



## **Commonwealth and La Francophonie Workshop**

### **The Future of Aid: User Perspectives on Reform of the International Aid System**

#### **Workshop Report\***

**Sheraton Hotel, Dhaka, 20-21 March 2006**  
Facilitated by ODI

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\* This report was prepared by Alina Rocha Menocal, ODI, 28 March 2005.

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## **I. Introduction**

The year 2005 was a landmark year in terms of efforts to “scale up” aid. Within that context, a two-day workshop was organised by the Commonwealth Secretariat on 20-21 March 2006 at the Sheraton Hotel in Dhaka, Bangladesh and was facilitated by the Overseas Development Institute (ODI). The aim of the workshop was to gain a regional perspective on the current practices and necessary reforms of the international aid system from the point of view of Asian users.

This was the second of three workshops ODI is running jointly with the Commonwealth Secretariat and the Francophonie on the future of aid. The first was held at Marlborough House in London in January 2005, and was titled “Preserving Multilateralism: User Perspectives on Reform of the International Aid Architecture”. The third workshop is due to take place in Cameroon in May. (While the Francophonie was not actively involved in the Dhaka workshop, it will be much more involved in the one in Cameroon.)

Participants in this workshop in Dhaka consisted of government officials and civil society representatives from six countries in Asia, including Bangladesh, Cambodia, India, Maldives, Pakistan, and Sri Lanka. (See Annex 1 for a complete list.)

**Day 1** started with a welcome from chair, **Dr Indrajit Coomaraswamy (IC)** (Commonwealth Secretariat) and a short speech by the Hon Major General Rtd Anwar Rul Kabir Talukder, State Minister, Ministry of Finance and Planning, who opened the proceedings. The subsequent sessions included the following sessions, each followed by a discussion:

- Context setting/overview – facilitated by **Ms Alina Rocha Menocal (ARM)**, Overseas Development Institute (ODI)
- Roundtable discussion among workshop participants about the most pressing issues related to the international aid system in the Asian context – facilitated and chaired by IC
- The UN Development System – facilitated by **Mr Simon Maxwell (SM)** (ODI)
- The World Bank and Regional Development Banks – facilitated by **Ms. Bishakha Mukherjee (BM)** (Commonwealth Secretariat)
- The European Union – facilitated by **SM**
- The Paris Declaration and its implications at country level – facilitated by **ARM**

**Day 2** opened with a general discussion about the Paris Declaration and steps that recipient countries have taken or should begin to take to translate the Paris agenda into a reality in the ground. Participants were asked to carry out a matrix scoring exercise on the comparative advantages of several bilateral and multilateral organisations they are familiar with. The workshop concluded with a discussion on lessons learned, a list of ideas and proposals drawn up by participants to be presented to the Commonwealth Senior Finance Officials when they convene in September 2006, and action points each of the participants agreed to undertake in the near term to take the agenda of reform to the international aid system forward.

## **II. Workshop proceedings: Day 1**

### **i) Session 1: Welcome and Introduction**

Participants were welcomed by the chair of the workshop. The objective of the workshop was twofold: to learn from recipient government and civil society representatives about their experiences of working with different bilateral and multilateral agencies, and to find out from them what reforms they think are needed to make the international aid architecture work more effectively.

The consultation asked several questions, including:

- What is the role of aid in Asia?

- Is the Paris Declaration on aid effectiveness (2005) enough to make the international aid system work better?
- If not, what else may be needed?
- What is the value-added or comparative advantage of bilateral and multilateral agencies respectively?
- How should they change?
- What levers do recipients have or need?
- Can recipient governments say “no” to donors?
- What is the role of regional/international interlocutors like the Commonwealth and the Francophonie in facilitating collective action?

In light of a growing recognition among donor and recipient governments that significant reforms need to be made to the international aid architecture, this consultation was emphasised as being particularly timely. While there is no clear or tidy process or specific forum to discuss reforms to the international aid system among Southern stakeholders, the events and commitments made in 2005 provide valuable opportunities to engage in such discussions and identify ways to follow up on the Paris Declaration. This consultation in Dhaka was agreed as being an important contribution to this process by feeding ideas and proposals on aid architecture to the Commonwealth Senior Finance Officials meeting due to take place in Colombo in September 2006.

## **ii) Session 2: Setting the context: From the “Washington Consensus” to a new leading paradigm of effective aid**

### *Presentation*

ARM presented an overview of how the international aid system has evolved from the days of the “Washington Consensus” in the 1980s to the signing of the Paris Declaration in 2005 and provided a brief summary of the aid panorama in Asia. She suggested that Southern views and perspectives have been largely missing from debates and discussion on how to reform the international aid system, and invited workshop participants to take advantage of this consultation as a forum to get their voices heard. An electronic copy of the presentation is available in a separate attachment.

### *Discussion*

The discussion that followed this presentation on setting the context led nicely into the next session, which was a roundtable discussion among workshop participants about what some of the most pressing issues related to the international aid system are in the Asian context. Please refer to the session below for a summary of the issues discussed and questions raised.

## **iii) Session 3: Roundtable discussion among workshop participants about the most pressing issues related to the international aid system in the Asian context**

Participants welcomed the topic of the workshop and the opportunity to share their perspectives and experiences as users in the international aid system. They considered increasing levels of ODA to be very encouraging but also expressed that aid management has to become more effective to ensure that it has a positive impact on the poor.

Some of the most important points raised during the roundtable discussion included the following:

- The need to ensure that conversations about aid do not exclude trade, as trade has become increasingly more important for developing countries in Asia than aid.

- Can recipient countries be in a position where they can say “no” to potential donors if they deem that the assistance they would be prepared to give is sub-optimal and/or doesn’t follow national priorities? This conversation was triggered by the example of India brought up by SM. India has become increasingly more assertive in its dealings with donors and in many instances has rejected aid that is not deemed suitable to support national priorities and objectives. Participants were very interested in the Indian case but wondered whether other countries in the region that are considerably more aid-dependent could follow India’s lead. It was felt that a lot of the ability of a recipient country to say “no” must hinge on its economic standing and its institutional capacity. Based on a paper she prepared for a consultancy for the Ministry of Finance in Rwanda<sup>1</sup>, ARM provided a few examples of aid-dependent countries (including Afghanistan, Mozambique, Tanzania and Vietnam) that have been able to gain an upper hand in their relationship with donors. In such cases of relative “success”, some of the factors that have been most important have been (1) the ability of recipient countries to formulate a nationally-owned development strategy; and (2) political will.
- What should the role of civil society organisations (CSOs) be in managing/monitoring the aid system? Participants felt that CSOs need to play a larger role in influencing both donors and their own governments, especially in the area of promoting accountability from both sides. They raised the concern that few fora seem to exist to enable a more active engagement of CSOs in the debates on how to reform the international aid system. ODI’s Forum on the Future of Aid ([www.futureofaid.net](http://www.futureofaid.net)) seeks to provide such a space, especially among Southern CSOs. One of the participants also made the point that CSOs themselves need to make themselves more accountable to the people and to the government.
- Should there just be one or just a few aid agencies, or should the international aid system consist of many more? And what is the right mix between bilateral and multilateral assistance?
- Drawing on the “Wal-mart and the corner shops” analogy that ARM illustrated in her presentation in Session 2, SM suggested that one way of rationalising the aid system would be to have just three main multilateral organisations: the World Bank, the UN, and the EU (collapsing 25+ bilateral agencies). Participants agreed that multilateral organisations are on the whole better to work with than bilateral ones, and they also felt the international aid system needs to become more rational and more manageable. However, they expressed the concern that if donors become too highly harmonised among themselves (and especially if they were to shrink into only a handful of major institutions), they can “gang up” in a way that may not be entirely desirable for recipient countries: the choices for recipient governments would be substantially reduced and they would no longer be able to negotiate/bargain with different donors to get what they need/want.
- Ownership of the development process. Participants agreed that it is essential to remember that “country ownership” (as embraced by the Paris Declaration) cannot be reduced to government ownership alone. There is an important distinction to be made between a governmental vs. a broader, more nationally-owned development strategy.
- Some participants expressed the concern that donor support given in the form of General Budget Support (GBS) can be diverted for other purposes more easily and may also reduce resources available for civil society.
- Finally, the issue was raised as to whether more aid is indeed better, as the impact that development assistance has had so far does not necessarily warrant such a conclusion

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<sup>1</sup> An electronic copy of this paper (A. Rocha Menocal, “Learning from experience? A review of recipient-government efforts to manage donor relations and improve the quality of aid”, Desk Survey prepared as background for the Rwanda Aid Policy Document, October 2005) was included in the CD ODI prepared for this workshop.

#### **iv) Session 4: UN Development Cooperation**

##### *Presentation*

SM led the session on the UN development system. He identified the issue of UN reform as the key question of 2006, especially in the light of the new high-level panel that Kofi Annan has announced to explore how the UN system can work more coherently and effectively in the areas of (1) development, (2) humanitarian assistance, and (3) the environment. UK Chancellor Gordon Brown and Pakistan Prime Minister Shaukat Aziz both belong to the panel (Aziz is one of the co-chairs). SM's presentation started with facts on the UN and then looked at its role, issues emerging from the UN system and current choices for future directions of the system. SM stressed that the UN system is very complicated, as it is made up of many independent entities (specialised agencies) that are not directly responsible or accountable to the Secretary General. ECOSOC, which is perhaps the best-placed organism to be the natural forum where all aid issues and relationships should be discussed, lacks credibility and respectability, especially among donors. An electronic copy of the presentation is available in a separate attachment.

##### *Discussion*

Participants strongly agreed with the proposition that UN reform is urgently needed. This reform is a challenge for everyone and further debates are required to answer some of the difficult questions around what should be done and how. Particularly necessary is reform of the governance of the UN system as presently there is a lot of disorganisation and confusion. There are many agencies which have mandates and programmes that overlap; and different parts of the UN system do not report to each other. The impression of the UN among participants is that of a headless body that is over-extended and highly inefficient.

Harmonisation and coordination among the different UN agencies and then with other donor agencies is necessary to improve the effectiveness of aid. In countries, UNDP is generally given the lead role for harmonisation (through the CCA and UNDAF processes) and there is increasingly an emphasis on common programmes and reporting. However, progress is slow. The emphasis on co-ordination does not mean that it is necessary for the UN agencies to become identical but rather that the synergies and complementarities between agencies are brought out and used to improve aid delivery.

Some participants felt that the UN often enters discussions with recipient governments with its own, pre-set agenda which is then linked to aid disbursements. Furthermore, this linking of aid to policy prerequisites is not followed up with assistance on how to achieve or measure achievement of such conditions. It also became apparent from the discussions that much of the work of the UN tends to be off-budget which makes it very difficult for national governments to control their work or spending.

Many participants seemed to echo some disillusionment with the UN system. They expressed in different ways that hope in the UN had been lost, and that its relevance and legitimacy in the South had decreased considerably. In their view, the UN has failed to produce tangible results and its systems and procedures are cumbersome and expensive. They also suggested that reforming the UN may be a particularly difficult task because it is hard to mobilise people internationally to demand UN reform and the system as it currently works has become so entrenched as to make it intractable.

SM expressed surprise at the discussion, saying that he would have expected much stronger support for the UN among workshop participants. He highlighted that one key advantage of the UN over other development agencies is its legitimacy and world-wide representation. He urged participants to consider the counterfactual of a world without the UN: how would the Tsunami

crisis been handled, for example – would the relief efforts have worked better or less well? If people are unhappy with the UN as it currently works, he asked, is the answer to say “so what” and walk away, or should efforts be focused on how to make it work better?

SM pushed further by asking what should be on the agenda of the new high level panel that has been convened by Annan, especially in the light of the fact that the Pakistan Prime Minister is in it, and he asked participants what they thought of a proposal currently on the table to centralise all UN funding under one entity and forbid other UN agencies to raise money independently.

IC echoed some of Simon’s thoughts and said that it is essential for Southern voices to grab the opportunity that is currently available to make themselves heard by providing specific and practical suggestions to reform the UN. Such pressure from Southern stakeholders may actually make it easier for committed donors to act on needed reforms.

#### **v) Session 5: The World Bank and Regional Development Banks: Status, challenges, opportunities, and possible directions of travel**

##### *Presentation*

The next session on the World Bank and Regional Development Banks (RDBs) was presented by BM. Her presentation looked at the facts about Multilateral Development Banks (MDBs) and their operations, their roles with particular reference to the World Bank/IDA, emerging policy trends and issues and choices for reform and future directions. An electronic copy of the presentation along with accompanying notes BM prepared are available in a separate attachment.

BM raised a series of questions in her talk:

- Is Wolfowitz’s “zero tolerance” approach toward corruption the right approach?
- Should WB/RDB allocations be based on performance?
- Are regional development banks modelled too much in the image of the WB? What should the division of labour between them be?
- What should be the role of grants vs. loans?
- What will be the impact of the proliferation of global funds like the (GFATM)? Do they distort country priorities?
- What are the limits of the PRS strategy?
- How to address issues of asymmetrical governance?
- What to do about the fact that middle income countries have stopped borrowing from the World Bank and regional development banks because it is too much of a hassle?
- Does the WB suffer from “mission creep” and is it trying to do too much?

##### *Discussion*

Discussion of the World Bank and its campaign against corruption was influenced by participants’ concerns about the legitimacy of the Bank’s leadership under Paul Wolfowitz given his personal association with the controversy surrounding the US-led invasion of Iraq. Many participants felt that the image of the World Bank has suffered as a result. They also expressed that the issue of corruption should not be the ‘be all and end all’ policy of the WB. Addressing the voting rights issue will be fundamental in improving the image of the World Bank, though it is not entirely clear that extending voting rights will in and of itself change the decision-making process within the WB. Management issues inside the bank are also highly relevant.

Other participants, on the other hand, felt that the World Bank has played a useful role in supporting development processes and reducing poverty, and that its role as a knowledge and learning organisation is very important.

Participants expressed some scepticism about the idea of better defining roles between the WB and the RDBs because developing countries would become less able to play one organisation off against the other and their options would be reduced.

Participants also said that the WB has very cumbersome lending procedures and imposes a significant burden on recipient countries through all the missions it undertakes. In some cases, government officials are involved in missions two to three days a week, which is simply too much. Some participants also expressed concern that many of the practices of the WB are conducted or determined behind closed doors, with very little accountability or information available. This makes CSO engagement with the WB particularly difficult. One of the participants suggested creating a governing body to monitor/investigate the WB's activities.

#### **vi) Session 6: EU Development Cooperation**

##### *Presentation*

SM presented on the European Union (EU) and followed the format of outlining some facts, the EU's role, EU policy trends and issues and current choices about reforms and future direction. An electronic copy of the presentation is available in a separate attachment.

SM emphasised that the EU has a more integrated approach to development assistance than other bilaterals because it deals with aid, trade and foreign policy all in one. In the case of Asia in particular, trade is becoming increasingly more important in relations with the EU than aid. Interestingly, while the EU has a contractual, treaty-based agreement with other countries, particularly the ACP (e.g. the Cotonou Agreement), it does not with Asia. In SM's view, such contractual relations empower recipient countries vis-à-vis the EU as a donor, so that Asian countries should work toward obtaining a similar relationship with the EU.

##### *Discussion*

Participants had different experiences dealing with the EU as a donor, so that their views on it were not uniform. One participant from Bangladesh mentioned that EU assistance to BD is done mostly through grants, so that the EU is viewed very positively. Others also said that the EU has more uniform procedures and its agreements are usually for five years, which makes implementation easier. It also is less prescriptive, more aligned with country priorities, and it allows more flexibility in the implementation of programmes. Its focus is on the totality of development. On the other hand, some participants complained that the EU is rather slow in responding to proposals, and much stricter in its compliance mechanisms, which leads to cumbersome procedures and bureaucratic red tape. The EU also places a lot of emphasis on the visibility of its projects, putting its logo everywhere, and may be less concerned with the actual value-added of its projects. In addition, the EU's attachment to "good governance", human rights and transparency conditions can have both positive and negative effects.

Overall, the impression about the EU seemed to be that it may be difficult to get funding to start with because of the complicated procedures and the long waiting times, but once a recipient receives assistance from the EU it is much easier to handle it and the EU turns out to be quite a good institution to work with.

### **III. Workshop proceedings: Day 2**

#### **i) Session 1: The Paris Declaration**

Day 2 began with a short overview by ARM of the 2005 Paris Declaration on Aid Effectiveness, including a summary of the twelve indicators that have been drawn up by the OECD DAC and the

different targets on each of these indicators that donors and recipient governments have agreed to meet by 2010. An electronic copy of the presentation is available in a separate attachment.

The point of the presentation was to get the views of participants about what each of their respective countries is doing in terms of turning the Paris agenda into a reality, and also about what the limitations of the agenda may be and what donors, recipient governments, and CSOs have yet to work on to ensure aid does indeed become more effective.

Some of the questions that arose in the discussion were whether the Paris agenda is realistic and whether the targets can be met by 2010. Participants were also asked if they felt the Paris Declaration represents progress in attempts to make aid more effective and whether they feel empowered by it in a way they were not before.

The general sense expressed by workshop participants was that on paper the Paris agenda looks very good and solid, but that the reality in the ground is much more complex and a lot of work remains to be done. A few participants mentioned that the two indicators where the Paris Declaration has made least progress (tied aid and mutual accountability) are also perhaps the most controversial.

A prolonged discussion highlighting some of the main problems with tied aid and technical assistance ensued. It was broadly agreed that it is crucial to move on the Paris indicators quickly, especially those whose targets remain ill-defined. The question is how best to do that. What fora would be most suitable to discuss the operationalisation of the Paris Declaration and its implementation on the ground? How can recipient governments appropriate the Paris agenda and use it to their favour, like the Vietnam government has done? And how can the Paris Declaration be given a more national/indigenous perspective? Participants also raised the issue of how CSOs can be more fully incorporated in debating, implementing and monitoring the Paris agenda.

## **ii) Session 2: Comparative advantage of different bilateral and multilateral institutions: A matrix scoring exercise**

SM led a participatory exercise to compare the strengths and weaknesses of bilateral and multilateral agencies that workshop participants are familiar with.

A matrix scoring exercise<sup>2</sup> was used to try and quantify the participants' perceptions of donor agencies. The participants were divided into three groups (one consisting of senior government officials, a second consisting of other government officials, and a third made up of CSO representatives). Each group carried out a pair-wise comparison and matrix scoring exercise of five to six donor agencies that participants are familiar with. In the pair-wise comparison, groups took pairs of agencies and asked: "comparing these two agencies, what is (donor A) really good at?" The characteristics that emerged were written down as "best practice" characteristics of donor agencies. Each of the selected donor agencies were then scored against the "best practice" characteristics. Agencies were given three marks for an above-average performance, two marks for average, one mark for a below-average performance, and no marks at all for extremely poor performance. The groups were encouraged to debate and change the scoring as much as they liked until they were satisfied with the scoring. See Annex 2 for a detailed summary of how the exercise was carried out and for the matrices elaborated by all three groups.

Some of the findings worth highlighting include the following:

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<sup>2</sup> For more information on matrix scoring exercises, see Maxwell, S (1997) "The use of matrix scoring to identify systemic issues in country-programme evaluation" in *Development in Practice* Vol 7(4): 408-415

- **The World Bank** generally scored highly for scale, technical expertise, efficiency and sector focus, but poorly for terms of finance, consultation, flexibility and transparency. It was also thought not very cost-effective.
- **The Asian Development Bank** scored highly for scale, sector focus, customer-friendliness and regional expertise, and less well for terms of finance, flexibility and speed of response. It was also thought to not do very well in terms of mutual respect and open-mindedness.
- **UNDP** scored highly in terms and transparency, and was thought to respond well to national priorities. However, it was not thought to be very efficient or to provide finance on a sufficiently large scale.
- **The EU** scored highly on mutual respect and on size, but poorly on speed and flexibility.
- **DFID** scored highly on efficiency, terms, orientation to national priorities, speed and flexibility. It was weakest on scale, ability to fund infrastructure and tying status.
- **Japan** scored well on being customer-friendly, expertise and predictability, but poorly on poverty orientation and flexibility.
- **USAID** scored well on emergency response, but poorly on most other criteria.
- On the whole, **multilateral agencies** tended to score/be ranked higher than bilateral agencies.

All participants felt the exercise was useful and allowed them to learn examples of each other's experiences in a short time. Participants were particularly interested in seeing the matrices elaborated by the other groups and getting a glimpse of the thought-process they went through to rank each of the donors.

### iii) Session 3: Concluding session: Lessons learned and future actions

SM facilitated the concluding discussion by asking participants "what to do on Monday morning" about reforming the international aid system. Participants were encouraged to formulate proposals and ideas for action as concrete as possible to be fed to the Commonwealth Senior Finance Officials meeting in September 2006.

The list of recommendations drawn by participants includes the following. Recommendations followed by an \* mean that the Commonwealth/Francophonie potentially have an important role to play as regional/international facilitators in seeing the recommendations through.

- 1) National level Paris agreements
- 2) Involve civil society in Paris process + "manifestos"; and
  - 2(a) use it to create dialogue (through national development cooperation fora, for example)
- 3) Commonwealth/Francophonie to undertake mutual peer review programmes (\*)
- 4) Countries to request multi-donor evaluations

- 5) Ask for 10-year partnership agreements
- 6) Press for voting reforms in BWIs (Singapore) (also meeting of WB/IMF in the fall) (\*)
- 7) Asia to ask for observer status at ACP
- 8) ESCAP to organise Asia development forum
- 9) Regional consultation on UN reform process (ask Pakistan PM to organise consultation on reform and/or invite PM to series of meetings organised locally with NGOs/media/gov officials)
- 10) Country-memorandum on High Level UN Panel
- 11) Civil society events on UN reform
- 12) Commonwealth process on UN reform for finance ministers (\*)
- 13) Independent evaluation/monitoring body
- 14) National ActionAid reports (rather than just international)
- 15) Start discussion with ADB about equity investments (Min. Abdulla to write a letter)
- 16) MDG assessment at country level
- 17) Commonwealth Foundation (\*)
- 18) Commission Asian study as to what needs to be done re different aid architecture issues
- 19) Commonwealth/Francophonie to monitor progress (\*)

Before the workshop ended, SM also asked participants to write down on a piece of paper one or more actions that they commit to undertake in the near term as part of the follow-up for this workshop. These individual action points are presented in a table below, and we encourage the Commonwealth members to follow up on them.

#### **Participants' personal action points**

Hon Abdulla Jihad Ministry of Finance Maldives	I will read the reports distributed during the workshop and inform the Minister and get his advice on what we should do next.
Ahmed Jawad Ministry of Economic Affairs Pakistan	I will present a report on the suggestions for UN reform, for information to the Prime Minister.
Ali Nabeer Mohammed Ministry of Foreign Affairs Maldives	I will draft an action plan for implementation of the Paris Declaration in the Maldives.
Ashok Chawla Ministry of Finance India	I will pursue the issue of voting reforms in the BWI.
Dushni Weerakoon Institute for Policy Studies Sri Lanka	I will initiate a study on "aid effectiveness in Sri Lanka".
M. Hasib Aziz	I will do an MDG Assessment Summit.

Mahbubor Rahman Ministry of Finance Bangladesh	I will ask for a ten-year partnership agreement.
Mahmuda Begum Ministry of Finance Bangladesh	I will inform my Secretary about the purpose of the workshop, and outcome suggestions. I will show the papers that have been provided during the workshop. I will make contact with organisations and participants if I want to know more about this subject.
Najma Sadeque Shirkat Gah (Women's Resource Centre) Pakistan	I will organise a series of workshops to inform fellow-NGOs of the Commonwealth Secretariat and La Francophonie initiative on reform of the international aid system, and to get their input and ideas. Maybe with academics and parliamentarians as well.  I will be writing articles – was going to in any case.
Omar Tarek Chowdhury Proshika Bangladesh	I will check out the possibility to see how NGOs/CSOs can get involved with the Paris Declaration at country level.
Pooran Chandra Pandey Voluntray Action Network India	I will organise a brief report and circulate the same to all our network members and generate ideas.  I will get a report done by a credible academic institution on multilateral versus bilateral aid, using ODI's background note.
Seng Sreng Ministry of Economics and Finance Cambodia	I will organise a follow-up workshop.
Shah Muhammad Ikhtiar Jahan Kabir Palli Karma Sahayak Foundation (PKSF) Bangladesh	I will consult government, civil society and the target people (of the projects/programmes) before taking any policy.
Shahamin S. Zaman ActionAid Bangladesh	I will organise a forum with civil society and other stakeholders in Bangladesh on foreign aid disbursement through multilaterals and bilaterals.
Shamima Akhtar Ministry of Finance Bangladesh	I will try to share the experience with our officials who deal with the UN system, and also request them to make suggestions on UN reforms (including funding systems), so that Pakistan's PM can draw on them as he assumes his role of co-chair of the new high-level UN panel.
Sk. A.K. Motahr Hossain Ministry of Finance Bangladesh	I will try to formulate ideas, mechanism and framework for "foreign aid architecture" to take shape in future.

#### **IV. Annex 1: List of workshop participants**

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## V. Annex 2: Matrix ranking exercise

- 1) Workshop participants were asked to participate in a matrix ranking exercise, (a) to identify the desirable attributes of aid agencies, and (b) to score different agencies against these attributes. The procedure was as follows:
  - b. Participants identified a small number of agencies, both multilateral and bilateral, of which they had first hand experience. The names of the agencies were recorded on cards.
  - c. They then compared these in pairs, using all possible combinations, identifying positive features (“comparing agency X and agency Y, what are the particular strengths of X? And of Y?”). Each attribute was recorded on a separate card.
  - d. The attribute cards were sorted to eliminate overlaps and check for any missing elements.
  - e. A matrix was then established on a table, with agency cards across the top, as column headings, and attribute cards down the side, as row headings.
  - f. Each agency was then scored against each attribute, using 1-3 matches, or in some cases 0 matches.
  - g. Once this had been completed, participants were asked to score each agency overall, taking account of the scoring, but not necessarily totalling the scores mechanically, allowing for the option of differential weighting.
  - h. At the end of the exercise, the results were recorded and discussed.
- 2) There were three groups: (a) senior government officials; (b) less senior government officials; and (c) NGOs. The full results from each group are in Annexes 1-3.
- 3) The senior government officials decided to compare Japan, USAID, ADB, UNDP, the World Bank and DFID. They identified 10 desirable attributes, including size of funding, efficiency, grant element, tying status and technical expertise. The World Bank scored highest overall and was the preferred agency, followed by the Asian Development Bank and DFID.

**Table 1: Senior government officials matrix**

	Japan	USAID	ADB	UNDP	World Bank	DFID
Efficiency/cost effectiveness	2	1	2	1	2	3
Sector focus	1	1	3	2	3	3
Environ. Friendly	3	2	3	3	3	2
Large funding	2	1	3	1	3	1
Pro-poor	1	1	2	2	3	1
Grants/soft loans	2	3	1	3	2	3
Able to fund infrastructure	2	0	3	0	3	0
Technical expertise	1	1	2	1	3	2
Untied aid	0	3	2	3	2	1
Customer friendly	3	2	3	2	2	3
Overall score	17	15	24	18	26	19
Ranking	5	6	2	4	1	3

- 4) The less senior government officials compared the World Bank, ADB, Japan, USAID and the EU. They had 11 attributes, including performance, expertise, regional focus, transparency, predictability and simplicity of procedure. Japan ranked highest, followed by the ADB and UNDP. USAID and the EU scored particularly poorly.

**Table 2: Less senior government officials matrix**

	World Bank	ADB	Japan	UNDP	USAID	EU
Consultative	1	1	2	1	1	2
Performance	1	2	2	2	1	1
Expertise	3	3	3	2	1	1
Regional focus	1	3	3	1	1	1
Transparency	2	3	3	3	1	1
Emergency response	1	1	3	3	3	1
Flexible	1	3	1	1	1	1
Soft conditions	1	1	2	2	1	1
Knowledge transfer	1	2	2	2	1	1
Predictability	2	3	3	2	1	1
Simple procedures	1	1	2	2	1	1
Overall Ranking		2	1	3		

- 5) The NGOs compared the World Bank, USAID, the EU, DFID, ADB and UNDP. They had 18 criteria, including respect for national priorities, mutual respect, people-orientation and transparency. DFID, the EU and UNDP were the preferred three, in that order. USAID scored no points.

**Table 3: NGOs matrix**

	World Bank	USAID	EU	DFID	ADB	UNDP
Mutual respect	0	0	3	3	1	2
Outcome driven	2	0	2	3	1	1
Large budget	3	0	3	2	1	2
Long term projects	2	0	3	3	2	3
National priorities	1	0	3	3	2	3
Rights-based	0	0	3	3	1	1
Participatory	2	0	2	2	2	3
Knowledge banks	3	0	2	2	2	2
Regional focus	1	0	2	2	3	2
Open-minded	0	0	2	3	1	2
People-oriented	0	0	2	3	1	2
Internal governance	0	0	2	3	1	2
Cost-effective	0	0	2	3	1	2
Better monitoring	1	0	3	3	2	2
Flexible	0	0	2	3	0	2
Speedy	1	0	0	3	2	2
Untied aid	0	0	0	0	0	1
Transparent	0	0	3	3	1	2
Overall Ranking	16	0	37	44	23	34
	5	6	2	1	4	3

- 6) The exercise is not intended to provide definitive evaluation. However, it is useful in generating a first list of desirable attributes, a kind of charter of best practice. It also provides a schematic overview of how different groups of participants evaluate different agencies.

- 7) In this case, there were varied contributions to the master list of attributes, with the NGO group in particular emphasising behavioural characteristics. A summary list of all the criteria suggested is in Table 1.

**Table 4: Desirable agency attributes**

1. Performance/efficiency/cost-effectiveness	10. Customer-friendly/consultative/open-minded	19. Long term projects
2. Sector focus	11. Regional focus	20. Respect national priorities
3. Environmentally friendly	12. Transparency	21. Rights-based
4. Large scale funding	13. Quick emergency response	22. Participatory
5. Pro-poor	14. Flexible	23. People-oriented
6. Grants/soft loans	15. Knowledge transfer	24. Internal governance
7. Able to fund infrastructure	16. Predictability	25. Better monitoring
8. Technical expertise/Knowledge banks	17. Simple procedures	26. Speedy
9. Untied aid	18. Mutual respect	

- 8) Synthesising the findings of the different groups (and allowing for differences of emphasis),
- i. **The World Bank** generally scored highly for scale, technical expertise, efficiency and sector focus, but poorly for terms of finance, consultation, flexibility and transparency. It was also thought not very cost-effective.
  - ii. **The Asian Development Bank** scored highly for scale, sector focus, customer-friendliness and regional expertise, and less well for terms of finance, flexibility and speed of response. It was also thought to not do very well in terms of mutual respect and open-mindedness.
  - iii. **UNDP** scored highly in terms and transparency, and was thought to respond well to national priorities. However, it was not thought to be very efficient or to provide finance on a sufficiently large scale.
  - iv. **The EU** scored highly on mutual respect and on size, but poorly on speed and flexibility.
  - v. **DFID** scored highly on efficiency, terms, orientation to national priorities, speed and flexibility. It was weakest on scale, ability to fund infrastructure and tying status.
  - vi. **Japan** scored well on being customer-friendly, expertise and predictability, but poorly on poverty orientation and flexibility.
  - vii. **USAID** scored well on emergency response, but poorly on most other criteria.
  - viii. On the whole, **multilateral agencies** tended to score/be ranked higher than bilateral agencies.