

Donor voices on harmonisation and aid alignment for effective anti-corruption interventions - Lessons learned in Bangladesh

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Background

With its 140 million people Bangladesh is one of the poorest and most populous countries in the world, where approximately 50% of the population lives below the poverty line. Since 2001 Bangladesh has been leading the race to the bottom of Transparency International's corruption index, resulting in much attention, both domestically and internationally, to the country's corruption problem.. Bangladesh has no anti-corruption strategy.

Observers always point to the fact that corruption is endemic and has become institutionalised within the various sectors of civil service and in daily life. Public policy making is affected as well as its implementation and administration. Although the press regularly reports transgressions, such reports do not lead to persecution or conviction. There seems to be a somewhat reluctant acceptance of corruption as an inevitable fact of life in all layers of society.

Corruption also affects the political system itself. Election rigging is the norm, making the legitimacy of the government questionable from the outset. Those in power are typically concerned with pursuing private rather than public interests by doing business and amassing wealth. The Bangladesh elite is comprised of a relatively small group holding commercial, judicial and political power simultaneously. Often the very same individuals are involved both in politics and business. The real incentives of the elite represent a serious obstacle for

¹ This paper could not have been produced without substantial input from several agency staff based in Bangladesh. U4 thanks Mats Allentun (Sida) and all those involved and hope that their ambitions for Bangladesh are realized in partnership with all relevant stakeholders.

successful reforms, as they see reforms and institutional strengthening as a threat to the lucrative possibilities of corruption.

A testament to this problem is the establishment of an Anti-Corruption Commission (ACC) (a provision of the United Nation Convention Against Corruption (UNCAC)) set up in 2004 in response to donor and civil society pressure. It replaced the Bureau of Anti-Corruption (BAC) which operated under the Prime Minister, and was deemed ineffective and not independent.. The ACC was established as an independent body, hence it was expected to be more effective. However, this has not been the case with the ACC which has only recently lodged cases. Progress is nevertheless being made and the ACC will hopefully have absorbed the former staff of the old BAC by mid 2006. According to the Asian Development Bank (ADB) the ACC organogram and Prosecution Rules are in the final stages of approval, and a high-powered Posting Committee will soon become operational in addressing the placement of screened-in ex-BAC staff. However, the World Bank's Vice President for South Asia, Praful Patel, does not agree with the positive assessment, and during his recent visit to Dhaka he called the ACC "a joke".

The Government of Bangladesh (GoB) claims it has done its part, i.e. approve the creation of the ACC and give it complete independence. Therefore, they now blame the lack of effectiveness on the incompetence of the Anti-Corruption Commissioners. Since the body does not seem able to function by itself, the government recently threatened to backtrack and withdraw some of its independence. At the same time, the Commissioners blame the Government, denouncing undue interference and claiming that the ACC is not really independent.

This suggests that stalling and outright obstruction is the prime tactic of the GoB. Agency staff working with these issues point out that while good governance has been on the table for a long time, reforms are difficult to achieve, or they are only made from an "administrative" point of view to please donors. Within this situation it not realistic to expect the current elite or the public institutions to push for meaningful and comprehensive reforms to tackle the issue. This has major implications for the ownership of the anti-corruption process and the donors' efforts to combat the problem.

The emergence of the PRSP

The PRSP has to a considerable degree been in the hands of the GoB and should therefore be an “owned” document. However, some argue that this is not the case and point out that the PRSP does not address corruption in a comprehensive manner by touching its root cause. Nevertheless, in the absence of an Anti-Corruption Strategy the PRSP has now become the “AC-Strategy”. Therefore, as donors are committed to aligning their support to the PRSP, it is assumed that it will also hold for anti-corruption efforts.

The anti-corruption goal of the PRSP is “*Strengthening Anti-Corruption Strategy and Improving Accountability and Transparency*”. This is to be achieved by operationalising the ACC, through financial management reforms, strengthening access to information, undertaking civil service reforms, implementing IEC and anti-corruption campaigns, abolishing monopolies in support of competition, and promoting voice and participation of the civil society – including women, the poor, and disadvantaged groups. All of these offer multiple anti-corruption opportunities for donors through both government and other stakeholders. The PRSP could in the future provide an unprecedented opportunity for donors to harmonise not only amongst themselves, but also align behind what can be seen as a national document.

The PRSP is, however, not a prioritised document with the current government whose term ends in October 2006. The donors seem to be out of options, thus skipping around without making real progress, while some members of the international community pay lip service to their own conditionalities. For instance, the cabinet’s approval of the Public Procurement Law was one of 11 markers agreed upon by the PRSP Implementation Forum in 2005. Despite that the approved version is seen to contain all sorts of loopholes, the World Bank has accepted it and released funds to Bangladesh. Similarly, the ADB continues to be indulgent about the ACC’s progress, by not going beyond tough language in the face of abysmal performance. As an effect, the PRSP process has not been a catalyst for positive change. The results of the PRSP are currently expected to be embedded in a Medium-Term Economic Framework (MTEF 2005-2008), and the budget deliberations reflecting this MTEF are currently ongoing in parliament.

The donor coordination framework²

Due to its historical dependency on external aid, Bangladesh has one of the strongest local presences of donors, both globally and within South Asia. This large presence has created the need for mechanisms that can help to coordinate the activities of the various donors and the Government of Bangladesh. One such mechanism was the Bangladesh Development Forum (BDF), which functioned as the apex body for dialogue and aid coordination at the international level until 2005 when it was replaced by the first PRSP Implementation Forum. Both the BDF and its successor comprise members from the GoB, as well as international and local representatives of donor agencies.

The chairmanship of the BDF was held by the World Bank and the GoB, but the PRSP Implementation Forum chairmanship will rest with the GoB alone – a clear rupture with the past arrangements. The Implementation Forum meeting in November 2005 was, however, largely a success in promoting the Government’s leadership and ownership. However, meetings at this level will now only be held every other year, and there is a feeling among donors that the GoB does not want to hear the “C”-word anymore. This has left the donor community on a somewhat uncomfortable footing vis-à-vis the GoB.

The BDF existed under the name of the Bangladesh Aid Group (BAG) – also commonly referred to as the Aid Consortium – until 1999 when it was renamed to BDF. In the mid-seventies, the World Bank took the initiative to establish the informal Local Consultations Group (LCG) to meet the demand for local aid coordination and donor—GoB dialogue on development issues and priority reforms. Since its beginnings, the LCG has gone through an evolutionary process which has considerably enhanced its scope and significance, and it currently functions as the forum for local aid coordination and policy dialogue between the

² In addition to the main coordination framework one finds that much of the successful coordination comes from the recent attempts at harmonising by the four main donors in Bangladesh (WB, ADB, DFID, and Japan – accounting for 80% of aid) which have initiated a [joint strategy](#) to limit fragmentation of donor-funded programmes, highlight synergies, and give a clearer idea of the ‘bigger picture’.

Another channel of donor coordination is working at the European Union (EU) level, where Heads of Mission come together regularly, as do the political officers. Whenever deemed necessary, joint demarches are made and common statements are issued. Political papers, including governance issues, are sometimes shared and/or coordinated. In practice, it is difficult to jointly propose activities and strategies, due to the diversity of the strengths and weaknesses of the bilateral delegations. The act of delegating decisions from headquarters to bilateral resident missions, available expertise in those missions, etc, is important in this respect. At the moment, harmonisation of National Strategy Plans of EU members on development cooperation with Bangladesh is being discussed.

Government and donors in Bangladesh. It must however be emphasised that the LCG is a forum for the donors themselves, even though the GoB participates in the work..

The main forum in the LCG is comprised of Heads of Missions who meet almost monthly. LCG's activities provide important inputs for the dialogue with the GoB, which are brought to the PRSP Implementation Forum. It also gave an occasion for donors to discuss issues amongst themselves, and form a common stance before meeting in the BDF. In 2001 and 2002 there were elaborate preparations, including in-depth reports on best practices and lessons learned on corruption (2001), and preparatory workshops with GoB participation on reporting, as well as audits by GoB and other governance related issues (2002). In 2003 and 2004 the focus was on law & order and the state of governance in general. In the run-up to the November 2005 meeting the LCG worked on preparing joint donor positions on the corruption issue – and the messages were absolutely clear.

While the LCG coordinated external aid at both the internal and local levels, it did not offer an enabling environment for in-depth dialogue on sectoral issues and cross-cutting themes essential to development. To fill this gap a second tier in aid coordination was created in the form of LCG sub-groups of which there are currently 21, focussing on the more technical and detailed aspects of the sectoral, thematic, or region-specific issues. Sub-groups are active on the following topics: NGOs, Poverty Issues, Private Sector Development, Project Implementation, Rural Infrastructure, Transport, Urban Sector, Waste Management, Water Supply & Sanitation, Wage (gender), Agriculture & Rural Development, Chittagong Hill Tracts, DER (Disasters), Education, Energy, Environment, Finance, Governance, Health and Population, HIV/ AIDS, Elections and Macro-economics.³

³ The LCG sub-groups operate in a very “liberal” institutional environment – with a high degree of informality and a minimum amount of legislation. Most of the arrangements and practices currently in place emanate from an in-depth “LCG Sub-group Review” undertaken by a group of donor representatives in the spring of 2000. For the full text of their report, [click here](#).

Two further initiatives emerged towards the end of September 2000 from the LCG sub-group Review : (a) a detailed set of guidelines to ensure that the Sub-groups function effectively, and (b) recommendations on the role and management of the LCG – which included the proposal to establish an LCG Executive Committee. For the complete text of the LCG Sub-group Guidelines, please [click here](#). And for a copy of the recommendations on the role and management of the LCG, please [click here](#).

The governance framework at work

The PRSP Implementation Forum met in November 2005 (characterised by good donor coordination via the LCGs around priority areas) and 11 areas of progress were agreed upon to be implemented by October 2006. One session was on Aid Harmonisation and Aid Effectiveness which set out to draft a [Harmonisation Action Plan](#) (HAP) to steer the future actions of the GoB and the donor partners. According to the plan, a Joint Harmonisation Taskforce is to be set up to monitor progress and facilitate necessary actions, and a joint seminar is to be held by October 2006. These are promising developments which could improve harmonisation if taken seriously, but with little time remaining, the proposed joint GoB-Donor forums have raised more questions than they have resolved (they have yet to meet, let alone monitor).

The LCG Sub-group on Governance is in function to promote an active dialogue on good governance in Bangladesh, and to strengthen coordination and co-operation both vis-à-vis the Government and within the donor community (see the [ToR for the group](#)). It has its own webpage, [Local Consultative Group](#), where it informs interested readers of the progress made thus far. Donor agencies (including smaller ones) report that they utilize the group for policy influence, and they do ensure that their voice is heard. However, there are many on-going discussions at Head of Mission level where there are (inevitably) diverging approaches and stances between some donors.⁴ This has become evident in the debate over governance issues where it has been difficult to reach consensus on the approach to and coordination of programmes.

During 2004, BDF donors stressed the need for improved governance, but the GoB reacted in a defensive manner. In spite of this, some donors – like the World Bank – committed to a substantive increase of their disbursement to Bangladesh. Other donors (Denmark, European Commission) chose a more confrontational stance towards the government with respect to the issue. Others again, like DFID and the Netherlands took a more collaborative attitude by “supporting the agents of change and seeking opportunities to make changes”. The Netherlands’ role as broker between the confrontational embassies/organisations and the government was visible when the World Bank quit the water sector in 2002 due to alleged

⁴ (For a full list of participants in the LCG governance group see <http://www.lcgbangladesh.org/participants.php?i=13>).

misappropriation. The Netherlands as main bilateral partner in the water sector remained engaged and attempted to address the problems in procurement, and to keep the World Bank and the GoB in a dialogue.

Some differences remain amongst donors, with partisans of a hard 'zero-tolerance' line standing against those who would like to engage more and show a softer touch. However, they all need to manage risk in a well planned and professional manner. The rift on strategy runs most clearly between the bilaterals and multilaterals. It seems that where differences cannot be worked out at the country level, headquarters need to be brought in at Board level – especially as more and more funds are being routed through the multilaterals.

Two “traditional” explanations to the lack of donor harmonisation have been put forward. First, that the development partners have their own agendas and targets to meet, i.e. a lot of pressure is coming from HQ to use up allocated funds. If disbursement is delayed, some donors are "punished" by HQ through lower funds in the following year. Another challenge is that some of the large donors in Bangladesh – such as the ADB and the World Bank – are in fact banks which at the end of the day have to issue loans and ensure that they get repaid. However, it must be emphasised that the bilateral institutions to a much larger extent in recent years have been willing to be a part of the governance/corruption discussions.

With a deteriorating governance situation, and more focus on specific law & order, one might question the extent to which donor activities in this field have been effective. The principal achievement in the past few years is to have successfully put the issue of governance – in particular corruption – on the domestic agenda. Even though there is not enough ownership and political will to address it firmly, at least the issue is more or less openly debated and discussed. Awareness of the adverse affects of corruption on the economy and distribution of wealth is increasing, and citizens resign themselves less to the inevitability of corruption. The local media – in particular the press – plays an important role in this regard. It remains crucial, however, to continue to stimulate this process.

The anti-corruption coordination framework

The LCG sub-group on Governance has divided its focus into 12 areas. Some of the working groups for these areas function well, while others are less active. Among the less active ones is

the the Anti-Corruption group, chaired by USAID. A major concern is that it gathers too seldom and it has only been used for information sharing, and not for any real joint efforts. Another major criticism – voiced by many agency staff from smaller embassies – is that the group is dominated by the larger agencies such as ADB, WB, USAID, UNDP, and other generally influential and resourceful cooperation partners. As the group is not made up of fully "like-minded" donor countries, facilitation of real coordination has been difficult to achieve.

The Public Financial Management working group has not met many times either, but a substantial difference is that it is more often used for agreeing on common approaches. An example of this would be a June 2006 meeting where the group agreed to launch a joint appraisal of a PFM action plan for financial management elaborated by the Ministry of Finance. The action plan is partly the result of a Public Expenditure and Financial Accountability workshop in November 2005, chaired by the Ministry of Finance. The workshop was a World Bank "initiative" – but the idea was first launched within the PFM working group.

Agency staff working in Bangladesh point out that at the country level, there is a need for consistency and a unified voice on corruption if donors are to have an impact on government priorities and improve the overall quality of the donor/government dialogue. It is pointed out that in particular smaller donors need to ensure that they have the full support of their peers in order to maintain their credibility with the government. An example of unfortunate practice is when Denmark a few years ago unilaterally went out on a limb and accused the Shipping Minister of corruption. This had little or no impact.

Utstein agency staff express that there is room for increased coordination between this smaller group of bilateral donors, and argue that this would strengthen their position in the field and counter attempts by GoB to play off the different donors against each other. The Utstein group could therefore be seen as having much to gain from coordination on the corruption issue, but – apart from informal consultations and participation in anti-corruption training – this is not happening. Joint strategies are not very visible and there are no joint efforts/statements and/or publications issued on the topic.

Some agency staff from smaller development agencies do, however, argue that the position of the major donors and lenders are quite mature at this stage and feel that aligning to their

priorities is not a problem. It is also pointed out that the fact that many projects/programmes are co/pool-funded, has provided an opportunity for smaller donors to increase the strategic impact of their contributions. Overall, smaller bilateral agencies are therefore content with Governance group and the working group on corruption. Staff feel that the work is important for sharing information on the progress of their work, and discuss interventions, strategies, government policies, and performance. Even so, the working group on corruption cannot be regarded as a forum for smaller bilateral donors.

Donor portfolio on corruption

Bangladesh is most probably in the top 5 list of recipient countries to donor assistance in the area of anti-corruption and governance. The LCG sub-group on Governance has divided the issue into 12 areas:

- Public finance management
- Transparency, accountability and anti-corruption
- Access to information, media
- Human rights, access to justice & judicial reform
- Local governance, decentralisation
- Support to civil society organisations
- Parliamentary democracy
- Electoral Processes and voter education
- Public administration reform
- Support to private sector
- Promoting gender equality
- Child rights

UNDP is set to keep track of all donors' initiatives on all areas and the following [matrix from 2004](#) shows the plethora of donor supported programmes on corruption. The extended list indicates that a generous definition is used to define what constitutes an anti-corruption project. In the U4 Resource Centre project database for Utstein countries 17 projects are listed, of which 6 are ongoing and 11 are completed.

DFID (UK) funded 12 projects in Bangladesh according to the U4 database, of which 4 are ongoing and 8 are completed. All the 8 completed projects involved the government, namely reform in the financial management sector and capacity building of civil services. In fact more projects are ongoing and five projects aim to create a “demand side” for good governance. These are totalling around £35 million. One of these (Mausher Jonno) is itself a Trust Fund that has so far funded over 120 smaller NGO-led Governance projects.

UNDP Bangladesh implements the [Strengthening parliamentary committees project](#).

The Netherlands supports the World Bank Institute’s Anti Corruption Programme in Bangladesh. This project involves a strategic learning programme, including diagnostic and analytical work in conjunction with partners in six areas of activity.

A good practice example is the coordination between three U4 countries and Denmark in its support to TI Bangladesh. **Sida, DFID, Norway and Danida** co-supports the Making Waves project implemented by TI Bangladesh. DFID is lead agency and all four agencies share information and views and make common standpoints on important issues after achieving consensus. This is a good example of how like-minded agencies can benefit from working in tandem. It is also perceived that TI Bangladesh appreciates this set-up; it creates fruitful discussions within the donor group (which TI Bangladesh benefits from) and creates a number of views and ideas that are directly communicated with TI Bangladesh.

In addition to the projects mentioned in the U4 Database, other significant areas of donor support include:

ADB is the only donor who directly supports the ACC (ADB – ‘Support to Good Governance Initiatives’). The ACC was established in 2004 amidst huge donor pressure, but has never been ‘activated’. The focus has been essentially technical and the project is currently stalled. The ADB earlier threatened to withdraw support if no substantial progress is made on staff recruitment, the adoption of rules and of an organogram, but as indicated earlier ADB has not turned its threats into concrete action. The ADB-funded consultants have helped design most procedures, but these have never been approved or implemented, essentially due to vested interests and politicisation.

Public Financial Management (**DFID, Netherlands** - 'Financial Management Reform Programme'; **WB** – non-lending TA on budget management; **UNDP** - 'Institutional Strengthening of Foreign Aided Project Audit Directorate'; **ADB** - Financial Management Support for Dhaka Water and Sanitation Authority'; **Japan** - Financial Management for Chittagong Water and Sanitation Authority). Other donors (**CIDA, UNDP, DANIDA**) have supported reform of accounting & audit systems in various government departments.

Civil Service Reform (**WB** – 'Procurement Reform'; **DFID**- Public Service Capacity Building [MATT 2]; **ADB** – 'E-Governance initiatives' and 'Support to good governance initiatives'). A new financial Instrument under design (**DFID** – 'Unlocking the potential: support for government anti-corruption initiatives') will look at incentivising governance reforms in line ministries to reduce impact of corruption on service delivery.

Enabling environment for *private sector development* (**ADB, DFID, Japan, World Bank** - Private Sector Development Programme). Part of the programme focuses on bureaucratic & institutional barriers to private sector development, and corruption features as a prominent issue in this regard.

Support for oversight bodies (**WB & UNDP**- Support to Parliament Public Account's Committee; Support to civil society watchdog role – all donors to a certain extent). The establishment of an office of the Ombudsman has long been awaited (a provision exists in a law from 1980, but implementation was delayed by all successive governments).

Judicial reform (**CIDA**, 'legal reform programme'; **WB** – 'Legal and judicial reform process'; **DANIDA**- 'Judicial administrative training; **DFID, NORAD, NOVIB, DANIDA** – Support to Bangladesh Legal Aid and Services Trust). The latter project does not directly tackle the causes of corruption, but rather its consequences. It gives poor people access to justice and redress, which they could otherwise not get, largely because of the need to pay bribes (the judiciary is perceived as one of the most corrupt institutions in the country). It also enhances public demand for accountability.

It is also reported that the new Country Assistance Strategy (CAS) of the **WB** for Bangladesh was prepared jointly with the **ADB**, the **DFID**, and the Government of Japan. In a statement from the Bank it is said that "This joint approach reflects a shared vision for helping

Bangladesh achieve its development goals, and entails a mutual diagnosis of poverty reduction and common sector strategies. Where appropriate, it will also include joint complementary programmes with other donors beyond these four. The central objective of the collaborative effort is to harmonize collective donor efforts, improve the coherence of policy dialogue, and leverage development programmes.”

The CAS, which was discussed in April 2006 by the World Bank’s Board of Executive Directors, places governance at the heart of the institution’s programme of support to this South Asian nation. The CAS covers the period 2006-2009 and envisages a programme of around US\$3 billion over four years. The CAS envisages an International Development Association programme of around US\$ 3 billion over four years, based on continued policy and implementation performance. In the CAS period, the Bank’s support will comprise both policy-based lending to support reforms as well as sector-specific investment projects.

To support the Bank’s programme from a fiduciary perspective, the CAS also outlines a strengthened risk management intervention designed to address corruption risks to the Bank’s own projects. This will include systematic analysis of risks through economic and sector work and during project preparation, improved project design, strengthened implementation oversight, and enhanced information disclosure. Additionally, the Bank is expanding governance expertise and will carry out governance assessments in critical sectors. The goal is to ensure Bank Group support that is aligned with, and robust to, the development challenges of Bangladesh.

Several agency insiders point out that reform efforts have been overly technical – not political – and thus not responding to the nature of corruption in Bangladesh. A close study of the donor portfolio also shows that donors contributions to anti-corruption efforts remain fragmented (and this reflects fragmentation of donor support to governance in general, with over 200 individual projects!). Fragmentation of the portfolio is seen as a major constraint to successful support towards reducing corruption. A significant amount is being done, but it is unclear how it fits into the bigger picture and what the impact so far has been. This is, however, only partly due to the fact that there is no national anti-corruption strategy behind which donors can align.

Strategic considerations

Although this is not reflected yet in the portfolio, the dialogue between donors and the GoB has opened-up positively and become more constructive in the last year. The analysis of corruption in the recent PRSP is about as good as can be in the current political environment, including, in particular, an unexpectedly honest assessment of corruption and misgovernance in the health sector. This is probably a step further from what we could have expected a couple of years ago. With such improved relations, donors are moving away from finger-pointing and are acknowledging that small successes must be recognised and supported. The accusations of the past did not work – even if backed by evidence – but rather generated a vicious cycle of denial / non-recognition, whereby donors accused GoB of lacking political will, and they in return accused donors of ignoring small steps and micro-solutions

Overall, what this shows indeed is that head-on approaches to tackling corruption have little chance of success alone, as do overly technical strategies (support for the ACC focused only on putting systems in place, regulations, etc). Another point that emerges from an evaluation of the portfolio is that whilst programmes focusing on both the ‘supply-side’ and the ‘demand-side’ of the corruption problem are in play, initiatives to support the watchdog role of civil society and public demand for accountability appear to remain largely isolated from initiatives to support the government. Synergies could be explored further (although, again, political viability has to be taken into account, and mutual distrust between government and civil society on issues of corruption is constraining).

Donors therefore need to:

- i) pursue a more mature engagement beyond finger-pointing, and make every effort to understand the vested interests at play,
- ii) recognise and help publicise small steps and small successes that can demonstrate that reform is actually possible and need not always be threatening for those in power,
- iii) inform the public at large about positive incremental changes in order to maintain widespread support,

- iv) not only work with government institutions and remember that civil society has proved to be able to put pressure on governing organisations to act in accordance with agreed human rights principles and obligations,
- v) integrate support to civil society and the media into programmes that improve government systems and performance,
- vi) make sure proper AC specific risk analyses are carried out
- vii) readjust the timeframes set by donors for their interventions. There is evidence that the programmes that have had the most impact are those that are incremental and have been implemented over a long period of time. For instance, the Financial Management Reform Programme builds on the successes of the RIBEC programme, mentioned in the Utstein database. These programmes, starting with small, non-politically threatening steps, have been successful in building a momentum for more ambitious reform,
- viii) if absolutely necessary freeze, disbursements or put programmes on hold, but shy away from the most direct forms of conditionality. Those in power may not actually see this as a threat, the effect of making the support conditional is very limited,
- ix) only if necessary, bypass the political level and look for drivers of change within the administration to get a constructive dialogue. This process could be further enhanced by improving governance within sectors at an operational level, which forms one of the incremental steps to improve the situation,
- x) pay more attention to the political viability of programmes by stimulating new incentives,
- xi) this includes 'sideways' entry-points, relying more on what actually matters for the government. They may not care that much about the poor, but they do care about economic growth, about FDI, and about its international reputation. Threats to trade and the voice of the private sector are potentially much greater levers than donor funding, especially as Bangladesh is not aid dependent,
- xii) but exclude, plans to give out non-essential personal benefits within programmes to key-persons in the form of; travel, language-courses, access to vehicles, furnished offices, remunerations, etc.

So are these recommendations valid, and if so how would their implementation look like?

These three examples seem relevant.

- The recent health/education public expenditure tracking surveys carried out as part of The Financial Management Reform Programme (jointly supported by DFID and the Netherlands) could prove the point. It is unlikely that without the relationship of trust built through long-term engagement, GoB would not have bought into such surveys. The surveys – although part of a donor-funded project – were commissioned by the Ministry of Finance, and initial discussions suggest that line Ministries reacted rather positively to the findings. The reason may be that the surveys indicated that things are not quite as bad as previously thought; for instance, it was found that funding does reach spending units – almost always the full allotment – indicating rather limited leakage in this respect, but that there are major delays, and that a significant amount of speed payments are needed to get bills through the system and access to funds. It was also found that political influence could explain why some frontline facilities are better resourced than others. Although the findings were far from rosy (informal fees for users, etc.), the rigorous approach to data-collection provided a more balanced picture than expected. One of the most interesting spin-off effects is a powerful message that transparency and information need not always be damaging. Agency staff engaged in these processes tend to agree that small, intangible steps, are very valuable in a context such as that of Bangladesh, and that the accumulation of such small steps can make a difference in the long-run
- Another example comes from DFID, who together with a few other donors and interested Government actors, are exploring ways to gradually shift incentives, not by trying to tackle head-on the political drivers of corruption themselves (not politically viable), but by focussing on outcomes framed in terms of better service delivery. The concept as currently envisaged (this is still preliminary) is that of a financial instrument that would reward small, targeted and incremental governance reforms which can demonstrate results in terms of alleviating the impact of corruption on service delivery. The idea is to enable the Ministry of Finance (fully on board) to give incentives to its line Ministries; to encourage them to themselves identify and initiate – at least at the start – those reforms that are the least threatening for the power-holders and yet can make a real difference for the end users, and generate confidence in reform. Whether this will be any more successful than previous efforts remains to be seen.

- As previously indicated, one issue the Government does care about is its international image. The biggest negative publicity it currently faces does not come from the fact that it has not signed the UNCAC, but from the fact that Bangladesh has now been at the bottom of TI's Corruption Perception Index for four years in a row. The Government is keen to move the focus away from these 'perceptions', and is therefore increasingly interested in developing some more 'evidence-based' indicators. This is something the donors could assist with.

With these principles in mind, and with an understanding of the country and sector specific context donors can start to streamline AC into existing programmes or search for new inroads and more effective ways of stimulating change. However, donors must not be obsessed about covering the most critical issue at the moment, but rather carefully consider how and by whom the contributions are designed and planned, and whether there is true ownership in place. The critical point is to find commitments and the right incentives for change in the institutional pillars, especially the executive and judicial pillars. This is difficult when changes may be seen more as threats (to vested interests), rather than possibilities.

The windows of opportunity

Based on the current political context and an evaluation of the portfolio, some donors have basically come to the conclusion that it is best to limit their engagement with government to various aspects of financial management reforms. Engagements on civil service reforms are being tried but they show little promise. As public sector reforms are better handled through multilaterals (greater leverage) or pooled bilaterals, this leaves the smaller donors with limited opportunities to work with government on corruption. They can however fill the loopholes left by the larger programmes, a move that will take them to the other stakeholders.

It is important to identify and support those who favour reforms and are in a position to play a part therein. In DFID's report 'Supporting the drivers of pro-poor change' key actors are identified – media, civil society, Bangladesh's development partners, reform-minded public servants and the Bangladeshi expatriates. In addition, the continued promotion of gender equality through existing strategies is likely to raise the prospects for the improvement of governance

Some examples along these lines can be highlighted:

- Corruption in Bangladesh has proven hard to combat and all involved actors now point to the need for being long term, patient, etc. This can easily become a nice fluffy pillow which leads the preservation of the status-quo. It seems that the country urgently needs a wake-up call in the forms of some high profile prosecutions/convictions. This will indicate that things are moving and bring back confidence and expectations in the population. Nigeria can serve as an example for Bangladesh.
- In Bangladesh it seems that the private sector also offers good opportunities to make headway against corruption. The challenge for the smaller donors is, then, to identify the niches where their limited support can have an impact and to work in ways that will create private sector support and pressure for public sector financial management reforms. Procurement is an obvious area as the private sector wants a level playing field for its bids. Establishment of regulatory commissions for energy and telecommunications (as stated in the PRSP) are other areas of great interest to the private sector. Therefore, strengthening of private sector capacities to be effective in establishing competitive environments are areas that are beginning to be explored by smaller donors.

Donor agency staff has pointed out that corporate governance can be substantially enhanced by a code of Corporate Governance which prescribes principles, procedures and processes through which better corporate governance practices may gradually be introduced. Bangladesh Enterprise Institute (BEI) produced in March 2004 a “Code of Corporate Governance” for Bangladesh. This Code is not restricted to the private sector and includes guidelines and principle for state owned enterprises and NGO's as well.

- As rightly pointed out by the WB Country Director, Christine I. Wallich, in a [statement](#) dated February 14, 2006; much effort goes into strengthening the public financial management systems, and much is left to do. Wallich also points out three elements that would support these efforts and build a stronger accountability framework:

- **Making the Comptroller and Auditor General (CAG) a truly independent body.** Good practice internationally is that CAG should not rely on the government for its budgetary allocations and should not have government influence on its administrative decisions. Parliament rather than the government should decide on CAG's annual budget allocation, and the CAG should be able to decide its own organisational structure and staffing, independent of the Establishment Ministry. This avoids any conflict of interest that may arise between those that are audited and those that conduct the audits.
 - **Parliamentary oversight of the budget process needs to be strengthened** by allowing more time for parliamentary scrutiny on the annual budget bill, and by strengthening the role and capacity of the Public Accounts Committee to review audit reports and enforce its findings.
 - Finally, **moving towards a more participatory budget process**, that allows civil society to take part in budget decisions and monitor their implementation will further improve budget performance and increase the credibility of outcomes.
- In addition to the efforts to overhaul the parliamentary budget process much more can be done to assist the parliamentary standing committees. A scanned news clipping ([view link online](#)) highlights their potential as effective anti-corruption tools.
 - A major concern for all stakeholders in Bangladesh should be the question of who enters politics in the first place. Donors can take a serious look at the capacity and role of the of ACC and NBR (national board of revenue) in vetting candidates for public office.
 - These efforts should, however, be supported and monitored from groups outside politics and it is therefore very encouraging to see that in February 2006, Prof. Yunus appealed to citizens to take the democratic process into their hands. He called for public mobilisation and empowerment to ensure that the political parties run decent (competent and honest) candidates for office and not party insiders or corrupt elements. Around the same time, another group of prominent citizens had begun discussions about making politicians accountable to the people. In March 2006, a committee called the "Citizen's Group for a Vision for Bangladesh" was formed to help streamline politics by freeing it from corruption, militancy, communalism, and terrorism. This group held a number of regional dialogues and will shortly present a medium-term

vision for Bangladesh. Their top goal is to have a “true” democracy by ensuring that politicians and political processes adhere to principles of accountability. These are exactly the kinds of initiatives Bangladesh needs, and should therefore be supported without co-opting or jeopardising the independence of such initiatives.

- Hence, smaller donors should support voice, participation, and watch-dog functions in order to address corruption. Overall, we find that support is provided through the better-known NGOs and NGO coalitions (such as Campe - education watch), but this is too narrow in the context of Bangladesh. There is a need to engage with professional associations, citizens’ forums, and the media – not only at the sectoral levels – but by focussing on local government such as City Corporations and Municipalities which offer services to millions across the country. One example is to be found in the new Health Strategy (HNPSP – supported by donors) which includes the establishment of user fora. The point is that corruption can, and does, affect the lives of ordinary citizens who can work together effectively if they are supported on obtaining access to information and carrying out targeting campaigns, etc.

Conclusion

The above mentioned principles and suggestions for further work in this area might seem to overload on national systems and further acerbate fragmentation of donor efforts, a common mistake in the history of development aid. For Bangladesh it seems that agency staff are not concerned, and advise on a broad strategy that addresses both demand and supply-side issues. However, this needs to be systemised and monitored closely. Some might argue that efforts must be sequenced to take the weak capacity of the state into consideration, but it should be possible to pool resources even further and relieve some strain, while at the same time engaging on a wide range of issues. Donors should therefore facilitate a process where Bangladesh gets on with implementing its commitments in the [PRSP](#) Implementation Forum from November 2005, on a workable timetable.

In the further work on anti-corruption it is advised that the government must be a part of the process of deciding on success indicators and the choice of monitoring schemes. Civil society, media, business, donors, etc, play a vital role in supporting these processes in a professional and collaborative manner, rather than by pointing fingers. Thoughts of conditionality should be left behind, and a careful consideration of aid delivery models should be made. In this way, the

development partners can say that it has aligned to national priorities, and harmonised its operations with other progressive domestic and foreign agents at work in Bangladesh.