

**Accra Conference on Aid Effectiveness**  
*Perspectives from Bangladesh*

Paper 76

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The Centre for Policy Dialogue (CPD), established in 1993, is a civil society initiative to promote an ongoing dialogue between the principal partners in the decision-making and implementing process. The dialogues are designed to address important policy issues and to seek constructive solutions to these problems. The Centre has already organised a series of such dialogues at local, regional and national levels. The CPD has also organised a number of South Asian bilateral and regional dialogues as well as some international dialogues. These dialogues have brought together ministers, opposition frontbenchers, MPs, business leaders, NGOs, donors, professionals and other functional group in civil society within a non-confrontational environment to promote focused discussions. The CPD seeks to create a national policy consciousness where members of civil society will be made aware of critical policy issues affecting their lives and will come together in support of particular policy agendas which they feel are conducive to the well being of the country.

In support of the dialogue process the Centre is engaged in research programmes which are both serviced by and are intended to serve as inputs for particular dialogues organised by the Centre throughout the year. Some of the major research programmes of the CPD include **The Independent Review of Bangladesh's Development (IRBD), Trade Related Research and Policy Development (TRRPD), Governance and Policy Reforms, Regional Cooperation and Integration, Investment Promotion and Enterprise Development, Agriculture and Rural Development, Environment and Natural Resources Management, and Social Sectors.** The CPD also conducts periodic public perception surveys on policy issues and issues of developmental concerns. With a view to promote vision and policy awareness amongst the young people of the country, CPD is implementing a **Youth Leadership Programme.**

Dissemination of information and knowledge on critical developmental issues continues to remain an important component of CPD's activities. Pursuant to this CPD maintains an active publication programme, both in Bangla and in English. As part of its dissemination programme, CPD has been bringing out **CPD Occasional Paper Series** on a regular basis. Dialogue background papers, investigative reports and results of perception surveys which relate to issues of high public interest are published under this series. The Occasional Paper Series also include draft research papers and reports, which may be subsequently published by the CPD.

The present paper titled **Accra Conference on Aid Effectiveness: Perspectives from Bangladesh** has been prepared under the CPD programme on IRBD. As a part of this programme CPD undertakes in-depth examination of various developments in the Bangladesh Economy, tracks movements of major macroeconomic variables, carries out analysis of national budget and studies the impact of various policies at macro and sectoral level. The outputs of the programme have been made available to all stakeholder groups including the government and policymakers, entrepreneurs and business leaders, and trade and development partners.

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## Acronyms

AAA	Accra Agenda for Action
A4T	Aid for Trade
AIDS	Acquired Immune Deficiency Syndrome
bln	Billion
CPD	Centre for Policy Dialogue
CSOs	Civil Society Organisations
DAC	Development Assistance Committee
ERD	Economic Relations Division
EU	European Union
GDP	Gross Domestic Product
GOB	Government of Bangladesh
HIV	Human Immunodeficiency Virus
HLF	High Level Forum
HLF3	Third High Level Forum
IFIs	International Financial Institutions
IMF	International Monetary Fund
MDGs	Millennium Development Goals
mIn	Million
MoF	Ministry of Finance
NGOs	Non-governmental Organisations
NSC	National Steering Committee
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PFM	Public Financial Management
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
UN	United Nations
USD	United States Dollar

## 1. Introduction

The global aid scenario has been undergoing changes during the last few years. In the 1990s with the initiation of the structural adjustment era aid was tagged with the adoption of deregulation and privatisation policies to be followed by the recipient countries. Though there have been some improvements in terms of export increase in a number of countries, by and large, the result was disappointing in case of poverty reduction. The early years of the millennium donors moved away from structural adjustment policies and focused on aid effectiveness. The announcement of the millennium development goals (MDGs) by the United Nations (UN) had reinforced the issue of aid effectiveness in countries facing development challenges.

The change in the aid system is manifested not only in terms of sources and volume of aid but also in terms of demand for aid. New players have emerged in the aid horizon with new global aid institutions, instruments and objectives making the system too complicated. These are impacting on the national level in terms of increased transaction costs for both partners and donors, and reduction of the effectiveness aid in the end. This situation has been described as a chaotic one with several bilateral and multilateral donors, global funds, private funds and non-government organisations (Katseli and Carey 2007; Lele *et al* 2007).

The Official Development Assistance (ODA) from Development Assistance Committee (DAC) members has increased from US\$ 57.3 billion (bln) in 1995-96 to US\$ 104.4 bln in 2006 (OECD/DAC Aid Statistics). With the inclusion of non-DAC members the contribution of ODA added up to US\$ 109.6 bln in 2006. It is projected that ODA by DAC members will increase to US\$130 bln by 2010. However, the increase during this period, particularly in 2005, has been mainly due to increase in debt relief. While aid flows in 2005 increased by about 35 percent compared to 2004, debt relief has increased during this period by 250 percent.

The demand for resources is also on the rise with increasing number of countries facing conflicts. In addition to traditional recipients, the demand is increasing in conflict and post-conflict countries. Much of this aid is also used for debt cancellation in war affected economies such as Afghanistan, Iraq and Nicaragua.

Notwithstanding such increased activities with the participation of several players, aid has largely remained unsuccessful in terms of achieving some of the major goals, such as economic growth and poverty reduction in majority of the aid receiving countries. Lack of predictability of aid flows, increased conditionality, absence of accountability, and lack of coordination both between donors and partners and among donors has been proposed as being responsible for such the performance of aid in the recipient countries. This has shifted the focus of aid from merely aid management and delivery to broader issues of effectiveness in achieving clear results. Indeed, aid effectiveness agenda has to be

explained in the broader and specific context of partner country's development interests and concerns such as sustaining pro-poor growth and achieving MDGs, in addition to issues of transaction cost, tying of aid, policy conditionality and debt servicing liability.

There have been opposing views as regards the necessary conditions in recipient countries for aid to be effective. The World Bank (1998), Burnside and Dollar (2000a, 2000b), and Collier and Dollar (2001) suggested that good economic policy is a pre-requisite for the effectiveness of aid. This view has been challenged by many who find that aid is effective independent of policy (Morrissey 2004). Admittedly, poorest countries are also those with the least capacity administratively, institutionally and in terms of policy making. This overall capacity deficit imposes a major constraint on their policy making and implementation ability including the areas of aid negotiation, management and utilisation. However, correlating aid effectiveness with policy efficiency ignores several other factors characterising the failing aid system and puts the burden of responsibilities solely on the recipient country. As a result, issues such as revealed allocative priorities of the donors, mismatch between aid flow and national needs, predictability of flow, lack of balanced mutual accountability, and trends in global aid regime do not get necessary attention.

That it is not only policies of the recipient countries but it is the way aid is prioritise, channelled and processed are the main reasons for ineffective aid has been recognised in the Paris Declaration for the first time. Efforts to build consensus as to how the issue of aid effectiveness can be pursued have started even earlier at several forums. The Monterrey Consensus (2002) emphasised that enhanced aid flows must be accompanied by efforts to improve aid effectiveness. The High Level Forum (HLF) in Rome (2003) was another step forward in drawing more attention to the issue. With the signing of the Paris Declaration in 2005, the issue of aid effectiveness has gained further prominence. The Paris Declaration is a commitment of the international community to key principles for aid reform. It establishes global commitments for donor and partner countries to support more results-based aid in the context of scaling up, untying and a monitorable set of indicators. With five core principles, ownership, alignment, harmonisation, management for results, and mutual accountability and 12 monitorable indicators the majority including clear targets for achievement in the medium term (2010), the Paris Declaration attempts to deal with some of the major aid effectiveness issues.

There are a number of upcoming events towards assessing the achievements of targets as set in the Paris Declaration. The Third High Level Forum (HLF3) to be held in Accra on 2-4 September 2008 and the Conference on Financing for Development in Doha in November 2008 are the two efforts towards such evaluation of Paris goals. The Accra HLF3 will be a milestone to advance the agenda for aid effectiveness with the participation of many of the stakeholders within the aid relationship and potentially achieve a broader consensus. Hence during the preparing process of Accra HLF an opportunity is created for the partner countries to take stock of the state of delivery of the

Paris Declaration and put forward their perspectives in this regard reflecting their respective national concerns.

It is also an opportunity for Bangladesh, as an aid recipient country to scrutinise the progress of aid indicators as set out in the Paris Declaration. This is particularly important in view of the fact that the role of aid is still important in fighting against poverty though the dependency on aid has reduced to a large extent due to its dependency on trade. The development of Bangladesh is still characterised by two parallel trends. First, is the mobilisation of concessional foreign aid, and second, getting effective market access for exports from the Bangladesh. Though the share of foreign aid in GDP has been halved during 1991-2007 the role of aid in dealing critical issues some of which are laid down in the MDGs cannot be undermined. There is a need for adequate investment fund to implement the PRSP. While the MDGs are half way through its targeted fifteen years for achieving goals, several areas are still lagging behind with the likelihood that those targets may not be reached by 2015 without a big push in terms of both implementation and increased investment, Moreover, the threat of climate change, food crisis, fuel shortage and financial crisis may have an impact on the progress of MDGs and implementation of PRSP. Hence aid as a source of financing for reaching the MDGs is still an important component of required resources. However, unless this aid can be made more effective the objective of reducing poverty may remain a far fetched goal for several years to come.

This paper seeks to articulate the perspectives from Bangladesh as an aid recipient country on the evolving international aid system and more particularly on the Accra agenda. Based on secondary information from various sources including the Economic Relations Division, Ministry of Finance (MoF), OECD DAC Survey and Economic Review of the Ministry of Finance this paper briefly discusses the changing aid scenario in the context of Bangladesh and highlights some of the key issues related to aid effectiveness during the run up to the Accra HLF3. The paper also draws information from interviews of Development Partners working in Bangladesh to understand their perspectives on the bottlenecks of implementation of Paris Declaration on aid effectiveness in Bangladesh.



## 2. Changing Aid Scenario in Bangladesh

There is a vast literature on the role of foreign aid in Bangladesh (CPD 2003; Sobhan 2004; Sobhan 1991; Sobhan 1990; Sobhan and Ahsan 1985; Sobhan 1982; Islam 1996). These studies have examined the changes in aid regime since the 1990s and reiterated the need to prioritise poverty alleviation in the policy agenda of the development partners. The present section is only a brief on the present aid scenario in Bangladesh. A detailed analysis of the macroeconomic dimensions of foreign aid in Bangladesh and its sectoral implications is beyond the scope of this study as it focuses primarily on some of the priority issues in view of the up coming Accra HLF3.

**Coming out of aid dependency:** During the last one and a half decade (1991-2007) Bangladesh has increasingly become integrated in the global economy. In 1991, less than quarter of the Bangladesh economy was associated with the global economy, in 2007, the comparable figure is about 56 percent implying that Bangladesh has gradually become a trade dependent economy from an aid dependent one. Foreign aid and exports were almost equal in 1991, but foreign aid flow was little above 13 percent in 2007. Import coverage during this period has increased by 1.5 times while import coverage by merchandise and services export has increased from less than 75 percent to more than 100 percent (Table 1).

**Table 1: Bangladesh's Degree of Openness and Extent of Globalization (USD Million)**

Items	FY 1981	FY1991	FY 2001	FY 2005	FY2006	FY 2007
1. Export (X)	724.9	1718.0	6467.3	8654.52	10526.16	12153.7
2. Import (M)	1954.1	3472.0	9335.0	13530.81	14746.4	17156.7
3. Remittance (R)	379.0	764.0	1882.1	3848.29	4801.88	5978.2
4. ODA Disbursed	1146.0	1733.0	1369.0	1488.4	1567.6	1630.6
5. FDI (net)	n/a	23.5	550.0	750.14	668.32	760.0
<b>Total (1-5)</b>	<b>4204.0</b>	<b>7710.5</b>	<b>19603.4</b>	<b>28272.6</b>	<b>32310.4</b>	<b>37679.2</b>
GDP (Current Price)	19811.6	30974.8	47306.0	60018.3	61975.0	67714.0
Degree of Openness*	13.5	16.8	33.0	36.3	41.84	43.32
Extent of Globalisation	21.2	24.9	41.0	48.16	54.05	55.63
X as % of M	37.1	49.5	69.3	65.8	71.29	70.98
(X+R) as % of M	56.5	71.5	89.4	95.10	103.89	105.83
ODA as % of GDP	5.8	5.6	2.9	2.5	2.5	2.4
ODA as % of Export	158.1	100.9	21.2	14.5	14.9	13.3

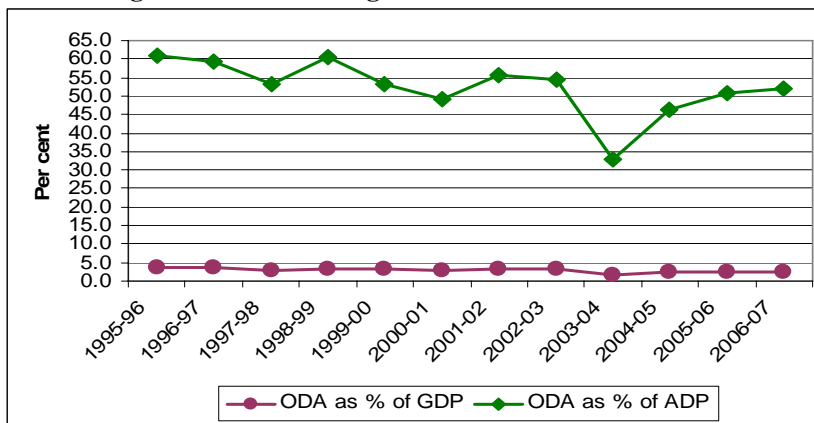
Note: \* Export + Import as % of GDP.

Source: CPD-IRBD Database.

**Share in the economy:** Though ODA disbursement showed some volatility over the years (1996-2007) the share in Gross Domestic Product (GDP) has remained constant at around 2.5 percent during the recent past. When compared with the Annual Development Programme (ADP) the share of ODA is around 51 percent at present (Figure 1). Discrepancy between committed and disbursed ODA has persisted always as a significant

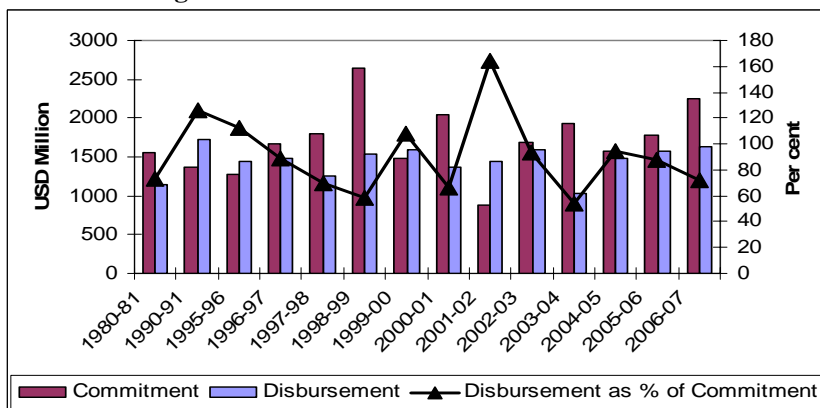
amount remains in the pipeline. Except for a few exceptional years the disbursement was much lower than commitment (Figure 2).

**Figure 1: ODA in Bangladesh as % of GDP and ADP**



Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

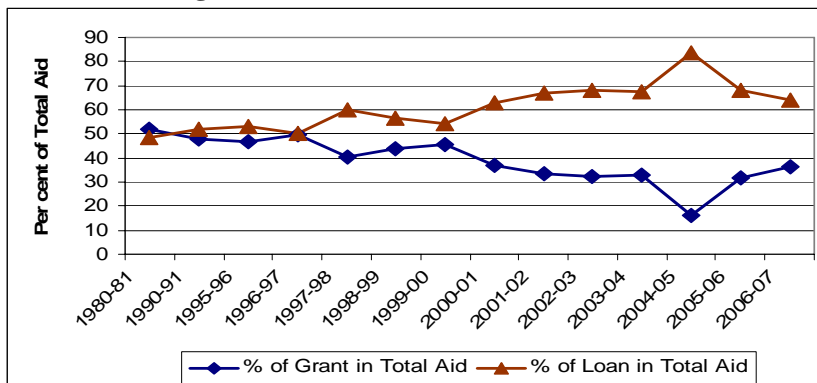
**Figure 2: Aid Commitment and Disbursement**



Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Composition and sectoral allocation:** The share of grants in total foreign aid is declining, from 46.9 percent in 1996 to 36.2 percent in 2007 while the share of loan increased from 53 percent in 1996 to 63.8 percent in 2007 (Figure 3).

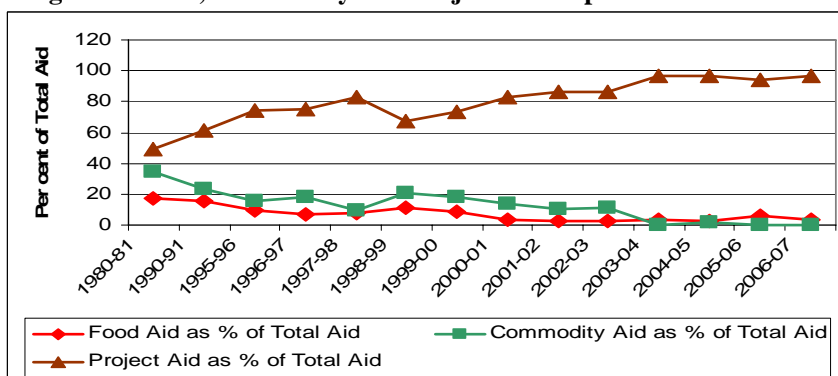
**Figure 3: Grants and Loans Disbursement**



Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

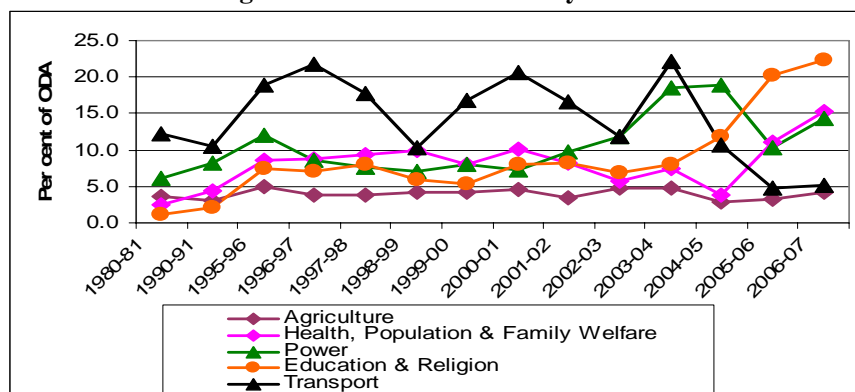
In spite of reduced dependency on foreign aid there is a need for ODA in development projects. Currently more than 96 percent of aid comes as project aid and the rest 3.7 percent as food aid (Figure 4). The contribution of ODA is still significant for critical sectors such as health, education and physical infrastructure (Figure 5). However, allocation for education and health is higher than infrastructure (power), which needs massive investment. Globally, the sectoral allocation of aid within countries has shifted towards the social sectors from the productive sectors. There has been a significant increase in aid for the health and education sector with particular emphasis on HIV/AIDS and basic education in the poor countries of Africa and Asia. Agriculture and industry have experienced lesser allocation. Allocation for infrastructure has started to increase recently.

**Figure 4: Food, Commodity and Project Aid as per cent of Total Aid.**



Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

Figure 5: Aid Disbursement by Sector



Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

While increased allocation for social sectors are important to increase productivity (healthy and educated people can contribute more to the national production) and achieve MDGs, a decline in the productive sector will also have serious implications on the poverty reduction initiatives as there are direct linkage between poverty reduction and performance of productive sectors. These sectors not only contribute to the GDP of countries, but also are sources of employment and income for the vast majority in the developing countries. Investment in infrastructure improves connectivity which has direct positive bearing on productivity (UNCTAD 2007).

Also, the needs and local conditions have to be the major criterion for aid allocation if the fight against poverty is taken seriously (McGillivray and White 1994). The sectoral bias is a donor driven phenomenon resulting from a shift in emphasis at the headquarters level. It is not necessarily a response to the recipients' requirements and individual donor decisions tend not to take account of the decisions of other donors, hence leading to the over-emphasis on certain sectors. This goes against the ownership and alignment principles of the Paris Declaration which refer to giving priority to the need of the recipient countries.

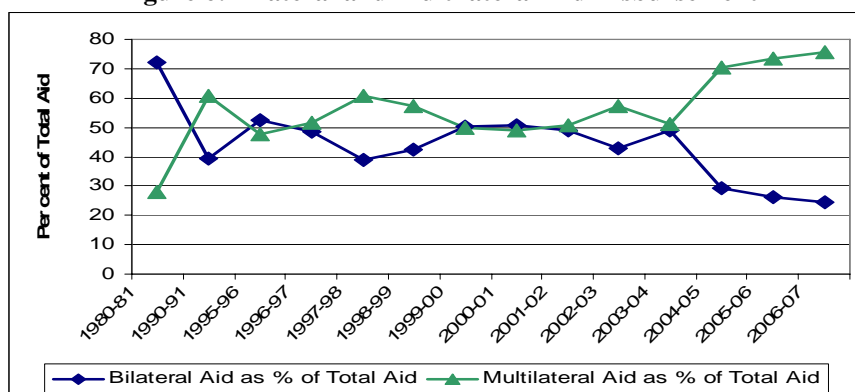
**Bi-lateral versus multilateral:** At the global level, currently bilateral aid agencies contribute about 70 percent of total aid and the multilateral agencies contribute the remaining 30 percent indicating a clear preference of donors to channel their development assistance through bilateral rather than multilateral agencies.

As opposed to the global trend multilateral aid comprises of the lion's share in the aid basket. Though the shares of bi-lateral and multilateral aid were close to each other during 1999-2004 the share of multilateral aid started to increase since 2005 (Figure 6). This is a positive feature of aid disbursement in Bangladesh as global experiences show that for most bilateral donors poverty and development are not the primary determinant

for how aid is allocated although concerns about these issues make up the dominate debate about aid. Rather, a whole raft of political and strategic objectives, combined with developmental objectives, drive bilateral donor allocation decisions, both between and within countries (Christiansen and Rogerson 2005). One way to solve this problem would be to disburse a greater proportion of resources through the multilateral system. This brings the added advantage that there is also a scope for involvement of the recipient countries in the decision-making of the multilateral organisations (Burall *et al* 2006).

However, given the concerns about the dominance of the governance of the Bretton Woods institutions by rich countries and the well known failings of the UN system, multilateralisation of aid are in fact contentious. The experience of Bangladesh is one where the dominance of such multilaterals has been widespread with their pre-occupation with the state of governance and the nature of politics which was far from welcome by the policy makers (Sobhan 2004).

**Figure 6: Bilateral and Multilateral Aid Disbursement**



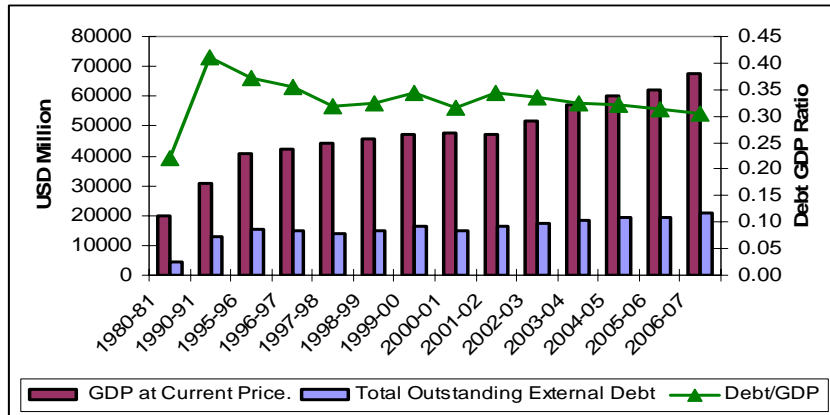
Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Format of delivery:** The global aid regime has also experienced a marked rise towards programme based approach from project based approach. However, the OECD/DAC's baseline monitoring survey in 2008 shows only 25 percent aid is programme based in Bangladesh (Table 2 in Section 3). While programme based is preferred to project based ones one important concern as regards the increase of programme based support is that it may undermine the importance of allocation for some important project type interventions.

**Debt Obligation:** The debt obligation per capita was US\$ 144 in 2007 compared to per capita ODA of US\$ 11.3. The debt-GDP ratio has been around 0.31 since 1998 (Figure 7). Though there has been huge debt relief in countries with social, natural and political problems Bangladesh has not benefited from such programmes (Figure 8). Increased aid to Afghanistan and Iraq, debt relief for Iraq and Nigeria, emergency assistance to

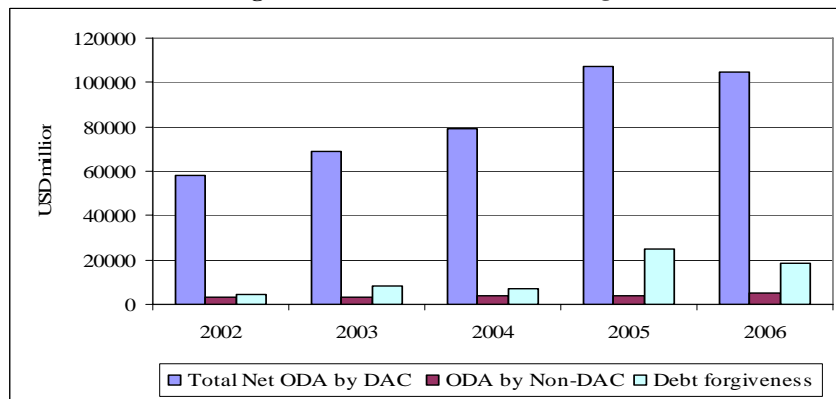
countries hit by tsunami do actually imply that fewer resources are available for poverty reduction and achieving the MDGs in other countries.

**Figure 7: Debt GDP Ratio**



Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Figure 8: Flow of ODA and Debt Forgiveness**



Source: Compiled from OECD/DAC Aid Statistics.

### 3. Paris Declaration and Bangladesh

There is a broad consensus among the international community that ODA could be made more effective in promoting development and poverty reduction. There are several reasons for why aid is currently less effective than it could be. The Paris Declaration incorporated the Monterrey consensus and the MDGs and other internationally agreed development goals. It is an international agreement to which over one hundred Ministers, heads of agencies and other senior officials have signed-up to.

Countries and organisations have committed to continue to increase progress against the five pillars as set out in the Paris Declaration (see box 1). The Declaration contains a set of monitorable actions and indicators. Twelve monitorable targets of progress have been identified under the five pillars. It is a major international statement on aid effectiveness which brings together a number of key principles and commitments in a coherent way. The Paris Declaration recognises the importance of partnership for aid to be effective instead of traditional donor-recipient relationship.

#### **Box 1: Principles of Paris Declaration**

1. *Ownership*: ensures that recipient country has a national development strategy. It recognises country ownership as the core condition for aid effectiveness.
  2. *Harmonisation*: refers to needs and opportunities rising at country level. The process involves agencies to work together to introduce common arrangements for planning, managing and delivering aid.
  3. *Alignment*: requires donors to relate their support programmes to national development strategies and government systems.
  4. *Managing for Results*: refers to development of transparent and monitorable systems to determine the impact of aid.
  5. *Mutual Accountability*: establishing an obligation on donors and partners to undertake mutual assessments of progress.
- Source*: OECD/DAC 2005.

Bangladesh faces several challenges in case of implementing the principles due to various limitations. Some of these challenges can be summarised as follows:

#### **(i) Ownership**

- According to the Paris Declaration, ownership requires active leadership by the country over development policies, strategies and the coordination of development actions
- PRSP is supposed to be an inclusive planning process of development strategies, priority setting, monitoring and evaluation

#### **Challenges**

PRSP process in Bangladesh:

- Lacks broad based consultation: does not ensure participation of all stakeholders in the preparatory activities

- Democratic ownership is weak without political commitment
- Regarded as a tool for donors in aid coordination

**(ii) Alignment**

- Alignment on partners' priorities: Aid continues to impose policy agendas that are externally driven and to pull policy making capacity out of government while initiating unpredictable finance (disbursement is 72% of commitment)
- Use of country systems: Systems alignment-being a small economy Bangladesh needs its donors to use country systems and procedures to manage and account for aid

**Challenges**

- Capacity Constraints
- Donors' reluctance or legal inability to use country systems
- Insufficient information on planned and actual disbursement

**(iii) Harmonisation**

- Harmonisation involves streamlining activities of different aid agencies through common arrangements and shared analysis
- It requires donors to share information on policies, conditionality and monitoring systems

**Challenges**

- Lack of government capacity to lead, coordinate and manage aid
- Dealing with donor missions and different development partners imposes huge transaction costs on government by attaching detailed conditions (402 donor missions in 2007; 286 in 2006)

**(iv) Managing for Results**

- Countries are expected to develop cost-effective results-oriented reporting and performance assessment frameworks
- While donors commit to using any such arrangements and refraining from requiring separate reporting

**Challenges**

- Weak monitoring system and capacity: requires strengthened statistical and monitoring & evaluation systems
- Increase political leadership and domestic demand for results

**(v) Mutual Accountability**

- Mutual accountability requires joint assessment through country level mechanisms of mutual progress in implementing agreed commitments on aid effectiveness



### Challenges

- Regular dialogue on national priorities required
- Needed to strengthen domestic accountability, including CSO participation
- More comprehensive inclusion of country level development partners; donor-government power balance
- Predictability of funds essential

### 3.1 Progress against the Paris Declaration in Bangladesh

The results for the 2007 Baseline Survey provides an indication of the direction towards achieving the Paris indicators and targets. This baseline survey is based on evidence from 34 self-selected countries, and it concludes that the results “clearly show that *in half of the developing countries singing onto the Paris Declaration, partners and donors have a long road ahead to meet the commitments they have undertaken.*” Progress will require countries to determine their own pace, priorities and sequencing of reforms; a one size Paris Declaration will not fit all countries (see box 2 for a summary of the recommendations from this first survey of progress against the Declaration (OECD/DAC 2007). Though targets are to be met by 2010 the overall progress is slow and patchy, both for individual donors as well as for individual partner countries implying that considerable work will need to be carried out during the next few years.

#### Box 2: High-Level Findings from the First Paris Declaration Survey

- (i) **Ownership**
  - a. National development strategies need substantial strengthening;
  - b. Budget credibility is undermined by sizable inaccuracies in the budget estimates of aid flows;
- (ii) **Alignment**
  - a. More countries need to use performance assessment tools to reform and improve their systems;
  - b. Partner countries must take the lead in defining capacity development priorities, and donors should direct their assistance to implementing coordinated technical and capacity building strategies;
- (iii) **Harmonisation**
  - a. Donors must aggressively reduce the transaction costs of delivering and managing aid;
  - b. Harmonisation costs represent an upfront investment of doing business more effectively and should be factored into operational budgets;
- (iv) **Managing for Results**
  - a. Partners and donors should use performance assessment frameworks and more cost-effective results-oriented reporting;
- (v) **Mutual Accountability**
  - a. Aid effectiveness issues and results need to be discussed more explicitly at country level, and credible monitoring mechanisms need to be developed.

Source: OECD/DAC 2007.

Bangladesh participated in the Survey on Implementation of the Paris Declaration conducted by the OECD which was launched globally in January 2008 and participated by 54 countries. Bangladesh also participated in Survey on Monitoring the Paris Declaration in 2006 and 2008. The Implementation survey highlights the qualitative assessment against twelve indicators. Table 2 shows the quantitative progress against twelve indicators of Paris Declaration as revealed from the Monitoring Survey.

**Table 2: Progress against Indicators of Paris Declaration in Bangladesh**

	<i>Indicators</i>	<i>2005 Reference</i>	<i>2007</i>	<i>2010 Target</i>
1	Ownership- Operational development strategies (PRS)	C	C	B or A
2a	Reliable public financial management (PFM)	3.0	NA	3.5
2b	Reliable procurement systems	NA	NA	Not applicable
3	Aid flows are aligned on national priorities	88%	91%	94%
4	Strengthen capacity by co-ordinated support	31%	67%	50%
5a	Use of country PFM systems	53%	71%	No target
5b	Use of country procurement systems	48%	58%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	38	25	13
7	Aid is more predictable	91%	98%	96%
8	Aid is Untied	82%	93%	More than 82%
9	Use of common arrangements or procedures	41%	25%	66%
10a	Joint missions	19%	38%	40%
10b	Joint country analytic work	38%	56%	66%
11	Results oriented frameworks	D	C	B or A
12	Mutual accountability	No	No	Yes

*Note:* The World Bank's Aid Effectiveness Review assesses countries on a scale of E to A where 'A' indicates that the country has a strong operational development strategy and 'E' indicates that there is no such strategy. 'C' implies that progress is not enough as yet.

*Source:* OECD/DAC 2008.

### 3.2 State of Play towards Implementation of Paris Declaration

- Harmonization initiatives so far includes pool account, procedures for pool funded procurement, performance based financing, joint implementation and supervision activities and common audit and reporting requirements.
- Harmonization Action Plan (HAP) has been approved in August 2006. HAP is the working document directing both GOB and Development Partners.
- A PRS-HAP cell has been constituted to facilitate the implementation of plans.
- GoB-DP joint Harmonization Task Force has been established to monitor the Harmonization Action Plan and Paris Declaration Implementation.
- A new Procurement Regulation introduced in 2003 for addressing the issue of harmonization. The regulation required all donors to use public resources for procurement

- National Strategy for Accelerated Poverty Reduction (NSPR): Administered by the National Executive Committee led by the Prime Minister, it has been the major guideline for development planning since 2006
- Local Consultancy Group (LCG) has included the External Relations of the Ministry of Finance with bilateral and multilateral donors.

### **Donors' Perspective Aid Effectiveness in Bangladesh**

- Deficiencies in Bangladesh's Public Financial Management (PFM) System. Institutional rigidities have made it difficult for the partners to adapt to country level initiatives
- It has been difficult to reach an agreement on how to align overall donor support on the basis of the PRSP approach
- Low aid absorptive capacity due to weak governance and large unutilized pipeline
- Lack of competence to identify the country's need for aid and to prepare aid worthy proposals
- Resistance of Bangladeshi officials to attempts to impose donor policy prescriptions.

### **Government's Perspective on Aid Effectiveness in Bangladesh**

- Conditionality with assistance inhibit harmonization and alignment
- Practice by the donors of dictating policy agenda; they are unwilling to give away direct control over program delivery
- Donor behavior still reflects 'disbursement imperative' rather than an aid effectiveness imperative
- Lack of coordination between the big donors and others
- Donor involvement with GoB in issues regarding political governance and human rights
- Donors also need capacity building and should be accountable for their non-performance.

#### 4. Moving beyond Paris

The Paris Declaration is not an end in itself, it is a mean to achieve certain goals on aid effectiveness. This, however, is fraught with a number of weaknesses both in terms of process and substance. *First*, the Paris Declaration has no formal international status and legitimacy apart from being an informal framework of understanding among governments, bilateral and multilateral agencies. Second, the participation process has been criticised as being too narrow with the dominance of the DAC members. The rise, over the past ten years or so, of new actors in the global aid system suggests the need for a broader consensus on aid effectiveness involving all stakeholders. Official non-DAC donors, private funds, foundations, charities, new global special funds and NGOs are among the new players in the aid system. Yet participation of the aid recipient countries in the Paris Declaration process was low, of non-governmental organisations (NGOs) was marginal and of private funds and non-DAC donors negligible (IBON 2007). *Second*, indicators of Paris Declaration have also been identified as too loose and allowed for significant interpretation at the country level and that this has affected the data recovered from the Monitoring Surveys (OECD/DAC 2007). *Third*, the indicators place too much emphasis on actions by recipient countries and not enough on those needed by donors (Tandon 2008).

#### *What is the third High Level Forum?*

The Accra HLF3 is a high-level political process to take stock of mid-term progress towards the commitments laid out in the 2005 Paris Declaration. Beyond the mid-term review of progress, HLF3 will identify key blocks to further progress as well as a series of priority actions to accelerate the achievement of the targets. Hundred countries and between 800 – 1000 individuals are expected to attend the forum. There will be strong civil society engagement, including a meeting in Accra just prior to the official event. The final outcome from the HLF3 will be the politically negotiated Accra Agenda for Action (AAA).

There are three elements to the HLF3:

- Nine roundtables focusing on key issues raised during the regional consultations. List of roundtables are:
  - Roundtable 1: Country ownership
  - Roundtable 2: Alignment: country system, predictability
  - Roundtable 3: Harmonisation- complementarity
  - Roundtable 4: Results and impacts
  - Roundtable 5: Mutual accountability
  - Roundtable 6: Civil society and aid effectiveness
  - Roundtable 7: Situations of fragility and conflicts

- Roundtable 8: Sector applications (health, education, infrastructure...)  
Roundtable 9: Aid architecture

- A marketplace where countries and donors are invited to display posters highlighting good practice. A speakers' corner will be organised where brief presentations can be made; and
- The Ministerial plenary where the AAA will be finalised.

The OECD/DAC, individual donors (and a very few partner countries) have commissioned a large number of studies for HLF3. Most of these will be circulated before September. There are also three key documents feeding into HLF3:

- The 2008 Paris Monitoring Report;
- The Evaluation Report; and
- The Progress Report which is synthesising the results of all of the other studies into one short document.

The AAA is intended to be a political statement of ministers, which has a small set of concrete actions. It will focus on addressing the constraints to achieving Paris Declaration commitments agreed in 2005. In addition, it will respond to a series of issues which have emerged from the regional consultations. Finally it is intended to set the future direction for discussions on aid effectiveness.

The first draft of the AAA was released on the 18<sup>th</sup> March 2008 (All drafts are available from [www.accralf.net](http://www.accralf.net)). The final draft has been released on the 25<sup>th</sup> July 2008 for endorsement at the HLF3. It is important to note that final endorsement at HLF3 will be by silent consent at the Ministerial session on the 4<sup>th</sup> September. If countries do not raise objections they will be considered to have endorsed the declaration.

Seven issues have emerged from the DAC's consultations with partners and civil society during various meetings prior to Accra. These have been identified as critical issues for partners and will be addressed during the roundtable discussions. The issues are:

- Untying;
- Conditionality;
- Predictability;
- Division of Labour;
- Incentives;
- Capacity Development; and
- Three cross cutting issues: human rights, environment, and gender.

### ***Assessing the Process and Content of AAA***

Any discussion on the assessment of the AAA has to be on the basis of reflection on the Paris Declaration as it is the basis for the AAA. In general the indicators in the Paris Declaration need more clarity and comprehensiveness to ensure full coverage of the Paris Declaration. The implementation of the key principles is conditioned on a number of activities of both partners and donors. While these principles provide guidelines for effective aid mechanism there are several gaps in the Paris Declaration which may stand in the way of its effective implementation. Some of these are discussed here briefly under the heading of the relevant pillar of the Declaration.

**Ownership:** According to the Paris Declaration, ownership requires active leadership by the country over development policies, strategies and the coordination of development actions. Ownership is at the centre of the Paris Declaration because without it the other pillars cannot be implemented effectively. Ownership is measured by the Paris Declaration by examining the extent to which a country has a functioning development strategy or Poverty Reduction Strategy paper (PRSP). There is no explicit mention within this definition about who within a country should own the development strategy and a widely held criticism of this indicator is that it focuses too much on *government* ownership rather than on that of the wider country. An additional criticism that has been made of the Declaration's ownership indicator is that it is assessed using the rating generated by the World Bank's Aid Effectiveness Review. As such, this removes any element of country ownership of the assessment (Tandon 2008).

A broader definition of ownership would be that ownership centres on democratic ownership, and national leadership and capacity. Democratic ownership itself requires commitment and participation of all stakeholders including parliaments, local government bodies, NGOs, community based organisations, business organisations and the media. Ownership of long term development visions such as PRSP which is supposed to be an inclusive planning process of development strategies, priority setting, monitoring and evaluation also requires leadership and capacity at the national level in defining and implementing development and cooperation strategies and processes. However, the PRSP process in many countries does not ensure participation of these stakeholders in the preparatory activities and remains largely controlled by the international financial institutions (IFIs). The PRS process in Bangladesh is a case in point. No stakeholder representatives were included in the National Steering Committee (NSC) which was created to formulate a work plan for preparing a full blown PRSP; it was therefore only an inter-ministerial committee. As a consequence, it missed the opportunity to take inputs from wider sections of the society during the designing phase of the PRSP. Parallel to the

consultations organised by the government of Bangladesh (GOB), the World Bank and the International Monetary Fund (IMF) provided a manual of the PRSP to the GOB which acted as the basic guidelines for preparing the PRSP of Bangladesh (GOB 2002, Bhattacharya 2005, Deb *et al* 2003; Bhattacharya and Ahmed 2006). However, there are examples of CSO participation in the PRSP implementation process in other countries. Malawi has involved CSOs in the implementation process of agriculture, health and education sector programmes, for example (Malawi 2005).

**Alignment:** Aid that is donor-driven and fragmented is likely to be ineffective. Once a government has a functioning development strategy in place, the Paris Declaration demands that donors align their aid with the strategies and plans. In addition, they must make use of, and build the capacity of, national systems for public financial management. This in turn requires government leadership both in strategy development and in strengthening government systems. In measuring this pillar of the Declaration the indicators focus on both these aspects of alignment.

The *predictability* of aid flows is an important concern for aid recipient countries (Burall *et al* 2007). Without predictability, both within and between years, it is impossible for countries to budget and plan effectively. This tends to reduce their ownership. Predictability falls under the alignment pillar in the Declaration. The Declaration calls on donors to provide “reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules”, yet the indicator measures whether or not donors delivered their commitments within the relevant fiscal year. The indicator provides no evidence about when in the year the aid was disbursed, nor any indication on the extent to which donors make multi-year commitments and keep them.

Another critical issue within the alignment pillar is the *untying of aid*. It is estimated that tied aid increases the value of goods and services by 15-30 percent. This is the one indicator within the Declaration without a specific target; the Declaration only says that there should be “continued progress overtime” in untying aid. This does not reflect the strong international consensus that exists for untying aid and reduces pressure on donors to untie their aid.

Finally another critical issue, placed under alignment in the Paris Declaration, is that of *conditionality*. The Declaration calls on donors to “draw conditions, whenever possible, from a partner’s national development strategy or its annual review of progress in implementing this strategy.” These conditions should “link funding to a single framework

of conditions and/or a manageable set of indicators derived from the national development strategy,” (OECD/DAC 2005) But, there is no target set, no indicators to measure progress and no workstream to move forwards on this issue. There is a broad consensus, across many of the donors as well as within recipient governments and in civil society that finding ways of removing some types of conditionality and reducing others is important, but there is no explicit way within Paris for dealing with the issue. Hence there is a need for addressing conditionality comprehensively in the process of aid reform alongside commitments under the Paris Declaration (Tujan 2008).

**Harmonisation:** Aid effectiveness is improved when there are good systems and structures for coordination among different donors that build on shared objectives set within a framework that reconciles different interests in a constructive manner. Without this, aid recipient governments tend to be overwhelmed by multiple requests for information, time and capacity. Harmonisation involves streamlining the activities of different aid agencies. It requires donors to share information on policies, conditionality and monitoring systems. In fact the global rhetoric on harmonisation is proving difficult to implement at the country level. Evidence suggests that it requires a significant time investment from donor staff in developing strong relationships with staff from other donors. In addition, donors face considerable challenges in altering their administrative practices to allow effective harmonisation among different donors. This is for a variety of reasons including reporting requirements of donor legislatures and other accountability structures.

While harmonisation is primarily about donor-donor activities, it can place significant demands on the capacity of recipient countries too, for example in the development of Joint Assistance Strategies. This suggests that there is a need for capacity building both for partner and donors.

Another issue is the challenge of including global funds and non-traditional donors in harmonisation action. There are currently few mechanisms for their incorporation into the existing coordinating mechanisms and joint results monitoring frameworks.

Finally, one of the two indicators used in the Paris Declaration to measure whether “aid flows are harmonised” is whether 66 percent of total ODA uses “programme based approaches” by 2010. Hence it has been criticised that the Paris Declaration locks donors’ programmes into a centralised and exclusive relationship with the Southern state actors. Hence supporting the development of the civil society sector, a vital component for the development of democratic ownership becomes difficult.



**Managing for Results:** Aid recipients and donors have committed to work together to manage resources on the basis of results and to use information to improve decision-making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Countries are expected to develop cost-effective results-oriented reporting and performance assessment frameworks, while donors commit to using any such arrangements and refraining from requiring separate reporting.

As with the ownership indicator, the indicator used to assess this pillar uses the rating generated by the World Bank's Aid Effectiveness Review arguably removing any element of country ownership of the assessment (Tandon 2008).

**Mutual Accountability:** Donors and aid recipients have committed to being accountable to each other for the use of development resources in a way that will build public support for national policies and development assistance. This will require accountability to be better balanced. In particular it requires joint assessment through country level mechanisms of mutual progress in implementing agreed commitments on aid effectiveness including commitments made in the Paris Declaration.

The Paris Declaration is very unspecific about the nature of the country assessment or exactly what all parties must do to achieve the indicator. In addition, it says little about strengthening independent capacity of the country partners to assess the progress of donors in achieving the goals of the Declaration. It merely calls for country level assessments to be in place by 2010 without suggesting parameters for these assessments to increase both equality in the aid relationship and a more comprehensive inclusion of country level development partners. In order to strengthen mutual accountability two sets of issues need to be addressed: how to give developing countries more voice, power and capacity to keep donors accountable for their commitments; and how to create better mechanisms for promoting shared goals and reciprocal commitments and goals (Mukherjee *et al* 2007).

## **5. Conclusions and Policy Recommendations**

In view of several missing elements in the Paris Declaration which has been reflected also in the AAA concerns have been raised as to whether the AAA should be endorsed or not. While there is no denying that several issues were not covered and some were less concrete the agenda should not also be overloaded with too many issues. This may dilute the focus of the discussion and add more complexities in the whole aid system. For example, there have been suggestions from various groups that the Paris Declaration should include issues like environment, gender and human rights. However, there are already other international processes and government commitments. Moreover, there is a danger that pushing for commitments on these issues within the Paris Declaration could allow donors to increase conditionality around environment or human rights.

Despite its faults and the flaws in the process the AAA can at least be considered as a 'reformist' agenda from the time being and efforts should be made towards improving and strengthening the Paris agenda. For the first time there is a document that places responsibilities on donors as well as partners. It is important therefore to try to meet commitments of the Paris Declaration in order to demonstrate to donors that partners are committed and then to call their bluff if they are not willing to commit.

Moreover, Accra should be seen as part of a longer term process and not as the end point. It is an ongoing process. Therefore, Accra needs to be seen in the broader context and link discussions to trade, aid for trade (A4T), and wider discussions about the MDGs and broader development. In doing so a number of key challenges which are slowing progress towards the Paris Declaration should be dealt with.

First, the capacity has been a major constraint. Traditionally, the donor-recipient relationship has been an asymmetric one involving a strong and a weak party where political and economic structures of domination and exploitation provided little space for the latter to choose. Furthermore, over the years aid system has gone through various reforms, but with few inputs from recipients. Consequently, marginal participation of aid recipient governments in the global debate on international aid system has been a limiting factor towards effective reforms of the overall architecture. This has been partly due to low enthusiasm on the part of the donors to encourage recipient countries to be involved in the processes of global aid system. The recipient countries remained largely engaged in debates at national level on the nature of impact. As some of the developing countries started to achieve success in boosting their merchandise and services exports, their enthusiasm regarding foreign aid has also dampened. However, it is also true that even when there was awareness of the national relevance of global aid system, recipient countries faced serious capacity deficit in articulating their views. But capacity is not just

lacking on the partner side, donors too lack capacity to implement their commitments. The monitoring process requires considerable capacity from both donors and partners as a result of the high transaction costs. Donors are not moving fast towards aligning more generally with country systems. There is a disconnect between head quarter rhetoric and policies, and actions on the ground.

Second, the level of participation of civil society in the global aid debate has been traditionally very low. While it has been mentioned that the OECD/DAC has undergone a very extensive consultation in the run-up to the HLF3, and in many ways unprecedented for the DAC, there is still a participation deficit in terms of substantive input and impact on the research and the outcomes from the HLF3. Such participation should also be ensured at the national levels by the partner countries. Although the involvement of national governments is critical, this must be broadened out to include civil society which is in many ways a real ally on a number of key issues within the discussions. Partner governments must now find ways to broaden the debate about the HLF3 beyond the Ministry of Finance, across government and into civil society.

Third, Paris Declaration is not only about aid effectiveness indicators and principles. Rather it should be about impact on the ground and development effectiveness. Moreover, rather than being a technical process, it is a political process because the Declaration highlights political commitments by different parties for achieving the targets. In addition to improved capacity and inclusion of all stakeholders a good deal of political interests and commitment at the highest level is also required in order to achieve the goals. This goal is not only about aid effectiveness. The ultimate aim must be development effectiveness and this must be seen in broader terms, emphasising social justice and not just growth.

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## Annex One: Tables

**Table A1: Food, Commodity and Project Aid as per cent of Total Aid (USD Million)**

<i>Year</i>	<i>Total Aid</i>	<i>Food Aid as % of Total Aid</i>	<i>Commodity Aid as % of Total Aid</i>	<i>Project Aid as % of Total Aid</i>
1980-81	1146.4	16.9	34.2	48.8
1990-91	1732.6	15.5	23.6	60.9
1995-96	1443.8	9.6	15.9	74.6
1996-97	1481.2	6.8	17.8	75.4
1997-98	1251.4	7.4	9.6	83.0
1998-99	1536.1	11.5	21.1	67.4
1999-00	1588.0	9.0	17.8	73.2
2000-01	1368.8	3.7	13.4	82.9
2001-02	1442.2	2.5	10.7	86.8
2002-03	1585.0	3.0	11.1	85.9
2003-04	1033.4	3.1	0.0	96.9
2004-05	1488.4	2.2	1.5	96.3
2005-06	1567.6	6.2	0.0	93.8
2006-07	1630.6	3.7	0.0	96.3

Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Table A2: ODA in Bangladesh as % of GDP and ADP (USD Million)**

<i>Year</i>	<i>Total ODA</i>	<i>GDP at Current Price</i>	<i>ODA as % of GDP</i>	<i>ADP</i>	<i>ODA as % of ADP</i>
1995-96	1443.8	40725.8	3.55	2364.1	61.1
1996-97	1481.2	42318.8	3.50	2494.8	59.4
1997-98	1251.4	44033.6	2.84	2347.7	53.3
1998-99	1536.1	45713.1	3.36	2542.3	60.4
1999-00	1588.0	47123.8	3.37	2984.3	53.2
2000-01	1368.8	47826.5	2.86	2789.5	49.1
2001-02	1442.2	47306.0	3.05	2599.3	55.5
2002-03	1585.0	51897.3	3.05	2918.8	54.3
2003-04	1033.4	56898.0	1.82	3144.1	32.9
2004-05	1488.4	60018.3	2.48	3215.7	46.3
2005-06	1567.6	61975.0	2.53	3086.0	50.8
2006-07	1630.6	67714.0	2.41	3139.5	51.9

Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Table A3: Bilateral and Multilateral Aid Disbursement (USD Million)**

<i>Year</i>	<i>Total Bilateral</i>	<i>Total Multilateral</i>	<i>Total Aid</i>	<i>Bilateral Aid as % of Total Aid</i>	<i>Multilateral Aid as % of Total Aid</i>
1980-81	826.5	319.9	1146.4	72.10	27.90
1990-91	680.7	1051.9	1732.6	39.29	60.71
1995-96	756.7	687.1	1443.8	52.41	47.59
1996-97	717.2	764.0	1481.2	48.42	51.58
1997-98	488.6	762.8	1251.4	39.04	60.96
1998-99	654.2	881.9	1536.1	42.59	57.41
1999-00	795.2	792.7	1588.0	50.08	49.92
2000-01	696.5	672.4	1368.8	50.88	49.12
2001-02	708.7	733.5	1442.2	49.14	50.86
2002-03	677.5	907.6	1585.0	42.74	57.26
2003-04	506.1	527.4	1033.4	48.97	51.03
2004-05	439.1	1049.4	1488.4	29.50	70.51
2005-06	414.0	1153.6	1567.6	26.41	73.59
2006-07	396.7	1233.8	1630.6	24.33	75.67

Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Table A4: Grants and Loans Disbursement (USD Million)**

<i>Year</i>	<i>Total Grants</i>	<i>Total Loans</i>	<i>Total Aid</i>	<i>% of Grant in Total Aid</i>	<i>% of Loan in Total Aid</i>
1980-81	593.7	552.7	1146.4	51.79	48.21
1990-91	831.5	901.1	1732.6	47.99	52.01
1995-96	677.5	766.3	1443.8	46.92	53.08
1996-97	736.1	745.1	1481.2	49.70	50.30
1997-98	502.9	748.5	1251.4	40.19	59.81
1998-99	669.4	866.7	1536.1	43.58	56.42
1999-00	726.1	861.9	1588.0	45.72	54.28
2000-01	504.1	864.7	1368.8	36.83	63.17
2001-02	478.8	963.4	1442.2	33.20	66.80
2002-03	510.1	1074.9	1585.0	32.18	67.82
2003-04	338.5	695.0	1033.4	32.76	67.25
2004-05	244.2	1244.2	1488.4	16.41	83.59
2005-06	500.5	1067.1	1567.6	31.93	68.07
2006-07	590.2	1040.4	1630.6	36.20	63.80

Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Table A5: Aid Commitment and Disbursement (USD Million)**

<i>Year</i>	<i>Commitment</i>	<i>Disbursement</i>	<i>Disbursement as % of Commitment</i>
1980-81	1559.2	1146.4	73.5
1990-91	1370.3	1732.6	126.4
1995-96	1279.6	1443.8	112.8
1996-97	1661.1	1481.2	89.2
1997-98	1790.7	1251.4	69.9
1998-99	2648.5	1536.1	58.0
1999-00	1475.0	1588.0	107.7
2000-01	2052.8	1368.8	66.7
2001-02	878.7	1442.2	164.1
2002-03	1692.6	1585.0	93.6
2003-04	1923.1	1033.4	53.7
2004-05	1580.7	1488.4	94.2
2005-06	1787.4	1567.6	87.7
2006-07	2256.1	1630.6	72.3

*Source:* Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Table A6: Aid Disbursement by Sector (% of Total ODA) (USD Million)**

<i>Year</i>	<i>Agriculture (% of ODA)</i>	<i>Health, Population &amp; Family Welfare (% of ODA)</i>	<i>Power (% of ODA)</i>	<i>Education &amp; Religion (% of ODA)</i>	<i>Transport (% of ODA)</i>	<i>Total ODA</i>
1980-81	3.7	2.5	6.1	1.1	12.2	1146.4
1990-91	3.0	4.4	8.3	2.1	10.5	1732.6
1995-96	4.9	8.6	12.0	7.4	18.8	1443.8
1996-97	3.8	8.7	8.6	7.0	21.8	1481.2
1997-98	3.9	9.4	7.6	8.0	17.7	1251.4
1998-99	4.2	9.9	7.0	6.0	10.3	1536.1
1999-00	4.1	8.1	8.0	5.4	16.7	1588.0
2000-01	4.5	10.0	7.3	8.1	20.5	1368.8
2001-02	3.3	8.2	9.8	8.1	16.7	1442.2
2002-03	4.8	5.7	11.7	6.8	11.9	1585.0
2003-04	4.8	7.5	18.5	8.0	22.1	1033.4
2004-05	2.8	3.8	18.9	11.8	10.8	1488.4
2005-06	3.3	11.1	10.4	20.2	4.8	1567.6
2006-07	4.3	15.3	14.3	22.4	5.1	1630.6

*Source:* Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.



**Table A7: ODA by Major Donors (USD Million)**

<i>Donors</i>	<i>1980-81</i>	<i>1990-91</i>	<i>1994-95</i>	<i>2000-01</i>	<i>2006-07</i>
Japan	153.8	345.1	356.5	316.1	31.6
U.S.A	132.9	102.5	114.6	39.3	61.9
Canada	69.8	112.2	47.1	18.8	17.7
Germany	72.6	55.2	111.7	43.0	19.7
U.K	51.0	55.0	53.4	53.3	69.4
Netherlands	61.7	27.7	17.9	45.9	23.9
Saudi Arabia	67.6	27.3	18.7	0.4	0.0
Sweden	27.0	21.8	12.6	15.6	57.4
Norway	27.2	20.2	34.1	16.9	46.4
Denmark	19.5	33.2	30.8	4.8	50.0
<b>Country Total (1)</b>	<b>683.1</b>	<b>800.2</b>	<b>797.4</b>	<b>554.1</b>	<b>378.0</b>
I.D.A	173.0	333.5	286	298.8	680.1
A.D.B	45.4	290.1	336.8	235.7	342.5
UN System (Ex. UNICEF)	39.8	99.2	64.4	23	85.4
E.U	32.0	52.7	64.3	32.3	66.4
UNICEF	15.1	7.6	50.4	49.2	29.8
<b>Multilateral Total (2)</b>	<b>305.3</b>	<b>783.1</b>	<b>801.9</b>	<b>639</b>	<b>1204.2</b>
<b>Rest Donors (3)</b>	<b>158.0</b>	<b>149.3</b>	<b>139.8</b>	<b>175.7</b>	<b>48.4</b>
<b>Grand Total (1+2+3)</b>	<b>1146.4</b>	<b>1732.6</b>	<b>1739.1</b>	<b>1368.8</b>	<b>1630.6</b>

Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh.

**Table A8: Per capita ODA and Debt Obligation**

<i>Year</i>	<i>Total ODA (USD Million)</i>	<i>Total Outstanding External Debt (USD Million)</i>	<i>Per capita ODA (USD)</i>	<i>Per Capita Debt obligation (USD)</i>
<b>1981</b>	1146.4	4383.3	13.2	50
<b>1991</b>	1732.6	12713.8	16.3	120
<b>2001</b>	1368.8	15074.3	11.0	121
<b>2006</b>	1567.6	19420.0	11.1	137
<b>2007</b>	1630.6	20713.1	11.3	144

Source: Economic Relations Division (ERD), Ministry of Finance Government of Bangladesh

**Table A9: Debt GDP Ratio (USD Million)**

<i>Year</i>	<i>GDP at Current Price</i>	<i>Total Outstanding External Debt</i>	<i>Debt/GDP</i>
1980-81	19811.6	4383.3	0.22
1990-91	30974.8	12713.8	0.41
1995-96	40725.8	15166.2	0.37
1996-97	42318.8	15024.7	0.36
1997-98	44033.6	14033.4	0.32
1998-99	45713.1	14842.5	0.32
1999-00	47123.8	16210.9	0.34
2000-01	47826.5	15074.3	0.32
2001-02	47306.0	16275.6	0.34
2002-03	51897.3	17410.8	0.34
2003-04	56898.0	18511.1	0.33
2004-05	60018.3	19285.8	0.32
2005-06	61975.0	19420.0	0.31
2006-07	67714.0	20713.1	0.31

Source: Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh

**Table A10: Net Foreign Financing (In billion Tk)**

<i>Year</i>	<i>GDP at current price</i>	<i>Budget Deficit (Excluding Grants)</i>	<i>Budget Deficit As % of GDP</i>	<i>Net Foreign Financing</i>	<i>Net Foreign Financing as % of GDP</i>
1995-96	1663.2	-78.3	-4.71	46.0	2.77
1996-97	1807.0	-67.0	-3.71	49.7	2.75
1997-98	2001.8	-68.4	-3.42	45.9	2.29
1998-99	2197.0	-100.1	-4.56	54.5	2.48
1999-00	2370.9	-143.9	-6.07	59.3	2.50
2000-01	2535.5	-130.6	-5.15	51.5	2.03
2001-02	2732.0	-128.6	-4.71	58.1	2.13
2002-03	3005.8	-125.8	-4.19	69.9	2.33
2003-04	3329.7	-139.7	-4.20	79.9	2.40
2004-05	3707.1	-164.3	-4.43	88.3	2.38
2005-06	4157.3	-161.9	-3.89	80.5	1.94
2006-07	4675.0	-173.6	-3.71	73.3	1.57

Source: Bangladesh Economic Review 2007-08

## Annex Two: Indicators of Progress in the Paris Declaration

### Indicators of Progress in the Paris Declaration

To be measured nationally and internationally

OWNERSHIP		TARGET FOR 2010
1	<i>Partners have operational development strategies</i> — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	<b>At least 75% of partner countries</b> have operational development strategies.
<b>ALIGNMENT</b>		<b>TARGETS FOR 2010</b>
2	<i>Reliable country systems</i> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	(a) <b>Half of partner countries</b> move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance. (b) <b>One-third of partner countries</b> move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	<b>Halve the gap</b> — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).
4	<i>Strengthen capacity by coordinated support</i> — Percent of donor capacity-development support provided through coordinated programmes consistent with partners' national development strategies.	<b>50% of technical co-operation flows</b> are implemented through coordinated programmes consistent with national development strategies.
5a	<i>Use of country procurement systems</i> — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<b>PERCENT OF DONORS</b>
		<b>Score* Target</b>
		A <b>All donors</b> use partner countries' procurement systems.
		B <b>90% of donors</b> use partner countries' procurement systems.
		<b>PERCENT OF AID FLOWS</b>
<b>Score* Target</b>		
A <b>A two-thirds reduction</b> in the % of aid to the public sector not using partner countries' procurement systems.		
B <b>A one-third reduction</b> in the % of aid to the public sector not using partner countries' procurement systems.		
5b	<i>Use of country public financial management systems</i> — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good	<b>PERCENT OF DONORS</b>
		<b>Score* Target</b>
	5+ 3.5 to 4.5	<b>All donors</b> use partner countries' PFM systems. <b>90%</b>

	practices or (b) have a reform programme in place to achieve these.	<b>of donors</b> use partner countries' PFM systems.
		<b>PERCENT OF AID FLOWS</b>
		<b>Score*</b> <b>Target</b>
		5+ <b>A two-thirds reduction</b> in the % of aid to the public sector not using partner countries' PFM systems.
		3.5 to 4.5 <b>A one-third reduction</b> in the % of aid to the public sector not using partner countries' procurement systems.
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	<b>Reduce by two-thirds</b> implementation units (PIUs) the stock of parallel project.
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multiyear frameworks.	<b>Halve the gap</b> — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.
8	Aid is untied — Percent of bilateral aid that is untied.	<b>Continued progress over time.</b>
<b>HARMONISATION</b>		<b>TARGETS FOR 2010</b>
9	<i>Use of common arrangements or procedures</i> — Percent of aid provided as programme-based approaches.	<b>66% of aid flows</b> are provided in the context of programme-based approaches
10	<i>Encourage shared analysis</i> — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	<b>(a) 40% of donor missions</b> to the field are joint. <b>(b) 66% of country analytic work is joint.</b>
<b>MANAGING FOR RESULTS</b>		<b>TARGET FOR 2010</b>
11	<i>Results-oriented frameworks</i> — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	<b>Reduce the gap by one-third</b> — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
<b>MUTUAL ACCOUNTABILITY</b>		<b>TARGET FOR 2010</b>
12	<i>Mutual accountability</i> — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	<b>All partner countries</b> have mutual assessment reviews in place.

Source: [www.oecd.org/dataoecd/11/41/34428351.pdf](http://www.oecd.org/dataoecd/11/41/34428351.pdf)