

# Department for International Development

---

The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty. The central focus of the Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

DFID's assistance is concentrated in the poorest countries of sub-Saharan Africa and Asia, but also contributes to poverty reduction and sustainable development in middle-income countries, including those in Latin America and Eastern Europe.

DFID works in partnership with governments committed to the Millennium Development Goals, with civil society, the private sector and the research community. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID has headquarters in London and East Kilbride, offices in many developing countries, and staff based in British embassies and high commissions around the world.

## WHAT ARE COUNTRY ASSISTANCE PLANS?

Country Assistance Plans set out how DFID aims to contribute to the achievement of the Millennium Development Goals in various countries. Country Assistance Plans start from the basis of our partner country's poverty reduction strategy and set out in detail how DFID will work as part of the international development effort to support a country's strategy for reducing poverty. They include a framework for annual assessment of DFID's performance in implementing the plan. These annual updates of CAPs will be available electronically at [www.dfid.gov.uk](http://www.dfid.gov.uk). Major reviews of Country Assistance Plans leading to new printed documents are expected to be undertaken every three to four years.



# Bangladesh: Country Assistance Plan 2003–2006

## 'Women and Girls First'

Contents	Page
Summary	2
<b>Part 1: Context</b>	
1. Introduction – DFID in Bangladesh	3
2. The challenge	4
3. Bangladesh's Poverty Reduction Strategy	8
4. Risk analysis	10
5. What we have learnt	12
<b>Part 2: UK assistance plans over poverty strategy period</b>	
6. UK development partnership	14
7. Development programme resources	18
<b>Part 3: Annual plan *</b>	
8. Annual plan 2003/4	
9. Monitoring the impact of DFID activities on poverty strategy outcomes	
10. Aid management arrangements	
<b>Annexes *</b>	
<b>Annex 1:</b> Progress on PSA/SDA targets	
<b>Annex 2:</b> Country Strategy Review consultations and Country Assistance Plan formulation process	
<b>Annex 3:</b> DFID Bangladesh programmes and actions plan 2003/4	
<b>Annex 4:</b> Inputs required from other DFID departments to support delivery of plans	
<b>Annex 5:</b> Portfolio performance (value for money tables)	
<b>Annex 6:</b> Millennium Development Goals (MDGs)	
<b>Annex 7:</b> Bangladesh MDG profile	

*\*Part 3 and Annexes 1–7 are to be made available electronically on the DFID website, [www.dfid.gov.uk](http://www.dfid.gov.uk). These are subject to change from time to time. Enquiries can be sent by e-mail to [enquiry@dfid.gov.uk](mailto:enquiry@dfid.gov.uk)*

*Alternatively, hard copies of Part 3 can be sent on request. Please phone 0845 3004100 or write to Enquiry Point, DFID, Abercrombie House, Eaglesham Road, East Kilbride, Glasgow G75 8EA*

# Summary

---

- I. **DFID's Objectives and Priorities:** The Government of Bangladesh's Poverty Reduction Strategy is the basis for DFID's Country Assistance Plan (CAP). The overall aim of both the Poverty Reduction Strategy and the CAP is to enable Bangladesh to meet the Millennium Development Goals. DFID aims to support the drivers of pro-poor change and to assist in implementing reforms within the five 'avenues' for poverty reduction set out in the strategy: Pro-Poor Growth, Human Development, Women's Advancement, Social Protection and Participatory Governance. We will concentrate on seven priority areas:
  - Support a strengthened enabling environment that assists enterprises to create more and better jobs for the poor, especially women.
  - Support to strengthening delivery and management of land transport at local and national levels.
  - Support a comprehensive rights based approach to maternal mortality reduction.
  - Support improved access for women and girls to food, safe water and hygiene.
  - Support comprehensive and national programmes for Universal Primary Education and Education for All.
  - Support more effective demands by pro-poor groups for resources, services and realisation of rights.
  - Support action to make the public sector more accountable and responsive to the interests of poor people.
- II. **'Women and girls first'** - DFID's response to development challenges: DFID has concluded in light of the broadly experienced failure of poor women and girls to benefit fully from development in the past, future programmes will focus on this issue in support of the Interim Poverty Reduction Strategy objective to advance the position of women. Gender inequality in Bangladesh constrains progress towards achieving the Millennium Development Goals. Socio-economic indicators for women and girls are consistently worse than for men. With maternal mortality remaining high at 230 per 100,000 births, Bangladesh is not currently on track to meet the maternal mortality MDG. The challenge is to focus the development effort on achieving gender equality and on ensuring that women in particular gain from economic growth. There is a need to create an enabling business environment that encourages growth and employment, especially for women, and investment in public and private infrastructure development so that growth is not hampered, especially within power, roads and ports.
- III. **Major threats to the prospects for growth and poverty reduction:** To achieve the increased growth rates needed for more significant poverty reduction, the Government of Bangladesh needs to send stronger signals to international investors that it is tackling corruption and is providing security for citizens and businesses. Without this, and without improvement in the political situation, the potential for sustained high economic growth and substantial poverty reduction will be compromised.

# Part 1 – Context

---

## 1. Introduction – DFID in Bangladesh

1.1 The aim of the UK Department for International Development (DFID) is the elimination of poverty in poor countries. The United Kingdom has been an active and committed development partner in Bangladesh since independence in 1971.

1.2 This Country Assistance Plan (CAP) details priorities, partnerships, and modalities of aid assistance for 2003–2006. Over this period, DFID will be working with the Government of Bangladesh and other development partners to pursue the potential of more collaborative working and shared country programming. DFID will have a special gender focus in all of its funded programmes and projects in Bangladesh. The plan will be subject to annual revisions.

1.3 The CAP has drawn from the lessons learned and recommendations from the Country Strategy Plan (CSP) 1998–2002 Review and the Supporting the Drivers of Pro-Poor Change study from 2002. We aim to work with Government and a broad spectrum of civil society both to deliver public services and to create pressure for institutional pro-poor change.

1.4 The CAP has adopted the objectives of the Bangladesh Government's Poverty Reduction Strategy<sup>1</sup> and is also linked to it through a shared understanding of the key poverty issues in Bangladesh. The overall aim of both the Poverty Reduction Strategy and the CAP is to enable Bangladesh to meet the Millennium Development Goals (MDGs).

1.5 The MDGs cover many vital dimensions of poverty reduction such as income, hunger, education, health and the environment. The goals were reaffirmed at the United Nations Millennium Summit in 2000 and both Bangladesh and the UK are committed to their achievement.

---

<sup>1</sup> The full title is the *National Strategy for Economic Growth, Poverty Reduction and Social Development*. This can be seen as an equivalent to an Interim Poverty Reduction Strategy (I-PRS) in other country contexts.

## 2. The challenge

### Achievements

- 2.1 Bangladesh is a poor populous country, yet it is on track to meet some of the targets linked to the Millennium Development Goals (MDGs). Significant progress has been made in poverty reduction since independence in the early seventies. In the nineties, the country achieved one of the fastest rates of poverty reduction in the world, almost equal to that of Uganda and Vietnam, countries that are often lauded for their poverty reduction achievements.
- 2.2 The most recent Human Poverty Index<sup>2</sup> (HPI) shows an improvement from 61 in 1981-1983 to 40 HPI in 1995-1997. This illustrates positive progress in advancing the welfare of millions of poor people in Bangladesh. Achievements during the period 1991 to 2001 include:
- average annual per capita economic growth of 3%;
  - a reduction from 43% to 34% of the proportion of the population living below the lower poverty line;<sup>3</sup>
  - equal levels of enrolment for boys and girls in primary education;
  - an increase in the adult literacy rate
  - national food security achieved in rice in per capita production terms;
  - private sector-led growth created new agricultural and non-farm related jobs for poor people in the rural economy;
  - employment opportunities for about 1.8 million poor women created in the garments sector;
  - population growth rate reduced from 2.0% to 1.58% per year;
  - average life expectancy for both men and women rose from 55 to 61.
- 2.3 The total fertility rate decline of 2.1% per year during the nineties is the highest in South Asia and the

challenge is to ensure that Bangladesh maintains this rate. Looking further back, the fertility rate has fallen from almost seven children per fertile women in the early seventies to around three children per woman today. These changes, together with an increase in average life expectancy have positive socio-economic implications as the dependency ratio has reduced significantly.

- 2.4 The Government, in collaboration with non-governmental organisations (NGOs), has been effective in relief management during natural disasters, such as the major flood of 1998 and the disastrous cyclone of 1991. Efforts to rehabilitate and gradually improve the transport system have contributed to improved communications between most parts of the country. This has had a positive effect on the economy and on a large portion of the population who benefit from better access to markets and commercial and social services.
- 2.5 These substantial achievements have been reached despite a poor governance climate and widespread corruption within the bureaucracy. Strong private sector growth, an active NGO sector delivering basic social services to the poor and some relatively efficient institutions within Government have all played a key role.

### Development challenges

- 2.6 Development is happening in Bangladesh. Progress towards the MDGs is steady although uneven. But inequality is growing and sections of the population are in danger of being left behind. The development challenge is therefore twofold: to ensure that current progress in growth and poverty reduction continues and preferably accelerates and to ensure that development is fully inclusive.

### Maintaining the growth process

- 2.7 There are threats to the growth process. Surveys of business and investors reveal real constraints in infrastructure: particularly transport and power and in

2 The HPI is constructed from the following indicators: life expectancy, percentage of adults who are illiterate, economic provisioning which is a composite of the percentage of people without access to safe water, percentage of people without access to health services, and percentage of moderately and severely underweight children (United Nations Development Programme, 1998).

3 Based on calorie intake. If expressed as \$1 per day, 29% lived below \$1 per day in 2000

access to finance. Corruption and the non-transparent process of business facilitation is also a deterrent particularly for foreign investors. The ending of the Multi Fibre Agreement poses a threat to the ready made garment industry which accounts for 70% of exports and millions of jobs for poor people mainly women.

- 2.8 The public sector is poorly performing and state owned enterprises make substantial losses and crowd out the private sector. Public sector utilities, for example in power and the vital Chittagong Port, are mismanaged and impose large costs on the economy. Overall the state bureaucracy is inefficient and self-serving. The role of the state needs to change from an inefficient provider of low quality goods and services to a regulator and enabler for the private sector
- 2.9 Bangladesh is the most densely populated country in the world apart from city states and although the rate of population increase has slowed significantly the population is predicted to reach 180 million by 2015 (from 130 million in 2000). Continued population growth means that the absolute number of poor people will probably increase. Population growth will also increase environmental degradation particularly by increasing pressure on land availability which is also under threat from climate change and rising sea levels.
- 2.10 Migration is becoming an increasingly important economic and social factor. Domestically the new sources of income generation for example in the garment industry, construction and shrimp industries are leading to large scale internal migration and short term external migration (for example to the Gulf states) is growing rapidly.

## Towards inclusion

- 2.11 Growth has been accompanied by increasing inequality. Gender Inequality is a key constraint on poverty reduction and on meeting the MDGs. As Table 1 indicates women and girls fare badly in almost all aspects of human development. In particular, women face enormous challenges in maternal health. Only 12% of births are attended by skilled health staff, and

maternal mortality rates remain among the highest in Asia. Although, as in many countries, neonatal and infant mortality are initially higher for boys than girls, this trend is quickly reversed. Girls suffer higher rates of both malnutrition and child mortality, reflecting the relative neglect of girl children.

- 2.12 In education, although significant achievements have been made in increasing parity between girls and boys in enrolment in primary and secondary schools, the legacy of past disparities remain – only 30% of adult women are able to read and write, compared with 50% of men. The drop out rate for girls in secondary schools is high.
- 2.13 Gaps are also apparent in terms of economic activity and political participation. Women's earnings are almost 50% less than men's. Their representation in professional and technical jobs and in executive and managerial positions is poor, and is particularly striking in the political sphere where only 2% of parliamentary seats are held by women. Women often find it difficult to fully participate in the growth process, for example by restriction on their movement outside the home or village or because there are less well educated. Where they do take advantage of economic opportunities, for example in the garment industry and increasingly in international migration their lower status makes them vulnerable to increased abuse and personal risk. Their very low level of representation in political life make it difficult to achieve protection or redress.
- 2.14 Most of the MDGs that Bangladesh will fail to meet reflect the position of women and girls:
- Bangladesh will almost certainly not meet the MDG for maternal mortality. Tackling maternal mortality involves addressing the rights of women and girls as well as specific technical interventions. Maternal mortality rates will not improve unless there is an increased supply of effective, life saving emergency obstetric care and a recognition that all women regardless of economic status have a right to access such facilities and care.

**TABLE 1: GENDER DISPARITIES IN BANGLADESH**

Births attended by skilled health staff (% of total)	12
Contraceptive prevalence (% of women ages 15-49)	43
Maternal mortality rate	377
Ratio of girls to boys in primary and secondary education (%)	103
Seats in parliament held by women (% of total)	2
Female legislators, senior officials and managers (% of total)	8
Female professional and technical workers (% of total)	25
Seats in local government held by women (% of total)	33

	Male	Female
Child malnutrition (weight for age, % under five)	46	50
Infant mortality (per 1,000 live births)	82	77
Child mortality (between one and five years, per 1,000 live births)	28	38
Under five mortality (per 1,000 live births)	108	112
Net primary school enrolment	88	90
Net secondary school enrolment	42	44
Primary completion rate (% of relevant age group)	68	72
Primary repetition rate (% of total enrolment)	7	6
Literacy rate (adult)	50	31
Literacy rate (youth)	57	40
Estimated earned income (PPP \$)	2,044	1,153

**Note:** Data refer to the year 2000 or 2001

**Sources:** World Bank, World Development Indicators 2003, Bangladesh Demographic & Health Survey 1999/2000; UNDP HDR 2003

- Bangladesh will not meet the nutrition poverty target on present trends. Although Bangladesh is making good progress on reducing income poverty nutrition levels are among the poorest in the world. It is women and girls who suffer disproportionately from lack of access to food. Households dependent on female earners have a higher incidence of poverty than those dependent on male earners.
- Bangladesh is on target to meet the gross education enrolment target but the quality of education is very poor. Girls' educational attainment is particularly poor and unless this is improved good progress on enrolment will continue to be undermined by high drop out rates.
- Bangladesh will probably not meet the literacy target. The level of effective literacy among women is only 13%. Half that of the rate among men.
- Bangladesh has done well in creating non-agricultural jobs for women in the recent past largely as a result of the growth in the garment industry. However, the Multi Fibre Agreement ends in 2004 terminating the privileged quotas to Bangladesh. Increased competitiveness, including improved efficiency in ports and communications, is urgently needed to avoid a negative effect on female employment. Poor production standards in export industries could result in huge female job losses if Bangladesh is unable to respond and buyers turn to other suppliers.

- Bangladesh will fail to meet the gender equality target: for example, women hold only five seats in Parliament out of 300.
- There is an increase in communicable diseases in Bangladesh which has connections to increased mobility within and outside Bangladesh. Tuberculosis, which is increasing, kills over 70,000 Bangladeshis every year. Bangladesh is well below the target rate for detection and treatment. Education of mothers for the immunisation and protection of their children is essential to reducing this.
- The HIV prevalence rate is currently below 1%, but this could climb rapidly without effective public information. Empowerment of women is particularly important to prevent a rise in incidence.

2.15 Our conclusion therefore is that without a specific focus on women and girls the achievement of the gender related MDGs will be missed and that a specific focus on women and girls is likely to be one of the most effective development interventions. Some of the supported activities will demonstrate a direct impact on women and girls, others will impact at a broader level which will enable more effective participation by women and girls.

## Vulnerability

2.16 The people of Bangladesh have to cope with natural disasters, chronic sickness and relatively high mortality rates. Despite national economic growth, many rural households still face yearly food shortages during September to November when illness-related expenditures are at their peak. The country's ability to respond to disasters such as flood and famine has improved. Yet flooding, cyclones and food insecurity annually threaten the 30 million people living in the marginal districts. The fragile and risky ecological environment is not amenable to easy stabilisation. Social protection programmes, including food and cash based public works and training programmes, are in

place that benefit the extreme poor and create productive assets. However, hunger and malnutrition, especially for children and women takes a devastating toll and two-thirds of the under-five deaths are attributed to malnutrition.

2.17 Livelihood strategies are becoming increasingly complex. Rural dwellers frequently rely on a non-farm income for part of their livelihoods and migrate to urban areas to improve their livelihoods. Degradation and pollution of the environment from industry and poor sanitation is compounded by elite capture of common property resources (e.g. fisheries and "khas" land). Further, the contamination of much of the country's groundwater with arsenic is directly impacting on the lives of over 35 million people with unknown consequences for their health status and well-being.

2.18 Urban services are not keeping pace with unregulated urban growth. Rapid urbanisation in Bangladesh will mean an additional 23 million urban dwellers between 2000 and 2015 of which 18 million are expected to be poor bringing the total number of urban poor to 30 million.

### 3. Bangladesh's Poverty Reduction Strategy

#### Poverty reduction strategy content

3.1 The Bangladesh Government published the Interim Poverty Reduction Strategy (I-PRS) in March 2003. The Poverty Reduction Strategy process is a major opportunity for generating pro-poor policy and actions around poverty reduction in Bangladesh. The I-PRS states that "All routes to achieving poverty reduction matter" due to the complex multidimensional nature of poverty. The strategy has five broad "avenues" for achieving poverty reduction:

- pro-poor economic growth;
- human development;
- women's advancement and closing of gender gaps;
- social protection; and
- participatory governance.

3.2 During 2002, the formulation of the I-PRS was informed by a number of preparatory consultations with poor communities. There was widespread concern about the fragility of past achievements including: the lack of physical infrastructure, deteriorating law and order amidst growing incidence of organised crime, extortion and economic violence, lack of effective local government poor quality of education, health and other social services and lack of democratisation of political processes.

3.3 The I-PRS sets a more ambitious target than the MDGs by using 2000 as a baseline from which to track progress rather than 1990. The I-PRS assumes that in order to halve the number of people living in extreme poverty between 2000 and 2015, the economy will need to sustain a real GDP growth rate of at least 7% per year. At the same time, the pace of poverty reduction needs to accelerate from 1.5% per year observed in the 1990s to 3.3% per year. The document concludes that these poverty reduction targets cannot be met through economic growth alone. There is a significant role for both direct public action, which will necessitate careful

priority setting within the budget process, and the creation of an enabling environment for others to take action, including businesses and NGOs. To achieve high pro-poor economic growth, the strategy emphasises:

- a stable macroeconomic balance (including state owned enterprise reforms);
- a gender sensitive macro and policy framework;
- strong institutions and improved governance;
- private sector-led and outward oriented growth which will take advantage of globalisation whilst ensuring that appropriate social safety nets are in place;
- accelerating rural and agricultural growth, targeting of small and medium enterprises; and
- improvements in infrastructure and increasing use of information and communications technologies and improved partnerships between the Bangladesh Government, the private sector and NGOs.

#### Assessment of the Interim Poverty Reduction Strategy

3.4 As a diagnosis of development, poverty and policy perspectives, the I-PRS covers all relevant issues, but it lacks an overall vision for the future of the country in a changing global context. This is partly due to the lack of political debate around the strategy. The Parliament still has not discussed the interim strategy and the degree of Cabinet support is as yet uncertain. How policy prescriptions will be turned into programmes is still being worked out as part of the consultation process. This will be a key issue to monitor for all development partners.

3.5 Many observers are questioning the assumptions around sustained high economic growth for the next fifteen years, as major reforms need to take place in order to create an economic environment conducive for growth. As the PRS is further developed, it will be important to implement policies that promote private sector growth and foreign direct investment more

strongly, as these will be key for reaching the desired annual growth rates of 7% (5% per capita).

3.6 The strategy devotes little attention to analysis of the political economy. However, the document refers to various forms of corrupt behaviour and highlights the need for capacity building. It also refers to promotion of voice and participation of civil society and the private sector, particularly the poor and disadvantaged groups, as a step towards a transparent and open government.

3.7 The I-PRS discusses women's advancement, social protection, enhancing participation from below and reducing inequality but the strategy does not set out a programme that will guarantee full equal citizenship for women, including issues such as dowry, inheritance and rights to access land, employment both inside and outside Bangladesh, access to health services and physical security.

3.8 Poverty monitoring is key to accountability. The PRS is only valuable if the country's leaders sign up to its commitments and it leads to positive changes for poor people. There is a need to monitor both the process and the impact of the delivery of policies and measures outlined in the strategy. Specifically this should include measuring changes in resource allocations, food security, and access and uptake of basic services in key sectors (such as primary education, water, safety nets and health services), and the effectiveness and impact of the delivery of these services at the individual and household level. It will be important to develop and publish a set of sex-disaggregated data on service quality, utilisation and customer satisfaction.

3.9 Consultations within Government on the I-PRS have been extensive but to date consultations with the private sector have been limited. Discussions among the donors and the Government on the I-PRS have also been fragmented and uneven. Some independent groups of professionals and NGOs have held consultations and made robust comments on the drafts. This is encouraging. Yet, there are still significant questions around the depth of ownership of the strategy among the politically influential government line departments and among the broader population that need to be addressed.

3.10 DFID will continue to encourage a Parliamentary discussion of the PRS and continue engagement with the Bangladesh Government, international financial institutions and other development partners in order to build a shared platform of concern and a prioritised set of actions.

## 4. Risk analysis

4.1 This section draws on DFID's *Supporting the Drivers of Pro-Poor Change* study, and subsequent analysis commissioned to assist our understanding of political systems. It takes a thematic look at the major risks that threaten and reduce prospects for development in Bangladesh. The main conclusion is that the weak governance and lack of reforms seriously temper the potential for sustained high economic growth and substantial poverty reduction.

### Growth prospects

4.2 Continued high economic growth is essential to reduce significantly the absolute number of poor in the country during the next decade<sup>4</sup>. Our analysis also shows that sustained growth will provide the context for positive developments in governance and contribute to changes in economy, society and polity. To achieve and sustain high levels of growth, the Government will have to take a strategic, determined and clear approach to the major factors that enable growth. The following issues need particular attention:

- The macroeconomic framework needs to be sustainable and capable of managing both external and internal economic shocks. The export base needs to be broader and sources of income diversified.
- It needs to be easier to do business in Bangladesh. The enabling environment for foreign and domestic private investment needs significant improvement. The regulatory environment needs to be sufficient to contain corruption and engage foreign direct investments.
- The regulatory environment needs to facilitate safe and legal labour migration and to improve the efficiency and transparency of channels for remittance transfer.
- Infrastructure needs substantial improvement, especially roads, ports and power.

- The educational system needs to be capable of equipping the workforce to deal with changes in the local and global labour markets.

4.3 DFID's assessment is that there is a reasonable probability of continued economic growth of 3% per capita, which will sustain a continued poverty reduction of about one percentage point per year. This will just about be sufficient to meet the Millennium Development Goal for poverty reduction, but millions would still be living in extreme poverty. To achieve an increased growth rate of around 5% per capita needed for more significant poverty reduction, which is anticipated in the I-PRS, the Government needs to send stronger signals to international investors that corruption is being tackled and security provided for its citizens and the private sector.

### Political stability, human rights and security

4.4 The democratic system in Bangladesh, although new and in a state of development, has proved relatively robust but faces continuing serious challenges which need to be addressed. To date, Government has alternated between the two major political groupings and elections have been declared free and fair by the international community. However, there is a risk that the political pluralism that emerged after 1991 might be eroded. Key issues are the continued impasse between the two major political parties and the potential risk of further deterioration of law and order. Poverty reduction requires physical and economic security for all, especially for poor women and other vulnerable groups. The late 2002 deployment of the military to improve the law and order situation demonstrates the lack of a sustainable strategy for reducing crime and lawlessness. Improvements in internal communications and transport should increase levels of mobility, and thus facilitate political activity. Such improvements should also have a positive impact on the ability to maintain law and order, and to increase revenue collection.

<sup>4</sup> The Government's draft I-PRS, World Bank reports on Bangladesh and DFID's *Supporting the Drivers of Pro-Poor Change* study (2002) consider the economic growth rate of around 7-8% per year (5-6 % per capita) as needed for substantial poverty reduction. However, they all agree that prospects for high growth will be impeded by poor governance and weak policy implementation.

## **Governance and institutional capacity**

4.5 There is a risk that poverty reduction through the change agenda outlined in the I-PRS will not be followed through. The reasons for this are the high levels of systematic corruption, the lack of accountability and the very low capacity within the judiciary and law enforcement structures. The weak overall institutional capacity within the public sector constrains the Government's ability to translate policy into action. The probability of continued weak governance and institutional capacity for the coming three to five years is very high. Structural improvements will take time.

## 5. What we have learnt

- 5.1 This section draws on DFID studies conducted during 2002 in preparation of this Country Assistance Plan; *Supporting the Drivers of Pro-Poor Change* study, DFID Bangladesh's *Country Strategy* 1998-2002 Review and subsequent political economy analysis.<sup>5</sup>
- 5.2 Gender inequalities constrain poverty elimination and progress in achieving all the MDGs in Bangladesh. Women are under-represented in decision-making bodies at all levels. DFID has concluded that in light of the broadly experienced failure of poor women and girls to benefit fully from development in the past, all future programmes should focus on this issue in support of the I-PRS objective to advance the position of women. The voice of poor women needs amplification across all of our programmes.
- 5.3 Most of the constraints holding back Bangladesh development prospects have their roots in social and political processes. Institutional capacity weaknesses contribute to the problem but are secondary issues. Addressing the structures and processes that exclude poor men and women and reproduce poverty and inequality requires more analysis of ways of supporting change. To achieve reform, consensus and parliamentary agreement is needed. To achieve satisfactory impact, activities need to be consistent with government priorities as listed in the I-PRS. It is therefore important for DFID to continue to work with influential agents of change in Government and civil society to ensure that key reforms are put in place. To do this effectively requires a balanced portfolio supporting a variety of approaches to amplify demand (on the state), support competition (to the state), assisting political processes (within the state), and enhancing the response capacity (of the state).
- 5.4 There are no quick fixes. To address the underlying causes of poverty requires both long term and coherent engagement. Development programmes need to be self-reinforcing; given that governance is a key constraint, all programmes need to both institutionalise citizens' voice and the capacity of government to hear and respond. Over time, the nexus of power between the political elite, bureaucrats and rich local landowners will be weakened by the growth of employment opportunities, education, migration and mobility, the growth of business and entrepreneurship in new sectors of the economy and working women.
- 5.5 The long-term development of Bangladesh depends on improvement in the effectiveness, quality and availability of public services that are more responsive to the needs of all sections of the poor. Government, private sector or civil society organisations may provide these services. An appropriate balance needs to be struck between supporting non-government actors and reforming public services in ensuring that development objectives are met. Demand for improved accessible services, especially for poor girls and women, needs to increase, and agents for change within the media, private sector, NGOs and civil society, such as professional organisations, should be supported to increase domestic pressure for reform. The most successful reforms will be those generated by an increasingly mobilised and organised civil society, and support for group mobilisation and training will contribute to increased scope for critical collective action.
- 5.6 Bangladesh is gradually getting less aid dependent and DFID needs to understand the incentives for Government to interact with international development partners. Donors need to concentrate their efforts on supporting the creation of an enabling environment that will make government and non-government service

<sup>5</sup> *The Informal Political Process in Bangladesh* by Stanley Kochanek, March 2003, *Politics and the Drivers of Pro-Poor Change in Bangladesh* by Mick Moore, February 2003, *Power, Voice and Creating Space: analysis of local level power relations* by Mary Hobley, February 2003

providers more responsive and accountable to citizens. To this end we need more effectively coordinated donor action at all levels and, moving beyond that, donor cooperation and harmonisation of bi-laterals and international finance institutions.

- 5.7 Experience of sector-wide working, through the sector-wide approach (SWAP) on health, has demonstrated that reform cannot be achieved without real commitment and significant incentives for change. Although some progress has been made, through the SWAP, in focusing resources on a limited package of essential services and increasing immunisation coverage, reform commitments have not been met.
- 5.8 Although there is, in general, a slow progress in reforms, the Bangladesh Government has been able to implement institutional change in several sectors and there is a move towards a more sectoral approach in land transport and agriculture. The Government is also exploring a programme approach in primary education. Both the Local Government Engineering Department and the Rural Electrification Board are considered to be well managed and efficient.
- 5.9 Projects are still key vehicles for DFID's development programme. In Bangladesh, it is DFID's experience that some influential activities can be undertaken without spending much money. Small strategic projects can be very influential on policy debates and reform if they are linked to the decision making process within the government.
- 5.10 Reaching the poor needs special efforts. DFID's Poverty Review in 1998 suggested that our supported programmes did not, in general, reach the extreme poor and our review of the last country strategy concluded that programmes implemented by the NGOs are generally more effective at reaching the most disadvantaged.

5.11 To bring about change takes time and involves some high-risk initiatives. DFID needs to set realistic objectives, particularly in relation to the timescale required for implementation and for local commitment to institutional reforms. Incremental technical change can create a positive environment for deeper reforms over time (as indicated by experience with Financial Management Reform).

5.12 There is a need for better understanding of the change process, including the broader political and institutional context, better identification of agents for change and better design of activities that effectively support change. Elite groups, and middle class interests, could be important if they can be encouraged to see that pressure on government may serve their own interests.

## Part 2 – UK assistance plans over poverty strategy period

### UK development partnership

#### Context of development assistance

- 6.1 Bangladesh is assisted by a large number of development partners. This CAP is set within the context of how all development partners, including other donors, are working to support the delivery of the PRS to achieve the MDGs. It is therefore vital to see donor assistance in the overall context of the economy.
- 6.2 Bangladesh is getting less aid dependent. Aid is now less important to the economy than remittances as Table 2 shows. As a percentage of gross national income (GNI), Bangladesh's aid dependence has reduced from 7% to 2.5%. This is due to substantial GNI growth over the decade coupled with a halving of net official development assistance (ODA). Total aid has fallen due to severe absorption constraints on the effective and accountable use of resources.
- 6.3 Aid financed almost 100% of the Government's Annual Development Programme budget in the early nineties. Today it makes up slightly less than half of the ADP or about 15% of total government expenditure. The overall allocations of expenditure within the Government budget are broadly pro-poor, but the absorption, utilisation and tracking of funds at line ministry and devolved levels are weaker.
- 6.4 Although the overall level of public expenditure is low, resource allocation across sectors is satisfactory and has a reasonably good distributional impacts – with comparatively low levels of defence spending and interest payment outlays and high levels of social sector spending that are reasonably well targeted. The table below shows health and education spend has remained consistently over 20% and social security, welfare and housing is around 15%. A particular example of pro-poor expenditure management is that Government has actively created demand for female education through the use of a female stipend for all female students to the annual amount of \$ 600 million.
- 6.5 DFID's share of all aid has increased from around 5% in the mid-nineties to almost 9% in 2000. DFID's share of the bilateral aid total in 2000 was 17%. All donors have poverty alleviation as an overall objective, although approaches vary, from an emphasis on economic growth (mainly Japan and the Asian Development Bank) to support to the social sectors, to social mobilisation and human rights (often the smaller bilateral donors). The UK (DFID) and other European Union member countries have indicated their willingness to prepare a joint Country Strategy once their present plans expire in about 2005

**TABLE 2: AID AND REMITTANCE TRENDS IN THE 1990s**

	1990	2000
Gross national income (GNI) (current prices) in US\$ million	30,600	47,900
Net official development assistance (oda) in US\$ million	2,140	1,171
Aid dependence (oda as % GNI)	7.0	2.5
Remittances* in US\$ million	763	1,882
Remittances as % of GNI	2.5	3.9
Remittances as % of oda	35.7	160.7

Sources: World Bank Development Indicator database and \*Bangladesh Bureau Statistics (BBS) website

All World Bank statistics in calendar years. BBS statistics in financial years i.e. 1990 = FY90/0

## DFID's objectives and priorities – women and girls first

- 6.6 The Government of Bangladesh's Poverty Reduction Strategy is the basis for the DFID CAP for Bangladesh. We aim to build our programme around the five 'avenues' for poverty reduction listed in the I-PRS to support drivers of pro-poor change and the implementation of reform as part of the PRS process.
- 6.7 As demonstrated in paragraph 2.14, the MDGs and the I-PRS objectives are unlikely to be achieved without a genuine and across the board commitment to gender equality. Many of the poorest individuals in the community, including male infants or elderly, disabled men, are dependants in female-headed households. Child mortality, maternal mortality and education are all directly related to and strongly influenced by the status of women. The low social and economic status of women therefore compromises the welfare and life chances of all in society. We will therefore give highest priority to women's advancement and closing gender gaps and give a strong gender focus to all programme activities in taking forward the PRS.
- 6.8 Implementation and monitoring of the PRS is vital, and we are keen to support Government's efforts, through the Planning Commission and sector ministries, to put strategy words into practice. We will work with others to support quality poverty monitoring, including gender

disaggregating data and broad based consultations within Bangladesh around the Government's strategy, as part of the PRS process. We will support the interface between Government, civil society, researchers and private sector.

- 6.9 In drawing up our priorities we have considered the implications of our analysis as how to support Drivers for Change, and emerging conclusions from our analysis of the incentives for poverty focussed development. We have concluded that we need to maintain a reasonably broad and balanced portfolio in order to support the main areas where faster progress towards meeting the MDGs is required e.g. maternal mortality, educational outcomes and improved nutrition.
- 6.10 A broad portfolio also enables us to be opportunistic in our interventions, to take advantage of reform opportunities when they occur and to "mark time" in areas where, for a period, progress is stalled. It also enables us to be able to support a variety of approaches, and to work better to increase capacity in government while creating space and supporting interventions by civil society and the private sector.
- 6.11 The three objectives below are derived from the Poverty Reduction Strategy and represent a shared set of objectives between Government and DFID. Within these we identify seven priority areas for DFID.

**TABLE 3: KEY BANGLADESH GOVERNMENT EXPENDITURES EXPRESSED AS A PERCENTAGE OF TOTAL EXPENDITURES**

	1998	2001
General public services	11%	11%
Defence and public order	15%	14%
Health and education	23%	22%
Social security, welfare and housing	14%	15%
Fuel and energy	7%	7%
Agriculture	9%	8%
Transport and communications	11%	11%
Interest	9%	10%

Source: *Public Expenditure Review, 2002*

**PRS objective: 'Pro-poor economic growth for ensuring income and employment of the poor'**

DFID will prioritise:

- Support a strengthened enabling environment that assists enterprises to create more and better jobs for the poor, especially women.
- Support to strengthening delivery and management of land transport at local and national levels.

**PRS objective: 'Human development of the poor for raising their capabilities through education, health, nutrition and social interventions'**

DFID will prioritise:

- Support a comprehensive rights based approach to maternal mortality reduction.
- Support improved access for women and girls to food, safe water and hygiene.
- Support comprehensive and national programmes for Universal Primary Education (UPE) and Education for All (EFA) (primary, basic and skills).<sup>6</sup>

**PRS objective: 'Participatory governance, enhanced voice of the poor and improved non-material dimensions of well being, including security, power and social inclusion'**

DFID will prioritise:

- Support more effective demands by pro-poor groups for resources, services and realisation of rights.
- Support action to make the public sector more accountable and responsive to the interests of poor people.

6.12 We shall continue to keep the focus of the programme under review and be rigorous in assessing potential new activities so as not to overstretch our management capacity. We are hopeful that the movement towards more sectoral programmes supported as part of donor consortia in such areas as primary education, health and land transport will enable us to reduce our direct bilateral inputs in these areas.

**Partnerships and aid modalities**

6.13 DFID's financial contribution is only a small part of the economy and the government's expenditure. We therefore need to ensure that we combine our financial spending with strong engagement with policy issues together with other government colleagues in the UK and in Bangladesh. The fact that overall aid to Bangladesh is smaller than a decade ago makes it imperative to establish strong collaboration with other donors to ensure the maximum efficiency and impact of aid.

6.14 In all our programme areas, we will increase our interaction with the media and other information agencies to stimulate greater awareness and debate about issues and programmes. We shall seek to strengthen dialogue with Bangladesh Government ministries and departments, donors and local change agents in debates on important issues. We shall continue to develop both our own understanding of prevailing conditions in Bangladesh, and contribute to collective knowledge, by continuing our analysis of the drivers for pro-poor change, in government, private sector and civil society, including the media and learning more about the socio-political context that determines their incentives for change. We will also strengthening national capacity to turn pro-poor policy into action and increase gender and inequity impact monitoring and analysis, to determine the extent to which programmes are benefiting the poorest and most vulnerable.

6.15 DFID cannot support all the important areas of Bangladesh's development; nor do we need to. There are many other development partners with whom and through whom we can work. In areas not specifically identified as DFID priorities, we shall seek our opportunities to enhance the capacity of others. For example, we are developing a partnership programme with the World Food Programme to enhance their capacity to engage on policy dialogue on food security systems and to manage disaster relief. We will support the European Commission in its work on building trade

<sup>6</sup> UPE – Universal Primary Education, with a focus on formal primary schooling. EFA – Education for All, education for adults, lifelong learning, life skills for young people and early childhood development.

capacity building and we will provide finance for reform programmes supported by International Monetary Fund and the World Bank.

- 6.16 Neither the non-governmental nor the Government sector alone can deliver services to the poorest in Bangladesh at least in the short term. They are not therefore alternatives. Thus a rapid improvement in services depends on a partnership between governmental and non-governmental providers. DFID Bangladesh's focus is therefore to facilitate Government/NGO partnerships, which provide more and better services to the poorest in Bangladesh.
- 6.17 The Supporting the Drivers of Pro-Poor Change study stressed the role of civil society, broadly defined not only in partnering the state but also in holding it accountable. We recognise the central importance of agents for change in society to create an overall socio-political environment for broad and equitable development of the country, including private sector, media, advocacy and pressure groups at all levels of society. We will support organisations and key citizens' groups, including the Diaspora and the private sector, that have the potential to interact with public institutions and improve the public administration's accountability and service delivery capacity. Continued engagement with business interests in reinforcing their role in interacting with Government policy through investment decisions and resisting competition will be important.
- 6.18 Our future programme will be a mix of resource transfers and technical and policy support through our involvement in supported programmes. We will aim to increase the proportion of our resources available to the Government of Bangladesh through sectoral programmes or direct budget support as appropriate.
- 6.19 We will adopt the internationally agreed 'comprehensive development framework' approaches, including sector wide working when feasible and accepted by Government and other development partners. We will work with other DFID offices in Asia and Asia

Department in London to reinforce regional working and lesson learning.

### Prioritisation and programming

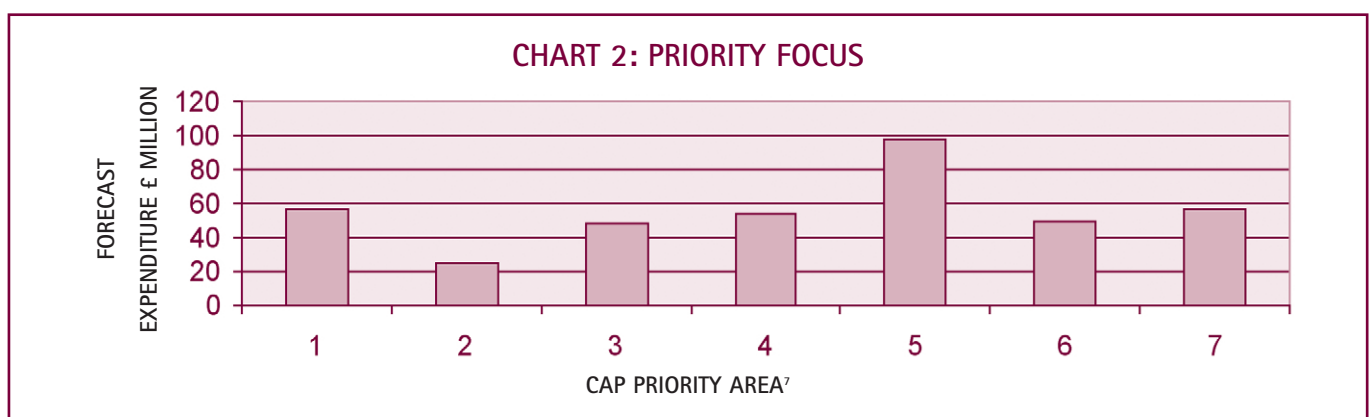
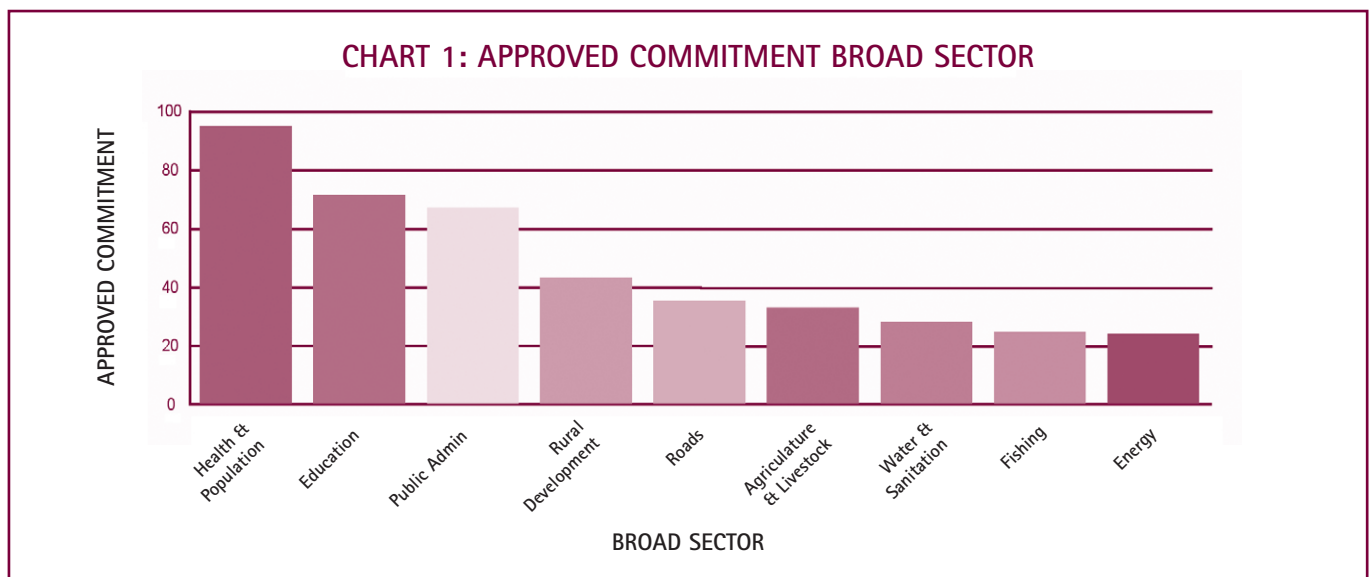
- 6.20 There is a need to make our objectives operationally relevant and manageable. As part of our decision-making and management of the programme, we will prioritise activities that fulfil the following main criteria;
- The activity is in line with the Bangladesh Government's PRS, and consequently the MDGs.
  - The activity is poverty focused, demand driven and clearly owned by a change agent, be it the Government, civil society and/or private sector.
  - The activity impacts on lives of women and girls.
  - The activity has potential for real pro-poor change in either national policy implementation, norms and regulations, the behaviour and attitudes of key change agents or in the day-to-day well being of poor and vulnerable people.
  - The activity has been identified as strategic and complements the work of others within the Government's development programme
  - The activity is an area where DFID have a comparative advantage or there is strong reason for us to co-fund other donor programmes.
  - DFID Bangladesh has sufficient financial and human resources to support the activity.
- 6.21 We will continuously monitor the progress and outcome of our programmes and projects and ensure that resources will be allocated to activities and partners that are achieving results and expected poverty reduction outcomes. Resources will be withdrawn from non-achieving areas.
- 6.22 Part 3 of the CAP includes our choices of measurable annual indicators. These are process indicators on an annual basis that link to longer-term outcomes and impact.

## 7. Development programme resources

7.1 Our existing programme in Bangladesh has a focus on enhancement of livelihoods and basic services for the poor, for example in health, education and agricultural extension. Underpinning the sectoral focus, we seek to promote better governance, more effective institutions and improved realisation of human rights, especially for women. Chart 1 below shows the current sectoral distribution (2002/2003).

7.2 We have mapped our existing and planned project portfolio against our CAP priorities. Those projects already approved and those in an advanced stage of preparation will account for the majority of the expenditure of programme resources during the next four years. The results are shown in Chart 2 below.

The highest expenditure is expected to be in support of Universal Primary Education and the smallest is support to road transport. We shall develop new programmes to reinforce our CAP priorities, as resources are freed up in the latter years of the CAP period.

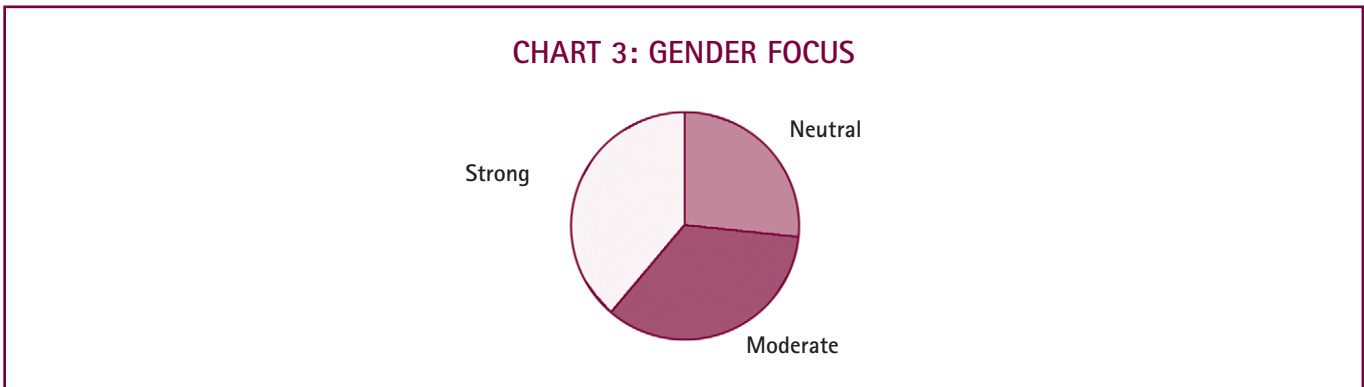


**7 CAP Priority Areas**

1. A strengthened enabling environment, which enables enterprises to create more and better jobs for the poor, especially women;
2. A strengthened delivery and management of land transport at local and national levels
3. A comprehensive rights based approach to maternal mortality reduction
4. Support improved access for women and girls to food, safe water and hygiene
5. Support comprehensive and national programmes for UPE and EFA (primary, basic and skills)
6. Support more effective demands by pro-poor groups for resources, services and realisation of rights.
7. Support action to make the public sector more accountable and responsive to the interests of poor people.

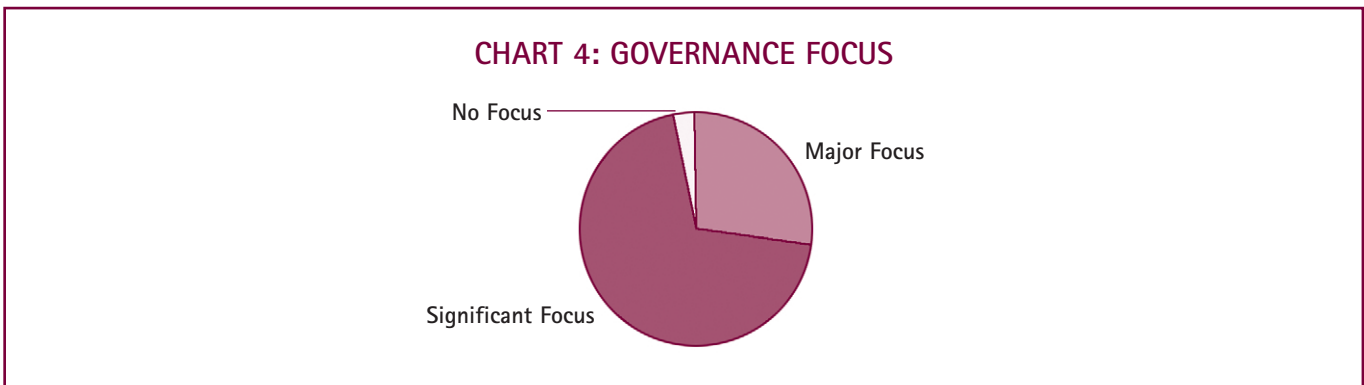
7.3 Given our overarching emphasis on advancing the position of women and girls we have undertaken a gender focus scoring of our portfolio and Chart 3 shows the forecast of expenditure by its focus on women and girls. The programme already demonstrates a significant emphasis on women and girls and we will be seeking to reinforce that in our reviews of existing programmes and design of new interventions.

7.5 We are proposing a base case for programme resources of approximately the current level of £80 million per year for the next three years. However, if Government makes strong efforts to implement the policy commitments in the I-PRS this will merit additional levels of funding. Such additional funding will probably be mainly in the form of programmatic support to sectoral programmes in high priority areas such as



7.4 Almost all our existing and planned projects and programmes address governance issues in one way or another as shown by Chart 4. About half of our activities have a significant focus on increasing citizenship demands for better governance (priority 6) and many have the aim of improving the accountability and transparency of public sector institutions (priority 7) as an objective.

health, education and transport or in support of reform programmes agreed with the international finance institutions. Decisions by the IMF to develop a PRGF and the World Bank to develop a Development Support Credit could bring a new coherence to the reform process and provide a basis for programmatic support. The table overleaf outlines our planned programme resources and administrative costs.



**TABLE 4: DFID BANGLADESH RESOURCES (£ MILLION)**

<b>Programme Resources</b>	2003/04	2004/05	2005/06
Base case	80	80	80
High Case	90	120	140
Administrative Costs	7.6	6.6	6.7

7.6 We will continue to have a significant office in Dhaka with key skills in areas of strategic importance for achieving the CAP objectives and take forward policy dialogue with the Government and other development partners. We will consider options for reorganisation of the office to better deliver CAP objectives and develop a staffing strategy accordingly. Incremental changes in staff compositions will take place during the next three years to reflect CAP objectives. The move to a new single office location will be an important opportunity for us to improve our internal team working and, seek new and innovative ways of engaging and interacting with development partners and agents for pro-poor change in Bangladesh and internationally.