim Poverty Reduction Strategy Paper (I-PRSP, 2003), the Government of Bangladesh finalized its Poverty Reduction Strategy entitled "Unlocking the Potential - National Strategy for Accelerated Poverty Reduction" (NSAPR) in October 2005. This medium term agenda for accelerated poverty reduction centres around eight medium term strategic priorities: (i) Employment; (ii) Nutrition; (iii) Quality Education (particularly in primary, secondary and vocational levels, with strong emphasis on girls' education); (iv) Local governance; (v) Maternal Health; (vi) Sanitation and Safe Water; (vii) Criminal Justice; and (viii) Monitoring¹⁵.

These are based on four strategic blocks: (i) macroeconomics; (ii) critical sectors; (iii) safety net; and (iv) human development; and on four supporting strategies: (v) participation and empowerment; (vi) promoting good governance; (vii) service-delivery; and (viii) caring for the environment.

9. PRSP clearly articulates the socio-economic development priorities and objectives for Bangladesh. The PRS stresses the links between investment, growth, job creation, and poverty reduction, and identifies key areas where reforms are needed, public investments are required, and public policies merit improvement.
10. While the PRS sets out clear strategic priorities for the country, it has not anchored them adequately within the framework of sectoral priorities. Although the recent reform agenda has resulted in key achievements in some macroeconomics and governance sectors, the lack of adequate prioritization may delay the achievements of critical sectors.
11. The latest Household Expenditure Survey suggests that the rich-poor gap has increased significantly, even though the National Poverty Index shows a 3-4% decline in the poverty line to 40%. There is also a growing trend in regional poverty gaps – between, for example, the Dhaka-Chittagong-Sylhet Divisions

¹⁵ PRSP 2005

and the Barisal-Khulna-Rajshahi Divisions. It appears that the PRS and budgetary allocations in subsequent financial year (2007-08) sought to address those critical issues by increasing allocations for the projects in this region.

12. A recent review indicates that the PRS implementation has so far remains to be partial in the sense that some strategic goals along with their targets have been achieved, while in the case of others progress has either been slow or negligible. In general, the PRS implementation progress in the strategic agenda for creating 'macroeconomic environment for pro-poor growth' has been better. Pervasive institutional weakness in macro and micro level, in conjunction with poor coordination of external assistance, has emerged as the central cause of poor implementation of the PRS. The adaptations of the lessons learnt from the PRS through comprehensive analysis of the achievements in overcoming institutional weakness of development ministries/agencies remain a critical challenge for Bangladesh for accelerated poverty reduction through pro-poor growth.

II. To what extent are national plans or strategies able to influence the activities undertaken by government and donors by means of making linkages between the plans and budgets, fiscal policies or other resource-allocation instruments?

13. The Annual Development Programme (ADP) is the PRS's key implementing instrument. The ADP includes all projects and programmes¹⁶ and allocations for the country. The budget, meanwhile, is separated into two categories: non-Development and Development. The Development Budget translates the ADP into a budgetary format, with relevant Grants.
14. A notable recent achievement is the streamlining of public expenditure management through a Medium Term Budgetary Framework (MTBF), introduced in 2005. The Medium Term Budgetary Framework links the expenditure plans of Government to its policy objectives. This has now been extended to 16 important ministries¹⁷ that spend close to 70 per cent of the total budget. Rest of the ministries are in the process of joining the MTBF.
15. The budgets are formulated in line with the overarching framework of the NSAPR and the ADP. The 2007-2008 budget, says the Ministry of Finance, is strongly linked to the government's ability to generate resources, but, at the same time, recognizes its limited capacity of the line ministries to implement projects. Poverty-related measures have been introduced into the budget. The government took into account national priorities, regional parity and availability of resources. The agriculture sector (agriculture, rural development and water resources) accounted for 23 per cent of the total allocation; while 16 per cent was allocated to power and energy, and 14 per cent to education. The health and transport sectors were allocated 12 per cent and 10 per cent respectively. To ensure a more equal balance in regional development, projects implemented in Rajshahi, Khulna and Barisal Divisions have had their allocations increased by 35 per cent.

¹⁶ The ADP's total number of projects during 2005-2006 stood at 886, of which 749 were investment projects and 137 were technical assistance projects. A total of 279 projects were expected to be completed in the FY 2006-07, and 51 new projects were included for the same financial year.

¹⁷ MTBF ministries

16. To make resource utilization target-oriented, the government has already started a process that aims to reduce the number of projects. It has selected pro-poor and growth enhancing projects only for allocation of resources. In the FY 2006-2007 Development Budget, block allocations accounted for 16 per cent of the total. In the 2007-2008 Development Budget, however, this was reduced to 5 per cent¹⁸.
17. The Country Strategies, or National Indicative Plans, of several other bilateral donors were grounded in the PRS.
 - a. Four donors (WB, ADB, DFID, and Japan) jointly developed and committed to a 'Joint Assistance Framework' with the Government of Bangladesh in 2005;
 - b. The UN Development Assistance Framework 2006-2011 benefited from PRS consultations and the MDG progress assessment made in 2005. The UN System set its programme objectives and aligned resources with these national strategies;
 - c. The World Bank Joint Country Assistance Strategy is fully aligned with the PRSP and ensures that the strategies of its contributors are complementary and integrated rather than duplicative;
 - d. A sub-sector-wide program, PEDP-II, was designed to help meet relevant MDG goals, in line with an interim Country Strategy for eradication of poverty. It pre-dates the present PRSP and the National Plan of Action for Education for All (EFA). But the sub-sector program's Annual Operation Plan (AOP) is fully aligned with Annual Development Program. Eleven development partners actively supported this initiative by co-financing the program.
18. The PRS was set to expire in June 2007, but was subsequently extended up to June 2008 with an updated Medium Term Macroeconomic Framework and policy matrix. A group of donors¹⁹ is currently embarking on a Joint Assistance Strategy (JAS). They stand ready to work with Government towards a JAS linked to the next PRSP, taking the aid effectiveness agenda as its point of departure. The Government welcomes this initiative and is ready to work with them towards a JAS.

III. What are the remaining challenges in operationalising national development strategies?

19. The Poverty Reduction Strategy may, at times, address inequalities and discrimination. Wider participation of the UN/CSOs in programming can bring these concerns to the center of the national development debate and framework.
20. By March 2007, only 25 per cent of the year's ADP had been implemented. Though two severe floods during 2007, along with a hugely damaging cyclone are considered as one of the main reasons of poor implementation of ADP, the Annual Development Program's implementation, in some cases, remains behind schedule. In some cases poor design of the projects/programmes, slow

¹⁸ MoF, 2007

¹⁹ Canada, Denmark, the European Commission, Netherlands, Norway, UK, Sweden

pace of preparation and approval, as well as limitations encountered at various implementation stages, remain the key challenges to the development process. Consequently, the gap between commitments and disbursements has widened – and the backlog is growing.

21. At present, there is little scope for wider program-based budgeting due to weak financial controls and financial management capacity at the line ministry level. Developing and sustaining this capacity and control will, moreover, require that civil service rules are modified to prevent the loss of knowledge within particular government agencies that occurs due to frequent staff transfers. Public Financial Management Reform accompanied by a change in civil service rules, and the subsequent introduction of pragmatic program-based budgeting will be required for the country's national development strategy to be fully functional and to achieve gradual effectiveness.
22. Coordinating external resources for Bangladesh is demanding. Systematic coordination between the ERD, Planning, Finance Division, the line ministries and the development partners to scrutinize the progress of implementation would reduce gaps.
23. Lack of consistent incentives for the staff of line ministries and departments to strategically link ADP projects and programs with the PRS's targets, remains a challenge.

2. Alignment

Indicator 2a

- I. [What reforms have been implemented or are planned to improve the quality of public financial management systems?](#)

24. Reform initiatives in the public financial management have been introduced in two programs: Reforms in Budgeting and Expenditure Control (RIBEC) project (1996-2002); and the Financial Management Reform Programme (2002-2006).
25. Under the Medium Term Budgetary Framework, line ministries are provided with greater responsibility for resource allocation decision and resource use. During FY2006-2007, there were 14 ministries under the MTBF, and plans exist to add two further ministries in the FY2008 budget. This will bring MTBF coverage to about 60-70 per cent of total budgetary expenditure. The emphasis continues to be on better integration of the revenue (recurrent) and development (investment) budget planning processes at the centre and line ministries, by unifying the budget preparation process and issuing an integrated budget ceiling for line ministries. That process, though, is still in its infancy, and needs to be significantly consolidated before it can produce tangible gains in the form of better budget and service delivery outcomes.
26. There has been some progress in cutting down off-budget activity by restructuring SOEs and incorporating their liabilities within the budget.
27. The government is set to improve the accuracy and timelines of expenditure and public debt information, notably by developing a system of computerized accounting transactions. The new system contemplates to use Wide Area

Network (WAN) to establish Integrated Budgeting and Accounting Information System linking all offices under Controller General of Accounts with Finance Division. It has also taken steps to separate cash and debt management functions, thus minimizing the possibility of automatic inflationary financing of the fiscal deficit. Resource and debt Management Wing was established in 2005 in Finance Division to reorganize GOB debt management structure.

28. A number of measures have sought to strengthen internal and external accountability, audit and scrutiny. To improve the internal audit function, the Government has prepared an Internal Control Manual. On the external audit side, the time lag for final audited accounts has been reduced from two to one year. Furthermore, an appropriate legal framework providing the C&AG more financial and administrative authority is being initiated, and an ad-hoc Parliamentary Accounts Committee (PAC) has been set up in the absence of an elected Parliament; a move well received by all concerned.
29. Notwithstanding these gains on strengthening the PFM system and institutions, the reform agenda is still a long way to go. The MTBF approach still needs to be further deepened and consolidated. The process of linking the policy planning and allocation of resources in the medium term is still very new. Accounting and reporting mechanism are not fully aligned with the MTBF requirements. The computerized accounting system currently deals with recording transactions rather than providing management with useful information on budget and actual expenditure. The accounting information is not timely available in the ministries due to lack of clarity on which agency within the ministries is responsible for the function. The institutional structure for budget management is very fragmented and coordination among various functions at the centre and line ministries needs to be strengthened. External audits are excessively detailed and focus on financial transactions only. Efforts are also underway to improve monitoring of performance in PFM. GoB has developed baseline ratings of the core PFM functions. Moreover, a Public Financial Management Improvement Program (PFMIP) has been initiated which would seek to implement the Government's PFM strategy and rolling action plan and provide a platform for harmonized development assistance under a World Bank administered Multi-Donor Trust Fund.

II. [What efforts are being made to improve financial management at sub-national levels?](#)

30. There is lack of concerted attempt to reform financial management at sub-national levels, i.e. through the Local Government Division that provides funds to the local Union Parishads. But efforts are underway to address financial management issues with provision of services down to the local level, along with national-level (line ministry) PFM reforms.
31. A computerized accounting system (IBAS) is being implemented and further rolled-out to the local (Upazilla) level.
32. Progress is being made to link the Bangladesh Bank (head office and branches) government transactions with the Finance Division by linking all accounts offices with the Ministry and District level.

Indicator 2b

I. What actions have been taken or are planned to reform and improve the quality of procurement systems (laws, regulations and institutions)?

33. Bangladesh has made steady progress in improving the transparency and competitiveness in public procurement, an area typically rife with mal practices. On 31 January 2008, Public Procurement Act 2006 (PPA) and Public Procurement Rules 2008 (PPR2008) replaced the earlier Public Procurement Regulation 2003²⁰ (PPR-2003). Compliance with the Act is mandatory for all public sector organisations.
34. PPA/PPR generally contains most international good procurement practices save couple of provisions. Over the last few years, the regulations have created greater awareness among implementing agencies and gradually building confident of people in the country's own system that promotes transparency, fairness and accountability of the public procurement system.
35. A Central Procurement Technical Unit (CPTU) has been established within Implementation Monitoring and Evaluation Division (IMED) of the Ministry of Planning (MOP). This unit is responsible for procurement policy formulation and its monitoring.
36. Uniform procurement procedures and standard bidding documents have been introduced for all public sector entities, consistent with international practices. Transparency of the procurement system is demonstrated further with the beginning of posting procurement performance data in the website of Central Procurement Technical Unit (CPTU) by the Rural Electrification Board (REB) and Local Government Engineering Department (LGED). For these two organizations, the annual report for FY06 has already been posted in CPTU's website for contracts valued at Taka 10 million and above and the report for FY07 was published in December, 2007. This progress has enabled Bangladesh to secure "B ratings" in three of the four PFM indicators on procurement. But, in most cases of ICBs, the DPs still prefer to use their own procurement rules that vary from donor to donor.
37. Extensive training on PPR-2003 was carried out and further on PPA/PPR2008 will be required.
38. The Government promulgated the Anti-Corruption Act, 2004 in February 2004. The Act became effective on 9 May 2004. Since its inception, the current Government took pragmatic measures to fight corruption. The authorities reconstituted the ACC at the top with three new commissioners, and gave additional powers to fulfil its functions. It initiated instituting the long stalled systemic reforms and demonstrated its commitment to eliminate corruption by signing UN convention against corruption on 27 February 2007. The ACC law seems to be fully compatible with the UNCAC and is reliable. On 29 March 2007, the President approved the Anti-Corruption Commission rules of procedures that were not in place prior to 2007. The Anti-Corruption Commission rules provide for an internal committee within the Commission to combat corruption and irregularities within the Commission itself. The ACC

²⁰ English version of the PPR 2008 is yet to be issued and is expected to be circulated shortly.

act of 2004 and subsequent revisions provided the Commission the status of a self-governing and an independent body to enjoy almost full independence in comparison to many other independent anti-corruption commissions in the world.

II. If legal or institutional frameworks are established (Procurement Acts, Regulatory Authorities, anti-Corruption laws), what steps are taken to build capacities or allocate resources to effectively implement them?

39. While these reforms have laid the foundations for a more effective public procurement system, a number of cross-cutting concerns remain. These issues relate to inadequacy in the enforcement of regulations, delays in award, allegations of fraud and mal practices, and political interference. In order to address these concerns and to further strengthen the system, CPTU is entering into the second procurement reform project, with World Bank support. Proposed interventions include institutionalizing procurement capacity development, strengthening implementation and monitoring at the sectoral level, piloting e-governance procurement (e-GP) to increase transparency and competition, and engaging the business bodies and civil society in the monitoring of the contracting process and procurement outcomes.
40. Under the new capacity development initiative, CPTU staff anticipates to work jointly with procurement entity personnel. The selected entities are: Roads and Highways Department (R&H), Bangladesh Water Development Board (BWDB), Local Government Engineering Department (LGED) and Rural Electrification Board (REB).

Indicator 3

I. Please list the main reasons why there are gaps between what is disbursed by donors and what is recorded in annual budget estimates

Main reasons include difference in the Financial Year of the donors and the government, weaknesses in the government accounting reporting system, cash-basis of the government accounting system (until the payment is made, disbursement of donors is not reflected in the government accounts) and frequency of reporting and recording etc.

41. According to Foreign Aid Budget and Accounts Branch (FABA) of ERD, Foreign Aid in the form of Project Aid, Budget Support, and Grants are appropriately recorded at FABA. Yet, gaps can be observed between what is recorded as disbursed and what is recorded in the annual budget²¹.
42. Preparation of the annual budget involves 4 key entities: Planning Commission, National Economic Council, Administrative ministries/divisions and Agencies /Departments/Directorates and Corporations. Donors' involvement is assured through line ministries and/or the ERD.
43. FABA prepares the annual Foreign Aid resource plan and supports the preparation of ADP /Revised ADP and ADP implementation statement. The primary sources of information for FABA include:
- a. Project Directors from various line ministries;

²¹ Prior to the revision

- b. Donor specific desk officers from the Economic Relations Division and
 - c. Direct contacts with various donors (unsystematic) .
44. The basis of data is the project pipelines published based on the bilateral agreements or loan agreements, through ERD. Agreements signed (without DPP/TPP), outside ERD involvement may therefore not be reflected.
 45. In cases where donors use delegated cooperation through pool funding, Data in the government's annual estimates and disbursements will be reflected against the lead donor with whom the government agreement is being signed.
 46. Donor wise disaggregated data may not be available for umbrella agreements (for Government sector) where funds are disbursed through NGOs /CSOs , UN specialised agencies and Private Sector.
 47. In government records, disaggregated data were only available for UNICEF, UNFPA UNDP and WFP. In the donor questionnaire, UNCT submitted disaggregated data for 3 UN Specialised agencies (WHO, ILO and UNESCO).
 48. The challenge is the lack of systematised coordination among numerous administrative entities involved at various stages (planning, budgeting, recording, reporting and maintaining accounts) throughout the cycle. Lack of skilled staff, staff turnover, limited staff and increased workload, as well as absence of streamlined procedures for all donors (for reporting grant disbursement) may contribute to such gaps.
 49. While Donors maintain regular interaction with line ministries, their interaction with ERD (Donor specific Desk Office) and/or FABA has not been systematised and vary from donor to donor . Commitment and Disbursement reporting to the Government is therefore ad-hoc.
 50. The FABA needs to be strengthened to make it the sole authority for finalizing the aid accounts and reconciliation with donors.
 51. All World Bank financed project aid is reflected in the annual budget. The investment projects prepare disbursement plans/schedules at the beginning of the project life that is updated on a periodic basis. Similarly ADB financed project aid is reflected in the annual budget. ADB commitment and disbursement are regularly coordinated and communicated to the ERD.
 52. Japan (Embassy of Japan, JICA and JBIC) coordinates and communicates commitments and disbursement plans and updates ERD on a periodic basis regularly.
 53. Germany (Embassy of Germany, KfW and GTZ) maintains coordinated discussions with the Government.
 54. USAID publishes annual commitments and disbursement schedules for each country through the website.
- II. [How can the gaps be narrowed? What efforts are being made, or need to be made, by donors to ensure the necessary information disclosure to the relevant government authorities?](#)

55. Availability of timely and reliable accounting information is crucial in improving the effectiveness of resource mobilization and use, in reducing borrowing costs and in enhancing the performance.
56. Systematic information sharing between Donors, GoB line ministries and ERD/FABA.
57. Institutionalised formats to report both grants and loan disbursements and a simple, user friendly accessible data base at ERD.

Indicator 4

- I. What are the challenges in strengthening capacity development and improving the provision of technical co-operation? What steps are being made by relevant country authorities to identify and communicate clear objectives and strategies for capacity development? What are the steps taken by donors to integrate technical co-operation as part of country programmes and coordinate support among donors?
58. Discussion on "capacity development" in PD agenda often narrows the scope of CD only in the area of procurement, financial management, etc. Capacity development should be discussed in wider focus, including institutional strengthening and staff capacity development of line ministries which deliver service to the poor.
59. A comprehensive strategy for capacity development strategy around which all development partners can coordinate is yet to be introduced in Bangladesh. Meanwhile, bilateral and multilateral donors have capacity development initiatives embedded in their respective programs. Most of the programs/projects have components to enhance the capacity of the agencies. At each stage - design or implementation, attempts are being made to make regular consultation to ensure that there is no overlap and harmonization is well grounded.
 - a. ADB has specific capacity development support embedded in the project to all the sectors where ADB has interventions, such as, education, agriculture, power, energy, communication, urban development, local government, anti-corruption, judiciary, etc
 - b. The World Bank coordinates support for capacity development in some sectors, particularly for procurement, anti-corruption, health and education, and in the power and financial management sectors, in accordance with the PRS;
 - c. World Bank financed investment projects have specific capacity development plan that is prepared by Project Unit itself and is embedded in the Projects Operation Manual;
 - d. Most UN system programmes have a major focus on capacity development;
 - e. Critical areas where recent progress has been made include: the Election Commission, the Anti-Corruption Commission, the judiciary, the police, and local government.
60. Capacity development often ends up with a narrow focus – equipment, infrastructure development, vehicles, resources for operation and maintenance,

training and foreign fellowships, for example. A thorough capacity needs assessment prior to programme planning is absent.

61. One other challenge in the capacity development is the existing rotational transfer policy and frequent transfers of the civil servants in various ministries. Any policy shift on the part of the government on this is yet to take place.
62. Ensuring the sustainability of capacities is an important challenge. In some cases, poorly designed projects and programs leave very few strategic initiatives on how to manage and maintain developed capacity when project implementation ends. There is also a lack of vision on how to ensure the best longer term use of developed capacity, particularly in the absence of external development assistance.
63. With the next PRSP formulation process in progress, Government of Bangladesh and other stakeholders need to focus on a long-term capacity development strategy that will allow donors to integrate their technical cooperation.

Indicator 5a

I. Please describe the constraints and challenges placed on donors in making use of partner country's public financial management systems (budget execution procedures, financial reporting procedures, auditing procedures)?

64. Although progress has been made continuously, Public Financial Management (PFM) in Bangladesh still need more improvement. With the introduction of MTBF, the budget implementation has improved a lot compared to the previous system, where such implementation was subject to discretionary expenditures. The greatest challenge according to donors is balancing fiduciary risk controls with flexible procedures that promote achievement of results in an environment with the existing government financial management and procurement systems.
65. Financial reporting and control procedures also need to be strengthened further, particularly for the funds disbursed to line ministries. At present, it is very difficult to receive financial reports that would assure donors that funds directed to a particular project are spent and accounted for appropriately. Perhaps more importantly, due to the absence of an output-based program budgeting system and associated financial reporting mechanisms, there is no reliable way at present of measuring outcomes and results achieved by particular expenditures. Lack of capacity remains a critical barrier towards implementation of outcome focused budgeting in Bangladesh.
66. Maintaining consistency in proper implementation and monitoring of the PPA/PPR remains a challenge, particularly donors' acceptance to comply with this Act. The second procurement reform project is expected to largely focus on these challenges, with particular reference to the key sectoral agencies (e.g. transport, power, roads, and water); it also includes e-procurement in phases and social accountability aspects.

67. There is wider scope for improvement in internal control and internal audit within ministries/divisions/departments/agencies. External audit needs to be improved, speeded up, and audit objections need to be timely addressed.
68. Attempts are being made to use the country PFM while implementing the sectoral interventions: As such, Donors use Government systems in implementing
- a. Primary Education Development Programme (PEDP II);
 - b. Health, Nutrition and Population Sector Programme (HN PSP) and
 - c. Preparation of Electoral Roll with Photographs (PERP) project .
69. In PEDP-II, donors rely on Bangladesh public financial management system. The only caution that both sides exercised was sharing of audit objections and prompt finalization of these objections. Donor representatives were welcomed as observers in joint audit meetings. For this reason, unresolved audit objections remain relatively low in PEDP-II, compared to other similar projects and programs. PEDP-II follows the governments established audit procedures (annual FAPAD audit) while Lead Agency and individual consortium members maintain the right to perform additional audits.
70. Audit needs to focus on major issues and major risk areas rather than focusing on trivial transactional issues and audit findings. Improvements need to take place in audit reports which should be supported by well documented evidences.
- II. [Are procedures currently in place to use country systems beyond general or sector budget support \(e.g. project and basket fund modaliti es\)?](#)
71. Use of budget support is limited to a few donors only. However, donors in general, prefer to use government systems to support investment with safeguards such as staff in place to oversee procurement and implementation.
72. PEDP-II combines basket funding with (a) two separate development loans and (b) parallel funding implemented by UNICEF/AUSAID and JICA. With the exception of these parallel activities, national procurement follows PPR 2003 of the Government, while international procurement follows ADB or WB standards.
73. In the Enterprise, Growth and Bank Modernisation Project, a pass through mechanism from DFID to WB has been used to fund early retirement payments to workers of closed state-owned enterprises. Ministry of Finance then uses Government systems to pass money to the Jute Ministry to make payments to retrenched jute mill workers.

Indicator 5b

- I. [Please describe the constraints and challenges placed on donors in making use of par tner country's procurement systems? Are procedures currently in place to use country procurement systems beyond general or sector budget support \(e.g. project and basket fund modalities\)?](#)
74. Donor systems: some donors argue to be bound by their own rules and regulations that require following their own procurement system with the logic

that their procurement procedure is globally applicable to all the recipient countries and agreeing to one partner country's procurement system (based on its soundness) may incur huge transaction costs back in their home country. On the other hand, it is observed that having implemented a public procurement system in Bangladesh incorporating the global best practices some donors, particularly bilaterals still are following their own procurement system. This is, by many, clearly not in line with the Paris Declaration. Donors should be encouraged to align with the national procurement system as it has reached a certain stage of maturity. For results, the Donors should make periodic checks only.

75. Lack of rigorous and consistent compliance with Public Procurement Regulations.
76. ADB uses PPR 2003/PPA for all national competitive bidding. ADB understands the provision of multiple dropping of the bids is optional, not compulsory.
77. The disbursements through budget support and SWAPs uses the country procurement system for all procurements. All investment projects approved after the country procurement regulations were passed in 2003 uses country procurement systems for National Competitive Bidding.
78. The World Bank has been using the PPA/PPR for all local procurement under its credit. Other multilateral and bilateral agencies are showing increasing support to PPA/PPR. For instance, the primary education program is using PPA/PPR for all local procurement that constitutes about 80% of procurement under the program. The donors have recently agreed²² to examine the possibility of making the remaining 20% procurement with partner country's procurement system.

II. Please describe cases where donors apply safeguard measures.

79. Disbursements for amounts exceeding certain thresholds are subject to prior approval by the World Bank.
80. Donors conduct sample check of procurement cases with independent team of experts and give their observation.

Indicator 6

I. For which reasons are parallel PIUs established? What steps, if any, are being taken both by donors and governments to phase -out parallel PIUs and/or mainstream PIUs into line ministries?

81. Governments are constrained by a high number of projects and programs and by their limited capacity to manage these projects. These projects and programs are therefore strengthened by extended professional and administrative staff of donor missions in an agreement with the government.
82. Most donors consider themselves not to have parallel PIUs – according to the OECD-DAC Survey criteria. But large parallel PIUs still exist in Bangladesh. This is particularly true for bilateral partners and more for grant funded

²² Mid Term review (MTR) of PEDP -II

projects. It is also true that there is no formal mechanism for obtaining prior clearance by the donors for establishing parallel PIUs in the country. Critics observe that the ubiquitous existence of parallel PIUs not only prevents national ownership but discourages domestic capacity building.

83. The Directorate of Primary Education's capacity to manage one of the world's largest primary education systems is a major challenge. The DPE therefore, has a setup to implement the program on schedule and sustain the achievements made so far by PEDP-II.
84. Based on experience from the health sector programme and consensus among PEDP-II donors and the Government of Bangladesh, the ADB established a Project Liaison Unit (PLU), to operate under its management as a one-stop interface with the government and donors on program-related issues. It has reduced the government's transaction costs, which no longer has to interact and report separately to 11 different partners. Following the MTR, and based on experience and close consultation with the DPs, ADB has merged the PLU with its Bangladesh Resident Mission. At the same time, there are permanent government staffs responsible for regular (revenue) work. This will help to guard against:
 - a. Discontinuation of program staff and loss of institutional memory after completion of the program, and
 - b. Least program liability in terms of surplus staff.

Indicator 7

- I. Please list the main reasons where there are gaps between what was scheduled for disbursement and what was actually recorded as disbursed by government. How can donors improve realism of predictions on volume and timing of expected disbursements? What efforts are being made by the government to 1) meet the various requirements (administrative, technical, financial, etc.) for timely execution of projects and disbursement of funds; and 2) fully capture disbursements in its accounting systems? Have any additional steps been taken to improve predictability of donor funding over the longer term?
85. Some figures reported in the survey are based on the internal forecasts of donors and were occasionally or never officially communicated with the Government of Bangladesh.
86. Some bilateral and multilateral donors share multi-year forecasts with the government. However, Annual schedules/ plans may not be regularly or systematically communicated to the Government. Nor there are systems for systematic and consistent reconciliation of final accounts involving all parties.
87. In the case of the World Bank, it provides budget support through a series of Development Support Credits with disbursements tied to coincide with the budget cycle. All of Bank-financing is reflected in the development budget. Bank disbursement discussion with Government refers to fiscal year disbursements and not calendar year disbursements. Each of WB projects has a fiscal year disbursement schedule - the projected disbursement varies by plus/minus 10 percent.
88. ADB's Country Strategy and Program or CPS (renamed as Country Partnership Strategy) containing projects and programs and associated resources is

prepared for five years. This provides reasonable predictability of resource availability over the medium m.

89. Aid disbursements based on policy support loans from, for example, the ADB and WB, depend on government meeting its policy commitments. When policy decisions are delayed, fund disbursement is also delayed. Thus, once a policy program is agreed with donors the government can ensure timely disbursement of aid by following through quickly on the policy changes it has agreed to implement. Similarly, policy commitments embodied in loan agreements should be realistic, and this is responsibility of both the government and donors.

Indicator 8

I. What efforts are being made by donors at country level to untie aid?

90. Aid tying is the practice of insisting that aid funds are used to purchase goods and services from suppliers based in the donor country or a limited group of countries (most often the donor and recipient). Most bilateral donors tie some of their aid although the proportion varies considerably²³. The reasons are being the transaction costs related with aligning procedural systems.
91. In Bangladesh, following efforts were reported:
- a. Revisiting of internal rules and practices related to bidding process ;
 - b. Gradual steps toward to increase local biddings at the recipient country level;
 - c. Introducing local bidding with limited invitations in a particular sector ;
 - d. Internal steps to survey on the international bidding and the costs involved ;
 - e. Involving in the programming based approach through delegated cooperation.
92. ADB reports that its aid is tied only with declared reform policies of the government. No conditionalities are imposed.

Indicator 9

- I. Please describe what use is currently being made of PBAs (i.e. approaches that meet all 4 criteria set out in the survey Definitions and Guidance).
- II. What are the challenges in channelling a greater proportion of aid in support of PBAs?

Three programmes are considered in this indicator: Primary Education Development Programme II (PEDP II), Health Nutrition Population Sector Programme (HNPSP) and Preparation of Electoral Roll with Photographs project (PERP).

Primary Education Development Program (PEDP II)

93. Second Primary Education Development Program (PEDPII) is a sub-sector wide program where funds from the 8 donors²⁴ are pooled into a Common Pool Taka Account (CPTA) through three Dollar denominated imprest (for ADB loan and ADB administered (Grant) and special (DOSA for World Bank)

²³ DFID, Background briefing, untying aid, September 2001

²⁴ ADB, CIDA, DFID, EC, Netherlands, Norway, SIDA, and World Bank,

accounts. The loan and grant is administered by ADB. Besides, UNICEF, Ausaid and JICA provides parallel fund directly to PEDP II.

94. A big challenge in channelling a greater proportion of aid in support of PBA is that the implementation progress should be consistent with donor commitment and yearly allocation. For PEDP-II, once the program got pace, its progress was quite consistent with the allocation commitment. Occasionally, PEDP-II could even ask for additional allocation compared to the original allocation. However, this may not be the same situation everywhere. And channelling more aid in support of PBA may be a great challenge in different sectors of the Government.
95. Absorptive capacity: in respect of the ADP, real budget execution is traditionally behind initial development plans. The present Government is well aware of this problem and wants to bring the ADP on a more realistic platform. De facto, this means a reduction in the allocation for the development budget, including donor financing. An increase in absorptive capacity is a multi-dimensional effort and requires a medium-term perspective. Overnight changes cannot be expected.
96. Administrative capacity: one of the constraints underlying weak financial absorptive capacity is a combination of inappropriate administrative structures, particularly at decentralized levels and lack of professional staff. Government itself tends to "re-projectize". Projects usually set up their own infrastructure, with administrative staff and equipment, and thus create their own implementation capacity.
97. Fiduciary risk assessment: several development partners still find Government's budgetary transparency, fiduciary risk mitigation strategies, and financial control and internal audit mechanisms not sufficient enough to move toward broader scale PBAs.

Health Nutrition and Population Sector Program (HNPSP)

98. Health Nutrition and Population Sector Program is a sector wide program where funds from 8 donors²⁵ are pooled into a multi donor trust fund (MDTF). The MDTF is administered by the World Bank. In addition, 10 donors²⁶ take part in the programme through parallel funding mechanism. HNPSP is led by the Ministry of Health and Family Welfare and uses mainstream government financial management system and procurements.

99. The biggest challenge is strengthening financial management and procurement systems in the MoHFW. For the World Bank, the challenge is balancing fiduciary risk controls with procedures that are sufficiently flexible to promote the achievement of results.

Preparation of Electoral Roll with Photographs project (PERP)

²⁵ CIDA, European Commission, KfW, Netherlands, Sweden UNFPA, UK, and World Bank

²⁶ CIDA, GTZ, GFATM, GAVI, Japan, SIDA, UNICEF, UNFPA, WHO and USAID

100. Nine²⁷ development partners are contributing to the Preparation of Electoral Roll with Photographs (PERP) project. The combined Donor budget is approximately USD 50 million, which is being managed through a UNDP pooled fund project. UNDP signed one project document, including a description of the comprehensive program and budget framework, with the Bangladesh Election Commission (BEC) and the Government (ERD of the Ministry of Finance). Each of the cost sharing agreements with the donors was based on that project document, which was annexed to each agreement. The PERP project is being implemented by the BEC.
101. The Government effectively exercises control over the project. The Project Director is a Brig. General from the Bangladesh Army who has been deputed to the BEC for the duration of the assignment. He manages the project and receives overall direction from the BEC Secretary and the Chief Election Commissioner. UNDP provides project assurance and undertakes the responsibility for some recruitment and procurement services at the request of the Project Director. In order to meet the requirement of reporting - UNDP established a Technical Group comprised of members from each funding partner, which meets on a quarterly basis to disseminate the quarterly progress reports and to discuss the plan for the next quarter. The Group is chaired by UNDP; the presentation is made by the BEC/Project Director.
102. The project is a pooled fund, through a comprehensive project budget. The required funds are advanced to the project/BEC on a quarterly basis according to the agreed work plan. Goods and services are procured by the project following government procurement rules. UNDP assists the project with procurement upon request. Program design/approval, implementation, financial management and monitoring/evaluation are all based on the rules and regulations of the Government of Bangladesh for projects with donor funding.
103. For a PBA to work, all participating development partners have to be in agreement with the program's objectives, intended results, activities and budget. Since agencies often have different priorities and approaches, it may be difficult to get multiple donors to agree on a common program and budget. Also, donors may find it more difficult to exert influence over policy support if there are multiple partners supporting a program. Some partners may resist contributing to a PBA if they feel they will have less influence on how the initiative is implemented and what policy decisions are made.
104. Some donors also like to maintain preferential diplomatic relations through the technical and political cooperation. This promotes friendly bilateral relations both in the form of political and development exchanges. This paves simple way to project achievements and accountability to the public at both ends.

3. Harmonization

Indicator 10a

²⁷ European Commission, DFID UK, Netherlands, Norway, Sweden, Switzerland, UNDP, Denmark and Korea.

donor missions?

105. Local Consultative Group (LCG) Plenary, LCG Sub groups and technical working groups provide space to interact and share information among donors, Government and the NGOs²⁸. Donors and the Government may want to consider further enhancing the functioning of these LCG sub-groups and use them as a vibrant forum for enhanced coordination. LCG website (www.lcgbangladesh.org) maintains a calendar. Missions, seminars and workshops are uploaded on the basis of information received from donors. However, the Government does not have any mechanism in place to track missions. To improve coordination between DPs, the Government may want to establish a formal tracking mechanism and issue guidance to DPs on how and when to coordinate (e.g. timing to come to Bangladesh, sectors to coordinate on, etc).
106. All World Bank missions are planned and scheduled in coordination with Government and receive clearance from ERD before mission members visit to the country. To the extent possible, World Bank conducts joint missions in specific sectors to avoid duplication and increased transaction costs, notable ones include the two SWAPs (Health and Education), water and railways sector, where there is a overlap in interventions with other DPs. Following the recent cyclone, the World Bank also led a team of eleven development partners to conduct a Joint Damage and Needs Assessment. Similarly, all ADB missions are cleared by the Government and coordinated through ERD. ADB undertakes or participates in joint missions on regular basis and coordinates with other DPs to avoid duplication or overlaps.
107. PEDP-II, like other program approaches, has a coordination mechanism for joint annual review missions, including all partners. Individual missions were seriously discouraged and Government only encourages lead donor (ADB) coordinated missions. This may be a good example for other ministries/sectors. Implementation reports and financial reports prepared by Government and the Lead Agency follow a common standard format. While individual missions and sometimes individual ad-hoc reporting needs cannot be completely avoided, this has nevertheless significantly released the burden on Government in terms of preparing individual field visits or reports.
108. Development partners share information on terms of reference and schedule of upcoming missions in the monthly Health Nutrition and Population Consortium meetings.

Indicator 10b

- I. Please describe what mechanisms are available to rationalise and coordinate country analytic work, either by theme, sector, or other?

109. Some analytical work is conducted in partnership, and there is also a lot of sharing of information on analytical work at coordination meetings – increasingly there is more analytical work that is being done in a coordinated

²⁸ Government and NGO involvement vary from group to group.

manner and some of them are done informally without a formal mechanism (e.g. Policy Notes, Joint analytical work that is done through Projects).

110. UN system, as part of its UN Reform strategy for Bangladesh has agreed to coordinate its normative and analytic work in the country. In 2007, attempts were made to coordinate analytic work on Human Rights, MDGs, UN Normative work, Violence against Women and UN Harmonised approach for cash transfers.
111. Government and Donors need to make a common arrangement (such as through LCG website) to share these analytic work with larger public so that end users could easily access and benefit in their policy and planning.

4. Managing for results

Indicator 11

- I. Are there transparent and monitorable performance assessment frameworks in use in your country? In which areas? (Country level, sector level etc.) , is there an operational strategy for improving statistical capacity and/or administrative reporting on results in your country? And how is it implemented? How does information on performance feed back into decision-making at national or sectoral levels in your country? And by which mechanisms.

IMED and National Poverty Focal Point at the General Economics Division of the Planning Commission collate field level project/program data, which are used for management decision making. In addition, BBS routinely conducts survey to capture socio-economic data, which are used for planning and decision making.

112. Improving the capacity of the key monitoring institutions is critical to improving the quality of information systems which was rightly identified in PRS as one of its core deliverables. The Bangladesh Bureau of Statistics (BBS) carried out a Household Income and Expenditure Survey (HIES). Data from this survey was issued in August 2006, showing a substantial reduction in a 9 percent poverty between 2000 and 2005. There is a proposal to include an 'MDG module' in the HIES. However, with the exception of the HIES, the frequency, regularity and the implementing agencies for the surveys and data gaps are not clarified. The BBS also carries out Poverty Monitoring Surveys. The BBS is planning annual surveys for tracking intermediate indicators related to access, usage, and satisfaction with public services. The Ministry of Planning hosts the National Data Bank, another element of the Government's Management Information System. There is a need to better coordinate these data gathering efforts.
113. The capacity of BBS to measure and analyze poverty and its correlates using household survey data has benefited from close on-the-job collaboration with the Bank. A number of training courses and workshops—some administered by the World Bank Institute—have further enhanced the analytical capacity at BBS as well as other government departments and non government think tanks. The capacity development with more advanced types of analysis has now been initiated. With technical assistance from the World Bank, BBS has embarked on poverty mapping using small area estimation technique that combines Census and household surveys to estimate poverty for

highly disaggregated geographic areas. Once completed (by August-2008), poverty maps will enable tracking of poverty and its correlates at the sub-district/upazila level, which would significantly improve the information base for designing policies and safety net interventions for poor or lagging regions. Country capacity for poverty mapping and its policy applications are also being enhanced through on-the-job training for BBS staff and training courses for analysts from BBS and non-government think tanks. The Government wishes to continue upgrading the capacity for M&E, with necessary support from development partners. In addition to the current technical support on poverty monitoring, analysis and mapping, the Bank is also expanding its project assistance to BBS. A new subproject for BBS under Economic Management Technical Assistance Programme (EMTAP) will help design systems to monitor.

- a. Welfare indicators and correlates of consumption poverty more frequently than currently possible, and
- b. Labour market indicators annually rather than the current practice of every 3-4 years through the Labour Force Survey.

114. The World Bank with assistance from other donors is also engaged in a broader effort to improve the information base in the country to inform policy interventions intended for the poorest. This involves collaborating with non-government organizations (like BRAC and PKSF) to collect systematic data and design program evaluations in areas affected by a particular form of seasonal deprivation (known as Monga).

115. Looking ahead, the M&E agenda will benefit from improving the policy linkages with poverty diagnostics, for which the National Poverty Focal Point/Poverty Monitoring Unit would play a key coordinating role. The outcome indicators available from the HIESs can be used to better define longer-term targets, align policy priorities to these targets, and monitor progress. The poverty maps, once completed, can be a powerful tool in this context if used to their full potential, by informing policymakers with highly localized indicators that can be used for planning and monitoring of specific interventions. Furthermore, selecting and consistently tracking a set of output or intermediate indicators that (unlike poverty and other outcome indicators) respond readily to policy interventions will improve the feedback from monitoring to implementation of specific policies or programs. To move towards this objective, GED (Planning Division) has gone through an exercise to select a set of output/intermediate indicators that are monitorable and most useful for providing feedback to implementers, through a consultative process involving sectoral ministries. GED has identified about 200 indicators and the relevant ministries have been requested to provide information on the monitoring mechanism and data for these indicators. This will be finalized after the second PRS, now under preparation.

5. Mutual Accountability

Indicator 12

- I. If a mutual assessment of progress HAS been conducted in your country, what are the key features of this mutual assessment? (Annual reporting, periodic independent evaluation etc.? At national, sector, budget support and/or others levels? Who is involved?)
 - II. If a mutual assessment of progress HAS NOT been conducted in your country, what actions would be needed to initiate such a mutual assessment?
116. In any case, a Mutual Assessment of Progress depends largely on an open dialog between the government and donors. This might be best done through a joint dialog with many donors present so that some naming and shaming on particular donor and government aid requirements could be brought out in order to make everyone aware of just how different (and sometimes poor) donors and government control and reporting systems and requirements may be.
117. Currently there is no mechanism for a formal mutual assessment involving all stakeholders. Last Bangladesh Development Forums dates back to 2004 and the PRS implementation forum back in November 2005. In the absence of such forum, individual donor/multilateral/thematic assessments take place and they vary from donor to donor. Several attempts to hold a forum in 2006 and 2007 had to be postponed due to then prevailing political situation in 2006 and disasters²⁹ occurred in 2007.
118. The UN System Joint Annual Reviews of UNDAF was conducted in 2006 and 2007. It saved many civil service working hours and brought the UN Heads of Agency and staff, Government, donors and CSOs together for the first time to review the UN System's collective development results.
119. Most PEDP II assessments were conducted jointly. They took the form of Joint Review Missions (JRM), in which government as well as donor representatives participated. A detailed assessment cum review was made during the Mid Term Review. The PEDP II achievements, which have been included in our report, are taken from the Mid Term Review report that finalized jointly by the government and donors. The JRM was an annual event, while the Mid Term Review took place at the program's half-way point.
120. In PEDP-II, GoB prepares regular quarterly financial reports. In addition, GoB and DPs jointly review program progress and agree on the annual plan for the next fiscal year at Joint Annual Review Missions. The joint Mid-Term Review took place in November 2007. The recommendations and findings of this review were taken up in GoB's revision of the Project. An independent external review was carried out ahead of the Mid-Term Review, and the topical review reports served as background documents for the joint review. An external evaluation is planned towards the end of the program in 2010.
121. At the design stage of the Health SWAP a shared assessment was carried out consisting of fiduciary, procurement, institutional and environment assessment. A mutual assessment is conducted annually through the Annual Program Review process, an independent evaluation conducted by an independent review team of external consultants selected jointly by the GOB and Development Partners (DPs). The evaluation is carried out at the sector level. The independent review team consults with the GOB and DPs as well as

²⁹ Cyclone Sidr

other health sector stakeholders throughout the evaluation process. Results of the evaluation are vetted by GOB and DPs, and next steps are agreed upon through an extensive consultative process. Periodic meetings are held throughout the year to follow up on implementation of recommendations.

IV. CONTRIBUTION TO HIGH LEVEL FORUM IN ACCA – Key Challenges & Recommendations - Bangladesh

Principle	KEY CHALLENGES	RECOMMENDATIONS	OPPORTUNITY/INSTRUMENT
Ownership	<ul style="list-style-type: none"> ○ Broad country policy and sector priorities . ○ Bring all line ministries on the same level of understanding with regard to operationalization of PRS through Annual Development Programme grounded in MTBF . ○ Timely implementation of Annual Development Programme . ○ Sustained leadership with an appropriate level of empowerment at operational levels . ○ Build domestic capacity of the public service to plan, implement and evaluate development programmes in the country . ○ Clearly defined roles and responsibilities at different ministerial entities; various levels to coordinate development strategy . ○ Number of actors and practical difficulties related to coordination including transaction costs related to coordination efforts . ○ More involvement of Line Ministry staff in macro-micro planning . 	<ul style="list-style-type: none"> ○ At this juncture, where both the GoB and donors are moving to revisit the PRS, a window of opportunity exists for meaningful collaboration in setting the priorities and operationalizing plans for the next cycle . ○ Improve the functional framework of planning, implementation and monitoring of ADP, Budget and Performances. Integration of aid, recurrent and investment budgets into ministry budgets for those outside MTBF . ○ Give sufficient time for ownership to mature –cannot be achieved over night. Both donors and partner countries may avoid ambitious targeting . ○ Make simple and user-friendly strategies that can be referred to by staff at all levels. Orient staff at ministry level to translate strategy into operational plans . ○ Make macro linkages between LCG sub -groups and government working groups to coordinate PRS formulation . ○ Donors consultations through LCG and GoB to agree how best to integrate civil society in the PRS revision process . ○ Donors and GoB should jointly come up with a medium to long term Capacity development Strategy (CDS) . ○ Donors consultations through LCG and GoB to establish a neutral core team (including ERD's PRS-HAP cell, GED and Planning) to liaise with donors . ○ GoB and the donors should develop a Joint Assistance Strategy for enhancing harmonisation and securing better linkage with the next PRSP 	<ul style="list-style-type: none"> ○ The 3-year term of the Bangladesh PRSP ended in June 2007. Various political and institutional bottlenecks delayed the PRS's implementation. By December 2007, the Government of Bangladesh updated and extended PRSP until June 2008. In parallel, the General Economics Division (GED) of the Planning Commission, together with the line Ministries and Departments, embarked on a review to report on the progress of PRS implementation. This exercise resulted in an updated (a) Medium Term Macroeconomic Framework, (b) Social Safety net programmes, and (c) 19 policy matrices of the previous NSAPR³⁰. Consultations are currently underway to complete the next PRS covering the period 2008-2011 . ○ Commitment to the Paris Declaration, led a group of donors to explore the possibility of moving towards a Joint Assistance Strategy (JAS) for Bangladesh beyond 2008 .
Alignment	<ul style="list-style-type: none"> ○ Requirement to comply with donor's own systems . ○ Legally binding bilateral agreements, pre -dating the Paris Declaration, directing donors to use their own systems . ○ Lack of donors' trust due to weak implementation of country systems or past experience . ○ Lack of knowledge among donors (except those donors who use the country systems) about the functioning of the country systems . ○ Maintain consistency in implementing the PPA by the donors . ○ High costs required to change the established donor procedures in the donor home country . ○ More involvement of elected bodies to be accountable to the general public . 	<ul style="list-style-type: none"> ○ Revision of GoB project processes (DPP/TPP ,etc.), with support from interested donors . ○ Gradual use of country systems starting with smaller programs . ○ MoF, WB, DFID and other donors agree to join PFM programme . ○ Greater sharing of the best practices of the SWAP experience; review bottlenecks and share with all donors . ○ Conduct ministry-wise capacity needs assessments on line ministry ability to use country systems and the associated risks . ○ Share good practices of use of country systems . ○ Involvement of more local government bodies in the accountability framework . 	<ul style="list-style-type: none"> ○ Public Procurement Act ○ SWAP models

³⁰ GED, December 2007

	civil service decision making process.		
Harmonization	<ul style="list-style-type: none"> ○ Transaction costs involved for donor coordination at the start up process. ○ Historic or political bonds between donors and government leading to maintenance of specific bilateral/diplomatic relations specific to a particular country/institution, prompting uncoordinated missions. ○ Lengthy procedures and large number of committees in project process. 	<ul style="list-style-type: none"> ○ Rally around themes of common interest. <ul style="list-style-type: none"> § PEDP II and HNPSP to continue as main instruments . § Establish Climate Change Adaptation Trust Fund (WB and others) . § Disaster Response Fund (UN and others) for improved immediate relief response . ○ Build on existing structures and mechanisms rather than creating new ones; reinvigorate LCG Plenary. ○ Improve mechanisms for country driven project design and implementation (result based, not input focused), DPP/TPP processes simplified, outcome focused, with common terminology based on PRS. ○ Revitalize the HAP and agree on monitoring roles and responsibilities . Government and donors to agree on strengthening ERD to promote aid effectiveness across the government. ○ Strengthen and promote inclusive LCG dialogue (plenary and sub -group). ○ Promote transparent information sharing on analytic work and mission findings assessments. ○ Establish analytic work compendium easily accessible by all (through LCG website or other mechanism) 	<ul style="list-style-type: none"> ○ SWAP consortiums . ○ Climate Change: working group on Climate Change (with active participation from the government). ○ DER Group, UN Cluster groups, and CDMP programme . ○ LCG sub-group mechanism. ○ Bangladesh Harmonization Action Plan (HAP) and ERD's PRS-HAP cell. ○ EU Code of Conduct on Complementarity and Division of Labour". ○ UN Common Country Assessment and Harmonized approach for cash transfers . ○ LCG website at www.lcgbangladesh.org
Managing for Results	<ul style="list-style-type: none"> ○ Establish uniform results framework for monitoring. ○ Availability of systematic disaggregated data . ○ More use of independent statistical institutions for reliable information. ○ Periodic performance assessment exercises . 	<ul style="list-style-type: none"> ○ Establish effective linkages between PRS policy matrices, Annual Development Program and Bangladesh MDG status. ○ Strengthen BBS and IMED throughout all phases of development process, data collection and analysis to directly benefit planning, implementing, monitoring result reporting and beyond. ○ Coordinate various existing frameworks of the government and donors ○ Agree on one annual results report for country . ○ Donors (through LCG) to agree with the government to prepare a comprehensive capacity development plan as part of broader civil service reform initiatives, including strengthening ERD, Planning Commission, GED, BBS and IMED . 	<ul style="list-style-type: none"> ○ Ongoing PEDP and HNPSP joint reviews and UN joint annual reviews of results could be further concerted and mainstreamed gradually . ○ Multilateral Organization's Performance Assessment Network .
Mutual Accountability	<ul style="list-style-type: none"> ○ Inconsistency among donor conditionalities (macro economic and political) . ○ 2-way communication through dialogue and meetings among stakeholders 	<ul style="list-style-type: none"> ○ Donors to agree on being realistic in placing conditionalities (focus, number and priority) so that government can be effectively accountable. ○ Respect value systems , language barriers and self esteems 	<ul style="list-style-type: none"> ○ LCG plenary for transparent information sharing.

III. Annexes

1. Implementation of the Paris Declaration

n Transaction cost for DAC survey and related issues

The DAC Secretariat should seriously consider the transaction costs they are posing both on partner government and DPs for the monitoring of Paris Declaration agenda. The transaction costs of the harmonization agenda are also to be considered seriously and should be reviewed from the perspective of aid effectiveness.

n Uncoordinated international workshop/seminars for DAC agenda

Since 2007, we have observed many international workshop/seminars relating to the PD. The participation of the government requires high level of coordination. Although this gives opportunities for exposure and knowledge, high level officials are being mobilized to attend these different workshop/seminars on top of those related to their other portfolios. These workshops and seminars seem to take place at ad hoc basis and with very little coordination between Paris, Donor HQ or regional offices and the local set-ups. Better planning and information sharing of such events would benefit both partner and donor country staff. This situation looks remarkable similar to “un-coordinated individual missions”.

2. Survey Process

n Preparatory phase

In Bangladesh, the survey was launched on 2 January. This was followed by a request to the Local Consultative Group to nominate a donor focal point to support the national coordinator. In anticipation of the nomination of the donor focal point for 2008, the UNRC office took charge on interim basis from January to February 2008. In February, the government convened a technical group meeting to take stock of the survey. The working group also agreed to look into the design of the survey and to propose a revised set of questionnaire that would capture the full ODA disbursement of a particular donor. The PRS - HAP cell of Economic Relations Division convened a technical workshop on 25 February 2008. The purpose of that meeting was to

- o Share the latest development on the global preparations to Accra High Level forum
- o Reach consensus on technical survey questionnaire

The government reiterated the urgency of having a donor focal point to complete the survey on time. In response, DFID-Bangladesh volunteered to take-over as the interim focal point to complete the survey.

Donors raised concerns over the survey design. In particular

- o challenges in compiling comparable data across donors and across countries
- o Attribution of ODA: Some bilateral donors were of the opinion that the methodology and the definition of the questionnaire used, relating in particular to ODA disbursement by the end delivery point in case of delegated cooperation, results in an overall debate of Attribution and Political concerns.
- o Non capture of ODA channelled through NGO sector

[A revised questionnaire was proposed to capture the full aid landscape \(annex\) and was accepted by all donors. Bangladesh expects DAC to take into consideration the data collected through this revised questionnaire, in order to project the overall ODA picture.](#)

- o Reporting on pooled non-earmarked funds channelled to SWAPs through lead donors

Lead donors were requested convene SWAP partners separately and to submit desegregated data

3. Comments on questionnaire

n Indicator 3-ODA to government Sector

The definition of Government of Sector was difficult to interpret in the country context. This was the case while reviewing the portfolio of tripartite arrangements between donor-Government and NGOs. This was critical nature of specificity with respect to what qualifies as government sector support and what does not, since this issue was acute, particularly surrounding the topic of PIUs and PBAs. DAC may want to further specify the criteria.

n Indicator 5B: Use of country procurement systems

Alignment to the country procurement system sometimes contradicts effective usage of aid and efficiency of aid management. PD aims to increase aid effectiveness. It is risky to say blindly, "DPs should follow the country procurement system". In Bangladesh, delays in procurement happen frequently. Moreover, in case of international bidding for procurement of services (consultant), DPs usually consider quality requirements to be more important than the cost factor, while the government does not.

n Indicator 4: Technical Cooperation

Coordinated technical cooperation criteria #4 (page 7) "If more than one donor is involved in supporting country programs, are there arrangements involving the country authorities in place for co-ordinating the technical co-operation provided by different donors?" Confusion could be avoided by using "technical cooperation program" in lieu of country program.

n Indicator 6: PIUs

Guidelines make a reference (page 16) to PIUs as "structures created outside the existing structures of national implementation agencies". In order to maintain consistency, this should be replaced by country implementation agencies (i.e. government ministries, departments, etc, as opposed to NGOs)

n Indicator 10A: Joint Missions

According to the given definition, this means DP mission involved international travel. The more authority is delegated to the DP local office, the less is a mission would involve international travel. There will be more consultations/dialogue between DP local office and the government. In fact, such local level consultations/dialogues are quite frequent. Although such local consultations/dialogues are also taking a lot of government and DP time, they contribute to enhanced mutual accountability. If we focus only on the reduction of transaction costs, or time spent, then not only international missions, but also meetings/discussions/dialogue at the local level can be examined. But, local consultations/dialogue, even if not undertaken 'jointly', serves the development process. In this respect, the degree of delegation of authority (from DP headquarters) can also be one of proxy to define DPs' commitment to promoting mutual accountability.

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