

Evaluation of the Implementation of the Paris Declaration

Country Evaluation

BANGLADESH

Executive Summary

Introduction

The Paris Declaration (PD) on Aid Effectiveness is a landmark international agreement intended to improve the quality of aid and its impact on development. Bangladesh has been committed to the implementation of the PD since signing of the Declaration in March, 2005 and also reaffirmed its commitment as a signatory to the 2008 Accra Agenda for Action (AAA). Bangladesh developed a strategy and an action plan to implement the PD. As part of the strategy, Bangladesh took part in the OECD-DAC (Development Assistance Committee of the Organisation for Economic Co-operation and Development) surveys 2006 and 2008. Besides, Bangladesh took part in the country level evaluation of the PD (Phase 1) in 2008, aiming mainly to assess the utility of the PD as a tool for aid effectiveness and evaluate the change of behaviour of Development Partners (DPs) and Government of Bangladesh (GoB) in relation to implementation of the PD. To make further progress on the implementation of the strategy, GoB has volunteered to conduct the Phase 2 of the country level evaluation of the implementation of the PD in Bangladesh. The purpose of the Phase 2 evaluation is to document, analyse and report on the relevance of the PD in Bangladesh, progress of the PD implementation towards attaining the expected intermediate outcomes since signing of the Declaration in 2005 and PD's influence on strengthening contribution of aid to sustainable development results. The evaluation also includes studies on the implementation of the PD in three selected sectors namely, Health, Transport, and Power & Energy and a cross cutting issue: Climate Changes.

Findings

a. Context of the PD Implementation

- I. **Bangladesh's dependence on aid**, in recent years, in terms of a number of indicators has declined. Nevertheless, aid continues to account for a high proportion of the country's development expenditure. The GoB therefore duly recognizes the importance of aid and its effectiveness and is committed to implement the PD in Bangladesh. Almost all donors operating in Bangladesh have also started paying increasing attention to the implementation of the PD principles.
- II. Bangladesh's **engagement with Aid Effectiveness** agenda started when OECD-DAC took initiative to harmonise donor practices in 2001 and since then it has remained committed to enhance aid effectiveness. This is reflected in the country's active participation in global decisions (Rome, Paris, Accra), as well as in national actions such as formulation and implementation of a National Development Strategy, introduction of an action plan to implement the PD and establishment of an Aid Effectiveness Unit (AEU) in the Economic Relations Division (ERD), the central agency responsible for coordinating aid management.
- III. Other notable activities in respect of **implementation of the PD** in Bangladesh are efforts to disseminate PD commitments to the officials of line ministries, participation in the DAC Surveys 2006 and 2008 and Phase 1

evaluation of the implementation of the PD. Bangladesh also regularly participates in international meetings in connection with the implementation of the PD. However, all activities relating to the implementation of the PD are concentrated in the ERD, more specifically in AEU. Despite ERD's effort to disseminate, there exists a serious lack of awareness and ownership of the commitments of the PD and AAA amongst line ministry officials. There is also no dedicated outfit or desk in the line ministries to implement the PD.

- IV. The **PD implementation** efforts gained significant momentum in 2008 when the GoB and the DPs in Bangladesh signed a statement of intent to develop a **Joint Cooperation Strategy (JCS)** for working together. The JCS which was made operational in June, 2010, provides a partnership framework for GoB-DP cooperation and collective dialogue. It also provides a mechanism for aid coordination and an annual rolling action plan to implement the commitments of the PD and AAA.
- V. GoB and DPs have jointly established a multi-tier structure for GoB-DP dialogue and coordination. The apex tier is the high level forum for dialogue and coordination called **Bangladesh Development Forum (BDF)**. There was ministerial-level representation from GoB and high level participation from donor HQs in the two BDF meetings held so far in 2005 and 2010. Aid Effectiveness was an important agenda for discussion in BDF meetings. The other important tier for aid coordination is the **Local Consultative Group (LCG)** and its working groups. It is stipulated that the plenary as well as the working groups of the LCG, will be co-chaired by GoB and DP representatives and will meet regularly for review of progress and coordination. However, functioning of LCG working groups is yet to gain momentum.
- VI. The country has not formulated an **Aid Policy** yet and has not set any target of preferred mix of modalities. Programme-based (including budget support) aid in Bangladesh remains far below 66% target.
- VII. A substantial portion of donors' assistance is channelled through **NGOs**. They operate completely outside the GoB-DP official collective dialogue structure and the JCS framework, leaving scope for potential overlap and duplication with the development programmes of the government.

b. Implementation of the PD and AAA Commitments

- VIII. The **GoB's leadership** in aid coordination in recent years has increased. Since the signing of the PD in 2005, there has been a growing awareness in the country that the GoB should take lead role in aid coordination. GoB is increasingly playing a lead role in LCG and BDF meet-

ings. However, GoB is yet to fully assume the driving seat in matters of aid coordination.

- IX. **Country ownership** in the formulation of national development strategy has been established. Bangladesh has been preparing its National Development Strategy in the form of Poverty Reduction Strategy (PRS) called National Strategy for Accelerated Poverty Reduction (NSAPR) since 2003. The current NSAPR-II (Revised) was launched in 2009 for three years, FY 2009-11. NSAPR-II (Revised), developed through a country led process, sets out clear strategic priorities. However, there is no framework for translating those priorities into result oriented operational programmes with effective linkages to Medium-Term Budget Framework (MTBF) and annual budget. Extensive consultations have been made with various stakeholders in the preparation of NSAPR.
- X. The engagement of the **Parliament** in the preparation of National Development Strategy (NDS) has slightly increased. For the first time a NDS, the NSAPR-II (Revised) was up in the parliament in 2009 for discussion before its finalization. In the absence of properly functioning local government institutions, the role of local bodies in the planning process remains limited.
- XI. Insufficient **capacity** to plan and manage development projects continues to remain a major challenge to improve aid effectiveness. A comprehensive strategy for capacity development around which all donors can coordinate is yet to be developed. As a result, individual donor support is often narrowly focused on project based, fragmented capacity development initiatives with little impact on overall capacity development. GoB's practice of frequent transfer of officials has also not helped to utilize the skills of trained officials efficiently.
- XII. DPs are increasingly basing their **support** on the strategic priorities of NSAPR. This is evident from recently formulated Country Assistance Strategies/programmes of several DPs. Despite progress in aligning with NSAPR priorities, use of country system by DPs in Bangladesh remains limited. Use of Public Financial Management systems remains confined to some sectoral programs only. DPs use country procurement systems only in respect of local purchases. International procurements following DP's procedures are often cumbersome and time consuming, leading to delay in project implementation. Donors attribute their reluctance to use the country systems to fiduciary risks and lack of trust in the implementation of the system.
- XIII. GoB has been implementing reform programmes to improve **Public Financial Management (PFM)** since 1992. These reforms have contributed to strengthen substantially the capacity of the Finance Division and

other related agencies, but financial management in line ministries remains weak. Similarly a major reform programme has been implemented to improve the **procurement system** which has led to significant improvement in legal and policy framework and to an extent transparency of the procurement process without much impact on the overall efficiency of the system.

- XIV. Many donors have closed their parallel **Project Implementation Units (PIUs)**, but there is an overall increase in the number of PIUs. A few such PIUs play key role in implementing aided projects in many important programmes, e.g. in health and education sectors.
- XV. There has been some progress in **harmonisation** in terms of, (i) increased number of joint arrangements in the form of SWAPs and partnerships under multi-donor trust fund; (ii) Use of common procedures in planning, financial management and procurement in case of partnership under joint arrangements and (iii) Increase in the division of labour. Other elements of notable progress in respect of harmonisation are: agreement to prepare a concept note on division of labour, conducting joint assessments and reaching a consensus to practice more collaborative behaviour under JCS. However, the progress is still lacking in the use of donor comparative advantage and complementarities under GoB led initiative.
- XVI. **Aid predictability** in Bangladesh has recently improved significantly. Almost all the donors are indicating, through country assistance programmes, their multi-year commitments. Despite progress in predictability, the **rate of disbursement** against commitment has not shown much improvement. On an average, around 20% of the aid remains undisbursed yearly, resulting in the accumulation of over US\$ 9 billion in the pipeline. GoB's capacity constraints, project implementation bottlenecks, complicated donor procedures (particularly procurement procedures) and conditionalities are considered as major causes for slow disbursement.
- XVII. Most of the DP country offices in Bangladesh reported **enhancement of their decision making authority** since 2005. A few DP offices have established dedicated desk for implementing the PD. However, country offices still need more authority to resolve expeditiously many matters relating to procurement and other project implementation issues. Many GoB officials and Civil Society members feel that there has been a positive change of DP behaviour since 2005 in respecting country ownership and mutual accountability, despite limited incentive for promoting such change.
- XVIII. **Global programmes** operating in Bangladesh have not been sufficiently integrated into national planning and budgeting system though they are making useful con-

tribution in important areas such as child immunization and preventing AIDS, malaria and tuberculosis. However, there is a limited integration of such programmes at sector level.

- XIX. Progress in the area of **managing for results** is little. Except MDG progress report, there is hardly any reporting on results. A national development result framework is being drafted under GoB-DP partnership arrangement through JCS. MTBF provides a framework for linking expenditure and results but its application is still very limited.
- XX. An effort is being made to enhance **mutual accountability** through operationalization of the JCS. Providing information on aid flows by DPs has improved and the annual report on aid flows compiled by the ERD on the basis of such information is now available on the website for public use. However, national aid information management system needs further improvement and modernization to generate information on a more comprehensive basis.
- XXI. Certain measures including establishment of an independent Anti Corruption Commission and enactment of a number of legislations have been made in recent years to **combat corruption**. Despite these measures taken by the GoB and some initiatives from DPs, corruption remains a formidable challenge.

c. The PD and Development Results

- XXII. In Bangladesh, aid has helped to accelerate growth, reduce poverty and achieve progress in MDGs by financing public expenditure in some key physical and social infrastructure sectors such as power, transport, health and education. Aid has also financed some social safety net and income generating programmes for the poor and has facilitated policy reforms in macroeconomic and financial sector management, foreign trade and key areas of governance. Taking note of the fact that it would not be easy for the government to replace aid with domestically raised resources, it can be hypothesized that aid has made contribution to development results. The PD has brought the aid effectiveness agenda in the forefront of aid management and motivated initiation of processes like, strengthening NDS, developing a GoB-DP joint cooperation strategy, greater focus on result-oriented aid delivery and improving transparency and mutual accountability. These processes are expected to enhance contribution of aid to development results. However, at this stage it is difficult to judge the extent to which the contribution of aid to development results can be attributed to the PD. The Declaration also does not provide any explicit guidelines as to how aid should be delivered and managed to attain desired development results.

Recommendations

- I. ERD should continue the on-going initiatives to disseminate the commitments of the PD and AAA to the officials of the line ministries and other relevant GoB agencies. The dissemination should be targeted to reach all relevant levels in the government.
- II. Engagement of line ministries in the implementation of the PD and related activities should be enhanced by GoB. A dedicated aid effectiveness outfit or a desk in the planning/development wing should be established in the major aid utilizing line ministries for implementation of the PD.
- III. The Aid Effectiveness Unit in ERD should be further strengthened and a plan should be developed to sustain the unit when the donor support expires.
- IV. An Aid Policy should be formulated by GoB in consultation with DPs and other relevant stakeholders without further delay.
- V. National Aid Information Management Systems should be improved to include information on aid disbursed through all channels including NGOs and distribution amongst different aid modalities. Mutually agreed result-based reporting system should be developed.
- VI. The GoB and DPs should engage in a dialogue to find ways to bring aided programmes of NGOs under JCS framework for better coordination and improving aid effectiveness.
- VII. Upcoming 6th five-year plan should explicitly provide a framework to translate its strategies into operational programmes and linking them explicitly to MTBF and annual budget.
- VIII. The aid financed projects should be demand driven, prepared and designed through a country led process. Local level development plans at Upazila level should be developed and those plans should be prepared in consultation with local stakeholders. DPs should provide additional aid resources to finance their implementation.
- IX. GoB should introduce a more decentralized system of decision making in the management of aided projects.
- X. GoB and DPs should engage in a dialogue for developing a comprehensive government-wide capacity development strategy for managing development programmes/projects. Such strategy should aim to develop individual as well as institutional/organisational capacity to conceive, prepare, implement and monitor bankable projects. All DP support for capacity building should be aligned to this comprehensive strategy.
- XI. A GoB-DP dialogue should be arranged on the use of country systems/procedures. A mutually agreed realistic action plan should be developed to enhance the use of country systems particularly in respect of PFM and procurement. Pending full use of the country system, DPs should simplify their approval procedures by delegating more authority to country offices for expeditious disposal of procurement proposals.
- XII. Preparation of the concept note on division of labour among DPs, as indicated in the JCS action plan, need to be completed.
- XIII. Disbursement and utilization of aid should be improved by removing project implementation bottlenecks. GoB and DPs should engage in a dialogue to find a way out for utilization of the undisbursed aid that has accumulated in the pipeline over the years.
- XIV. GoB and administrators of global programmes which are in operation in Bangladesh should take steps to integrate those programmes into national planning and budgeting system.
- XV. GoB in collaboration with DPs and other relevant stakeholders should prepare a national development results framework with specific and measurable indicators to assess the impact of development programmes.
- XVI. GoB and DPs should mutually strengthen efforts to improve transparency and take measures to prevent any corruption in the delivery and management of aid.
- XVII. In the upcoming HLF in Busan, South Korea in 2011, the participating countries and agencies should formulate clear guidelines as to how aid should be delivered and managed to attain better development results.