

Report No. 95

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

Publisher

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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, Ecosystems, Environmental Studies 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 decided to bring 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 will be published under its cover. The Occasional Paper Series will also include draft research papers and reports, which may be subsequently published by the CPD.

As part of CPD's publication activities, a CPD Dialogue Report series is brought out in order to widely disseminate the summary of the discussions organised by the Centre. The present report contains the highlights of the dialogue on ***Accra Conference on Aid Effectiveness: Perspectives from Bangladesh***, held on 25 August 2008 at the BRAC Centre Inn Auditorium, Dhaka. The dialogue was organised under CPD's TRRPD Programme.

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Accra Conference on Aid Effectiveness: *Perspectives from Bangladesh*

The Dialogue

The Centre for Policy Dialogue (CPD) organised a dialogue on 25 August, 2008 titled *Accra Conference on Aid Effectiveness: Perspectives from Bangladesh*, at the BRAC Centre Inn Auditorium, Dhaka. The *Chief Guest* at the dialogue was *Dr A B Mirza Azizul Islam*, Hon'ble Advisor to the Caretaker Government, Ministries of Finance and Planning. *Mr Mosharraf Hossain Bhuiyan*, Additional Secretary, Economic Relations Division (ERD) attended the dialogue as the *Special Guest* while Dr Quazi Mesbahuddin Ahmed, Managing Director, Palli Karma Sohayak Foundation (PKSF) and Dr Mustafa K Mujeri, Chief Economist, Bangladesh Bank were *Special Guests*. The session was chaired and moderated by the Chairman of CPD, *Professor Rehman Sobhan*. The keynote presenter was *Dr Fahmida Khatun*, Additional Director, CPD.

Sobhan inaugurated the dialogue by making a reference to his first publication in the area of external resources in 1982, titled 'Crisis of External Dependence.' He pointed out that in the last quarter of the century, Bangladesh had experienced much change in relation to aid flows and its consequent effect – degree of aid dependency was 10 to 12 per cent of GDP in the 1990s, which was down to approximately 2 per cent of GDP in 2007. He emphasised that the issue of Aid Effectiveness (AE) is vital for Bangladesh and that it was necessary that Bangladesh equipped herself with the international discourse on AE. After the welcome address by *Sobhan*, *Khatun* was invited to the floor to present her paper and following her presentation, the floor was opened for discussion by participants who included academics, policymakers (both past and present), development partners, journalists and other professionals.

This report offers a succinct resume of the presentation and the exchange of opinions among the participants (a list of participants has been attached at the end of this report in Annex 1).

Presentation by *Fahmida Khatun*

Khatun's paper attempted to identify issues in relation to the Paris Declaration and Accra Conference, which was going to be held in September, 2008. She affirmed that aid literature gained a distinct type of momentum in the past few years and there is a large amount of literature available for both researchers and policymakers. *Khatun's* presentation was divided into six sections. Starting with the introduction, she highlighted the changing aid scenario in Bangladesh and then moved on to discuss the topic of Paris

Declaration in Bangladesh's context. Following this, *Khatun* mentioned about the High Level Forum (HLF) meeting, which was going to be held in Accra, Ghana from 2-4 September. Then she moved onto highlight the challenges of AE in Bangladesh before presenting her concluding remarks.

Introduction

Khatun started her presentation by mentioning the changes in global aid scenario in terms of sources, volume and demand. She highlighted two main aspects in the global aid scenario – (a) the aid system had become too complicated with too many actors, where there are a variety of ODA and non-ODA sources of financing; and (b) ODA from DAC members increased by 82 per cent (from USD 57.3 billion to USD 104.4 billion) over the 10 year period from 1995-96 to 2006. She asserted that contribution from the non-DAC donors (including Middle Eastern and Asian countries) is increasing (from USD 3.2 billion in 2002 to USD 5.1 billion in 2006). Nevertheless, despite the increased activities with the participation of several players, aid had largely remained unsuccessful in terms of achieving some of the major goals set by the Millennium Declaration, such as economic growth and poverty reduction. *Khatun* went on to stress that the lack of predictability in aid flows, increased conditionality, absence of accountability, and lack of coordination between both donors and partners, and among donors themselves, have been recognised as being responsible for such depressing performance of aid in the recipient countries.

Khatun then referred to a few literature works, with opposing views, concerning aid and its effectiveness. She stated that some literature (World Bank 1998; Burnside and Dollar 2000; Collier and Dollar 2001) correlated AE with national policy efficiency. These papers hypothesised that good economic policy is a pre-requisite for AE, while, it ignored several other factors which can be said to characterise the failing aid system. These authors placed the burden of responsibilities solely on the recipient country.

She mentioned there was another paper (Morrissey, 2004) which held the opposite view – aid is independent of policy. In other words, it is not only the policies of the recipient countries that can undermine AE but it is the way aid is prioritised, channelled and processed, which are the main reasons for ineffective utilisation of aid, and this had been acknowledged in the Paris Declaration of 2005. In this regard, she mentioned that the Accra HLF was going to be a mid-term review of the Paris Declaration, which was going to be held in Accra during the first week of September, 2008.

Changing Aid Scenario in Bangladesh

Khatun identified two parallel development trends in Bangladesh – (a) the mobilisation of concessional foreign aid; and (b) obtaining effective market access for exports from Bangladesh. Aid is a source of financing and thus, in spite of the declining share of foreign aid to GDP in Bangladesh, the importance of aid for Bangladesh cannot be undermined with regards to reaching towards the MDGs. Furthermore, there is a need for adequate investment to implement the PRSP, coupled with the looming threats of climate change, food crisis, fuel shortage and financial turmoil.

In terms of global disbursement of grants and loans, there is a trend that testifies that the amount of bilateral ODA is greater than the multilateral disbursements, she noted. However, in case of Bangladesh, the opposite held true. From 2000 to 2002, bilateral and multilateral ODA disbursements constituted 50-50 per cent of the total aid; however, from 2004 onwards, gap between the bilateral and multilateral ODA disbursements widened quite significantly – nearly 80 per cent of the total aid was received from multilateral donors in 2006-07. *Khatun* emphasised that although the Bangladesh's economic trend suggested that the country is becoming less dependent on aid, the contribution of ODA remained significant for social sectors such as health, education and physical infrastructure. But in case of Bangladesh, *Khatun* opined that funds allocation for social sector was greater than physical infrastructure.

Khatun then proceeded to discuss the Paris Declaration and Bangladesh's performance in relation to the five pillars and their twelve indicators as set out in the Declaration.

Paris Declaration and Bangladesh's Performance against its indicators

In February 2005, the international community came together at the Paris High Level Forum on Aid Effectiveness, hosted by the French government and organised by the OECD. At the Paris meeting, more than 100 signatories — from donor and developing-country governments, multilateral donor agencies, regional development banks and international agencies — endorsed the Paris Declaration on AE. At its heart was the commitment to help developing-country governments formulate and implement their national development plans, according to their national priorities, using, wherever possible, their planning and implementation systems.

Khatun explained that the Paris Declaration is an international agreement to continue to increase efforts in Harmonisation, alignment and managing aid for results, with a set of pillars and their twelve subsequent indicators. She went on to stress that the Declaration

was focused on five mutually reinforcing principles, and in the following section, Bangladesh's performance against the indicators (based on the OECD/DAC 2008 survey) has been placed with each of these principles:

Ownership: Developing countries must lead their own development policies and strategies, and manage their own development work on the ground. This is essential if aid is to contribute to real sustainable development. Donors must support developing countries in building up their capacity to exercise this kind of leadership by strengthening local expertise, institutions and management systems. The indicator for this principle is that 'partners have operational development strategies' and Khatun noted that Bangladesh had not made enough progress in this aspect.

Khatun asserted that, according to the Paris Declaration, ownership required active leadership by Bangladesh over her development policies, strategies and the coordination of development actions. She acknowledged the PRSP as an inclusive planning process of development strategies; however, *Khatun* identified three shortcomings in Bangladesh's PRSP – (a) it lacked broad based consultation, whereby it failed to ensure participation of all stakeholders in the preparatory process and activities; (b) democratic ownership was weak without strong political commitment; and (c) the PRSP is often regarded as only a tool for donors in coordinating their aid-related activities.

Alignment: In Paris, donors committed to make more use of developing countries' procedures for public financial management, accounting, auditing, procurement and monitoring. Where these systems are not strong enough to manage aid effectively, donors assured to help strengthen them. *Khatun* mentioned eight indicators that were related to this principle. In some cases Bangladesh had exceeded the target level while in others, she lagged behind by a wide margin. Bangladesh had made commendable progress on the following indicators - *Indicator 4:* Strengthen capacity by co-ordination support; *indicator 7:* Aid is more predictable; and *indicator 8:* Aid is untied. Bangladesh had made some progress with regards to *indicator 3:* Aid flows are aligned on national priorities and *indicator 6:* Strengthen capacity by avoiding parallel project implementation unit, and the target set for 2010 with respect to these two indicators, remain within her reach. With the remaining three, they were either not applicable to Bangladesh, or they did not have any set targets.

Khatun acknowledged that aid continued to impose policy agendas that were externally driven and to pull policymaking capacity out of government while at the same time, initiating unpredictable flow of finance. She opined that since Bangladesh is a small

economy, donors need to use the existing country systems and procedures to manage and account for aid.

Harmonisation: Donors must coordinate their development work better amongst themselves in order to avoid duplication and high transaction costs for recipient countries. In the Paris Declaration, they committed to coordinate better at the country level to ease the strain on recipient governments, for example, by reducing the large numbers of duplicative field missions. The process makes the agencies to work in a collaborative manner with the primary objective of introducing common arrangements for planning, managing and delivering aid. Khatun pointed out that there were two indicators (numbers 9 and 10) that dealt with measuring the progress made with regard to harmonisation aspects. She mentioned that Bangladesh had made credible progress with respect *indicator 9: Use of common arrangements for procedures*, although she lagged far behind in terms of *indicator 10, Encourage shared analysis*.

Khatun identified the lack of government capacity to lead, coordinate and manage aid as one of the major obstacles which is responsible for the lack of harmonisation of donors' and national policies. She went on to assert that dealing with donor missions and different development partners impose considerable transaction costs on government by attaching detailed conditions. She mentioned that the number of donor missions had increased significantly over the one year period from 2006 to 2007 – there were 286 donor missions in 2006 which has increased to 402 donor missions in 2007.

Managing for results: Countries are expected to develop cost-effective result-oriented reporting and performance assessment frameworks while at the same, making the donors commit to using any such arrangements and refraining from requiring separate reporting. Overall, this principle refers to development of transparent and 'monitorable' systems in order to determine the extent of changes in aid practices. There is one indicator that embodies this principle - *indicator 11: Result-oriented framework*. Khatun pointed out that Bangladesh did not have a strong operational development strategy to assist the country in setting up the appropriate mechanisms. According to Khatun, one of the major stumbling blocks in managing results had been the weak monitoring system and capacity in Bangladesh. Managing results require strengthened statistical and monitoring and evaluation systems and Bangladesh has an acute gap in this regard. Khatun stressed the importance of strong political leadership in this context.

Mutual accountability: Donors and recipient countries must account more transparently to each other for their use of aid funds, and to their citizens and parliaments for the impact of aid. Essentially, this principle establishes a mutual obligation between donors and

partners to undertake assessments of progress. *Indicator 12* deals with this principle and it is titled 'Partner countries have mutual assessment reviews in place'. Similar to the last principle, Bangladesh had not made any progress in this indicator, although there is a set target to operationalise appropriate mechanisms for enhancing accountability in both donors' and recipients' agendas by 2010.

Mutual accountability requires joint assessment through country level mechanisms of mutual progress in implementing agreed commitments on AE. The major shortcoming in this regard has been the donor-government balance of power. Khatun emphasised that there is a need for comprehensive inclusion of country level development partners. Furthermore, there is a need to strengthen domestic accountability, including CSO participation of civil society organisation, coupled with enhancing the predictability of aid flows.

Accra High Level Forum

The Accra HLF can be perceived as a political process, designed to take stock of mid-term progress towards the commitments laid out in the Paris Declaration in 2005. The Accra HLF objectives are - gauging progress on implementing the Paris Declaration; reinforcing country leadership of aid, ownership, and building capacity; learning from surveys, evaluations, and analytic work, and addressing shortfalls and challenges; enhancing implementation of aid effectiveness; promoting a new aid architecture – “new” donors, vertical funds, private foundations, the private sector; making the link to achieving development results; and, maintaining high-level attention.

Efforts to build consensus with regards to the issue of AE started earlier at several forums – the Monterrey Consensus (2002) emphasised increased aid flows must be supported with policies that improve AE; the HLF in Rome (2003) drew more attention to the issue of AE; and, with the signing of the Paris Declaration in 2005, the issue of AE gained further importance. The third HLF in Accra and the Conference on Financing for Development in Doha in November, 2008 are examples of two attempts towards evaluation of Paris goals.

Khatun pointed out that there were three elements attached to the Accra HLF – (a) Nine round table meetings on each of the 5 principles, plus 4 key issues raised during the regional consultations, namely (i) civil society and AE, (ii) Situations of fragility and conflicts, (iii) Sectoral applications, and (iv) Aid Architecture; (b) Accra HLF meeting can be perceived to be a market place where countries and donors are to participate and furthermore, a speaker's corner had been organised where brief presentations can be

made; and (c) There is also going to be a Ministerial plenary where the draft Accra Agenda for Action (AAA) will be finalised. Following a brief introduction about the Accra HLF, Khatun went on to discuss the evolution of the draft AAA.

The first draft of the AAA was published and circulated on 18 March 2008, and three months later on 25 June, 2008, a revised (second) draft was released. Final comments from the Working Party on Aid Effectiveness were received in a two-day consultation period, from 9 to 10 July, 2008. A final draft was circulated two weeks later, on 25 July, 2008, which was going to be endorsed on 4 September, 2008 at the Ministerial Session in Accra. After providing a background about the AAA, *Khatun* moved on to analyse the content in the draft that related to Bangladesh's context.

Khatun's assessment of the AAA was that the draft suffered from many limitations. She underlined that the understanding of country ownership, as democratic ownership, needed to be further explained. Moreover, clear indicators and monitoring mechanisms are required in this context. Her main criticism for the draft AAA and the Paris Declaration was that both of these documents mentioned AE, avoiding to shed some light in development effectiveness. She opined that the AAA lacked political appreciation from the participating countries. Prior to her concluding remarks, *Khatun* distinguished between two perspectives – donors and government – which essentially needs to be converged if Bangladesh is to effectively make use of the aid that is being received by the country.

One of the major challenges of AE in Bangladesh, from the donor's perspective, has been the deficiencies in her public financial management (PFM) system. Khatun asserted that institutional rigidities had also made it difficult for the partners to adapt to country-level initiatives. Putting further emphasis, Khatun referred to Bangladesh's PRSP and the difficulties that had been observed in reaching an agreement on how to align donor's support on the basis of the PRSP approach. Furthermore, weak governance and large unutilised pipeline, coupled with the country's lack of competence (at the policy level) to identify the needs for aid and to prepare credible proposals, have undermined AE in Bangladesh. Donors are also aware of the resistance of Bangladeshi officials in imposing donor policy prescriptions.

From the government's perspective, the main barriers to Harmonisation and alignment are the conditionalities that are attached with the assistances received from the donors. Khatun went on to emphasise that donors were more interested in disbursing funds than ensuring its effectiveness. She noted that donors' involvement with the Government of Bangladesh in issues relating to political governance and human rights had undermined

AE. She asserted that it had been the lack of accountability on the part of both the government and the donors that had weakened AE.

Khatun opined that the Accra HLF presented itself as an opportunity for Bangladesh, as an aid recipient country to scrutinise the progress of aid indicators as set out in the Paris Declaration. The Accra HLF will be a milestone to advance the agenda of AE with the participation of many of the stakeholders within the aid relationship and potentially achieve a broader consensus.

Khatun concluded her presentation by saying that before 2010 there would be other HLF meetings around the globe and that the recipient countries need to draw lessons from their different experiences in these meetings and articulate a common front. With regards to the draft AAA, she mentioned that despite the shortcomings in the process and substance, the AAA can at the minimum be considered as a 'reformist agenda'. She opined that efforts should be deployed towards improving and strengthening the Paris agenda and no attempt should be made to 'load the agenda' with other issues, such as environment, gender, etc. She concluded by stressing on one key point – the Conference in Accra needed to be perceived in the broader context and it was necessary to relate discussions to trade, aid for trade (A4T) and the MDGs, whereby it would also lead to the identification of challenges which are decelerating the progress towards fulfilling the principles of the requirements of the Paris Declaration.

Comments from the designated discussants

Quazi Mesbahuddin Ahmed, Managing Director, PKSF

Ahmed registered his appreciation towards the CPD for organising the dialogue prior to the HFL meeting in Accra. He opined that the paper prepared by *Fahmida Khatun* was moderately comprehensive and sought to clarify some of the issues. The keynote speaker had mentioned that country ownership (the first pillar of the Paris Declaration) could be substantially strengthened through national development strategies and Dr Ahmed felt that the wordings 'substantially strengthened' were ambiguous in their implications and needed to be further clarified by the speaker.

Furthermore, with regards to *Khatun's* analysis of Bangladesh's progress towards indicators of the Paris Declaration, the paper mentioned that Bangladesh had made 'No' progress towards securing mutual accountability between the development partners and the government. In this regard, *Ahmed* stressed that this aspect needed to be further explored and then subsequently, explained to the development partners and the

government. He asserted that it was important to create and maintain a result-oriented management system and recommended that there should be a Management for Development Reporting (MDR) system, built within the domestic constituencies, whereby making them more accountable for their actions.

Ahmed emphasised that contradicting views among development partners needed to be streamlined through increasing coordination between the donors. With regards to aid management, he opined that bridging the differences between the two parties - perspectives of the government and the development partners – was crucial in ensuring appropriate utilization of aid.

Dr Mustafa K Mujeri, Chief Economist, Bangladesh Bank

Mujeri congratulated the keynote speaker for presenting a comprehensive paper. He referred to *Khatun's* presentation and mentioned about the global atmosphere of aid and insisted that politics play a key role in determining the destination of aid flows. He opined that much of the aid that Bangladesh had received, it was not utilised in an effective manner due to the lack of prioritization of projects. He went on to point out that aid contributed towards the persisting high level of corruption in Bangladesh and this has raised questions about the desirability of aid.

Although Bangladesh's dependence on aid and aid flow as a share of GDP has been on a declining trend, the issue of aid effectiveness cannot be avoided, he noted. *Mujeri* stated that the issue of AE will need to be monitored at three levels – (a) Global (sources); Channels (development partners); and, (c) National Level. However, these are not the only areas that can contribute towards enhancing AE; transparency, untying aid, conditionalities, coherence and streamlining aid practices are also key areas where relevant actions need to be taken in ensuring effectiveness of aid.

Mujeri emphasised on medium-term outlook and affirmed that aid should be centred on sector-based lending, and then subsequently, to policy-based lending. He asserted that in order to increase aid effectiveness, all these issues need to be taken into consideration and also that there is a need to increase the availability of global sources (ensuring its equitable inflow), with the principle objective of attaining the MDGs.

Following the comments from the two discussants of the session, the floor was opened for further comments and discussions involving all the other participants.

Open floor Discussion

Bangladesh and Accra HLF Meeting

M Syeduzzaman, Former Minister of Finance and Member of the CPD's Board of Trustees, mentioned that the milestones reached by Bangladesh with regards to AE, there is not much to celebrate. He maintained that he was very sceptical about the outcome of the Accra HLF meeting that was going to be held in Accra from September 2-4, 2008.

Representative from Denmark felt that it was vital to move forward the issue of AE and that Harmonisation (one of the principles of the Paris Declaration), needed to be adequately discussed in the HLF meeting in Accra.

Ahsan Mansur, former Division Chief, IMF affirmed that the Accra HLF meeting was relevant to the changing architect of the global aid regime. He cited Chinese investors in Africa to illustrate the new patterns of global aid flows and asserted that conventional donors and ways of doing business in recipient countries were changing, where 'traditionality', was being questioned. He recommended that there should be intensive dialogue sessions held with the development partners in identifying common ground of interests.

Issues of Concern in the Paris Declaration 2005 and Aid Effectiveness (AE)

A M A Muhith, Former Finance Minister, urged that a brief study should be conducted with regards to the Paris Plan of Action, which is also a credible reference point to start the research on AE. He confirmed that bilateral aid flows had taken a back seat and there seemed to be a shift towards increased multilateral aid flows. In this regard, he opined that it was mandatory to balance the multilateral aid regime. Furthermore, he stressed that Bangladesh should argue not to be included in the highly indebted poor countries (HIPC) initiative since she has been prudent in aid management.

Siddiquir Rahman Choudhury, Former Finance Secretary, opined that Bangladesh's procurement plans had severely affected AE and also pointed out that Bangladesh had at least attempted to reform her Financial Management System and Public Management System, which needs to be appreciated by the donors. He noted that implementation of action plans suffers from many shortcomings such as lack of capacity in the ministerial bodies, managerial bodies, etc. He emphasised that the sustainability of implementation plans had to be based on result oriented management.

Regional Experiences

A H M Mustain Billah, Joint-Secretary, Economic Relations Division (ERD), agreed with *Mesbahuddin Ahmed* that there should be result oriented management and in this context, he asserted that the design of the projects were crucial for the outcomes of the projects. He mentioned that drawing lessons from regional experiences with regard to how donors assist recipient countries could help Bangladesh increase her AE. Furthermore, he noted that the issue of job-rotation within the different Ministerial bodies did not allow officials to gain sufficient experience in a respective area and hence, staying on the job or at least in the same area, was vital to enhancing government officials' skills with regards to trade-related and other issues.

Vinaya Swoorp, Lead Economist of The World Bank, urged that aid flows should be directed towards academic research and technical know-how, and in this regard, he referred to China's and India's experiences. He opined that although there were many conditionalities attached to aid, if Bangladesh was able to project the best progresses that she has made and present it to the donor, the latter will be somewhat constrained in terms of their discretion to dictate their requirements.

Aid Accountability, Transparency and Harmonisation

Chris Austin, Head of DFID opined that the paper prepared by Dr Khatun was thought provoking. He went on to emphasise that both recipients and donors should be accountable to taxpayers and Bangladesh needed to adopt new strategies in order to ensure not only aid effectiveness, but tax effectiveness. He suggested that the CPD could be mandated to monitor the aid flows and entrusted with the preparation of a yearly or quarterly progress report, which would ensure transparency and accountability within the aid system.

Japanese Ambassador, *H.E. Masayuki Inoue*, thanked the CPD for taking the initiative to organise the dialogue prior to the HLF meeting in Accra. He mentioned that accountability, on the part of the government to the taxpayers, was critical in ensuring that aid is effectively utilised.

The Country Director of World Bank, *Zhu Xian*, opined that the dynamics of aid flows needed to be modified – aid flows was supply-driven and it needs to be shifted towards being more demand-induced. He suggested that there should be more initiatives (such as the dialogue) from the government, private sector and other stakeholders in strengthening country ownership and making the aid system more transparent and accountable.

Jan Moller Hansen, Deputy Head of the Mission, Royal Danish Embassy recommended that to improve AE in country, an appropriate mechanism to monitor and coordinate small and medium sized projects needs to be established. He went on to assert that development partners have a responsibility for harmonising aid priorities and that they needed to do something in their own systems. He urged that Bangladesh should explore new opportunities in implementing its plan of actions.

Wajedul Islam Khan, General Secretary, Bangladesh Trade Union Kendra, suggested that there should be a monitoring mechanism in order to observe the volume and type of aid flows. He felt that although aid had the potential to contribute towards poverty alleviation in the country, most of the money that is received is spent on consultants, setting up bodies, etc.

Coordination among stakeholders and AE

Syeduzzaman asserted that governance issues were the key impediment to AE. *H.E. Masayuki Inoue*, Japan's Ambassador stressed that weak country ownership in the least developed countries led towards aid being not used in an effective manner. He went on to explain the lack in the capacity of different ministries and agencies tend to weaken a country's position and hence, coordination of management through mutual efforts was vital in ensuring aid effectiveness.

Ahmed Shwapan Mahmud, Executive Director, VOICE opined that the gap in aid and its effectiveness was mainly because of the lack of coordination between politicians and their respective parties. He stressed that the parliament has not yet been involved in the issues of concern related to aid activities. He noted that conditionalities can undermine a country's democratic system and queried how the donors can be held accountable for their actions.

Remarks by the Special Guest

Mosharraf Hossain Bhuiyan, Additional Secretary, ERD congratulated the CPD for organising the dialogue at a crucial juncture – right before the HLF meeting in Accra. He asserted that the country's civil society organisations have an important role in ensuring the appropriate utilisation of aid. He explained that although aid flow has been on a declining trend, Bangladesh still needs aid to sustain the activities of many of her sectors, primarily social. He concluded his comments by emphasising on one key issue – monitoring ex-post situation following the complete implementation of the Paris

Declaration and also its indicators should be carefully assessed by the relevant bodies and organisations.

Comments by the Chief Guest

The *Chief Guest*, A B Mirza Azizul Islam, stated that he was very pleased to have been given the opportunity to listen to the presentation made by *Fahmida Khatun*. He affirmed that the discussions, although intended to prepare for the Accra Conference on Aid Effectiveness, had gone beyond the remit of Accra and identified many areas of concern. He noted that although the aid flows had declined in macroeconomics term, there were many other areas that still required aid. He mentioned that Bangladesh's aid dependency has declined because of the ineffectiveness of aid. Although there had been some progress in terms of the predictability of aid flows, ownership remained weak for various reasons. According to the *Chief Guest*, the term ownership was too ambiguous and he went on to raise doubts about its legitimacy – whether a nation-wide referendum would need to be carried out in order to strengthen the country's ownership with regards to aid policies. In this context he also mentioned that projects tend to be supply-driven which undermines the recipient country's ability to design own projects.

He asserted that the issue of aid ineffectiveness needed to be analysed from three perspectives – (a) Sources (global); (b) Channels (development partners); and (c) National level (domestic constituencies). He went on to explain that public resource management, institutional coordination, better monitoring and evaluation systems are three important issues that needs immediate attention from the policymakers. Ruling out donors' apprehension about the adoption of the upcoming PRSP by the next elected government, the *Chief Guest* stated that the government had conducted different consultation meetings with the stakeholders and confirmed that there would not be any significant change from the old PRSP, since with regard to the performance of the Bangladesh's economy, she had not experienced a dramatic change. He mentioned that there would be a new 'Implementation Cost' component in the new PRSP.

With respect to conditionalities, the *Chief Guest* opined that these delayed disbursements by the donors and also weakened quality and relationship between donor and recipient countries. He urged that Bangladesh should take necessary actions in order to be capable of putting up own conditions. He mentioned that there were many 'layers' that one had to go through while seeking consent on some particular project and in this context, harmonisation of intra-donor's activities should be prioritised. He went on to explain that the issue of managing for results (as emphasised by other participants) needs to go beyond quantitative dimensions. He concluded his comments by highlighting an

interesting dimension to the global aid regime – with better performance it can be safely stated that aid is being effectively channelled, although on the other hand, this better performance causes the level of aid flows to decrease.

Concluding remarks by the Chair of the Session

Rehman Sobhan explained that the nature of the debate, with respect to aid and its effectiveness, has not changed much. He stressed that to ensure AE, recipient countries had to be the vortex in the aid system and also, role of the parliament needed to be enhanced for ensuring AE. He felt that focused programmes in Bangladesh need to be contemplated on for establishing a process of disseminating information with regard to aid-related issues. In his final remarks he suggested that donors make the results of the project publicly accessible and also bring transparency to their transactions.

Sobhan thanked all the participants for actively taking part in the discussion. He gave special thanks to the keynote presenter for her contribution to this interactive discussion which introduced much creative thinking into policy debates and provoked serious discussion. *Sobhan* registered his deep appreciation towards the Hon'ble Advisor for taking sometime off his busy schedule in order to be present at the dialogue.

List of the Participants

<i>Dr Quazi Mesbahuddin Ahmed</i>	Managing Director, Palli Karma-Sahayak Foundation (PKSF)
<i>Mr Firoz Ahmed</i>	Head, Governance Unit, Asian Development Bank (ADB)
<i>Dr Kazi Saleh Ahmed</i>	Former Vice Chancellor, Jahangirnagar University and President, The Foundation For Research on Educational Planning and Development (FREPD)
<i>Mr Nurul Alam</i>	Senior Assistant Secretary and APS to the Hon'ble Advisor for Finance and Planning
<i>Mr Chris Austin</i>	Head, Department for International Development (DFID)
<i>Ms Mahmuda Begum</i>	Director, Economic Relations Division (ERD), Ministry of Finance
<i>Mr Md Mosharraf Hossain Bhuiyan</i>	Additional Secretary-1, Economic Relations Division (ERD) Ministry of Finance
<i>Mr A H M Mustain Billah</i>	Joint Secretary, UN, ERD, Ministry of Finance
<i>Mr Arup K Biswas</i>	Advisor, Development Affairs, Royal Norwegian Embassy
<i>Mr Siddiqur Rahman Choudhury</i>	Chairman, Agrani Bank and Former Secretary, Finance Division
<i>Mr Suhel Ahmed Choudhury</i>	Former Secretary and Chairman, Janata Bank
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<i>Mr Hasan Arif</i>	Staff Reporter, Jai Jai Din
<i>Mr Salahuddin Bablu</i>	Senior Reporter, The Daily Inquilab
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<i>Mr Mizan Chowdhury</i>	Staff Reporter, The Daily Janakantha
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<i>Mr Talha bin Habib</i>	Staff Reporter, The New Nation
<i>Mr Hamidul Haque</i>	Staff Reporter, Ekushey Television (ETV)
<i>Mr Shawon Hasnat</i>	Reporter, Bangladesh Television (BTV)
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