

The survey sought to measure objective evidence of progress against 13 key indicators on harmonisation and alignment (see Foreword). A four-point scaling system was used for all of the “Yes/No” questions:

1. “Yes without reservations” represented here as: **YES!**
2. “Yes with reservations”: represented here as: YES
3. “No with reservations” represented here as: NO
4. “No without reservations” represented here as: **NO!**

Specific technical criteria were suggested to guide responses (See Annexes). Respondents were also invited to provide a brief explanation when they expressed reservations (Categories 2 and 3 above). The qualitative information they provided has informed this chapter.

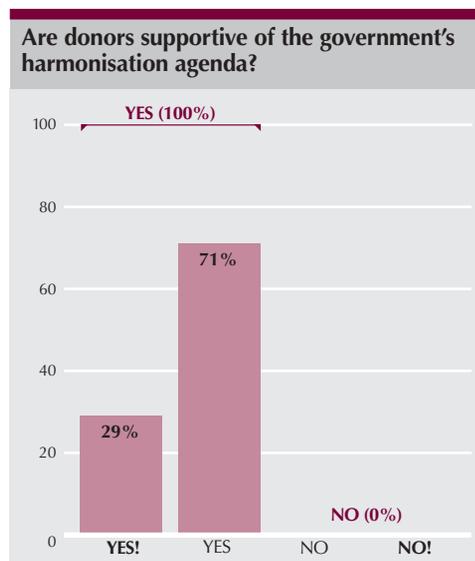
Harmonisation is still in its early infancy in Bangladesh and much remains to be done. The situation is reflected, for example, in the report of the 2004 Bangladesh Development Forum (BDF) that calls for stronger institutions and policies on the part of the government – and greater commitment to the poverty-reduction strategy (PRS) by the donors. So far, the government of Bangladesh has not set out its harmonisation agenda and co-ordination activities are still, in most cases, led by donors. There are, however, signals that the government is increasing its leadership. On the donor side, the degree of alignment with government priorities and systems is relatively low. While the interim PRS — completed in 2003 — is used as the framework of reference by all donors in Bangladesh, the survey shows that the great majority of donors had reservations with regard to its operational value. Donors felt that the PRS lacked clear priorities and a medium-term expenditure framework (MTEF). Having said this, there are encouraging signs that these weaknesses are currently being tackled by the new “PRS-in-process”.

## OWNERSHIP

### A CLEAR AGENDA ON HARMONISATION

The government of Bangladesh is yet to establish its action plan on harmonisation, with one bilateral donor reporting that, to date, most efforts are “coming from the donor side”. While local consultative groups and subgroups exist, these have been established by donors rather than by government (see Figure 2.1 – Indicator 1).

**FIGURE 2.1**  
**INDICATOR 1**



Respondents to the 2004 Survey on Harmonisation and Alignment indicated, however, that the government is currently elaborating its action plan on harmonisation. Efforts so far have focused more specifically on cross-cutting themes. For example, a task force on public financial management began operating in November 2004 and has drawn up a draft harmonisation action plan. In addition, a steering committee on aid governance is working towards harmonisation in project processing, documentation, audit and reporting.

### FORMAL GOVERNMENT-LED FRAMEWORK FOR DIALOGUE AND CO-ORDINATION

Co-ordination of aid at the national level is undertaken in Bangladesh by a Local Consultative Group (LCG) which organises plenary meetings and includes various sector-specific subgroups (see Box 2.1 for a summary of Bangladesh’s Aid Governance Initiative, an important part of the country’s harmonisation progress, by LCG Bangladesh, an Internet-based forum for development dialogue and donor co-ordination).

While in principle government leadership is respected, in practice co-ordination remains very much donor-driven: government representatives, for instance, do not participate in some of the LCG subgroups and in the LCG plenary meetings which are chaired by the World Bank. In addition, a number of donors reported in the survey that the government failed to exercise an appropriate level of leadership (see Table 2.1 – Indicator 2).

### CAPACITY DEVELOPMENT

Indicator 3 (see Table 2.2) invited respondents to identify areas where additional efforts in capacity development might be required. While weaknesses were identified in all three areas flagged by the questionnaire, there was a general agreement that in two out of those three areas, weaknesses are being addressed and the level of support is appropriate. Co-ordination of aid is the only area where it was generally considered that the level of donor support is not entirely sufficient.

### ALIGNMENT

#### RELIANCE ON PARTNERS’ NATIONAL DEVELOPMENT STRATEGIES

The government completed an interim PRS in 2003 and is developing a full poverty-reduction strategy paper (PRSP). While the interim PRS is used as the framework of reference by all donors in Bangladesh, the survey shows that 90% of them had reservations with regard to its operational value (see Figure 2.2 – Indicator 4). According to donors, the interim PRS lacks a clear sense of priorities and a MTEF.

Furthermore, donors generally consider that the current mechanism for reviewing the progress of the interim PRS, the annual BDF meeting, does not provide a basis on which they are willing or able to adjust their country programmes. For example, it does not systematically consider achievements against specific interim PRS performance targets or indicators. As a result, 67% of donors reported that their decisions to allocate resources were not influenced by the findings presented at the BDF. It is anticipated that this will change with the introduction of the new PRS.

At the 2004 BDF, donors welcomed the fact that the “PRS-in-process” reflects strong government ownership and is prepared in a participatory manner — involving consultations through a thematic group approach with concerned ministries and agencies, the private sector, non-governmental organisations/community-based organisations and the international community. However, respondents noted that in order to ensure policy continuity, the PRS must be a

TABLE 2.1 INDICATOR 2

Is government co-ordinating aid?		
Is there a formalised process for dialogue?	YES	
Is government proactive?		NO
Is government in the driving seat?	YES	
Do donors’ rules support harmonisation?	YES!	
<b>54%</b>		
<b>% of donors who take part in co-ordination</b>		

TABLE 2.2 INDICATOR 3

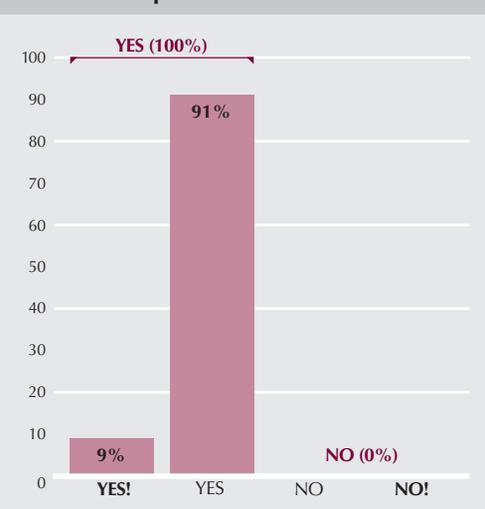
Capacity development		
<b>► Have weaknesses been identified?</b>		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES	
<b>► Are weaknesses being addressed?</b>		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES	
<b>► Is the level of support appropriate?</b>		
In public financial management	YES!	
In budget planning and execution	YES!	
In co-ordination of aid	YES	

national document supported by all key stakeholders. Specifically, given its timeframe, the PRS will need to bridge the electoral cycle, and multi-party support for it will be essential. According to the report on the BDF meeting held in May 2004:

Donors urged government to focus on implementation, good monitoring and evaluation, and to ensure that the medium-term expenditure framework fully reflects PRS priorities. Donors agreed that the PRS would provide the basis for external assistance to support the government’s development priorities as well as its policy and institutional reform initiatives. Specifically, the Asian Development Bank (ADB)’s new Country Strategy and Program, now under preparation, will build on the PRS, and will be completed in early 2005, synchronising with the PRS process.

**Do donors rely on the PRS when programming official development assistance?**

**FIGURE 2.2  
INDICATOR 4**



**Bangladesh’s Aid Governance Initiative**

**BOX 2.1**

The Aid Governance Initiative, launched in 2003 in Bangladesh, is a joint venture of the government and development partners operating in Bangladesh to strengthen the quality of the administrative and implementing processes of donor-funded development activities. This follows the global trend for simplification and harmonisation of procedures, as laid out in the Rome Declaration 2003, and the OECD-DAC framework.

The initiative was also undertaken in recognition of the need for greater accountability of donor-funded programmes, as well as the wish to simplify procedures and eliminate inefficient or time-consuming practices that duplicate work (e.g. harmonisation of “project documents”).

The point of departure for the Aid Governance Initiative was a survey conducted among the development partner members of the LCG in Bangladesh. The LCG members were asked to provide information on the areas related to programme implementation which presented the most difficulty in terms of accountability of funds. Four areas were identified as problematic: (i) audit; (ii) procurement; (iii) foreign-assisted training; and (iv) the need for harmonisation of project documents.

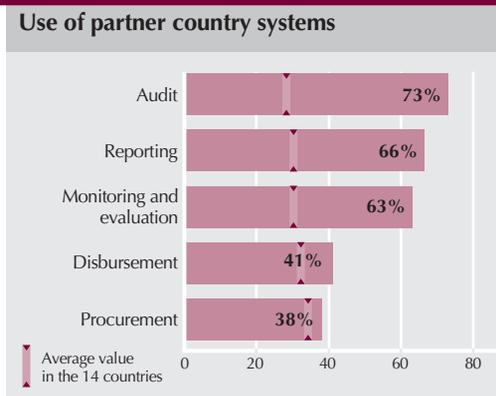
Against this background, three joint donor and government Aid Governance working groups were set up to address the first three issues. Harmonisation has since been addressed in a later stage. All groups met several times in the first half of 2003 and produced final reports with concrete recommendations and “best practices” to improve procedures in these areas. These have subsequently led to the adoption of new policies and procedures to improve accountability and efficiency of donor-funded aid programmes. Procurement and training concerns have, in particular, been met by substantial improvements. The fourth area of harmonisation and simplification of project documents is now underway.

The Aid Governance Working Groups reports were completed in time for the Bangladesh Development Forum in May 2003. Both the government of Bangladesh and their development partners have indicated a clear interest in continuing the dialogue. The subsequent adoption of new procurement and training policies – as a result of this process – has provided government and development partners with the means to improve efficiency and accountability. The work is ongoing.

**TABLE 2.3**  
**INDICATOR 5**

Is budget support predictable and aligned?				
Are budget support donors making:	YES!	YES	NO	NO!
▶ multi-annual commitments?	Japan	World Bank	United Kingdom ADB	United States
▶ timely commitments?	Japan United Kingdom	United States	World Bank	
▶ timely disbursements?	Japan United Kingdom United States World Bank			

**FIGURE 2.3**  
**INDICATOR 6**



### BUDGET SUPPORT

Japan, United Kingdom, United States, ADB and the World Bank are all involved to some degree in sector or budget support in Bangladesh (see Table 2.3 – Indicator 5). The ADB provides financial support in the form of policy reform-based programme loans and programme components of sector-development project loans. The United Kingdom also provides various types of sector support. In some cases, donors provide budget support on a multi-annual basis; however, given the lack of a well-developed MTEF, the government might not fully benefit from it. The World Bank provides an indicative multi-annual lending programme, but commitments are not aligned to the government budget cycle.

### PROJECT SUPPORT

Indicator 6 measures the degree of reliance on country systems when providing project support. In this respect, Bangladesh’s government systems are relied upon to a greater extent (see Figure 2.3), when compared to other countries in the survey.

In 2003, a new procurement regulation was introduced, which takes into account the harmonisation efforts of the multilateral development banks (MDBs) and their minimum requirements for local procurement. The regulation is applicable to all entities using public resources for procurement, and both MDBs and bilateral donors are being encouraged to use the government’s new regulations for local and international procurement. As the aid harmonisation Web site states:

Donors have adopted a concerted approach towards greater co-ordination and effectiveness of development assistance, mainly through the harmonisation of donor policies and procedures around existing and improved government systems and procedures. They focus on local capacity-building to support procurement reform and other initiatives, and on the use of improved GOB (Government of Bangladesh) systems. For example, the programme will adopt the GOB’s newly reformed procurement system for national procurement. It will also aim at using common financial management arrangements and reporting, and adopting joint supervision strategies.

Alignment with sector programmes					
	Health	Education	Water	Transport	Agriculture
<b>► Are sector systems in place?</b>					
Is government leading in the sector?	NO!	NO!	NO!	NO!	NO!
Does a clear sector policy exist?	YES	YES!	YES	YES	NO!
Is a sector medium-term expenditure framework (MTEF) in place?	YES!	YES!	NO	NO	NO
Is there sector co-ordination?	YES	YES	NO!	NO	NO!
Is a sector monitoring system in place?	YES	NO	NO!	NO!	NO!
Are systems being harmonised?	YES	NO	NO!	NO!	NO!
<b>► Are donors supporting the sector systems?</b>					
Are the systems aligned with government policies?	YES	YES!	YES	YES!	YES
Are funds integrated into the MTEF?	YES!	YES!	NO	NO	NO
Are donors using the government monitoring system?	YES	YES	NO	NO	NO

**TABLE 2.4**  
**INDICATOR 8**

The extent to which this is resulting in increased use of government systems is currently unclear, as is the extent to which the MDBs procurement harmonisation is aligned with the wider harmonisation and alignment initiatives.

In the case of some projects, procurement systems are designed on the basis of co-financing agreements with international financial institutions; however, the capacity of the government's own systems is often weak. In the mid-1990s, the US Agency for International Development (USAID) conducted an assessment of several government systems in order to compare them with international standards. This concluded that the Bangladeshi systems failed to meet USAID's standards.

In several areas, government systems are used, albeit not relied on, as they are often supplemented by additional work. For instance, the ADB gives the example of private sector auditors being used to supplement the government's project audits.

## SECTOR SUPPORT

Indicator 8 measures donor support to sectors in key policy areas (see Table 2.4).

### Health sector

Several donors participate in a health sector programme which involves a pooled funding mechanism. The government has prepared a sector policy which is yet to be approved. Donors have expressed concerns over its clarity, the effectiveness of the government health sector planning unit and the extent to which the policy is focussed on key Millennium Development Goals targets. The Local Consultative Group meetings provide a forum for donor co-ordination and some donors who do not participate in the sector-wide approach use these to co-ordinate assistance in specific areas (*e.g.* HIV/AIDs). The previous sector policy included a performance monitoring system, which some donors are still partly using; however, an improved performance monitoring system is expected to be developed soon.

### Education sector

An education sector programme exists with the Primary Education Development Programme (PEDP-II) as its major component. Several donors point out the lack of attention given by the government to non-formal education. The PEDP-II programme involves a performance monitoring system, though additional systems are required in other sector areas.

### Water sector

The government approved a National Water Resources Management Plan in 2004. No sector MTEF currently exists and there is no formalised donor co-ordination by the government. Where donor co-ordination does take place, it is through a local consultative subgroup in which the government participates only intermittently. Sector performance monitoring systems are said to be inadequate.

### Transport sector

Road infrastructure development is supported by several donors as part of rural market development and food aid programmes. There has been no clear government policy in the sector until recently, when the National Land Transport Policy was approved. It is anticipated that this will direct future donor support to the sector.

### Rural development

The government has had an agriculture and rural development policy in place for many years, encompassing areas such as livestock, forestry and fisheries, and it has received substantial donor support. Several donors comment that the sector policies are unclear, partial, uncoordinated, and lack a proper supporting structure.

### Other sectors

Several donors support the power sector and a sector programme is currently under development. However, the government's power sector policy is not very clear. Other sectors receiving donor support include governance, human rights and people trafficking, and private sector development.

**TABLE 2.5  
INDICATOR 7**

Are donors streamlining conditionality?		
Direct budget support	YES	
Health sector	YES	
Education sector	YES	
Water sector		NO!
Transport/road sector		NO!
Rural development agriculture		NO!

**TABLE 2.6  
INDICATOR 9**

Who is delegating co-operation?			
YES!	YES	NO	NO!
Canada		Denmark	Australia
Netherlands			Germany
Norway			Japan
Sweden			Switzerland
United Kingdom			
United States			
ADB			
World Bank			

## HARMONISATION

### STREAMLINING CONDITIONALITY

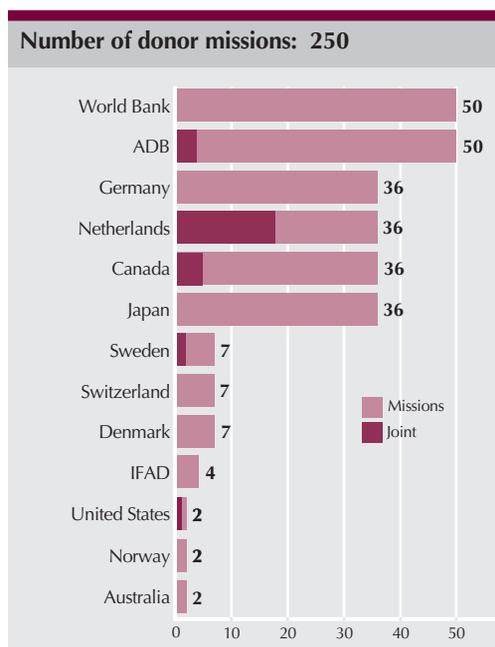
Indicator 7 (see Table 2.5) looks at the extent to which donors have streamlined conditionality when providing development assistance in a number of specific areas (e.g. budget support, sector level). Responses to the survey indicate that there is limited harmonisation of conditions in the health and education sectors (primary education only in the education sector), and no harmonisation of conditionality in the water, transport or rural development sectors. Government and donors are establishing regular reviews of budget support programmes, aimed at establishing common conditionalities and operations.

### DELEGATED CO-OPERATION

Indicator 9 shows that 61% of donors in Bangladesh claim to be party to an agreement to perform tasks on behalf of other donors (see Table 2.6). For example, Canada and the United Kingdom are implementing a delegated co-operation arrangement in respect of the Bangladesh financial management reform programme.

### DONOR FIELD MISSIONS

In 2003, the number of donor missions to Bangladesh exceeded 250 (see Figure 2.4 – Indicator 10). Six organisations (World Bank, ADB, Germany, Netherlands, Canada and Japan) accounted for approximately 90% of the total number of missions. 10% of all missions were undertaken jointly. These figures do not include the UK Department for International Development (DFID) missions. The DFID activities in Bangladesh are indeed decentralised to the DFID’s Dhaka office. Their reviews are consequently run from in-country resources and are not undertaken by officials from the DFID Head Office.



**FIGURE 2.4**  
**INDICATOR 10**

### STREAMLINING DIAGNOSTIC REVIEWS

In the period 2001-03, seven diagnostic reviews were undertaken in Bangladesh (see Table 2.7 – Indicator 11). All of these except the UNDP CONTACT review were conducted by multi-donor teams.

Diagnostic reviews (2001-03)	Was it undertaken jointly?
CFAA	YES
PER	YES
CPAR	YES
CPRM	YES
IMF ROSC	YES
ADB DSAA	YES
UNDP CONTACT	NO

**TABLE 2.7**  
**INDICATOR 11**

### DISCLOSING INFORMATION

A critical dimension of the harmonisation and alignment agenda is donors’ ability to share information on aid flows (Indicator 12 – table not presented) and analytic work (Indicator 13).

The survey indicates that the government and donors have agreed on procedures for notifying disbursements in the context of budget support and also for assistance in the health sector. In the education sector, such an agreement exists with regard to support for primary education. No such arrangements exist with respect to the water or transport sectors. A few donors (15%) do not provide the government with any kind of information on actual disbursements.

The government is reported not to have provided an adequate format for donors to use in order to disclose information on actual disbursements, so donors tend to use their own reporting formats.

**TABLE 2.8  
INDICATOR 13**

Who is sharing country analytic work?			
YES!	YES	NO	NO!
Netherlands United States ADB	Australia Canada Denmark Norway Japan United Kingdom IFAD World Bank	Sweden	Germany

Most donors provide indications to the government as to what aid it can expect over a multi-annual time horizon. However, these generally represent pledges rather than commitments and are subject to change. For example, one bilateral donor “gives broad indications but may change priorities during a three-year period” and another “reserves the right to move money between projects to meet annual disbursement targets”.

Donors share country analytical work in a number of ways, e.g. through their own Web sites, through the country analytic Web site or through relevant LCG subgroups (see Table 2.8 – Indicator 13). One multilateral donor points out that country analytic work is not published consistently and a bilateral donor makes the point that not all analytical work should necessarily be made available on the Internet.

**ACRONYMS**

ADB	Asian Development Bank
ADB DSAA	Asian Development Bank’s Diagnostic Study of Accounting and Auditing
BDF	Bangladesh Development Forum
CFAA	Country financial accountability assessment
DAC	Development Assistance Committee (OECD)
CPAR	Country procurement assessment report
CPRM	Country programming review mission
DFID	Department for International Development (United Kingdom)
IFAD	International Fund for Agricultural Development
IMF ROSC	International Monetary Fund’s Report on the Observance of Standards and Codes
LCG	Local consultative group (Bangladesh)
MDB	Multilateral development bank
MTEF	Medium-term expenditure framework
OECD	Organisation for Economic Co-operation and Development
PEDP-II	Primary Education Development Programme (Bangladesh)
PER	Public expenditure review
PRS	Poverty-reduction strategy
PRSP	Poverty-reduction strategy paper
UNDP CONTACT	United Nations Development Programme’s Country Assessment in Accountability and Transparency
USAID	United States Agency for International Development