

# **BANGLADESH**

## **Supporting the drivers of pro-poor change**

### **Summary Version**

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**June 2002**

## **Foreword, acknowledgements and disclaimer**

This is a summary version of a paper whose aim is to strengthen the basis for DFID's future country programme for Bangladesh. The principal users are expected to be DFID staff in Dhaka and London.

The study is intended to contribute to discussions between DFID, other parts of the UK government, the government of Bangladesh and other development partners, including in the private and non-governmental sectors and among international agencies. It is complementary to other preparatory work under way, notably the Engagement Study, and the proposed review of the political process.

The report was prepared in the following way. DFID provided detailed terms of reference identifying a range of factors expected to have a strong influence over development prospects to 2015 and beyond. These were explored and expanded in a literature review. Responses from DFID Bangladesh, and a discussion with advisers in London in December 2001, led to a focus on selected themes which came to provide the agenda for a team which visited Bangladesh in January and in March 2002.

The team held consultations in Bangladesh with individuals and institutions, from among officials and politicians, the private sector, the media, a range of civil society bodies, the professions, police, researchers, the international community, the UK High Commission, and DFID staff. These were broad, subject to the limitations of being conducted in English and restricted to Dhaka. The team is extremely grateful to all those people who were generous with their time, as well as to the authors of the many documents that have been consulted, and to the DFID staff who assisted with the practical arrangements. We would like to express particular appreciation to Paul Walters and Bo Sundstrom, for their enthusiasm and consistent support.

In a country where the development challenges have been widely and deeply studied over many years, where there is a great deal of hands-on experience among knowledgeable and committed people, the authors have taken the view that the best way to make a constructive contribution is to provide an independent and frank assessment of selected underlying problems that bear most directly on development prospects. They have tried to focus less on what should be done, which is often well understood, than on how to bring about pro-poor change, which is often highly problematic.

This report is the responsibility solely of the team. The views expressed here should not be attributed to DFID or to any of its staff members.

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There are sixteen supporting annexes and a literature review.

## I. Introduction<sup>1</sup>

- 1 This paper is one of several studies that seek to make DFID's long-term contribution to development in Bangladesh more effective. It reviews Bangladesh's recent performance and future prospects in terms of the Millennium Development Goals (MDGs) and argues that **the quality of institutions and governance is the prime influenceable factor that will determine the rate of poverty reduction** and explores the opportunities for, and obstacles to, pro-poor change through a comparative analysis of selected case studies. The final section suggests ways in which different actors might contribute more to reform, with a particular focus on the role of the development agencies.

## II. The MDGs: Achievements, Prospects and Threats

- 2 Bangladesh has made significant progress in reducing poverty over the last 20 years. However, poverty remains widespread (65 million people still lived below the upper poverty line in 2000), nutrition levels are very poor, large numbers of people lack basic services, and security and human rights are extensively violated especially for women.
- 3 If progress were to continue at the levels achieved in the 1990s then the MDGs would be partially met by 2015. The extreme poverty goal would be reached (16 million would live on less than \$1/day), but 40 million would still be below the upper poverty line; universal primary education should be achieved by 2010 (but with grave doubts about its quality); the gender equality goal in primary education has already been reached (but on most other measures of gender equality (secondary education literacy, labour force participation) women will fare worse than men); and child mortality reduction targets would be met. Maternal health and environmental sustainability targets would not be reached.
- 4 However, the actual levels of achievement will be determined by the country's ability to seize opportunities for pro-poor growth and human development and avoid potential threats. With good public policies and strengthening institutions the MDGs could be surpassed. With weakly formulated and implemented policy and poor governance then targets will not be achieved and the scale of deprivation and environmental degradation in Bangladesh will continue at appalling levels. The opportunities and threats that must be faced can be understood in terms of four overarching strategies: sustainable growth, empowerment, access to markets and services, and security.
- 5 **Sustainable broad-based growth.** The paper presents three growth scenarios: a downside scenario of 1-2% GDP annual growth per capita (a little below the level expected in 2001/2); a base scenario of 3% per capita (the 1990s average level); and, an optimistic but achievable scenario of 5-6% per capita growth (assuming

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<sup>1</sup> This is a short version of a paper with the same title and date.

- robust macroeconomic and structural reforms, improved governance and strengthened institutions). Some of the factors that will most strongly affect the prospects for broad-based growth are currently lacking --- an enabling environment for private investment (infrastructure, legal and regulatory framework), a sustainable macroeconomic balance, a broader export base, and a focus on growth in rural areas --- so the downside and base scenarios are the more likely.
- 6 **Empowerment.** The record of empowerment of poor people, to enable them to influence the functioning of public and private social, political and economic institutions, has not been favourable. The lack of basic human rights and law and order is key to the problem of empowerment. Human rights abuses, especially with regard to women, children and the ultra-poor, are widespread, parliament and large parts of the justice system are dysfunctional, the police are oppressive and predatory, and corruption is pervasive. Women fare the worst in terms of being “heard” across all walks of life. As there is virtually no system of public financial accountability the wastage of public resources is huge.
  - 7 More encouragingly, the civil society organisations that have emerged in recent years offer real prospects for empowerment of otherwise marginalized groups. While these organisations vary greatly in aims and effectiveness, many of them have achieved a considerable impact on development outcomes in Bangladesh. However, while these are promising, they as yet fall well short of what is needed to sustain sufficient pressure to bring about broad-based improvement in human rights, security and governance.
  - 8 **Access to assets, services and markets.** The access of poor people to assets (human, natural, financial and social) and to economic and social services is determined by a set of market and non-market institutions, formal and informal, rural and urban. In Bangladesh, these are generally not pro-poor and pro-women, either because they are ineffective or because they are actively operated to support powerful vested interests. MDG achievement will require the reform of many of these institutions and their opening up to processes of accountability. This is a large agenda, but there are some grounds for optimism given recent progress with for instance microfinance, women’s access to formal employment, and growing competition between service suppliers in many rural areas.
  - 9 **Security.** Poverty reduction requires enhanced security to counter physical and economic insecurity that drives people into poverty or slows down their exit from poverty. While progress has been made in this area with more effective emergency programmes and a rising share of the ADP budget, the ultra-poor remain outside of most safety nets, and levels of physical insecurity (with little recourse to formal justice) appear to have risen (especially for women).
  - 10 Three broad socio-political and economic scenarios are outlined. The most optimistic sees accelerated growth and poverty reduction. As political leaderships

have not so far had the vision or incentives to unleash the entrepreneurial and creative potentials that might have fostered such change, this scenario is necessarily based on increased pressure from civil society for reform and modernisation of social and political life. Second, a middle-range scenario sees processes of social and economic change that achieve modest per capita growth and gradual, but unstable, reductions in poverty. Third, the most pessimistic scenario is of a country that slides towards social breakdown which is triggered by political or economic crisis. The most likely scenario, given that it is happening now, is perhaps the second, that of muddling through. However, the optimistic scenario is achievable if governance can be improved and pro-poor growth policy reforms pursued.

### III. Institutions, governance and poverty reduction

- 11 Poor governance in Bangladesh threatens the contribution that the four strategies -- growth, empowerment, access and security --- can make to poverty reduction. Pro-poor policy reform and implementation have been hindered by confrontational politics, strongly entrenched clientelist norms, high levels of corruption, a lack of accountability, and the low standards of the police and much of the judiciary. These problems do not arise simply from a lack of capacity but from the ability of powerful individuals and groups to achieve their private, short-term interests. A greater focus on improving governance and new approaches to reform is needed. How might this be promoted? In part it is by continuing with some pre-existing approaches, but giving them a greater priority and deeper analysis, and in part by initiating new approaches.
- 12 We argue that **progressive reform can be stimulated by promoting broader processes of social and economic change** (such as education in particular of women), **and through identifying and supporting champions of change** (key individuals and organisations). Nine potential drivers of change are identified – the media, civil society (including NGOs, community organisations, business associations, independent research and advocacy centres, professional associations), Bangladesh’s development partners, reform-minded public servants and the Bangladeshi diaspora. Not all of the actors in such groups are pro-reform, and so champions for change need to be carefully selected on the basis of the values they espouse and their capacities. In, addition, the continued empowerment of women through existing strategies is likely to raise the prospects for the improvement of governance.
- 13 Such an approach has particular significance for donors who will need to think longer term, to analyse more deeply the social and political context within which they work, and to put greater emphasis on effective aid coordination. The challenge is to design their country assistance programmes based on a more thorough understanding of the norms and incentives that motivate the behaviour of public officials than has been the case in the past. For civil society organisations in Bangladesh it will create opportunities, but also require that they

keep their own house in order by ensuring that their own accountability and effectiveness are at the highest possible standards.

#### **IV A comparative analysis of the drivers for change in selected areas of policy and practice**

- 14 This paper explores in detail the proposition that institutions and governance are central to Bangladesh's development prospects, and that the key to sustaining improvements will be to strengthen agents of pro-poor change. It looks at eleven different areas of policy or practice: improving access to services and markets (health, micro-finance, education for women, land, and seeds); infrastructure for growth and access; social protection; achieving law and order; public financial accountability; policy analysis and decisions; and making local government effective. The following paragraphs highlight some of the lessons emerging.
- 15 These case studies provide ample evidence (positive and negative) of the ways in which institutional performance, and governance in particular, strongly influence development performance and prospects, and suggest that attention to these as central elements to development strategies is fully warranted. There are many hindrances to reform, not least the widespread use of violence, as well as more passive forms of obstruction. In the face of these and other obstacles, **the lack of effective demand for change, from citizens generally, and poor people and women in particular, emerges time and again as the central obstacle to pro-poor reform.** Weak capacity can contribute to the difficulties, but is generally very much a secondary issue, or is a symptom of the central problem. Focussing on strengthening demand and agents for change needs to be at the heart of development strategies.
- 16 There are many individuals and organisations that offer potential for promoting change but they are fragmented, isolated and insufficiently influential to bring it about. Measures to create a critical minimum mass from such pre-existing agents could well be effective, however. Part of the purpose of this approach is to raise expectations and confidence, currently very low in Bangladesh, that improvements are possible.
- 17 Similarly, while many problems centre on the political parties and on the public sector, these entities are not monolithic. They contain pro-reform individuals, some in senior positions, who could combine into coalitions for change around particular issues. Moreover, the situation is not static, and as new opportunities emerge advocacy organisations and the development partners may need to be opportunistic in responding. Ways forward in many of these cases will need in-depth sustained understanding of (i) interest groups and the incentives they face both in promoting and in opposing change, and (ii) underlying socio-economic processes promoting change.

- 18 The scale and complexity of Bangladesh's economy and society highlight that successful development calls both for overall approaches to systemic problems and for disaggregated and local approaches. With the majority of the poor living in rural areas now and for several decades to come, and with different possibilities and constraints affecting urban and rural areas, rural perspectives are needed across several of the areas of policy and practice. Similarly the majority of the poor rely at least as much on informal as on formal markets and services. Development strategies need to seek ways of actively supporting rural and informal processes, and of avoiding causing inadvertent harm. In the same vein, the constraints and opportunities facing women are often significantly different from those facing men. Applying gender analysis as standard in approaching many of these questions should raise the poverty impact of interventions.
- 19 In relation to law and order and financial accountability, public outrage has in several cases driven change, but this tends to coalesce around specific issues, rather than driving systemic change. There is a role for development partners in supporting such wider change. One hindrance to effective pressure for such change is often lack of public information. The press and the independent policy research centres also have a crucial role to play, and there is much more to be done to increase transparency as a catalyst for change.
- 20 The fact of elections at national and local levels, even though flawed, is a positive feature of the political scene. But the democratic process cannot be guaranteed to lead to pro-poor outcomes. Divisiveness related to party politics is in evidence in a number of areas of society and the economy. Reforms to the political process are extremely important, but also extremely difficult. The development partners have little scope for constructive intervention, although strengthening the functioning of Parliament may offer some scope.
- 21 Changes to the roles of public, private and NGO sectors are occurring. Many market failures affecting the large and small-scale private sectors have been clearly identified, even if they are not well addressed, and new possibilities for service delivery are emerging. Focussed analysis and actions are needed to encourage greater private sector involvement in growth and investment. In this context, there is a need to ensure that subsidies to NGOs and to government complement, rather than unjustifiably crowd out, the private sector. Regulatory frameworks sometimes are onerous and corrupt (e.g. in relation to land rights, access to common property, and environment) and neither promote efficiency nor protect poor people. There is insufficient effective self-regulation, including by the accountancy and legal professions, and the private sector. Exposure to international norms can be a useful contributor to increasing pressure for improved performance.
- 22 Centralisation of government emerges in many cases as a problem, leading to lack of responsiveness to local priorities, including in the allocation of resources. Strengthening local government, however difficult and drawn out, is a priority.

- Entrenched monopolies (mostly, but not all in the public sector) have been effectively addressed in a number of areas by promoting pluralism in service delivery, but others remain in place and are resistant to much-needed reforms.
- 23 Across a range of policy and practice, information technologies are creating new opportunities for greater transparency, greater exposure to international good practice, and raising productivity.
- 24 In several of the areas examined (police reform, local government), the time-scale of change will be long (ten to twenty years). Yet Bangladesh has also demonstrated that revolutionary change (e.g. in women's education) can occur over such a time period.

## V. Implications for the main actors

- 25 There is a broad agreement about the nature of the problems in Bangladesh and even on **what** needs to be done to promote broad-based poverty reduction in Bangladesh – civil service reform, reduce corruption, liberalise the economy (though there is much debate about the speed and nature of this), bring about greater policy-focus and accountability within GoB, privatise the SOEs, etc. But **how** to do this remains unclear for many actors.
- 26 The central task that has emerged from the paper is **how, over time, to strengthen underlying socio-economic processes and agents that will sustain pressure for pro-poor change** across the wide agenda of policy and institutional reform and investments that are required for successful development. The future environmental, economic and social challenges facing the country are severe, and it is by no means clear that the necessary coalitions can be put together to ensure that they are met. Many of those potentially able to bring about change are beneficiaries of the present situation and have little interest in reform, while those with a strong interest in change are relatively powerless.
- 27 However, there are several reasons to believe that the necessary changes can come about, at least in the longer term:
- considerable social and economic changes are already under way, not least in urbanisation and reduced isolation of rural populations, improving literacy and other indicators, the growing involvement of women in economic life, the growth of a middle class, and the role being played in national affairs by well-resourced and educated Bangladeshis who have spent time abroad;
  - there is an increasingly diverse and impressive set of organisations and individuals active in civil society, the press and the research community; and

- a substantial formal exporting private sector has grown up, potentially concerned about the costs and disadvantages arising from the lack of public goods including infrastructure and a functioning civil justice system, and recognising the need to meet international standards.
- 28 Longer term, these trends are arguably laying the basis for an increasingly articulate population that will be more able to insist on improvements in the way they are governed. Broad improvements in governance will, however, need to be complemented by measures to strengthen the explicitly pro-poor focus. An important part of the agenda for Bangladesh's development partners is to support these processes.
- 29 **The political process.** Many if not most of the constraints identified in this paper as holding back Bangladesh's development prospects have their roots in the nature of the political process. Short-term options are limited, but priorities for increasing pressure for improvement to the party political process over a ten to twenty-year perspective will include:
- Education, especially education for women
  - Broad-based increases in income, both rural and urban
  - Encouragement of public information on the political process through a variety of means, including an open press and broadcast media, independent research centres and advocacy groups, and strengthening Parliament
  - Supporting a range of associations, whether of citizens, professionals or the private sector
  - Providing stronger links with international norms and standards for political accountability and effectiveness, including through the activities of elements of the Bangladeshi diaspora.
- 30 Virtually all of the responsibility for improving the political process lies with Bangladeshis rather than the international community. The latter have few effective instruments for direct influence, especially in the short term, although their interventions may have longer-term and indirect effects. DFID's forthcoming study of the ways in which the political process influences development should be pursued as a priority.
- 31 **Government.** Successfully achieving the development goals will require changes to the effectiveness and accountability of a range of institutions in the private, non-governmental and public sectors. Many of the problems centre on the functioning of government, whether in the areas of growth, empowerment, access to markets and services, or social and economic security. Technical solutions exist for each area where improving the performance of government is important, whether within the civil service or within SOEs. The problem is rather that key players in government are not subject to the necessary incentives to take the decisions needed and, more importantly, act on them.

- 32 While there are deep-seated difficulties in bringing about sustained improvement in the performance of government, entry points do exist. The first lies in supporting the demand side: for the private sector, public opinion and civil society organisations to become better informed and more assertive in calling government to account. The second is based on the fact that government is far from monolithic. Interests are diverse, creating the possibility of coalitions, and on any one issue there are agents for change within government. And third, technical improvements to public administration can help to strengthen impetus for change, partly by highlighting feasible reform tracks and partly by improving transparency.
- 33 **Civil society.** Civil society and other non-state agencies (broadly defined to include NGOs, community organisations, the press, independent research centres and professional associations) will play two decisive roles in improving governance in Bangladesh: as advocates of reform and mobilisers of public action for reform; and as the suppliers of quality services.
- 34 In relation to advocacy, civil society organisations offer a real basis for optimism, notably in the growth of certain groups, some of them highly impressive, working for instance for women's rights, to counter corruption, or to improve education. Recently, support has increased for NGOs engaged in human rights advocacy work and in promoting better governance. These latter NGOs merit more substantial support, as do the press, the research community, and some professional associations.
- 35 While civil society organisations have achieved a good deal, there is a need also for them to attend to their own governance to ensure the highest standards of accountability, transparency and evident independence from party political affiliation. It would be extremely unfortunate if the present tensions between NGOs and government were to threaten the NGOs' continued contribution to Bangladesh's development.
- 36 Rural-based organisations continue to develop, and warrant further support both to strengthen the voice of rural citizens and poor people in particular, to combine to strengthen access to markets and services, and for common property management.
- 37 **The press and broadcast media.** For all the great strengths of the media, there is a need to raise further the standards of journalism in the country. There may be a case for an independent press development institute.
- 38 **Independent policy research centres (IPRCs).** The IPRCs have an important role in helping to inform public opinion on the design of needed reforms. Based on a more thorough analysis of Bangladesh's needs, of the constraints to policy analysis capacity, and the strengths and weaknesses of the IPRCs themselves, there appears to be a good case for more predictable and less discontinuous

- funding, alongside measures to ensure quality. At present there are only a small number of IPRCs and people who have the capacity and credibility to lead them. A gradual expansion of the number of IPRCs and potential IPRC leaders is to be encouraged.
- 39 Professional associations.** Some individuals within a range of professional associations (e.g. legal, accountancy and the police) are well aware that these organisations could do a great deal more to develop and enforce ethical and professional standards, and to become stronger and more effective advocates of governance reform. Such individuals offer potential for change, but they do not yet constitute a critical minimum mass sufficient to bring about improvement. The development partners may have a useful role in searching for opportunities to support pressures for reform within such associations.
- 40 The private sector.** Small, medium and micro enterprises have developed considerably over the past two decades and play an important role in providing services and jobs to low-income households. Yet they are also poorly placed to press for reforms and investments. There is a good case for NGOs and the development partners to continue to undertake an implicit representation function, and to provide practical support to SMMEs.
- 41** The position of the large-scale formal private sector is quite different. It has done well in some areas of the economy, despite the problems it faces. There are many public goods, not least infrastructure and the legal system, whose state is woeful and which represent a cost to the private sector. Yet the business community has been largely ineffective as advocates of reform, in part because different elements are aligned along party political lines, and in part because it has adjusted to these shortcomings and sometimes actually benefits in the short term from a lack of reform. One avenue for harnessing the potential of the formal private sector is to help strengthen the policy analysis work of the major business chambers and to foster improved business ethics and, especially, a non-partisan collective business advocacy stance.

### **Bangladesh's development partners**

- 42 Should the donors maintain aid programmes in Bangladesh?** Under most foreseeable circumstances, there is a case for aid to Bangladesh on the grounds that many of the world's poor live in the country, and there is reason to believe the donors can contribute to sustaining and perhaps accelerating the reduction of poverty. The more difficult questions relate to the scale and modalities of the aid programme and the relative weighting of the programme between the public, private and NGO sectors.
- 43 What should be the main foci?** There are two conflicting positions about aid to Bangladesh that were heard by the team. The first says that the country has moved

to democracy, has made progress in poverty reduction, and has achieved satisfactory economic growth in the 1990s. It is far from perfect, but it has met the minimum conditions to receive budget support as the principal aid instrument. The second argument points out the enormous problems of Bangladesh's political processes, and ineffectiveness and corruption in the public sector, and makes the case that all aid should be directed to civil society and NGOs.

- 44 Neither of these positions adequately meets the development challenges in Bangladesh. We suggest that aid for Bangladesh should be based on a combination of up to four mutually reinforcing elements, including continued work with GoB in carefully selected areas that are likely to directly strengthen governance or that will provide a more favourable context for better governance (e.g. the education of girls). These four elements are:
- First, continued funding of key pro-poor social and economic services through the most cost-effective delivery agencies, whether public, private or NGO. Funding of some services is likely to continue to be undertaken within sector programmes, linking investment with policy and institutional change. For these services, institutional and governance aspects, will need sustained attention.
  - Second, a greater emphasis on systematic and long-term (perhaps 20 years) support to underlying socio-economic changes and the agents for reform in Bangladesh that will increase pressure for greater effectiveness and accountability (especially to poor people) of public institutions. These change agents are likely to include: community organisations (for local representation and management of common resources, for instance), private sector associations; advocacy NGOs, including on human rights and corruption; press and other media; professional associations; and the research community. There will be few ways of directly reforming the political process, although support for Parliament may be a possibility.
  - Third, continuing to work with government to reform public policies and institutions, but on a strategically highly selective basis, with an emphasis on governance. These will, as now, combine a mix of mechanisms, including conditional budget support and institution-building projects. Priority institutional areas (in which DFID is already involved) include but are not limited to: financial accountability; the police and criminal justice system; and local government. In relation to policy development, the lead on macro-economic policies will continue to be taken by the international financial institutions, with the support of bilateral agencies. Support for the capacity of independent research centres as a means of improving policy analysis has merit.
  - Fourth, there may be ways in which in a range of international (and possibly regional) fora the development partners can adopt positions beneficial to Bangladesh on such issues as trade, environment, and migration, perhaps in part by working with the Bangladeshi diaspora.

- 45 These four elements potentially provide for a large, perhaps for any one agency over-large, agenda. It comprises some items (notably those with an institutional focus) which are staff-intensive, risky, disburse only limited funds and are relatively unpredictable in terms of impact, and, others (notably infrastructure and budget support) which involve large-scale disbursement. The choices that will need to be made involve factors beyond the scope of this report. There is, however, a good case, as part of the larger package, for giving priority to supporting the agents and underlying processes leading to improvements in governance. The high unit-spend / low management programmes that many donors are searching for will not be sufficient to bring about the improvements in governance in Bangladesh that are needed to reduce poverty.
- 46 **What approaches should be adopted to aid management?** The final section raises a number of practical considerations for DFID and other development partners.
- 47 Clearly the donors need to continue to press for government ownership of policy and institutional reform. However, where government is unable or unwilling to take the initiative, and yet where change is required if aid is to be responsibly used, donors would need to be prepared to apply conditionality on a few critical issues (including financial accountability) and be more prepared than before to suspend or scale back disbursements in the event of non-compliance.
- 48 There are three unsatisfactory features of donor approaches to aid management: lack of persistence, lack of solidarity among donors, and lack of a collective donor willingness to suspend aid when faced with government backtracking on major governance reform commitments. Some suggestions are made that may assist in addressing these, including more staff continuity, reducing the number of donors in some sectors, and risk-sharing and closer co-operation among donors on some issues.
- 49 Senior management would need to be prepared to give adequate staff time to difficult areas, especially on governance, that are central to Bangladesh's long-term prospects and that despite staff-intensity have the possible disadvantage of being unlikely to lead to substantial disbursement of funds. Mechanisms for aggregating such activity into more sizeable programmes (e.g. DFID's HUGO) are potentially an important step forward, and should be closely monitored, not least for their relevance to countries other than Bangladesh.
- 50 There is a need to recognise the time scale of some of the issues raised here, including the need to take a long view (up to twenty years) of support to socio-economic changes that will impact on governance over time. For reasons both of continuity and understanding of local conditions, there is a case for more senior Bangladeshi advisors in the offices of some donor agencies. Specifically for

DFID, what appears to be rapid turnover among UK-origin staff in the Dhaka office potentially hinders the building-up of the necessary knowledge.

- 51 As compared with other donors, DFID has a present and potential comparative advantage (that is acknowledged by GoB senior personnel and other aid agencies) around institutional issues, which include some of the most difficult and thankless areas of policy and practice. These issues will inevitably involve risks, including political risks. It is important that DFID be equipped with the necessary staff skills, including in political analysis, to ensure that the risks it takes are well informed.
- 52 Certain information gaps have been identified, either by DFID staff, or by the team, including: the political process in Bangladesh and its effects on development prospects; the effectiveness of past aid in Bangladesh, and lessons learned; the strengths and weaknesses of policy research capacity in Bangladesh, and ways of strengthening it (in particular, how best to support trade policy capacity); the nature of the Bangladeshi diaspora and the role it plays and might play in promoting improved governance, economic growth and poverty reduction; and the political economy of the trade unions and the scope for reform.

## **Conclusion**

- 53 Despite the severity of poverty and the magnitude of the economic, environmental social and political challenges, there are good prospects of Bangladesh meeting at least some of the MDGs, provided that measures are taken to raise the accountability and effectiveness of a range of institutions, public, private and non-governmental. Governance improvements are central to many aspects of these, and the principal responsibility for ensuring they happen lies with the citizens of Bangladesh. At the centre of donors' country strategies, there is a good case for providing direct and indirect support to the organisations, individuals, and underlying socio-economic processes that will help to increase the demand for improved governance.