



IOB EVALUATION SECTOR-WIDE APPROACH

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PART A MAIN REPORT

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INTRODUCTION

In July 1999, the House of Representatives of the Netherlands approved both the selection of countries for structural bilateral co-operation (so called 19+3 list) and the sector-wide approach as method to increase aid effectiveness. The approach has been described as an 'organising principle of bilateral aid'¹. The Minister for Development Co-operation announced the evaluation of this restructuring in the House of Representatives on December 17th, 2003. The independent Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs has conducted the worldwide evaluation. The IOB has formulated the evaluation's objective as follows:

To assess "whether and to what extent the introduction of the sector-wide approach has improved conditions for achievement of the main objective of Dutch development policy, namely poverty reduction". To this end, the following key questions have been formulated:

- To what extent have the desired changes in Dutch policy been achieved and what explanatory factors can be given for the findings?
- To what extent have the desired changes in the aid recipient country been achieved and what were the most influential factors?

As part of the research methodology, case-studies in five selected countries -among them Bangladesh- have been conducted. This internal working document presents the results of the study on the Bangladesh case.

Being a case-study this report should not be considered a 'stand alone', in particular not as far as it concerns the Dutch policy environment. The Dutch policy development with respect to the sector-wide approach has been elaborated in a separate report. The present study does elaborate on that policy development, but focuses on the 'translation' of the policy into a sector-specific strategy.

IOB Inspector Nico van Niekerk carried out a preparatory mission in March 2004. Between June and November 2004, interviews with key informants were held at the Ministry of Foreign Affairs in The Hague (country team, ex-embassy staff members). During the period November 19th through December 7th, 2004, an evaluation team visited the Royal Netherlands Embassy (RNE), partner institutions, co-operation partners and key informants in Bangladesh. The team consisted of the following researchers, contracted by IOB:

Willem Cornelissen, SEOR BV, Erasmus University of Rotterdam (team leader);

Mrs Meghna Guhartakurta, University of Dhaka;

¹ Source: Sector-wide Approach Support Group [SSB], 2000:5.

Roland Rodts, independent water expert, Ouderkerk aan de IJssel.

Dirk Frans, expert in participatory water management provided additional research at grassroots level (Khulna, Jessore).

Alexander Morren, research assistant IOB, was responsible for preparatory file and database research.

This report is structured along the lines of the building blocks of the intervention logic of the sector-wide approach. The chapters deal first with the Dutch policy components, being respectively country selection, sector choice, funding modalities, harmonisation and alignment. Subsequently, the next chapters deal with the expected results of the approach: ownership, institutional capacity and efficiency. Finally the question is raised whether the sector-wide approach has created better opportunities for aid effectiveness on poverty reduction. The report ends with some overarching concluding remarks.

Disclaimer: *This report is the sole responsibility of SEOR BV and does not necessarily reflect the views or opinions of either IOB, the Royal Netherlands Embassy in Dhaka or the Netherlands Ministry of Foreign Affairs.*

1 CONTEXT FOR THE INTRODUCTION OF THE SECTOR-WIDE APPROACH

What context factors have been of influence upon the introduction of the sector-wide approach in Bangladesh?

This chapter refers to the specific country context in which the sector approach has been applied. The Dutch institutional context does not form part of this context description.

1.1 Bangladesh

Bangladesh, with a population of 135 million people and a per capita GNP of only USD 350, is one of the poorest countries in the world. Eighty percent of the population lives in rural areas. In the post-independence (1971) period the reconstructing and rebuilding a war devastated nation was topmost priority². Participatory democracy was made subordinate to that goal and democracy remained restricted to the activities of political parties and 'the right to vote'. Since the state was not open to participation, participatory democracy took the form of mass movements, street action and large and strong non governmental organisations, that initially opposed, but currently either oppose or collaborate with government, and that fulfil watchdog functions next to service delivery. Social movements facilitate the participation of those sections of the population who feel excluded from the formal system. Since the Bangladesh state veered away from the post independence ideology of socialism and secularism, the state underwent an Islamicisation process in which fundamentalism has been on the rise (see annex C1).

Since the early 1990s, Bangladesh has pursued a relatively fruitful stabilisation and structural reform programme, heavily resting on SAF and ESAF-funds. The economic performance has been strong over the past decade, with annual GDP growth averaging 5 percent. Inflation remained low (less than 3 percent), while the fiscal deficit was controlled at approximately 4 percent of GDP³. The percentage of the population living below the poverty line was just below 50 percent (2000), while the extreme poor (less than USD 1 per day per capita) has been reduced from 43 percent to 34 percent between 1995 and 2002⁴. Although Bangladesh has come out of the "shadow of famine", the probel of starvation still exists. Bangladesh still has the third highest number of poor people living in a single country after India and China.

² Various sections of this background note are based on Meghna Guharthakurta: The Elusive Sonar Bangla: Political Economy and Participatory Democracy in Bangladesh. In: Nepali Journal of Contemporary Studies. Vol IV.no1, March 2004.

³ The EMU norm is 3 percent, but for countries in the income bracket of Bangladesh 6 to 7 percent is still considered an acceptable performance.

⁴ Based on World Bank reports. The "Chronic Poverty in Bangladesh" report by Binayak Sen and David Hulme (2004) applies different criteria and hence come to different conclusions. According to that study, around 31 percent of the rural population presently suffers the indignity of chronic poverty – low consumption, hunger and undernutrition, lack of access to basic health services, illiteracy; while about 24 percent of the population live in extreme income poverty. Chronically poor are those who are in long-duration poverty- often spanning over generations – experiencing permanent deprivation from adequate nutrition and services. Extreme poor are those who persist in deep-poverty-at the bottom of the poverty ladder- with consumption levels that are 60 percent below the poverty line.

The country has seen an emergence of progressive entrepreneurs, while increasing foreign direct investment (FDI) flows have supported infrastructure, energy, and export-oriented manufacturing. Inflows of private FDI rose from the average of USD 400 million during the 1990s to nearly USD 780 million in 2004. The increase from 2003 to 2004 alone was well over 40 percent. The inflow of remittances from abroad (well over 4 percent of GDP)⁵ has helped government to accumulate a comfortable stock of foreign-exchange reserves. Nevertheless, the economy is highly vulnerable to the exports of ready-made garments, which account for around 75 percent of merchandise exports. Child labour under 14 years is formally forbidden, but many children work in the garment industry. Considering the international movement against child labour this aspect may affect the current competitiveness of Bangladeshi products on western markets. Whether Bangladesh's economic growth will be sustained in the long term is hard to predict. The World Bank⁶ (2004) described Bangladesh as one of the most difficult places in the world to do business since corruption and bad corporate governance are devastating.

Both corporate and public governance deficiencies have their roots in the power structure in Bangladesh. In 2005, and for the fifth consecutive year, Bangladesh (together with Haiti) ranked lowest on the Transparency International Corruption Perception Index. The Economist Intelligence Unit⁷ reported late 2004: "Bangladesh's political scene will remain highly volatile over the near future. [...] The law-and-order situation remains a serious concern, and poor governance will act as a brake on the implementation of economic reform".

See for a description of the political and economic context, as well as the class, kinship and power relations in Bangladesh Annex C.1.

1.2 International Development Assistance

Since Independence, international development assistance has been important to Bangladesh, in particular to finance public investments and to the development of large non governmental organisations (NGOs). In the past, Bangladesh was described as an aid dependent country. But this dependency has diminished over time. To the public sector, the relative weight of external funding over the period 1998-2003 declined from 18.7 to 12.0 percent of all expenditures, while over the same period Official Development Aid funded from 45 to 31 percent of the Annual Development Programme (see table 1.2). External aid also decreased as percentage of Gross National Income (GNI), from well over 4 percent to 2.1 percent in 2002 (OECD)⁸. There are two reasons for this decline: first, in absolute terms ODA declined from USD 1,158 million in 1998 to USD 912.8 million in 2002 (see table 1.1); secondly, the tax revenues have increased by USD 1,200 million over the same period and that implies a relative lower share of external aid in the total resource envelope.

⁵ Equal to the public deficit

⁶ The World Bank (2004). Doing business in 2005

⁷ The Economist Intelligence Unit. Country Report, October 2004

⁸ Aid flows constitute less than 2% of GDP. Source: B.Sundstrom, DFID

Table 1.1 Dutch participation in Net Official Development Assistance

USD million	1998	1999	2000	2001	2002
Bilateral	623.9	607.3	616.5	578.4	520.8
Japan	189.1	123.7	201.6	125.6	122.7
UK	99.0	114.9	103.4	124.5	101.8
US	4.0	113.6	62.5	87.1	72.1
Germany	65.1	46.6	36.7	30.1	30.0
The Netherlands	57.9	36.1	32.6	43.2	44.3
Multilateral	524.8	588.2	519.5	437.5	379.8
IDA (World Bank)	290.8	339.6	275.2	217.9	195.1
ADB	183.1	214.1	198.0	126.6	93.2
UNDP	20.8	13.9	18.8	12.2	14.4
Total incl. Others	1,158.1	1,215.2	1,171.3	1,029.9	912.8

ODA is defined as grants and loans, with at least a 25 percent grant element, administered with the aim of promoting economic or social development.

Source: OECD, Geographical Distribution of Financial Flows to Aid Recipients (OECD website)

When in 1999 the sector approach became official policy in the Dutch development co-operation, the ministry stated that the Dutch contribution to a country (and to a sector) should be 'substantial'. Although no definition was given of what should be understood by 'substantial', the volume of financial support was at least part of that concept. The Netherlands has been a 'substantial' donor to Bangladesh in that respect. Although modest in terms of percentage of the Development Budget of Bangladesh (1.5 percent), the Netherlands' grants (€ 30–40 million per year) represented between 3 and 5 percent of all ODA to Bangladesh (2002: 4.9 percent). The Netherlands ranked 6th amongst all development partners (2002) (after World Bank, Asian Development Bank [ASB], Japan, USAID and DfID) (table 1.2).

Table 1.2 Netherlands' contributions in total ODA and relative share of ODA in the Annual Development programme of Bangladesh

	1998	1999	2000	2001	2002
Netherlands as % of total ODA	5.0	3.0	2.8	4.2	4.9
All ODA as % of Total Expenditure	18.69	17.74	16.90	14.51	12.04
Bilateral Aid as % Total Expenditure	10.07	8.87	8.89	8.15	6.87
All ODA as % Annual Developm Progr	45.18	40.17	39.75	39.30	31.27
Bilateral Aid as % of Annual Develop.Pr	24.34	20.07	20.92	22.07	17.84
Netherlands as % of Annual Develop Pr.	2.26	1.19	1.11	1.65	1.52

Source: own calculation

1.3 Country eligibility

In 1999, the Ministry of Foreign Affairs applied three main eligibility criteria: IDA eligibility, good policies and good governance⁹.

- In 1999, Bangladesh was IDA eligible.
- Its policies, at least its macro-economic policies were in line with the agreements made in the context of the structural adjustment facilities with IMF (SAF and ESAF). The level of external debt was considered sustainable, hence Bangladesh was not HIPC eligible. In consequence there had been no 'obligation' to the Government of Bangladesh (GoB) to elaborate a Poverty Reduction Strategy at the time (the first full PRSP was presented in December 2004).
- In 1999, Bangladesh was among the poorest performers as far as it concerns good governance with Amnesty International reports observing violations of human rights; an almost constant bad law and order situation; and Transparency International ranking Bangladesh among the worst performers on corruption. Good governance, however, was not an 'eliminating' factor as long as progress could be observed.

The Netherlands' ambassador to Bangladesh up to 1996/97 was of the opinion that Bangladesh should not be eligible for Dutch development co-operation just for governance reasons. His successor had a different opinion and argued that just because of the poor governance situation Bangladesh should be on 'the list of 20' with the aim to stress the need for necessary changes in the governance situation. A development co-operation relation would enable the Netherlands to stay in close contact with government and to bring up the governance situation frequently and in different fora.

The Minister for Development Co-operation reported to Parliament (17th May, 1999) that few countries would qualify if the governance criteria were strictly applied. Among the reasons mentioned in pro for the selection of Bangladesh figured the country's economic stability, the increasing collaboration between government and the civil society (for example in education) and the fact that government had taken seriously the outcome of the 1996 evaluation of the development cooperation with the Netherlands.

Weak institutions and governance are among main obstacles to further economic growth. Development Partners (DPs) vary in their opinion whether the governance (read: corruption) situation has improved or deteriorated over time. It was RNE's assessment that GoB had insufficiently combated corruption, but that, albeit signals of improvement, these signals have been insufficiently encouraging (2004). The Ministry of Foreign Affairs' Country Team reported (1-4 December, 2003) "there is serious doubt about the willingness and ability of the GoB to improve the governance situation, in particular on endemic corruption and the human rights situation".

⁹ For reference on the selection process and criteria applied, see separate working report by ISS, 2004 and chapter 2 of the main report.

In continuation, the Country Team listed some reasons in favour of Bangladesh as partner country. In fact, the list reveals ex post the arguments used in 1999 to select Bangladesh as partner country:

- Bangladesh has well over 70 million poor. If the aim is to contribute significantly to the reduction of poverty (later: the MDGs), than volume is of significance.
- The efficiency reason: with the same amount of aid money more poor can be reached and attended in a rather homogeneous high population density country than in a heterogeneous low population density country.
- Bangladesh is a moderate Islamite country (this geo-political argument has gained importance since 2001).
- The experience with the delivery of aid has been relatively positive, as proven by the progress made in reproductive health care and gender, enrolment and female equity in education and others.

Whether all these arguments continue to be sufficiently convincing has been questioned. RNE Dhaka's track record 2004 stated: "there is insufficient progress in achieving a broad support for pro-poor policy and doubts persist with respect to the political willingness for change".

1.4 Appropriateness for the introduction of the sector-wide approach

If the embassy reports insufficient support for a pro-poor policy, were the overall political and economic environments conducive to the introduction of the sector-wide approach?

This section elaborates on this conduciveness.

First, the governance and political situation. In 2005, Transparency International identified Bangladesh for the fifth consecutive year as the country with the lowest score on the Corruption Perceptions Index. The World Bank 2005 World Business Outlook characterizes Bangladesh amongst the three countries in the world where it is most difficult to do (international) business. Corruption is omnipresent, in the public and private domain alike. Part of the corruption in the public sector has got to do with the politisation of the bureaucracy (contrary to some other countries, a relatively new phenomenon in Bangladesh).

Opinions vary whether the governance situation has improved or not over the period 1999-2004. While corruption is persistently high, the World Bank reported an improving public finance management and a lower fiduciary risk. While the World Bank and ADB mainly focus on the public finance and administrative system, bilateral donors use to give a higher weight to issues like human rights or child labour. RNE Dhaka is active in supporting governance activities, as well as human rights issues. The Ministry of Foreign Affairs' Country Team reported in 2003: "There is a negative trend in governance, particularly in the area of human rights (minorities) and law and order (security and protection against extortionists) and corruption". The complex governance situation leads to different reactions among bilateral donors. It has been difficult to

come to a common stand on the question whether the governance situation improves or becomes worse.

The political situation is rather unstable. Bangladesh's political scene is (and tends to remain¹⁰) highly volatile. The main opposition Awami League continued to deny the legitimacy of the ruling coalition government led by the Bangladesh Nationalist Party (BNP) (2004). In the long-term, the political stability may depend on the effective resolution of the socio-economic problems, as well as on how those problems are being discussed in the country: through a functioning parliamentary system or by the politics of confrontation and power play.

Second, the economic environment. Bangladesh has been performing economically well over the past decade. This is expressed by the main macroeconomic indicators as well as the reduction of the population living below the lower poverty line. The per capita income is growing with about 3 percent per year. But the growth is still largely based on a single industry: the garment industry. At family level, remittances from workers abroad are extremely important for (family) income. Direct Foreign Investment has remained low, is highly linked to Bangladeshi living abroad and has shown to attract short-term investments mainly.

Third, the main development policies. The dependence on foreign aid is gradually reducing. GoB is committed to the Millennium Development Goals (MDG) and has completed a Poverty Reduction Strategy in 2004.

1.5 Assessment

The arguments for considering Bangladesh as partner country were based on considerations of appropriateness that went beyond the formal selection criteria used by the Ministry of Foreign Affairs. In fact, the opportunities for a successful application of the sector approach did not play any role of importance in that decision. It was known from the onset that the governance situation would be a high hurdle to take and the option of budgetary support would fall beyond a medium-term horizon. Up to 2004, the high fiduciary risk has restricted the eventual full deployment of the sector approach.

In situations of bad governance, the ministry's policy has been that "the film is more important than the picture", but in the case of Bangladesh, there has been no consensus whether that film has shown improvements over time.

A context factor in favour has been the continuity in policy: both the Awami League and the Bangladesh Nationalist Party –during their periods of government- have shown commitment to improving social services and in particular in achieving the Millennium Development Goals.

¹⁰ Economic Intelligence Unit, 2005.

Bangladesh went through an economic stabilisation process and has applied a broad based structural adjustment programme. This has paid off in a sustained economic growth over the last years. The sustainability of that economic growth will depend on the public and private governance situation. The economic progress registered has enabled government to generate more tax revenues. Governments from both political sides have invested these higher revenues in public service delivery.

2 CHANGES IN THE IMPLEMENTATION OF THE DUTCH DEVELOPMENT CO-OPERATION

Were the policy changes sought by the introduction of the sector-wide approach achieved in terms of:

- *Choice of sector* and sector support. Was the choice of sectors and sector support in line with the preferences and priorities of the Government of Bangladesh?
- *Concentration on sectors*. Has the delegated bilateral aid been concentrated on a maximum of three sectors? Was this support 'substantial' and what kind of activities were discontinued ('exit')?

2.1 The Netherlands programme prior to 1999

During the 1970s, the Dutch development assistance was provided to transport, water management and industry, reflecting the need to reboost the economy of a war-ravaged country. In the 1980s, increased attention was paid to activities that directly addressed poverty through a target group approach. In the 1990s, balance of payments support and assistance to the transport sector were phased out. Infrastructure development was increasingly considered to be more suitable for funding by multilateral development banks and in consequence, the Dutch aid supported the social sectors (education, health) and non-governmental organisations (NGOs). Until 1996, agriculture and water management were constant components within the Dutch programme. By 1996 an array of activities was funded spread over various sectors and themes, such as education, health, water, rural electrification, agriculture, micro-credit, and medium and small enterprise development and women and development. In 1997, it was decided that the aid programme would focus on the social sectors and water management. Support to agriculture, small industry and energy would be phased out (IOB 1998, Main Report:2).

The Bangladesh Government assessed the results of the 1997 IOB Evaluation of the Dutch development co-operation with Bangladesh. At that time, GoB observed that the Netherlands' bilateral aid programme had shifted focus from physical rehabilitation and investment to direct poverty alleviation. In late 1980s and 1990s this led to a reorientation in favour of education, health and NGOs, to the detriment of transport, energy, industry projects and programme aid. GoB's preference however, remained with programme aid and investment projects. The mismatch between the Netherlands and Bangladesh's priorities got accentuated as most of the donors followed a similar reorientation. This led to 'crowding in' the social sectors, while less investments in the economic sectors. This process originated an aggregate mismatch between availability and demand for foreign aid in Bangladesh (Ministry of Foreign Affairs 1998, Summary Report: 50). While the Dutch government supported the pro-market policy stance of government, it failed to develop any mechanism to channel resources to Bangladesh's incipient private sector.

Table 2.1 provides an overview of the composition of the Dutch development assistance during the period 1972-1999.

Table 2.1 Composition of the Netherlands bilateral aid programme, 1978-1999 (in million Euro)

Sector		1978 - 1991	1992 -1999
Agriculture		57.7	20.0
	Of which: <i>programme aid</i>	51.8	0
	<i>project aid</i>	5.9	20.0
Industry and Energy		74.9	41.8
	Of which: <i>programme aid</i>	59.0	0
	<i>project aid</i>	15.9	41.8
Transport		44.1	20.4
Water Management		26.4	72.4
Education		3.4	32.4
Health and Population		10.0	39.8
Drinking Water		9.1	19.5
Miscellaneous		50.9	63.7
	Of which: <i>programme aid</i>	32.3	36.8
	<i>project aid</i>	18.6	25.9

Sources: IOB 1998. Main Report. Period 1997-1999: IOB 2004 database

Note: the periods compared are not equal in duration. The table shows mainly the impact of the 1991 discontinuation of commodity aid and balance of payments support and the phasing out of support to transport.

Education

The Netherlands had supported the First Primary Education Programme (started in 1980) and its successor General Education Project. The General Education Project was a multi-donor effort by eight (8) donors. This was the foundation to a first attempt to introduce a sector-wide approach to primary education in Bangladesh: the Primary Education Development Programme (PEDP-I). RNE Dhaka, together with the World Bank and Sweden took the lead in developing the concept. When the institutional responsibility for primary education was taken away from the Ministry of Education and passed on to the Office of the Prime Minister and when in addition GoB abandoned the programme focus and returned to a project approach as far as it concerned the envisaged financing of the activities, RNE Dhaka decided to step out (1997).

RNE decided to support primary education through through the large NGO BRAC and through CAMPE, an umbrella organization of some 400 NGOs. See for a description of the education sector and the Dutch programme in education Annex B1.

Health

Since 1979, the health sector had counted with a broad multi-donor programme. The Dutch support came in from 1985 onwards. The Netherlands co-funded the World Bank Population and Family Health project, of which the fourth phase (IDA IV, 1992-1996, later extended to 1998)

was sector-wide. The programme was basically a framework for separate projects in the health sector.

The follow-up programme was the Health and Population Sector Programme (HPSP) that contained more features of a sector-wide approach than its predecessor. Next to HPSP, the Netherlands funded only a few projects in the health sector of which the financially most important was the Oral Rehydration Campaign. This campaign was linked to a more general support to research on diarrheal diseases (ICDDR Bangladesh) in the slums of Dhaka. See for a description of the programme in the health sector Annex B2.

Water resource management

Water resource management has always been an important component of the Netherlands co-operation programme with Bangladesh. The history goes back to 1975 in reaction to the urgent need to rehabilitate the irrigation and drainage network badly damaged by 1974 floods. The programme consisted of projects grouped into five sub-sector clusters:

- drinking water and sanitation;
- water resources management;
- coastal zone management;
- the Ganges Dependent Area programme and;
- general support.

The spending averaged €11 million per annum with a maximum of € 16.4 million in 1998. For an overview of the main projects, see Annex B3.

Over the years, projects have been the principal vehicle for aid in the water sector. The focus on the project modality was driven by the strong belief that the lack of institutional capacity was the main bottleneck to development. Projects, with their own accounting and administrative arrangements, their own management and implementation structure were perceived as the best modality to minimise risk and to ensure accountability over aid money¹¹.

Projects in the water sector have had a distinctive character over time. At first, the emphasis was on physical rehabilitation and construction, but gradually operation and maintenance became more important, as well as the procedures and internal management practices thereto by executing agencies (Bangladesh Water Development Board - BWDB mainly). This ran parallel with more attention to the involvement of end users (farmers) in both project implementation, daily water management and maintenance.

¹¹ In comments (19th June 2005) on a previous draft, RNE Dhaka reiterated this argument as main motivation for using the project modality in the water sector.

In the definition of inputs, always a high level of technical assistance was required. Substantial programmes of human resource development activities have been implemented by all projects.

Rural Electrification

Between 1995 and 2000 budget support was allocated for rural electrification in the magnitude of € 24.9 (NLG 55) million. This support was issued through a grant to the Ministry of Finance, that in turn lended the resources on (on concessional terms) to the Rural Electrification Board.

2.2 The sector choice

Prior to the introduction of the sector approach, the formal consultations on bilateral development assistance were held between representatives of the Ministry of Foreign Affairs, the Royal Netherlands Embassy and the Secretary of Economic Relations Division (ERD) of the Ministry of Finance of Bangladesh. There was no agreed upon frequency in these meetings. Usually, the Netherlands had to request for such meetings. In addition, RNE and ERD maintained informal contacts. In practice, ERD's main partners were the World Bank and the Asian Development Bank. The attention paid to the Dutch bilateral aid was rather low. Since the Netherlands used to have determined the grant envelope beforehand on a project by project base, the function of the bilateral consultation was limited to reaching an agreement on the modality of implementation (through government or not). In addition, new requests from government were received for eventual inclusion in the future.

The 1997 indication by the Minister for Development Co-operation

The July 1997 bilateral negotiations were –at the Dutch side- presided by the then Minister for Development Co-operation. He indicated to the Minister for Finance of Bangladesh¹² that “annually NLG 85 million will be made available for Bangladesh, including NLG 20 million for the NGO sector, while additional resources will be allocated for balance-of-payments support” and “...the Netherlands is keen on coming to programme assistance in the form of budget assistance”. He added: “in Bangladesh integrated water management, basic health care (incl. sanitation) and primary education are likely to be selected as priority sectors”.

The choice of sectors was based on the outcome of the IOB evaluation of the cooperation programme with Bangladesh 1972-1996, of which the results had been made subject to discussion with GoB and NGOs¹³. The implication of that consultation had been the discontinuation of the Dutch involvement in agriculture (part of the portfolio was transferred to the Danish development co-operation¹⁴), small and micro enterprise development, micro-credit and rural electrification.

¹² Minutes of bilateral official meeting between Bangladesh and the Netherlands. 23rd July 1997. Dhaka.

¹³ Tweede Kamer, vergaderjaar 1999-2000, 26433, nr 18.

¹⁴ Interview ex HOS Bangladesh.

The 1998-1999 selection

The ministry's policy instruction was to concentrate the co-operation programme in three sectors only. That fitted well with the situation in Dhaka at the time, where after the 1997 bilateral negotiations, the embassy had started to concentrate the programme into three sectors only: health, education and water management. Since the sectors had been chosen in 1997, RNE Dhaka did not elaborate any further justification for the choice in 1999. The embassy did not carry out any comparative sector study or Institutional Sector Organisational Analyses (ISOA). It should be noted that this latter analysis was no 'common knowledge' yet at the time; embassy staff was trained in the technique only late 2000¹⁵.

During the bilateral consultations of February 1999, the External Resources Division (ERD) of the Ministry of Finance put pressure on RNE to reincorporate the activities that had been discontinued since late 1997, such agriculture and rural infrastructure¹⁶. Since the sector programme in health faced some problems, the Ministry of Finance suggested the embassy to return to agriculture. RNE Dhaka reported to the Ministry in The Hague "Although the choice on sectors was made in full harmony –at least to the opinion of the Minister at the time- there are frequent signals of discontent from Bangladeshi side with this choice. GoB would have preferred to maintain the spread of activities over the various sectors". RNE added "I consider this unacceptable and insisted on the laudable choice made in 1997"¹⁷. To the discontent of RNE, the ministry headquarters response was that "one should not stick to the sector choice made, but a new dialogue should be initiated with government, civil society and other donors".

This reply implied various problems to the embassy. One of those problems was the relationship between government, development partners and the NGOs. While the Dutch co-operation worked with both the public sector and NGO's simultaneously, the public sector used to consider the large NGOs as creations of the donors. Relations between the public sector and NGOs were far from cooperative. In 1999 the ministry had recommended to involve NGOs directly in the sector support programmes and this placed RNE Dhaka for a dilemma¹⁸. In the educational sector RNE had decided to work through the NGOs, since these organisations had a proven record in reaching the poorest population groups even in the most remote areas. RNE feared that a shift back to the public sector would imply a rupture with the large NGOs (a partnership between GoB and the NGOs was considered as 'wishful thinking' at the time) and might be at the expense of the poverty focus in the Dutch co-operation programme.

After insistence by headquarters, RNE Dhaka started a consultation process, but with the intention that the outcome should –preferably- not lead alterations of the choice made. RNE was willing to consider a fourth sector, if government would request so, since the policy instructions mentioned "three or four sectors" as an option. Meetings were held with a large array of stakeholders (donors, BRAC, Centre for Policy Dialogue, Grameen Bank) within a short period of

¹⁵ Embassy staff was trained in Manila late 2000. In the same year, a gender-sensitive ISOA was carried out in the Ministry of Local Government, but this was from a gender perspective and not directly linked to the sector choice. This ISOA was later used as example to the Rural Water Board.

¹⁶ Agreed Minutes Bilateral Consultations between Bangladesh and the Netherlands, February 3rd, 1999.

¹⁷ Memo LDHA/CdP/137/99, 13 April 1999

¹⁸ Interview ex themadeskundige Onderwijs

time. The sector choice was presented formally to the Minister of Finance (5th August 1999) and made subject of discussion on 19th of August 1999 in a “sector choice and ownership exercise” with ERD, Ministry of Health, Department for Primary and Mass Education, Rural Electrification Board, Ministry of Local Government. By having invited only partners with whom activities were already ongoing, RNE could count on a reconfirmation for the sectors water, health and education. ERD requested to continue support to the Rural Electrification Board (13th October 1999) (an other request was rural roads). The formal sector choice for three sectors was made during that exercise, but is not reflected in any ‘agreed minutes’.

In December 1999, RNE reported to have completed the ‘ownership’ exercise leading to “a full endorsement by the authorities of Bangladesh that the sectors agreed upon are the most indicated” and that “GoB suggested to add a fourth sector, being Rural Electrification”¹⁹. A new discussion developed between RNE and the ministry regarding the question whether rural electrification could be considered as a sector or not. Since the Dutch support was directed to a single institution, the ministry thought it would not qualify as such.

In the meantime, the Minister for Development Co-operation reported to parliament that “...in Bangladesh the process on sector choice has not been entirely completed yet”²⁰.

Later, the ministry agreed to add rural electrification but questioned the value added of the Netherlands in the health sector, since the Netherlands would be a small player only. RNE replied that it was not willing to re-open the discussion once more and rural electrification was added as a sector in 2001.

According to the policy instructions, Dutch contribution to a sector had to be “substantial”. At sector level, the relative importance of the participation by the Netherlands is indicated in table 2.2:

¹⁹ CdP to DAO/ZZ

²⁰ Tweede Kamer vergaderjaar 1999-2000, 26433, nr.18

Table 2.2 Relative concentration of donors

Sector	Donors	Netherlands' ranking
Integrated water management	RNE, WB, ADB, DFID, Danida, CIDA, Japan (JBIC/JICA), FAO	4 th . After ADB, DFID and Japan
Health	BuZa, WB, EC, DFID, SIDA, Germany (KfW, GTZ), Japan, CIDA, USAID, UNICEF, UNFPA, WHO	Netherlands small donor. About 3.5% of total and 5% of HPSP
Basic Education	RNE, ADB, WB, EC, DFID, NORAD, CIDA, SIDA, UNICEF	Netherlands relation to public sector nihil. 15% of BRAC. In PEDP II Netherlands will contribute 7.5%
Rural Electrification	RNE, USAID, WB, NORAD, Japan (JBIC), Germany, CIDA	Netherlands medium-size donor
Gender (cross-cutting)	RNE, ADB, CIDA, NORAD, UNICEF, UNDP	Netherlands important donor. Ranking unknown
Financial management (supra-sector)	RNE, DFID	Netherlands 25%, Dfid 75% to Financial Management Reform programme

Source: RNE Meerjarigperspectief OS, 28th July 2003

The Dutch participation to water management, education and rural electrification can be considered as 'substantial', but in the health sector the Netherlands has been a small donor only (about 3.5 percent of all external aid to the sector), mainly since the sector is crowded with development partners²¹. Within the sector programme HPSP, the Netherlands contribution was only 5 percent of the consortium resources. The Landenteam concluded that RNE couldn't play a lead role in health due to multi-annual budget restrictions. A minimum amount of € 10-12 million per year would be necessary²² to become a substantial donor.

Choice of sectors after AEV 2003

In 2003, the White Paper *Aan Elkaar Verplicht* (AEV) urged the embassies to reduce the number of sectors to "two, maximum three". A Ministry of Foreign Affairs' strategic planning mission (late 2003) assisted RNE to set the frame for future actions²³. A SWOT analysis was made concluding that:

- Water, education, health and rural electrification (renewable energy) were all priority sectors in AEV contributing to the Millennium Development Goals (MDGs) In water and education, RNE held a strong position as chairman of the respective consultative groups. Water and education were the first ones mentioned by Bangladeshi authorities when asked about the value added of the Netherlands.
- In health, the Netherlands had a long-standing involvement and RNE's added value was vested in its consistently focusing on gender and reproductive health care. However, the financial input in the health sector was relatively small and RNE would not count with a

²¹ RNE Meerjarigperspectief OS, 28th July 2003.

²² For African countries that contribution had been estimated at € 5-7 million, but due to the population size of Bangladesh it was assessed at € 10-12 million.

²³ Landenteam, 2003. A summary of all arguments used in pro and contra of the various sectors can be found in the Final report of the Country Team Mission Bangladesh 01-04 December 2003.

- health specialist in the near future. The embassy even initiated an agreement with DfID for a silent partnership in 2003²⁴.
- Rural electrification had enabled the channelling of large amount of resources. The relative newness of RNE in rural electrification and the fact that other donors were interested in the sector were considered disadvantages.

It was concluded that the activities in rural electrification should be discontinued by means of an exit programme up to 2007. Although reference was made to the SWOT analysis, most likely 'down to earth' reasons played a more important role, such as the reduction of the resource allocation to Bangladesh by the ministry from an envisaged €38 million to less than € 30 million. The Dutch programme should maintain a strong gender profile and increase its efforts in governance both within the sectors (corruption, capacity building, planning) and in the form of support to the general reform agenda (the Financial Management Reform Programme). New AEV 'accents' in the programme were private sector development and a more regional approach in the water sector.

Coherence with the PRSP

In 1999, GoB did not have an agreed upon policy document for national development and/or a poverty reduction strategy that could guide the Dutch decisions on sector choice. Bangladesh is not a HIPC eligible country and hence started to elaborate a PRSP at a relatively late moment in time. The consistency of the Dutch sector choice with the development priorities of GoB could not be cross checked against development plans.

In June 2002, GoB presented a concept I-PRSP containing a sound poverty analysis, but relatively little strategy (World Bank, 2002). Since then a consultative process started, as well initiatives to link the PRSP with the IMF agreed upon macroeconomic framework. During the consultations (June 2002 – June 2003), the number one priority that emerged was a process of governmental decentralisation and a strengthened system of local government. In the final I-PRSP this number one priority of the civil society organisations was not mentioned at all. This not only frustrated the organisations that had joined the PRSP consultative process, it also underscored the centralised character of the Bangladesh public administration system and its tradition of 'in-house decision making' with IMF and World Bank. The I-PRSP, as discussed by the Board of the World Bank (June 2003) was based on four pillars: (i) acceleration of pro-poor growth; (ii) improvements in governance; (iii) investment in human development, and (iv) ensurance of social protection. The I-PRSP has prioritised twelve sectors. The four sectors chosen by RNE are listed among those twelve priority sectors. Ex-post it can be stated that the sectors chosen by the Dutch development co-operation have been relevant for the GoB policies. A full-fledged "National Strategy for Accelerated Poverty Reduction" was published in December 2004.

²⁴ The proposal for a silent partnership was later rejected by the ministry by referring to the AEV priorities. In 2004 it was decided to add a health sector specialist to the embassy staff.

2.3 Changes in the assistance programme

RNE assessment of opportunities to come to a sector approach

During the 1999 bilateral consultations, RNE explained that “an unambiguous choice” had been made for the sector approach and that within the three sectors chosen (excluding rural electrification) “comprehensive programmes” would be the only way to proceed. In the health sector such a programme had been approved, while in the water sector “the conditions for a sector wide approach are gradually being realized”, since two milestones had been achieved, namely the approval of the National Water Policy and the start of the formulation of the National Water Management Plan. It was added that with respect to the education sector “a dialogue with government on a sector wide approach had not yielded result”²⁵, but that GoB had to consider the Netherlands as a potential donor for the Primary Education Development Programme and requested to be invited to the annual review of the programme.

With respect to the prospects of implementing the sector approach²⁶, RNE expressed a negative view on the educational sector and a positive one on health, while for the water sector it was stated that “to come to a sector wide approach is very difficult, since one does not deal with a single homogeneous sector, but with a cluster of different subject matters, related to the different uses of water”, and “therefore it is preferable to strengthen the capacities of the various institutions through sub-sector programmes, what will lead to an increased opportunity for improvement of the coordination”.

Late 1999, a seminar was organised between the donor community and a group of civil servants chaired by the Principal Secretary to the Prime Minister on the subject of “programme approach”²⁷. The Netherlands played a leading role in that seminar. Most resistance was met from the Ministry of Education, partly as a result of complex internal power play within the ministry and partly as a result of scepticism, since the Netherlands had pulled out the PEDP I as recent as 1997. ERD feared that a common donor stand could easily lead to a kind of a ‘Northern European Alliance’ too critical about GoB and finally in favour of NGOs. The Ministry of Finance preferred to deal only with IMF and World Bank on policy matters, instead of a broad spectrum of donors with different opinions. Policy making had always been done in ‘closed circles’²⁸.

Table 2.3 presents an overview of the disbursements to all sectors over the period 2000-2003.

²⁵ Agreed Minutes Bilateral Consultations between Bangladesh and the Netherlands. February 3rd, 1999.

²⁶ Memo CdP to DGRB, 13th April 1999

²⁷ HOS to DAO/ZZ, 6th December 1999

²⁸ Interview ex ambassador.

Table 2.3 Disbursements by theme / sector

Disbursements by theme/sector and structural macro aid (€ 1,000)					
Sector/theme	2000	2001	2002	2003	Total 2000-2003
Health	5.875	4.745	8.440	9.477	28.537
Education	7.689	3.723	3.635	4.664	19.711
Rural Electrification	0	76	0	9.260	9336
Water Management	10.904	10.348	5.877	7.300	34.429
Gender	289	323	1.007	898	2517
Good Governance	113	430	154	2.246	2943
Exit and others	2.068	1.000	704	1.122	4.894
Total	26.938	20.645	19.817	34.967	102.367

Source: IOB data base. Based on MIDAS and Programmahulpbrieven
RNE's views of the opportunities for sector support programmes are detailed by sector below.

Education

In education, the Primary Education Development Programme (PEDP-I, 1998-2002) had emerged out of the General Education project. Although the Netherlands was fully involved in the preparatory stages, RNE decided to step out prior to the formation of the donor consortium for funding. The reasons for 'stepping out' were²⁹:

- lack of agreement among the development partners, in particular with the World Bank on the funding mechanism. Only DfID and the Netherlands were in support of pool funding;
- lack of agreement between GoB and development partners on the priority setting. GoB abandoned its own priorities after some bilateral donors had brought in their own appraisal missions. With GoB focusing on more infrastructure facilities (access to education), most development partners stressed the need for improving the quality of education;
- GoB had introduced an institutional split between the Ministry of Mass and Primary Education and the Ministry of Education, and hence the separation between primary and secondary education;
- GoB had not approved the non-formal educational standards (teacher training, enrolment age, etc) suggested by the main non formal education suppliers.

RNE decided to go for a 'full fledged' support to the non formal primary education (Bangladesh Rural Advancement Committee [BRAC] and Campaign for Popular Education [CAMPE]). See for a description of activities through BRAC and CAMPE Annex B1.

RNE complied with its promise to GoB to monitor closely the developments in the PEDP I and to assess opportunities to join in again. RNE Dhaka described PEDP I as "an unsuccessful attempt to develop a programmatic approach" (Annual Report 2001).

²⁹ Appraisal Document BD 008806 Non Formal Primary Education III

Since PEDP-I would come to an end in June 2003, the then Primary and Mass Education Division wanted to prepare a follow-up programme and invited both the Netherlands and DfID to fund coordinated projects in support of primary education. Both the Netherlands and DfID stated that they preferred to do so in co-operation with other development partners in a broad comprehensive programme. GoB agreed with this concept in June 2001. The embassy funded an evaluation of the PEDP I in order to draw lessons for the design of PEDP II.

The Education Local Consultative Group coordinated the establishment of a Task Force to prepare this new programme according to the following outline:

- The PEDP-I activities funded by ADB would end first and GoB had requested ADB to develop a follow-up programme. ADB did not support fully the notion of a programme approach and sent out fact finding missions (August and October 2001) to define a new ADB – project, in which other DPs might ‘join in’.
- RNE Dhaka -through ADB Headquarters in Manila- convinced ADB Dhaka that a joint approach was not the same as the invitation to ‘join in’ and that a joint approach implied a joint preparation.
- The assessment of PEDP-I was the next step. DfID and RNE funded the review (report January 2002).
- Based on the findings of the assessment, an ADB Inception Mission was launched, followed by a joint elaboration (GoB with Development Partners) of a MacroPlan for the education sector (April – November 2002), funded by DfID and RNE.
- After presentation of the MacroPlan the discussions on structural reform went a bit too far to GoB. After a multi-donor fact-finding mission (Febr-March 2003) MoPME agreed with the reform agenda. It was agreed that PEDP-II would last for six years (in stead of five), in order to bring its planning in line with GoB 3-years rolling planning cycles.

PEDP-II has been designed as a nation-wide programme, covering all government (GPS) or non-government but government financed primary schools (RNGPS), based on the National Education Policy, 2000 and Education for All 2015. It attends to between 85-90 percent of all primary school aged children, be the remainder catered for by NGOs. The objectives are: (a) to improve the quality of teaching and learning, and to enhance student achievement; (b) to enhance access to schooling for the disadvantaged; and (c) to strengthen planning and management of primary education, and establish national monitoring and evaluation system for primary education. GoB and a consortium of donors (11) agreed to pursue a programme-based approach. The lead agency is the Asian Development Bank (ADB) and other members include AusAid, CIDA, DfID, European Commission, JICA, Netherlands, Norway, SIDA, UNICEF and the World Bank. After the formal launch of the programme in June 2003, it became effective in April 2004. In practice, however, early 2005 the programme was still in the process of getting off the ground. The total cost of PEDP II is USD 1.8 billion of which USD 654 million (36 percent) is funded by donors. RNE’s contribution is USD 50 million (3 percent of the total and 8 percent of the donor contribution). One of the reasons for the delay in implementation has been the slowness in meeting key conditions for release of donor funds, including a comprehensive institutional and organisational analysis of primary education management, as well as measures regarding the establishment of a separate primary education cadre to promote professionalism and capacity building in the sub-sector.

Health

RNE's positive view on the opportunities for a sector approach in the health sector was motivated by the fact that multi-donor programmes had existed already since 1979. The Health and Population Sector Programme (HPSP-V) was set up as a SWAp. It started its activities in 1999. It was a World Bank-led continuation of the Population and Family Health project and developed in the absence of a formal health policy. In fact, it aimed at coming to a National Health Policy during the process. To a certain extent this strategy was successful, because a National Health Policy was produced in the year 2000, after a participatory process that involved well over 6,000 directly involved professionals.

The objective of HPSP was to improve the health and family welfare of the most vulnerable women, children and poor of Bangladesh. Reforms were to focus on:

- Delivery of an essential service package (ESP) at the primary and secondary health care levels.
- Restructuring of some elements of the government's health and family welfare system, including the unification of the health and family planning service delivery systems.
- Decentralisation of the government health system to the district and *upazila* levels.
- Introduction of a new tier of service delivery at the community level (community clinics) in order to be able to offer a one-stop service for both health and family planning services.
- Development of a national essential drugs strategy and development of health insurance.

One of the features of HPSP was that it provided an umbrella framework enabling to cover 128 previously separately administered projects into a single programme. But this single programme counted with 27 separate programme components, most of them with a different donor, next to a package funded by a pool of donor resources. This complexity caused coordination problems. In fact, the programme was compartmentalised as if it were projects. HPSP covered the period between July 1998 till June 2003 (extended to late 2004) and counted with an overall budget of USD 2.9 billion, of which almost USD 2 billion to be provided by GoB. USD 890 million was provided by fourteen development partners of which USD 450 through a joint funding mechanism by the World Bank, the European Commission, the Government of the Netherlands, the Swedish International Development Cooperation Agency (SIDA) and the UK Department for International Development (DfID).

RNE Dhaka has actively participated in the HPSP in different ways, such as:

- Active contributions to the design of HPSP, for example in gender mainstreaming.
- Active promoter of pool funding. RNE was consistent in that approach and denied –for example- additional project funding, such as on the arsenic contamination of drinking water. RNE did participate in missions to prepare activities on the arsenic problem from a health perspective, but insisted in bringing the problem under the umbrella of HNSP;
- Participation in the 2003 (final) Annual Performance Review.

- Participation in different working groups, regional workshops and discussions on the preparation of the next Health, Nutrition, Population Sector Programme (HNPSP) and future financing of the health sector.
- RNE was one of the six steering committee members of the Health and Population Sector Office (HPSO) and has occupied the vice chair.
- RNE provided assistance in resolving the ‘time slicing’ problem. The disbursements by donors were of two kinds: those of a routine nature as expenses incurred and ‘time slicing’, based upon fulfilment by GoB of certain milestones and accomplishments related to reforms (conditionalities). Time slicing became a subject of controversy as GoB refused to agree with the measurement of progress applied by the Development Partners.
- RNE (partly) financed a governance study about the health sector (2004). This multi-donor/GoB effort went beyond an institutional sector analysis and comprised a study on the role of the private sector, a labour market survey, and decentralisation options.

Preparations for the follow-up Health, Nutrition and Population Sector Programme (HNPSP) had started in the last months of 2002, but were interrupted when GoB unilaterally decided to reverse the envisaged unification of health and family planning services, thus undermining one of the main pillars of the HPSP reform programme. After a ‘chilled’ period between GoB and the main development partners (donors threatened to suspend funding; press release 7th April 2003) preparations to come to a broader health sector programme re-started mid 2003. At the moment of the IOB-mission (late 2004) no activities of HNPSP had started yet.

HNPSP (envisaged time line 2005-2007) is aimed to have a stronger focus on the health and nutrition status of poor and women than its predecessor HPSP. This was triggered by the outcomes on the relations between the HPSP and poverty targeting (see chapter 7).

In project aid, basically the same activities continued as prior to 1999, such as the International Centre for Health and Population Research (ICDDR) core funding. Technical Assistance to ICDDR-Bangladesh was made available and became institutionalised through funding a technical co-operation agreement between ICDDR'B and the Netherlands Interdisciplinary Demographic Institute. RNE took over the Chair of the ICDDR'B Donor Support Group in 2003. New projects were the support to polio eradication through WHO and UNICEF; and the support to the Bangladesh Women's Health Coalition (BWHC).

Water management

In the water management sector, a series of internal RNE discussions took place on how to go about from a traditional project support to programme financing. At the time (1999, 2000) the National Water Management Plan (NMWP) was under preparation and the RNE announced that “it would take at least two years to develop a SWAp in the water sector” (Annual Plan 2000). In the meantime, projects would continue to focus on strengthening institutional capacities of the key agencies and supporting the NWMP formulation process. The intention was to sound out the opportunities for a sector support programme in the Local Consultative Group of donors.

During the period 1999-2000 series of internal RNE discussions took place on how to go about from traditional project support to programme financing in the water sector. RNE opted for the project modality, with a substantial technical assistance component. New 'conventional' project extension proposals were approved (PDO-, SSWRSDP II), while the preparation of two new projects (IPSWAM and WSIP) was started in 2000-2001.

RNE concluded that a sector programme was not a realistic option for the years to come (Annual Report, 2001). It was reported that the major multilateral donors were not able to operate in a different form than the project modality. Also GoB did not show any interest for a (sub-) sector approach. In 2002, RNE concluded that no real progress was made towards a coherent sector approach due to 'transitional stagnation' related to the change of government in October 2001. Another factor was the World Bank's intention to withdraw its support from the water sector as result of corruption cases in a number of World Bank funded projects (see Annex B3.1). RNE indicated to disregard the sub-sector approach altogether in favour of an institutions/agency focus. Institutions would receive 'organisational budget support', which could be seen as an interim phase in between project support and (sub-) sector programme support. Such organisational budget support would be based on approved long-term strategic plans and the outcome of an institutional sector analysis (ISA) to be carried out in 2003.

In 2003, the water sector of Bangladesh was reported to be at a critical juncture with elements and components of a SWAp in place but "other elements still miss", such as a formal and complete endorsement of the National Water Management Plan (NWMP) by the GoB and the slow pace of the BWDB reform programme. The intention to launch an 'organisational' SWAp was not pursued due to "budget cuts and subsequent uncertainties within RNE's programme". Early March 2004, RNE set up an IWRM Programme Support Fund to facilitate the formulation and updating of the water sector programme during the coming 4-year period. The € 400,000 facility would allow RNE to mobilize consultancy services. But the embassy decided to wait for the approval of the NWMP³⁰. In the course of 2004, GoB approved the NWMP and initiated further reforms aimed at restructuring and rejuvenating key agencies in the water sector. By the end of 2004, no real progress had been made in the use of the Programme Support Fund. No concrete action had been undertaken (by any of the donors involved) to engage in a constructive dialogue with the GoB on the feasibility and/or desirability of a SWAp in the water sector.

By 2004, none of the activities in place could be considered as a sector support programme, although co-financing arrangements with international financiers did exist.

See for a description of the major projects Annex B3.

³⁰ RNE Dhaka, comments on draft report, 19th June, 2005

Rural electrification

RNE's involvement in rural electrification resumed in 2001 after a four years break. RNE joined the review of the Rural Electrification Board and supported the set-up the LCG subgroup for rural electrification. Funds were made available to government for subsequent on lending to the Rural Electrification Board (conditions 30 years, 8 years grace period, interest 2 percent). The ministry (DVF) however, was reluctant since this procedure would imply general budget support the moment the Rural Electrification Board started to repay to the Treasury (the repayment would flow into the general treasury coffers). This was considered difficult to monitor and hence prone to corruption. For that reason the repayments were earmarked for flowing into a revolving fund (USD 36 million in three years). Since procurement was considered to be a flaw in the system (as evidenced by the World Bank CPAR), technical assistance was recruited for that purpose (International Procurement Agency, Bussum).

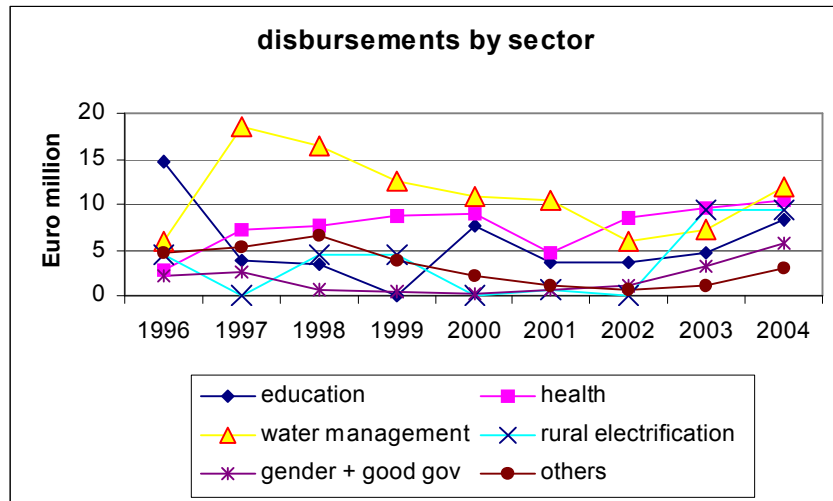
2.4 Concentration

In terms of concentration, the sector approach was expected to produce two results:

- a concentration of the portfolio of activities towards the selected sectors, and
- within each selected sector, a concentration into one (or a few) support programmes.

In Bangladesh, a concentration of activities into the selected sectors took place during the period 1999-2002. The funds spent on activities outside the selected sectors reduced from € 6.55 million in 1998 to € 0.7 million in 2002. However, from 2003 onwards (and triggered by the policy paper AEV), the number activities outside the selected sectors increased again (for example, private sector development) as shown in figure 2.1.

Figure 2.1 Disbursements by sector, 1996-2004



Source: IOB database 2004

Within the sector education, the number of activities had been reduced by concentrating on the non-formal education. With the start of the preparatory work for the PEDP II, the number increased again, for example as a result of funding preparatory studies. Also in the health sector the number of activities showed a tendency to increase, but here the reason has to do with the themes introduced by AEV. The total number of activities in water management fluctuated over time, but did not show further concentration. The number of activities (as well as the amount spent) in the crosscutting themes good governance and gender increased.

In sum, a certain concentration of activities towards the selected sectors took place, but within these sectors there is a mixed picture: in general the number of activities did not reduce significantly, although more of these activities were functional to a limited number of sector support programmes.

2.5 The exit programme

The concentration in the sectors health, education and water management implied a phasing out of activities in other sectors. The 1999 policy did speed up the exit process and implied the discontinuation of the Dutch involvement in urban programmes, small and micro enterprise development and micro credit, as well as agriculture. Projects were phased out according to the duration pacted in the ongoing contracts. No specific exit-programme was considered to be necessary.

RNE Dhaka tried to safeguard (part of) the activities in the rural areas by transferring the portfolio to the Danish development co-operation³¹.

2.6 Technical assistance

Prior to 1999, in the education and health sectors, the Dutch input of technical assistance had always been modest. The introduction of the sector approach did not imply any substantial change to that. Traditionally, in the water sector most projects had a separate 'technical assistance' (TA) component, next to the 'financial assistance' (FA) component. The TA component was usually directly contracted by RNE Dhaka.

In 1999, well over fifty percent of all projects were implemented in the water sector. The technical assistance component could either have a predominantly technical subject matter (and aimed at capability improvements) or involve management capacity, aimed at institutional strengthening (or both). Usually the management TA was justified by the argument of GoB taking over the responsibilities in the near future. The IOB-evaluation Bangladesh (1998) had been critical as far as it concerns the effects of technical assistance for institutional strengthening. In practice, GoB seldom took over the activities and (extensions of) projects used to come in with new technical assistance.

By late 2004, the Dutch funded projects in the water sector still had a large TA component. What did change was that most projects are now implemented jointly with other donors and TA is frequently 'pooled'. Up to 2004, in the bilaterally funded projects, the executing agencies such as Bangladesh Water Development Board were not involved in the recruitment process for TA. Consultants were selected according to DGIS rules and regulations and directly contracted by RNE. The TA teams used to have an advisory function only and are formally separated from project budget management. But, as stated by the embassy "TA is also necessary for accountability reasons, since the governance situation falls short"³². The Netherlands focused on the planning capacity for water resources management through series of inputs, such as in the National Water Development Plan, WARPO, BWDB, and others. However, the institutional strengthening in planning never formed part of any more comprehensive intervention strategy in the water sector, and TA remained linked to specific Dutch funded projects.

2.7 Conclusions and explanatory factors

Were the policy changes sought by the introduction of the sector-wide approach achieved in Bangladesh, in terms of choice of sector and sector support?

³¹ Interview ex HOS Bangladesh

³² RNE Reaction on draft report, 19th June, 2005

In 1997, the 'core actions' were indicated by the Minister for Development Co-operation. The 1999 policy shift did not imply any major change as far as it concerned the choice of sectors, with exception of addition of rural electrification at the request of GoB. This 'sector' was eliminated again after the multi-annual planning exercise of 2003, as a result of the policy document AEV and triggered by the envisaged reduction in the 'indicative budget' to Bangladesh.

It was not the sector choice that generated most discussion, but the assessment whether a sector-wide approach would be feasible or not in the Bangladeshi context, in particular in education and the water sector. RNE lacked knowledge about the array of option for less earmarked funding and started off with a rather orthodox and strict concept of sector support programmes. In the assessment of feasibility by sector, internal rotation of RNE-staff played an important role. The Head Development Co-operation who assumed functions in 1999 introduced a more flexible view on the sector approach, while in summer 2000 twelve new staff members (both Dutch and Bangladeshi) started their functions. In this new group, opinions about the opportunities for applying the sector-wide approach in the various sectors were different from their predecessors.

Since 1985, RNE had joined multi-donor programmes in the health sector. The HPSP was not a sector support programme in all aspects, but it did provide the platform to come to a more integrated and policy based HNPSP (started in 2004). According to other development partners, RNE's value added in the health sector rested in its constant focus on gender and reproductive health care. From a financial point of view, RNE's participation in the health sector cannot be characterized as 'substantial', but RNE has been an active donor and has participated in many monitoring and planning exercises.

In education, RNE had stepped out of the preparations for the first Primary Education Development Project. This side-lining might have had a positive effect, since it provided RNE the freedom to take an outsider's view. After 2001, RNE became very active and even a leading partner in the effort to come to a sector support programme: PEDP II³³.

In the water sector, the 1999 policy change did trigger more collaboration with other bilateral and multilateral donors in search of joint efforts and policy harmonisation. The projects in 2004 had longer standing commitments than in the past. But in their form of implementation and financing no substantial modification took place.

What kind of activities was discontinued (exit) and what happened to technical assistance

The activities phased out (micro-credit and small and medium enterprise development) had not been news-breaking success stories that would have merited continuation, while the decision to

³³ This leading and 'pushing' role by RNE is acknowledged by other donors. To the opinion of the ADB representative in Bangladesh "there would not have been a PEDP II in its current form with its current features if it would not have been for the enthusiasm and convincing arguments of the Dutch" (interview ADB).

discontinue these activities had been taken already in 1997. Although the same decision had been taken for agriculture, these projects were considered as more promising and were closed at a slower pace, while part of the portfolio transferred to Danida.

Technical assistance had been present in almost all projects in the water sector. After 1999 this did not change. Even in projects started recently, TA is still contracted by RNE Dhaka (and not by the Government of Bangladesh). The total TA component is still high in the water sector, although more technical assistance is provided in collaboration with other donors.

The embassy's argument that TA is still required for accountability reasons, considering the governance problems that prevail in many institutions is not valid. Or at least a rather expensive solution for a problem that should have been dealt with by other instruments.

3 TOWARDS LESS EARMARKED FINANCING

According to the sector-wide approach, project aid should be phased out where possible and the use of less earmarked forms of aid should be increased, while a long-term commitment by the donor will improve the predictability of foreign financing.

In Bangladesh, did less earmarked forms of funding aid increase as a proportion of total aid?

3.1 Funding modalities

During the period 2000-2003, the so-called "Programmahulp brieven" report only sector programme aid to the health sector. In 2004 the education sector appears as sector programme aid (PEDP II), as shown in table 3.1

Table 3.1 Sector programme aid in Bangladesh, 2000-2003

Modality (€ million)	2000	2001	2002	2003	2004
Sector Programme Aid (SP)	5.293	4.585	4.538	7.538	12.621
SP as share of all aid in sector health	90%	97%	54%	80%	76%
SP as share of all aid in education	0%	0%	0%	0%	57%
SP as share of structural bilateral aid	22%	23%	43%	27%	21%

Source: IOB. Based on Programmahulpbrieven

Table 3.1 reveals no clear trend towards more sector programme aid, although the start of PEDP II will alter that pattern. During the period 2000-2004 sector programme aid remained more or less constant (20-27 percent) as share of total structural delegated aid.

Prior to 1999, RNE allocated less earmarked funding to HPSP through a pool funding. In 1999, RNE was not in favour of moving towards less earmarked forms of funding, since it considered the fiduciary risk too high. Apart from omnipresent corruption, the public finance management capacities were considered extremely weak. In a reaction by the ministry on RNE Dhaka's reluctance to move ahead with less earmarked forms of funding, the ministry stated: "Given the fact that, in spite of these efforts, a lot still needs to be done, I subscribe to your motto "programme support when possible; project support if there is no alternative (yet)". I also realise that, while making the shift from projects to programme aid, a temporary 'dip' in disbursement may be unavoidable"³⁴.

The reluctance to provide less earmarked aid to Bangladesh was shared by most donors. Of all external funding to Bangladesh during the period 1999-2003, less than 10 percent could be qualified as 'less earmarked' (DfID, 2003).

At sector level, RNE contributed only to the pool funding in the health sector (HPSP).

The earmarking of funds was an important 'side-track' discussion among the (potential) consortium partners for PEDP II. The final result was a pooling of funds, but with the accounts under control by the consortium, so that one could keep track of the expenditures out of the pool accounts. The PEDP-II pool funding operates under a single Code of Conduct and was referred to by the embassy as "as close to the edge" as possible given the limitations in transparency of the public sector finance mechanism.

RNE Dhaka pursued a less earmarked approach for rural electrification. Funds would be made available to the Ministry of Finance for onward lending to the Rural Electrification Board. The Ministry of Foreign Affairs (DVF) indicated that once the Rural Electrification Board would start to make repayments to the Ministry of Finance, this would imply general budget support. The ministry insisted to earmark the amortization payments for re-utilisation for the same purposes (revolving fund).

By 2004, pool funding was the least earmarked form of funding.

³⁴ Comment attached to approval Annual Report 2000. The Newsletter 1 on the sector approach stated: "Should project interventions be required, they should 1) be based on and supported by a sector analysis, 2) provide feedback for policy dialogue, 3) serve as a stepping stone towards future budget support once the recipient qualifies and 4) help the recipient to gain experience and to strengthen its capacity".

3.2 Co-financing and basket funding

PEDP II

PEDP-II is next to RNE Dhaka supported by the ADB, WB (IDA), DfID, EC, NORAD, CIDA, UNICEF, AusAid, SIDA and Jica. In the funding mechanism ADB is the lead agency. The funding mechanism combines grant money with loans (ADB and IDA).

There are two different mechanisms. The most important mechanism is used by ADB, IDA and six partners (amongst them RNE), who make advance payments to a 'pool account' in support of the programme. AusAid, JICA, and UNICEF make funds available through direct payments to service providers under bilateral agreements with GoB.

In the pool funding, donors pledge resources on a pre-account (in fact, three different ones, being one for ADB, one for WB and one for the six bilateral donors), out of which resources can be deposited on a single account at the disposal of the Ministry of Education (hence not the Ministry of Finance). It is a replenishment procedure (after a first up-front instalment, replenishment of resources). The Programme Liaison Office conducts a check on eligibility of the expenditures presented by the Ministry of Education for reimbursement prior to replenishment. The Ministry's single account is kept outside the Treasury on a commercial bank in order to generate interests. For all the pooled funds, GoB is –in formal terms- only responsible to ADB.

A novelty in the funding mechanism is the Pilot Performance-Based Financing that links a portion of the funding by development partners to performance. In other words, a portion of the funding will only be disbursed against satisfactory performance during the previous year. Also the two main lenders (ADB and IDA) apply this performance based funding. The argument is simple: GoB should show that it is not only good in spending (the input) but also good in producing the expected results (the outcome).

HPSP

The HPSP (1998-2004) had various financing mechanisms: pooled 'core'-funding, parallel earmarked funding, and co-financing with the World Bank. At the start of HPSP, along with GoB funding, during the first two years IDA, DfID, SIDA and the Netherlands formed the pool. The European Commission joined in during the third year. The World Bank created a Trust Fund. Within that Trust Fund, some donors reached an agreement that part (or all) of their contributions would be earmarked (i.e. CIDA). Some donors opted to apply different forms of funding simultaneously: for example, DfID provided not earmarked core funding, next to earmarked pooled funds (for HIV/AIDS) and in a parallel 'project' funded technical assistance.

After the mid-term evaluation, the single donor project funding was abandoned, but contributions to the pool could be totally earmarked, if donors wanted to do so. There were three forms of funding³⁵:

- pooled funding (not earmarked): IDA, EC, Netherlands, DfID, and Sweden-SIDA;
- totally or partially earmarked pooled funds: Netherlands, Germany, IDA, Sweden, EC, DfID, and CIDA; and
- technical assistance (parallel funding): USAID, UN, Japan, Germany (KfW and GTZ), EC, UK-DFID, CIDA.

Pooled funds were managed by the Health and Population Support Office (HPSO), which was housed and staffed by World Bank personnel.

In the pool funding for core activities, two different kinds of disbursement methods were applied:

- Routine disbursements: reimbursement to GoB as expenses were incurred;
- ‘Time slicing’: disbursement of donor contributions based upon fulfilment by GoB of certain milestones and accomplishments related to reforms (conditionalities).

Water management

Dutch aid in the water sector continued to be on a project base, although more joint financing with other donors was applied. Funds are disbursed through separate project accounts. Funding has been either fully earmarked or in co-financing arrangements that pursue a project modality.

3.3 Silent partnership and delegated co-operation

RNE Dhaka reported to the OECD-DAC Survey on Progress in Harmonisation and Alignment (2004) to have entered into delegated co-operation agreements and / or silent partnerships. Most likely this refers to the Financial Management Reform Programme, in which the Dutch contribution of 25 percent of total costs is administered by DfID. In 2003 envisaging an absence of specific health expertise, RNE expressed its intention to enter into delegated co-operation for the health sector (Report Country Team, 2003), but this idea was rejected by the ministry in the Hague in the light of the AEV priorities. Health expertise was added to embassy staff by 2004.

³⁵ Source: www.aidharmonisation.com

3.4 General budget support

In 1999 it was assumed that from 2002 onwards an increasing share of the structural bilateral aid would be used for budgetary support. The approval memo of the Annual Report 2000 stated that projects should "...serve as a stepping stone towards future budget support". In 2002, RNE reports "with even the modest form of pool funding difficult to achieve [in health], there is no scope in the short or medium term for budget support". Even an indirect form of budget support, such as the loan repayment by the Rural Electrification Board to the Ministry of Finance, was turned down by the ministry.

Both the Ministry of Foreign Affairs and RNE do not consider budgetary support an option for the short term. Although opportunities for entering into sector budget support were discussed with DfID in the frame of PEDP-II, this idea was not pursued. Both GoB and the major donors perceive sector budget support to the water sector as a distant possibility only.

In 2004, only IMF (PRGF of USD 490 million) and the World Bank (since 2003 two Development Support Credits totalling USD 500 million) provide direct on-budget support. IMF and World Bank do so as a kind of 'premium' on the relatively successful macro-economic performance (economic growth of 5 percent, a reduction of the budget deficit, privatisation of state owned enterprises, etc.). Both institutions acknowledge the 'governance' problem, but protect the loans against risk by series of conditionalities (Country Team, 2003: 15). These contemplate public finance control mechanisms and improvement of procurement systems.

RNE does not consider budgetary support. The track records elaborated by the embassy do show some modest improvement in the governance record, but the arguments used are not 'broad governance issues' (such as human right), but narrower financial risk arguments. And it is just in this narrow area of public finance where World Bank and IMF report considerable improvements. The World Bank did significant work in the area of financial governance and safeguarding arrangements (a ROSC was implemented in June 2004). An extensive effort was made to bring procurement standards up to international levels and attempts were made to separate accounting and auditing functions in most ministries. Also RNE Dhaka supports an extensive Finance Management Reform Programme (yearly expenditures approximately € 5 million) led by DfID. Obviously, improvements in the public finance management are not equal to the overall governance situation (Bangladesh remained in 2005 the lowest ranking country on the Corruption Perception Index), but arguments used refer to public finance management where progress has been registered.

3.5 Long-term commitment

During the period 1992-1996, Netherlands' bilateral aid to Bangladesh totalled Dfl.598 million, a yearly average of Dfl. 120 (€ 54) million (IOB, 1998). During the bilateral negotiations in 1997, the Minister for Development Co-operation mentioned an amount of Dfl 85 million (€ 38.6 million) as indicative figure for the expected resource envelope to Bangladesh for the years to come. It

was the expectation that this resource envelope would increase as a result of the reduced number of countries receiving Dutch development assistance. RNE mentioned this expectation to the Bangladesh authorities in December 1999.

But in 2002, the actual disbursements had remained well below the indicative budget ceiling (in Dutch: *kasplafond*) for the programme in Bangladesh. The 2003 indicative budget was reduced to approximately € 30 million, considerably less than in previous years. In December 2003 the Country Team reported that the indicative budget to Bangladesh for 2004 (€ 24 million) would be even ‘significantly less than the existing commitments’ (approximately € 33.6 million). In an advocacy and lobbying exercise a plea was made for additional funds, and with some success³⁶ (the budget remained at € 30 million). After the introduction of AEV the resource envelop for the water sector increased without having made a request for that. The ministry indicated that alternative financing would become available from 2005/2006 onwards as product of the intensification for the water and education sectors.

RNE Dhaka prepares multi-annual budgets that reflect the commitments made. So far, GoB has requested only annual budget information from its external financiers. RNE’s agreements with GoB are ‘gentlemen agreements’, since the underlying documents have little legal value. The duration of sector support programmes has been agreed upon with other DPs. The duration of the programmes in health (HPSP, HNPSP) has been 4-6 years. The agreement with GoB for education (PEDP II) is for two three-year budget cycles, so six year (€ 45 million for a 6-year period (Jan. 2004-Dec 2009). This is laid down in a Code of Conduct. In 2004, RNE had also multi-annual commitments with BRAC and CAMPE (BRAC: € 31 million for a 5 year programme [July 2004 – June 2009] and CAMPE € 1,560,000 for a 4 year programme [Jan 2002 – Dec 2006]).

Apart from the sector support programmes, the Netherlands’ commitments in the project modality are expressed by the duration of contracts signed. In the water management sector the contract duration of the projects is 4-7 years (except the SSWRSDP with ADB, for 8 years).

3.6 Conclusions and explanatory factors

Have less earmarked forms of funding aid increased as a proportion of total sector aid to the sectors?

Apart from the pool funding the health sector, RNE only applied the project modality. Prior to the start of PEDP II, the share of programme aid in the total aid portfolio remained almost unaltered at a level of 20-27 percent of total funding during the period 1999-2003. The PEDP-II pool

³⁶ Interview Country Team

funding with almost all consortium partners will alter that percentage. This pool funding was described by the embassy as “as close to the edge” as one could come to less earmarked funding. In 2004, it was RNE’s opinion that due to the high fiduciary risk, a step-wise move towards budgetary support cannot be further pursued in the short or medium term³⁷. The implication is that the ‘logical sequence’ in the funding mechanism, as suggested by the ministry’s policy documents would not be applicable in Bangladesh.

RNE Dhaka’s concept of ‘organisational budget support’ launched in 2001, created some expectations for application in the water sector, but RNE did not follow up the concept.

³⁷ Mission debriefing meeting, 5th December 2004.

4 DONOR COORDINATION AND HARMONISATION

Among the major changes looked for by the introduction of the sector-wide approach are donor coordination, harmonization and alignment. Harmonisation is the agreement on operational rules, procedures and working methods among donors. The matching with policies, strategies and operational procedures of the partner country is called alignment.

In Bangladesh, what has been the scope and intensity of the Dutch efforts to enhance donor coordination at national and sector level? Is the conditionality of Dutch financing being reduced in favour of a joint donor approach and have policies and procedures been aligned with those of the Government of Bangladesh?

4.1 Donor coordination

Since Independence, Bangladesh has had a strong local presence of donors. The highest level of donor coordination is the Bangladesh Development Forum (BDF) that takes place annually in Dhaka (since 1997). It facilitates donor coordination and GoB-DP dialogue on development issues and policy reforms at the national level. The members of the BDF comprise GoB and international and locally based representatives of donor agencies. Until 1999, the BDF was called the Bangladesh Aid Group (BAG or the 'Aid Consortium') and until 1996 the annual meetings were held in Paris.

In the mid 1970s, the World Bank initiated the Local Consultations Group (LCG) as an informal group for facilitating local aid coordination and donor-government dialogue. LCG works largely through 23 working sub-groups (June 2004) in various thematic areas, and which in one way or another are related to one or two line ministries. In total there are 42 thematic groups (World Bank, 3 August 2004)³⁸. In June 2000 a workgroup was formed in order to review the operations of the LCG subgroups. In reaction to the review, four additional groups were formed in order to attend better broad policy issues (like PRSP). Guidelines for the operation of the subgroups were agreed upon (26th September 2000). Invitations of NGOs and the private sector increased. GoB does not participate in all subgroups, but can be invited³⁹.

Over time RNE has reported in several occasions that government persists in its rather sceptical attitude towards the donor community and the LCG (Annual Report 2000; track record 2003). There is little stewardship by GoB to coordinate the donor community⁴⁰. There is even no intention to do so: "donors do not need us to coordinate; they are perfectly able to do so by

³⁸ See for list of LCG subgroups and participation by the Netherlands, Annex C

³⁹ The Guidelines for the LCG formulate carefully "Gradual movement towards greater GoB involvement – and in some cases even ownership- is likely to be a goal for most subgroups" (26th Sept. 2000)

⁴⁰ In 2000, on behalf of the Executive Committee of the LCG, RNE asked GoB to take a stronger lead: "From the report on the LCG-review I conclude that 'putting GoB in the driver seat' is not really a priority of LCG-members. It has to remain, however, one of your first priorities. I therefore invite you to inform me of your initiatives to further strengthen GoB's role and position in the aid co-ordination process".

themselves⁴¹". Notwithstanding the large number of LCGs, the coordination among donors is far from optimal. Over time there have been complaints, in particular from the Nordic countries, regarding poor communication from the side of the World Bank (July 30, 2004). The UNDP carried out an assessment of the functioning of the LCG (2004) and this led to the proposal to re-group the sub-groups into twelve.

The Local Consultations Group has an Executive Committee consisting of the World Bank, the ADB and two bilateral countries (in a rotating system). The Netherlands formed part of that Executive Committee. The Netherlands also chaired the LCG subgroups on rural electrification, water and education. And chaired the Consortium of donors in the Primary Education Development Programme for two consecutive years. In the water sector the Netherlands was the first 'sparring partner' of GoB on technical issues. The 2004 OECD Survey on Progress in Harmonisation and Alignment reported however that in the water sector "there is no formalised donor coordination by government. Where donor coordination takes place, government only sometimes participates" (2004:5). RNE is one of the six steering committee members of the Health and Population Sector Office (HPSO) and took over the vice-chair in 2002 for a two-year period.

In health, the donor consortium, consisting of all donors that support the Health Sector Programme and the Health and Nutritional Sector Programme (2004) are the same ones as those of the LCG. Therefore, the LCG has been integrated into the consortium. In Education the Local Consultative Group was not replaced by the consortium of Development Partners supporting the Primary Education Development Plan II, since it is broader and comprises the non governmental organisations as well, represented by CAMPE.

In rural electrification, the group of donors is rather distinct and not familiar in discussing subjects like harmonisation or alignment: next to the Netherlands, the World Bank, Japan, USAID, ADB, Norad, CIDA, the Kuwaiti Fund for Economic Assistance, the Saudi Development Fund and the Islamic Development Bank.

4.2 Harmonisation and alignment

Harmonisation

National level

At national level, there have been various initiatives to come to harmonisation and alignment of activities. Bangladesh lacks a national plan for harmonisation and alignment and considers harmonisation an 'among donors' exercise. In practice it is, and only implemented within the context of the sector support programmes. In addition, there have been efforts outside the sector support programmes, such as in the donor consortium with BRAC.

⁴¹ Interview ERD

For GoB, the responsible department for harmonisation is ERD. But ERD is not structured and equipped to address the changing practices in aid delivery. It is not organised in such a way that it could deal with multi-donor exercises and requirements. The Aid Manual of Government has never been updated since the time commodity aid was still dominant. Aid officials do not have the mandate to address policy issues.

Various working groups exist, such as the GoB-DP Joint Working Group for Streamlining in Project Documentation and Approval process (Aid Governance Steering Committee).

The Aid Governance initiative, launched in 2003 as a result of the Rome Declaration on Harmonisation, is a joint venture of GoB and development partners in strengthening the quality of the administrative and implementing processes of donor-funded development activities in Bangladesh. Bangladesh was one of thirteen partner countries attending the meeting of the Task Team on Harmonisation and Alignment in Paris (February 2004) and has been a 'test country' for the OECD/DAC Working Party on harmonisation. In both cases the harmonisation efforts within the development of PEDP II have been used as exemplary to the Education for All - Analytic Fast Track initiative.

RNE also participates in the Nordic harmonisation action plan to come to operational harmonisation, strategic harmonisation (multi-donor joint co-financing in basic education, water and gender) and promotion of operational co-ordination in all sectors and themes.

Education

In education, the main body for co-ordination and harmonisation is the Education Local Consultative sub-Group (ELCG), in which all development partners participate. The ELCG is a broad sector forum in which not only the public sector is represented, but NGO's as well (CAMPE). GoB has recognized ELCG as a partner in policy dialogue. It is within ELCG that GoB, donors and NGOs agreed upon a joint support programme for the PEDP II, as well as a parallel funding for the non-formal education. Donors agreed upon more coordination and harmonisation of policies and procedures, with focus on local capacity building and use of improved GoB systems (alignment).

RNE's position within ELCG has been rather complex. While it had not joined the PEDP I, it had taken the lead in getting a sector-wide programme off the ground. In first instance that initiative was even 'sector-wide' including the non governmental organisations. In the course of time, that perspective changed towards a two-pronged approach and RNE became more acceptable as a leading partner to GoB. The acknowledgement of RNE's efforts was expressed by taking the ELCG chair from August 2002 until April 2004.

PEDP II Consortium

The PEDP II represents a major harmonisation achievement for its four multilateral and seven bilateral partners. The Consortium partners (not government⁴²) signed a Code of Conduct (between April 2003 and January 2004). The elaboration of such a Code of Conduct had been a suggestion by RNE, the Chair of the PEDP-II Consortium at the time. As regards financial flows, DPs are committed to the principle that, to the extent possible, resources will be channelled through government systems by using GoB's procedures and requirements. The Code of Conduct indicates that the pool funding DPs will refrain from parallel funding of Technical Assistance to PEDP II, will accept a single reporting system, a single review, a joint annual review and that Consortium partners will abstain from bilateral activities which put demands on the time of GoB officials.

Within PEDP II, the following harmonisation results were achieved⁴³:

- Common (DPs) diagnostics, as well as a common risk assessment and risk mitigation / management strategy were elaborated. The main risks identified were political will and support; effective coherence and coordination of the programme; weak management and implementation capacity; financial viability and sustainability; and inadequate governance.
- Common procedure for technical assistance, for example to the accounting and internal control guidelines and procedures, and strengthening of the accounting and internal control functions.
- Acceptance of a common implementation structure. The ADB has established a PEDP II Liaison Unit (PLU) on behalf of the Consortium, which serves as a liaison between the Consortium and the executing agency, the Directorate of Primary Education of the Ministry. The PLU will supervise the grant/loan terms and conditions and exercise an external monitoring and evaluation function, but does not implement (so it is not a Programme Implementation Unit).
- Donor reporting requirements.
- Donor audit requirements.
- Agreed upon monitoring an evaluation and joint review process.

⁴² GoB did not sign the Code of Conduct, but recognizes it. Future donors are encouraged to sign in as well. There is an agreement that GoB will ask future donors to sign. However, it is the DPs feeling that GoB does not understand in full the meaning of the Code of Conduct and the implications of the achievement of having such a Code (Interview J.Jennings)

⁴³ In part based on www.aidharmonisation.org

BRAC and CAMPE

Also the other two programmes supported by RNE (BRAC and CAMPE) count with multi-donor funding and use procedures comparable as those in use with GoB. Codes of Conduct have been signed by the DPs, and in the case of BRAC, this includes the executing agency (see for details Annex B1).

Health

In the health sector, it is also the donor consortium that proceeds with the harmonisation effort. HNSP counted with Annual Programme Reviews (APRs) in which DPs assessed progress along with GoB. HPSP obliged donors to coordinate on information, to agree upon a single reporting system and to accept GoB implementation methods. It did not (yet) imply a single funding system and initially allowed donors to maintain different accounts. After the mid-term review the accounts system was further simplified. The Programme Support Office HPSO played an important role in the flow of contacts between GoB and the Development Partners.

Main achievements have been registered in the areas of the adoption of a common set of implementation arrangements, including co-ordinated procedures for planning, funding, procurement, monitoring and evaluation, as well as the agreement with government on a single expenditure programme covering a large portion of the sector.

Table 4.1 presents the progress made in harmonisation in the health and education sectors. The achievements in PEDP II could obviously not be observed (the programme had recently started at the moment of the mission), so reference is made to the intentions as expressed in the Code of Conduct.

Table 4.1 Harmonisation in health and education

	HPSP (1998-2004)	PEDP II (2004- 2008)
SWAp activities budgeted for in national budget?	All GoB contributions on budget. DP contributions mentioned	All GoB contributions on budget. DP contributions mentioned
SWAp budget approved by Parliament?	Domestic budget approved by parliament. SWAp by Cabinet	Domestic budget approved by parliament. SWAp by Cabinet
Information sharing GoB- donors	yes	Yes
Coordinated policy making	yes	In part
Funding arrangements	Co-financing with WB and parallel projects	Mostly pool financing in co-financing arrangement with ADB. IDA separate loan
GoB-donor coordinated input delivery	yes	No, all embracive in programme
Implementation defined by GoB	Plan of Operations approved. Some donor implemented parallel activities	Defined by GoB and coordinated with DPs

GoB-donor coordinated definition performance indicators	Yes, but for monitoring only	Yes. 25% performance based funding by DPs
Single narrative reporting system	Yes for pool funders	Yes
Single financial reporting system	Yes, but with additional reports for some donors	yes
Single monitoring system	yes	Yes
Single review / evaluation	yes	Yes
Single audit	yes	Yes
TA - pooling	no	Yes
Code of Conduct	no	yes

Water

RNE Dhaka is represented in the LCG Water Management (WM). The LCG WM is the main mechanism for formal, local-level dialogue on aid coordination in water resources management. There is no systematic mechanism of consultation with civil society, the private sector or local authorities. The RNE water desk holds the chair of the LCG WM since many years. At the LCG level there are no plans for jointly formulating and/or implementing sector action plans or joint sector support programmes, basically since neither the donors nor GoB have an idea about what a SWAp for the WM sector could look like or what activities it should contain. Coordination takes place as far as it concerns sharing information on current and planned projects, the respective development agendas, and identification of gaps and avoidance of duplication.

As a result of national programmes on public management, the national procurement systems have been entirely overhauled and brought in line with those of the international financing institutions (see next paragraph on alignment). This has been of importance to the water sector, where World Bank and ADB funded projects apply now national procurement guidelines. Part of the Dutch programme in water management is associated with ADB through co-financing arrangements (SSWRDSP and WMIP). Beyond co-financing, there is no little harmonisation of donor procedures and practices in the water sector

Alignment

In health, HPSP was initially an umbrella programme for separate projects under a single strategy and implementation structure. The alignment was the donor's grouping around a common policy and the acceptance of government implementing the bulk of the activities. But a broad array of procedures on reporting, financial administration and information towards donors continued to exist.

In PEDP II, some alignment took place:

- The most important alignment was with respect to policy making: the PEDP II strategy is entirely in line with the GoB's policies as outlined in the National Education Policy, 2000 and the Education for All 2015 documents.
- PEDP II funding was integrated with GoB's budgeting and planning cycle and process, and forms part of GoB's medium term expenditure framework (MTEF). It covers two cycles of GoB's 3-year rolling MTEF. The government's development budget allocations reflect the commitments of both GoB and donor partners. Additionally, increases to GoB's recurrent budget will be phased in, so by the end of PEDP II the operational and maintenance requirements will be catered for.
- Integration with GoB financial management, accounting and disbursement systems. In the area of financial management and accountability, reforms are still being pursued in budget and expenditure control and government audit.
- Integration with the GoB procurement system. In 2003, a new Procurement Regulation was introduced, largely based on international best practices⁴⁴. An important aspect is the recognition of the 2003 Public Procurement Guidelines by both ADB and World Bank. A computerized real time procurement management information system was established to monitor and enforce compliance with new procurement regulations. PEDP II has adopted GoB's reformed procurement system for national competitive bidding (LCB; 80 percent of all procurement and contracting of services), while use will be made of ADB procurement guidelines for International Competitive Bidding and recruitment of TA. To the ADB this acceptance of GoB procedures was a significant modification. For the first time the ADB Head office in Manila has agreed on a deviation from the standard guidelines on procurement.
- Alignment of procedures to the Bangladeshi standards also requires a simplification of the Bangladeshi project approval procedures and forms. This forms part of the Aid Governance Initiative.

OECD-DAC Survey on progress in Harmonisation and Alignment

The 2004 OECD-DAC Survey on Progress in Harmonisation and Alignment reported on Bangladesh that the process of donor coordination was not yet fully established, although it improved around the PRSP formulation. The Survey reported that GoB is not pro-active in that process and that most efforts are coming from the development partners' side (2004:2). The OECD-DAC survey used a number of indicators for harmonisation, for which the results have been summarised in table 4.2:

Table 4.2 Harmonisation based on OECD-DAC indicators, Bangladesh

Indicator used	Survey results of 13 development partners
Common arrangements	Aid Governance Initiative 2003
Streamlining of conditionality for development	Limited harmonisation of conditions in health and (primary)

⁴⁴ Improvements in the area of procurement have included: guidelines for management of procurement process; publication of contract award; simplification of advertisement procedure; establishment of a public procurement web-site and electronic tendering; a procurement bulletin; a sequestering evaluation committee; de-layering of procurement approval process and delegation of powers; procurement post review; appeal procedures and code of conduct. Standard bidding documents for goods and works, and request for proposals for consultants services were completed.

assistance	education and no harmonisation in the water, transport and rural development sectors
Number of donor missions to Bangladesh in 2003	250. World Bank, ADB, Japan, Germany, Netherlands, SIDA and CIDA counted for 90 percent of that number. 10 percent were joint missions (in 18 joint missions participated the Netherlands). The Netherlands had 36 missions (incl. the joint missions).
Diagnostic reviews undertaken	In the period 2001-2003: Country Financial Accountability Assessment (CFAA); Public Expenditure Review (PER); Country Procurement Assessment Review (CPAR); IMF ROSC Fiscal Transparency Review; ADB Diagnostic Study of Accounting and Auditing, UNDP Country Assessment in Accountability and Transparency. Apart from the UNDP study, all reviews were conducted jointly.
Delegated Co-operation	7 out of the 13 donors indicate to be party in delegated co-operation, incl. the Netherlands.
Indication of multi-annual indications of aid flows	Yes: 10 out of 12 countries (incl. the Netherlands)
Disclosure about actual disbursements (per annum)	Yes 10 of 12 countries
Information sharing on country analytic work	Yes: 3 out of 12 countries (incl. the Netherlands) Yes, "but": 6 out of 12 No, 3 out of 12

Source: OECD-DAC Survey on Progress in Harmonisation and Alignment. Bangladesh Country Chapter (draft, 2004).

4.3 Conclusions and explanatory factors

What was the scope and intensity of the Dutch efforts to enhance donor coordination?

There has been little stewardship by GoB to coordinate the donor community. The main complaint by donors is about the reactive rather than pro-active role played by GoB. While the role of the Bangladesh Development Forum has been questioned by some donors, the Local Consultative Group worked relative well. During a long time GoB did not recognise the LCG working groups as legitimate entities authorised to discuss policy issues with government officials. Since 2003 GoB does recognise the subgroups for policy discussion between development partners and Government at a sector level. The groups have actively contributed to the formulation of the PRSP.

Although there are many fora for coordination, RNE observed that coordination was limited to information sharing only and commented upon the role of the World Bank monopolising the policy contacts with GoB and 'being part of the problem' (Annual Report, 2000). More in general, bilateral donors have faced difficulties to come to a common stand, in particular when it refers to governance issues and the assessment of the fiduciary risk. Even in smaller circles, like the member states of the European Union could not come to harmonisation of their position, of procedures or their policies.

The Netherlands formed part of the LCG Executive Committee, where it made use of its position to actively advocate the sector-wide approach. This advocacy role is both acknowledged by other donors (Delegation EC, Sweden, DfID, ADB) and criticised by others (Denmark) at the same time. There was (and is) no common approach by the donor community. Opinions vary widely as far as it concerns the desirability of the sector approach in Bangladesh.

Silent partnerships and delegated co-operation agreements are the best expression of diminishing interest in “planting flags”. Up to 2004, RNE had entered into a partnership with DfID for a joint financing of the World Bank led Financial Management Reform Programme. RNE’s suggestion to enter into a silent partnership in the health sector (2003) was not pursued. RNE made no further efforts for silent partnerships or delegated co-operation.

Was the conditionality of Dutch financing reduced in favour of a joint donor approach, and were policies and procedures aligned with those of the government of Bangladesh?

Until 2003, both GoB and donors did ‘front door talking and back door acting’⁴⁵ with respect to harmonisation and alignment. Both feared to lose control. While donors feared to lose control over the accountability with respect to their grants and loans, high GoB officials feared to lose control over the monopoly in knowledge over procedures and reporting requirements. By 2003, the Aid Governance Initiative was launched as a joint venture of GoB and development partners to strengthen the quality of the administrative and implementing processes of donor-funded development activities in Bangladesh. The work is ongoing and comprises the streamlining of procedures at the both side of the development partners and government.

The conditionality of Dutch financing has changed most in the health and education sectors. Alignment with GoB policies is achieved. Almost all Dutch funded activities are now implemented by the government of Bangladesh, using their own systems. Within the sector programmes, the Netherlands has agreed on having joint reporting, joint financial accounts, joint audits and joint reviews with the main consortium partners.

Within the frame of public finance management support programmes, the Netherlands has supported GoB to adjust certain procedures (for example on procurement) to upgrade these procedures to international standards. An impressive number of diagnostic reviews have taken place during the period 2001-2003 (see table 4.2). Once these procedures were adjusted, these became acceptable to donors, as has been the case with the (local) procurement procedures in PEDP II.

⁴⁵ Interview ex ambassador

5 CHANGES IN THE RECIPIENT COUNTRY

The sector-wide approach would bring about the following changes in partner countries:

- ownership, with the recipient country's government controlling policy and financing;
- government capacity to implement sector poverty reduction policies.

This chapter explores the extent to which those changes have occurred and whether the Netherlands has contributed to encourage those changes.

5.1 Ownership at national level

RNE Dhaka reported frequently the lack of initiative from the side of GoB, as well as its perceived lack of interest in the sector approach. The Annual Report 2000 stated “it is clear that only a small part of government might be interested in interchanging the project approach for a programme approach” and this “might have to do with personal interests attached to projects” (2000:5). DfID (2002) observed that, ‘ownership’ over policies and strategies of the public sector is a ‘Dhaka’ ownership by a few high level public servants and some political authorities. Ideas hardly ‘trickled down’ and were not broadly shared, since the public administration is still highly centralised. The public administration in Bangladesh is enormous. Concepts like sector-wide approach are unknown to most civil servants, so the machinery itself keeps on demanding projects. But even at the Dhaka level, the ownership over the policies and programmes may vary according to the interests of senior civil servants. Policies are easily abandoned when a new government turns in.

In its reaction to the Annual Plan 2000, the Ministry of Foreign Affairs recommended: “From the report on the LCG-review I conclude that ‘putting GoB in the driver seat’ is not really a priority of LCG-members. It has to remain, however, one of your first priorities. I therefore invite you to inform me of your initiatives to further strengthen GoB’s role and position in the aid co-ordination process” and continued: “Given the complexity and political dimension of the problem and the fact that donors have a relatively small financial stake in the national budget, opportunities to influence these are limited”. These two sentences show in a nutshell the existing views on ownership at national level in Bangladesh. On the one hand, there is disappointment among donors about the lack of stewardship by the GoB on pro-poor policies or on the aid coordination process; but on the other hand the ownership is relatively high, since the role of donors in the entire society is less pronounced than in most countries in Africa, for example. Donors are not able ‘to steer’ the process either. Only the international financing institutions, like IMF, World Bank and Asian Development Bank were real sparring partners to Government on policy matters. GoB has been more sensitive to opinions in society, for example of the different political factions and labour unions, than opinions expressed by bilateral donors.

The OECD-DAC Survey on Progress in Harmonisation & Alignment, based on the opinion of 13 Development Partners, draws the conclusion that ownership has been hampered by

weaknesses in public financial management and that this has impeded donors to permit GoB a larger ownership (2004:2, 11).

The World Bank, as well as RNE Dhaka in a joint programme with DfID made substantial efforts to improve the public finance management system (Finance Management Reform Programme). This contemplates the elaboration of a MTEF that enforces the Ministry of Finance to take a much stronger lead in the medium term planning of the budget allocations in accordance with the own overall development policies.

5.2 Ownership at sector level

Education

In 1997, the Netherlands had withdrawn from financing of education activities through the public sector. One of the reasons for that decision was that the final responsibility over primary education had been placed under the Office of the Prime Minister. According to RNE at the time, that shift not only made the decision-making process less clear, it also implied a marginalisation of the Ministry of Education expressed by a lower feeling of ownership. Both the Office of the Prime Minister and the Ministry of Education did not adhere to their own policies when some donors came in with different ideas. This contributed to a 'distance' between some donors (including the Netherlands) and the educational sector. Since the Ministry of Education has a very centralized institutional framework in combination with a poor organisational management, the appropriation of new concepts were often limited to a few high level officials, but did not trickle down through the organisation (not even at Dhaka level). In consequence, ownership depended almost on individuals. And those high level officials tended to be replaced with each change of government.

The initiatives by RNE Dhaka and DfID to come to a PEDP II seemed rather donor-led for the start on. This became more apparent when ADB and WB subscribed to the concept of a joint approach. GoB became more and more involved and appropriated the programme. It was the Department for Primary and Mass Education (Office of the Prime Minister) that presented the MacroPlan in December 2002 to the ELCG (and not, for example the ADB). After a slow start, GoB has been leading the design stage of the programme rather well and provided valuable staff input. By late 2004, little could be said about the implementation, since a Coordination Unit had just been established (GoB did assign high level staff to that Unit).

Health

The HPSP had started under a different government than the one who governed at the moment of its finalisation. RNE reported in 2003: "The present Government appears not to 'own' the HPSP and continuation of the SWAp process is not beyond doubt". But one year later, that government had drafted the HNPSP Concept paper. Two observations should be made:

- GoB showed a rather weak ‘ownership’ over reforms that DPs considered basic to success. These reforms were ‘imposed’ through conditionalities as a means of pressuring GoB to fulfil its commitments, but disregarded the capacity of GoB to make a real shift. The largest financier, the World Bank, viewed its role as intellectual and perhaps as a moral leader in pressuring for these reforms, a posture that did not went unnoticed in GoB quarters. An over-reliance on international advice hampered the feeling of ownership (CIDA, 2004). In the last week of 2002, the GoB unilaterally and without consulting donors decided to reverse the unification of health and family planning services, undermining one of the reform pillars of HPSP.
- Stakeholder Participation was seen as a key strategy of the HPSP. A process for structuring meaningful consultations that engage a wide range of stakeholders, especially community groups and civil society was never developed. A Clients Charter of Rights was formulated, but with little real ‘rights’ and control on accomplishment attached to it. In general, people have no confidence in the public health system (APR, 2003:8). Stakeholder participation (community groups, civil society) did take place in the planning stage, but not could be maintained, since a meaningful role in for example monitoring progress had not been foreseen.

Water

In many evaluation reports of series of projects in the water sector, lack of ownership by government institutions has been reported frequently. But, there is a difference between ownership at the institutional level and ownership at the level of the end-users or clients.

Annex B3 elaborates the factors that have influenced on the lack of institutional ownership. As far as it concerns the user’s level of ownership, rapid field assessment in two projects revealed that ownership among end-users has improved considerably as a result of the progress made in the Water Management Organisations (see Annex B4).

Table 5.1 provides a general assessment of ownership.

Table 5.1 Assessment of ownership

Indicator	Assessment	Remarks
Leadership: Government has an agenda on harmonisation, coordination and alignment (or a general aid policy)	No	There is a relatively late elaborated I- PRSP. There is no external aid policy in place, but there is a rather obsolete Aid Manual. There is no active CDF. Harmonisation efforts are made in the frame of the Aid Governance Initiative 2003.
Donor’s country assistance strategies are aligned with PRSs or equivalent national development plans	To a certain extent	There is an increasing tendency to align around the main strategies of PRS, but the I-PRSP has had little prioritisation, no costing and no MTEF attached
Bangladesh leads local processes of donor coordination Government exercises an appropriate level of authority in coordinating	Not at central level. To a certain extent in education and	Although government calls for the Bangladesh Development Forum, the main coordination takes place at the level of the LCG, where GoB sometimes participates. Although GoB is not

development assistance	health	orchestrating the process, it does have authority over the activities of development partners
Government has taken the lead in developing sector support programmes?	In part	HNSPS has been a MoHFW initiative, but PEDP II has been largely designed by the DPs

5.3 Institutional capacity

Institutional capacity building has three aspects: (i) investments in human resources ('capabilities') through training and formal education, seminars, exchange programmes and exposure; (ii) organisational strengthening through improvements in management, planning, internal efficiency, client friendliness, monitoring, transparency and governance, and (iii) systems improvement, considering context, the total of laws and regulations that impose the setting of the organisation, and external networking. There is a widespread agreement on the nature of the institutional problems in Bangladesh⁴⁶. In many cases poor governance is at the root of the institutional problems. "As there is no good governance, there is anarchy everywhere"⁴⁷. RNE Annual Report 2003 mentioned that "...weak institutional capacity and weak governance hamper effective and efficient service delivery". Also the OECD-DAC survey reports on GoB's weaknesses in budget formulation, execution, reporting and review, on its deficiencies in financial forecasting, and in general 'in setting the agenda' (2004:2-10). In sum, the major weaknesses have been found in the organisational and systems dimension of institutional capacity. It was less a problem of human capabilities.

Most development partners share the view that the effectiveness of aid channelled through the Bangladesh public sector has always been poor. Some argue that aid should therefore be directed towards supporting NGOs, and perhaps the private sector. The limitations of this argument, however, centre on the fact that few if any countries have successfully raised standards of living if government is left being highly dysfunctional. In addition, many activities in society in Bangladesh depend on the public sector that in other countries are considered to pertain to the private sector.

The central question of this section is whether the sector-wide approach has contributed to strengthening the institutional capacity of the public sector.

Education

Sector support programmes in education have supported only the primary education (in 2004, a programme for secondary education was in the process of elaboration). The 1997 withdrawal from the PEDP I had to do with the institutional setting: the Department for Primary and Mass Education at the time was considered weak⁴⁸ in terms of policies and strategies, while the final responsibility over primary education had been placed under the Office of the Prime Minister. The manpower was concentrated in Primary and Mass Education, while the political power was

⁴⁶ See Chapter 2 of *Taming Leviathan* (World Bank 2001).

⁴⁷ Finance Minister Saifur Rahman in *The Independent* [Dhaka], January 16th 2002.

⁴⁸ RNE Annual Report 1997

centred in the Office of the Prime Minister, where subject matter knowledge, was relatively poor. The PEDP I did not lead to institutional strengthening: over the years the Ministry of Primary and Mass Education showed a weak management performance and a poor implementation capacity as a result of a very centralized institutional framework. There was a lack of human resource capacity, low teacher morale, and poor community-school management relationship.

Possibly the only advantage of the political influence of the Office of the Prime Minister, was the Ministers' personal interest in the Poor Families Stipend Programme for primary education⁴⁹, that did place girl's education in the spotlights and resulted in a swift improvement in the enrolment rate for girls.

At the local level, teacher recruitment riddled with corruption is seen as the main impediment to improvement of quality in education⁵⁰ (infractions and manipulation in recruitment of teachers; recruitment of persons who are not qualified). In addition, no one appears to have a responsibility and authority to maintain an oversight of primary education in the upazila. There is no common or comprehensive source of information about education in the upazila, nor is there any focal point for promoting or planning for compulsory primary education. The *madrasas*, for example, remain virtually without any supervision although they serve a sizeable proportion of children.

In order to overcome the institutional weaknesses, PEDP II has built in a continuous institutional assessment system and has developed a recruitment strategy for teachers. GoB has formulated guidelines for donor-funded foreign training and administrative procedures to oversee training abroad (the Netherlands does not fund training abroad).

Also governance issues received serious attention in the design of PEDP-II. A risk reduction strategy on financial management and governance was developed. The agenda on governance matters to be improved during the implementation stage of PEDP II is rather long and comprises series of accountability measures aimed at avoiding leakage in the short term and leading to structural improvements at the end.

By late 2004, little could be said about the effectiveness of these measures. The Programme Liaison Unit at ADB – Dhaka office (the central contact point for donors) was still not fully staffed, while the Programme Co-ordination Unit (of GoB), responsible for programme implementation

⁴⁹ GoB declared on 2nd May 2002, a policy of offering a stipend to 40% of the poorest families to send their children to primary school. The objectives of this policy were to increase the enrollment and attendance of poor children in primary schools, to prevent drop outs, prevent child labor and to increase the quality of primary education. This stipend would be available in all government schools, registered private primary schools, community level primary schools, temporarily registered private schools, Government funded NGO managed schools, and Government funded madrasas (Islamic schools). Children considered eligible for stipend would be selected by the principal of the school along with the school management board. In practice the number of stipends was smaller than expected, but did promote girls' attendance to primary education.

⁵⁰ Fazel Hasan Abed in comment on The Education Watch 2003/2004 report, published in the Daily Star of Minday March, 14, 2005.

was still in a starting up stage and was in the process of selecting consultants to guide the implementation of the sector support programme.

Health

GoB is not the major provider of health and population services, since 70 percent of all health expenditures are out-of-pocket and catered for by the private and NGO service providers. There is ambiguity in government's stance towards other health service providers⁵¹ despite their increasing share of urban and some rural primary health care services. There are underlying structural problems as far as it concerns service provision between public and private sector. To a public sector medical doctor the opportunity to earn an additional income from private services is an important motivation. In fact, medical doctors often pay the officials in charge of the transfers. That implies that any medical doctor who has a 'good duty station' has to earn back his investment made to be placed there. A good service delivery by the public system is not in their interest: on the contrary, it is in their interest that clients are not satisfied with the public health care and look for private services⁵². The HPSP did not tackle this kind of problem.

Although efforts have been made to decentralize the implementation of public health services, the management remained highly centralized. The 2003 Annual Programme Review mentioned as achievements of the HPSP that there have been clear gains in the institutional management capacity. The HPSP (and the nutritional programme) has:

- Enabled both planners and managers to take a strategic overview over the sector leading to better priority setting.
- Enabled that key services do receive priority attention and resources.
- Given MoHFW more control over budget resources in pursuance of its objectives for the sector.
- Enhanced transparency and accountability as a result of sharing knowledge and information with the development partners.
- Contributed to a significant progress in strengthening the in-service training. A Training Management Information System (TMIS) has been functioning as part of the Personnel Management Information System (PMIS) both at central and district level.

But, the improvements in the planning, management and accounting capacity could have been more and more sustainable: throughout high staff turnover at senior level had been a serious problem. This turnover was not only product of clientalism and power structures, but also the product of low salary levels. Capable civil servants were easily lured into the private sector or being contracted by externally funded non governmental or international organisations.

Water

⁵¹ The 2002 NGO policy was supposed to lead to clarification of the respective roles of different agencies, but hardly produced that result.

⁵² Memo OS Dhaka ASI ID/H to DSI/SB, 14th April 2003.

Institutional capacity building has always been a fundamental component of almost all Dutch funded projects (see for details Annex B3).

In the water management sector there are ongoing processes that lead to changes in implementation. The key stakeholders that are involved in the water sector are the LGED, the Bangladesh Water Development Board (BWDB), the Department of Public Health Engineering (DPHE), the Department of Agriculture Extension (DAE) and the Bangladesh Inland Water Transport Authority (BIWTA) as well as some international agencies such as UNICEF and IUCN, and NGOs like WaterAid. By late 2004 there were no clear sub-national structures amongst government agencies or NGOs to contribute to joint policy formulation or implementation. At grassroots level, the Water Management Cooperative Associations (WMCAs) are the focus of the capacity to implement water sector policies. At grassroots level there are as yet no organizational or institutional arrangements for Water Management Organisations (WMOs) to contribute to Policy Formulation. At grassroots level, amongst the WMCAs, there is a rapidly growing level of knowledge and to some extent management capacity to formulate sector policies. Many outside observers have expressed surprise at the level of knowledge and insight in water related issues of WMCA leaders, not only about their own sub-projects but about the sector as a whole

From the onset in 1975, Dutch funded projects aimed at institutional development in order to enhance the effectiveness of the executing agencies in areas like construction, operations and maintenance of water control infrastructure. The capacity building expanded in scope. The intervention contemplated mainly the human resource development component, being training of staff, exposure to innovations and the like. The impact of this massive training effort has been low⁵³. From the 1990s onwards, an important subsidiary goal in most Dutch funded projects was to introduce structural changes to the designation of responsibilities in the wider spectrum of the management of water resources; to transform the agencies from construction organisations into water management and/or land development organisations. So, there was a shift towards the organisational dimension of institutional capacity building. Nevertheless, by and large, the focus in institutional capacity building remained characterized by a technical (especially engineering) orientation and a predominately centralized, top-down structure of decision-making and responsibilities.

Although the capacity building efforts focussed more and more at enhancing the planning capacity in water resources management, it was not built on a comprehensive concept of institutional capacity in water sector management. Despite the explicit recognition that sector work is a key element, the resources deployed by the embassy since 1999 do not strategically match either the organisational requirements at a national level of the water sector, or –possibly more complicated – the systems environment of the water management. Since 1999, the approach pursued by the Dutch embassy is in the direction of a strengthening of local capacities, as expressed by the Small Scale Water resources Project (see Annex B4). Although both perspectives are of importance, it is the sector approach that puts emphasis on the linkages (micro-meso-macro), linkages that have not been made explicit in the embassy's strategy for institutional strengthening.

⁵³ Bangladesh Country Study IOB, 1998.

5.4 Conclusions and explanatory factors

Did the sector-wide approach lead to the Government of Bangladesh assuming more ownership over its development activities?

There are basically two opinions with respect to 'ownership'. First, those who hope that GoB will take a stronger lead in donor coordination, pro-poor policy making and in combating the serious governance problems in society. The OECD-DAC Survey concluded that "ownership seems to be shifting from donors to the government", while in the RNE Annual Reports predominates the opinion that GoB should become (more) the 'owner' of the development process. This opinion is a variation on the stand hold during the period 1995-1999, when RNE stressed mainly the need for 'societal ownership', for example of the ownership by civil society organisations and/or by end-users of projects. In consequence, to RNE the introduction of the sector approach did imply a shift in the interpretation of the concept 'ownership'.

Second, others stress the point that GoB's ownership over policies and public service delivery has always been high. This is evidenced by the modest influence of the donor community over the political (and economic) agenda of the country. As stated in the PER, this influence is much less than might have been expected based on the relative share of donor funding in the capital (development) budget (World Bank, 2003).

The sector approach has not changed the ownership in the short term, although GoB is rather pleased to be put in the driver's seat as opposed to NGOs that they traditionally considered as merely creations of the international development co-operation, in particular by what it calls "the Northern European Alliance". In practice, the sector support programmes in health and education did not change significantly the ownership for the following reasons:

- Government ownership has been largely a 'Dhaka' ownership, since the administrative system remained highly centralized. And even at the Dhaka level, the ownership was tied to some individual politicians and high level civil servants. Agreements were easily abandoned the moment a new government took over.
- GoB used the sector support programmes in both health and education to expand service delivery (mainly access) by the expansion of the resource envelope by donors. While the development partners believed the support programmes would lead to structural reforms as well, in practice they did not.
- Political complexities and institutional weaknesses persisted during the implementation of the sector support programmes. The system itself generated insufficient demand for improvement, whether from the public service delivery system or the directly involved organisations or individuals (Health Programme Support Office, 2003).

Politicians in Bangladesh are sensitive to the opinion of the press⁵⁴ or of the large NGOs⁵⁵, and tend to have a higher weight than the opinions of DPs. The exception is the opinion of IMF and World Bank. Three features of donor approaches exacerbate the situation: lack of persistence, lack of firm solidarity among donors (sometimes based on different analyses of how to go about promoting change), and lack of a collective donor willingness to suspend aid when faced with government backtracking on major governance reform commitments. For example, during the 2004 Bangladesh Development Forum, Nordic countries insisted on improvement of the anti-corruption efforts, while at the same time the World Bank expressed its appreciation for government's performance and indicated to increase its disbursements.

Has GoB's institutional capacity been strengthened in planning and implementing the poverty reduction policies?

Priority setting and decision-making have been shifted from the Planning Commission to the rightful place within the line ministries. The evaluation of the HPSP revealed that the institutional capacity in planning (and in accounting) had been strengthened by the implementation of a large programme. That is not equal to having the institutional capacity for implementing poverty reduction policies.

In education, where the PEDP II did get a stronger poverty profile, the real management capacity of the system still has to be tested. A general problem is the central government – lower government implementation relation. In education, there is an apparent lack of oversight over primary education at the upazila level and a worrisome corruption in the recruitment and nomination of teachers (Education Watch Report 2003/2004).

The Dutch investments in institutional strengthening in the water sector were basically focused on human resources and less on the entire organisation of the implementing institution. If organisational aspects were addressed at all, the strengthening zoomed in on the planning capacity. In practice, there is little evidence that this has resulted in better overall institutional functioning. At least, new Dutch funded project brought in new technical assistance. Much more success has been registered in the institutional capacity building at local level and the level of the end users (see Annexes B3 and B4).

⁵⁴ Bangladesh is fortunate to have a robust and reasonably free press. Several well-established papers have a good reputation for exposing corruption and miss-governance and for raising issues of public concern. Broadcast media are becoming important means of mass communication. Nonetheless, journalists are often

poorly trained and, given their poor pay, susceptible to being 'bought' by vested interests.

⁵⁵ Bangladesh's impressive array of NGOs can roughly be divided into those actively engaged in advocacy and those focussed on providing services to the poor. Bangladesh has a number of policy research centers that have an important role in helping to form public opinion. Their open debates and publications are valuable as sources of public information and as fora for raising the need for governance reform.

6 EFFICIENCY IN THE ADMINISTRATION AND MANAGEMENT OF AID

The sector-wide approach aims at a more efficient management of aid by the recipient country's government. The approach supposes that this efficiency is the result of the ownership and capacity factors mentioned in the previous chapter.

Has the desired increase in aid efficiency been achieved in Bangladesh?

6.1 Efficiency in implementation

In theory, the efficiency of aid in the project modality is mainly a donor's concern⁵⁶. Efficiency in programme aid is a shared concern by both partners. In the sector-wide approach, efficiency is not seen as the relation between input and output, but as the result of coordinated, harmonised support to government-led policies, implemented by the recipient country's institutions.

In the course of time, GoB did make efforts to improve the efficiency and the quality of its service delivery, but no real reforms (for example decentralisation, public-private partnerships) took place. In some areas improvements were registered such as in the public procurement system and in the involvement of water users in Water Management Cooperative Associations. However, the efficiency of GoB operations still merits further improvement, because:

- Administrative decentralisation has been insufficiently explored and insufficiently supported by capacity building at decentralised levels.
- The roles and functions of public and private sector in service delivery have not been properly spelled out (for example in the health system).

The sector programmes implied less projects to be managed by the public sector.

While in the past government was frequently considered as an obstacle, it is now perceived a main 'driver of change'. While GoB welcomes a steady flow of funds for certain sectors, it also brings new complexities with implications on efficiency. For example, the donor channelling of resources directly to the line ministries by-passes the Ministry of Finance. This implies restrictions in GoB's capacity to properly plan and implement its budget. The large sector support programmes are listed in the development budget as far as it concerns the externally funded components, while the GoB contributions form part of the recurrent budget. But the linkages between the two have not been properly determined. For example, with the shift from PEDP I to PEDP II government was expected to gradually shift costs (for example salaries for teachers) from the development to the revenue budget, since it faced constraints on the revenue

⁵⁶ To the recipient it is indifferent whether more could have been done with the same resources or the same could have been done with less resources. To the recipient counts only what effectively has been received.

budget (and less on the development budget)⁵⁷. Bangladesh's system of public financial accountability still fails to integrate recurrent and development expenditure, although steps have been made towards a MTEF.

In interviews, donors expressed doubts whether efficiency gains have been made:

- Flaws in the implementation of reforms (health) have negatively impacted on the operational efficiency.
- Efficiency also means 'value for money'. In GoB, the (external) audits are almost exclusively of the 'compliance type'. There is no tradition (or capacity) to conduct 'value for money' audits on public expenditure.
- Corruption remains a serious problem. Most donors are convinced that more resources are siphoned off in the sector support programmes than in projects (managed and administered by external advisors). On the other hand, all development partners agree that it is thanks to the preoccupation of the development partners that transparency and accountability have improved as a result of the donor's permanent demand for information and support to public finance management as result of the sector support programmes.

Education

At the onset, not all donors and ministries alike were convinced of the potential advantages of the sector-wide approach. In particular the Ministry of Education was rather sceptical about the prospects for higher efficiency. Possibly the concern for 'vested interests' predominated. Although PEDP I demonstrated the potential capacity at field level, the efficiency at field-level was negatively affected by centralisation and central financial regulations. A positive efficiency gain was the introduction of the Management Information Systems.

Under PEDP II the Programme Coordination Unit will be the single implementation entity (next to two separate project implementation units). An achievement with potentially large efficiency benefits is the alignment of the procurement guidelines (GoB Public Procurement Regulations 2003 for Local Competitive Bidding and Asian Development Bank for International Competitive Bidding)

Health

The major inefficiency in the health sector was that HPSP finally did not achieve to enforce the integration of the health and family planning wings of the Ministry of Health and Family Welfare.

⁵⁷ Not only financial bottlenecks play a role, but administrative procedures also restrict the opportunities for shifting costs from the development budget to the recurrent budget. For example, 11,000 positions under PEDP I have to be transferred from the development account to the recurrent account. By incurring them in the recurrent account the positions pass through the Public Service Committee. The Committee has to 'open' the positions for application. There is no capacity to do so, but it would also be rather undesirable to the people that have the positions now (Interview ADB Liaison Unit Officer).

Although the Directorates showed their ability to exercise greater delegated authority, the HPSP achievements made up to *upazila* level were reversed by GoB later on. Potential efficiencies gains resulting from a greater use of other providers (private sector, NGO, community organisations), competition, and regulation of contracts for publicly financed services were missed, since these did not form part of the programme (Duncan, Sharif and others, 2002).

Efficiency gains were that planners and managers gained a comprehensive and strategic overview over the sector. Operational efficiencies were:

- The Essential Services Package received a higher priority in resource allocation. MoHFW consistently achieved more than the targeted 60 percent allocation to ESP.
- There were economies of scale through bulk procurement. The price benefit only represented already 18 percent (Crown Agents, 2003).

Water management

The mission studied eventual efficiency gains a result of a presumed higher level of reliance on government implementation and on Water Management Organisations (WMOs). The WMOs are still getting used to the new arrangements in which they have increased responsibilities. The older WMCAs visited indicate that, given the right training, advice and follow-up, they are well able to fulfil their new responsibilities.

The capacity of WMOs to handle local water resources may lead to increased efficiency for three reasons:

- Water users gained a major say in the water infrastructure constructed and are therefore better able to get what they need, and to reduce waste.
- Through the participatory process stakeholders are more aware of the potential positive impact of improved water management on their livelihood opportunities and therefore better able to adjust their activities. The more widespread and serious the water problems are, the broader the participation of the various socio-economic and other groups.
- By becoming organised in WMOs, members are better placed to link up with the relevant line agencies so that water users might get better access to the complementary services that are needed to reap the benefits of better water management.

Although it is difficult to quantify changes in the efficiency of aid delivery at sub-national level, there are indications that there is an improvement. The increased efficiency is partly due to increased capacity to implement sub-sector water management interventions and partly due to WMCAs taking over tasks and responsibilities earlier taken care of by LGED (and WMO's taking over tasks and responsibilities earlier taken care of by BWDB) (see Annex B4a and b). Although not independent, there is little evidence that these efficiency gains can be attributed to a different approach in the Dutch aid delivery.

6.2 Transaction costs

The sector approach is supposed to reduce the transaction costs to both donors and recipient countries.

Transaction costs to RNE Dhaka

To RNE Dhaka, the project modality implied substantial transaction costs, such as:

tendering and contracting of implementing consultancy companies, mainly for technical assistance (water sector); services to these implementing agencies and technical assistance (such as import of vehicles, equipment and personal effects); monitoring (field visits and office time at the embassy) and evaluation (contracting of missions). This was (and still is) the case for the projects in the area of water management. In the health sector, a co-financing agreement was already ongoing in 1999, while in education, the PEDP II was an extra modality next to the support to BRAC and CAMPE.

To RNE, the sector-wide approach has not really reduced the transactions costs, but they did change in character:

- More time is devoted to participate in coordination mechanism on policy making and implementation, and on harmonisation of procedures.
- More input is delivered to areas like good governance and public finance management.

In sector support programmes, RNE staff is not the first answerable anymore with regard to (micro-)administrative matters. Embassy experts can devote time and efforts to policy making, to performance measurement and to strategic thinking. While in the project modality they were administrative managers, the sector approach required policy skills, strategic thinking and judgement capacity.

During a regional workshop on Harmonisation and Alignment (Bangkok, 19, 20 October 2004) the World Bank stated that donors do spend a lot of time in dialogue on SWAs, but that the sector support programmes once in place seldom lead to a reduction of the number of consultations. But that might have to do with a start off period: there are 'upfront' investments that may take years of deliberation, coordination and preparation (as has been the case with PEDP II). But, once a sector support programme is being implemented, the workload should reduce stepwise. That this has not been the case in Bangladesh is due to a certain competition among donors on 'who is the best informed partner' and 'who is most on top of the issue'. This attitude is for obvious reasons:

- For accountability reasons (towards their headquarters and taxpayers).
- For not having confidence in GoB.

- For experiencing a new relationship among the development partners, where the World Bank and the Asian Development Bank were not automatically the undisputed leaders anymore.
- For being inexperienced with the sector-wide approach and hence feeling the need ‘to do things well’.

In PEDP II, the ADB has created deliberately a Donor Liaison Office as a buffer between GoB and the DPs in order to avoid that each donor wants to be the best and first informed⁵⁸.

Reducing transactions costs can also be achieved through silent partnerships. Apart from a financing arrangement with DfID (for the FMRP), RNE Dhaka did not use this instrument.

Transaction costs to GoB

To GoB line ministries the efficiency gained by sector support programmes is that less manpower and time has to be devoted to deal with individual donors and their missions, that less separate accounts have to be kept and that less donor-specific reports have to be elaborated or separate audits have to be submitted.

Until 2004, that efficiency gain has been modest only, although the OECD-DAC survey indicated less missions coming to Bangladesh. The HPSP did contain this kind of efficiencies, since it operated under World Bank and ADB procedures only. In education, under PEDP II most likely, efficiency gains will be noted, but these could not be observed yet.

To GoB the reverse side has been that more time had to be devoted to ministry-donor coordination and that line ministries had to assume transaction costs that in the past rested with the donors, such as: tendering for the procurement of equipment, civil works and services; the contracting of technical assistance and civil works, etc. Also progress monitoring on effect indicators was new to the ministries.

Within the ministries, an important reduction of transaction costs has been made in the area of programme planning and management, since this task was placed as a line function within the ministry (MoHFW, for example) where it previously had ‘a double layer’ with the Planning Commission. According to the APR 2003, HPSP led to significantly lower transaction costs to GoB in areas like reporting, procurement, and financial administration.

In the water sector, the transaction costs to GoB are high since there are many different procedures to be followed (for both government and donor agencies), while donors have not harmonized their procedures in that field.

⁵⁸ Interview ADB

6.3 Conclusions and explanatory factors

Has the desired increase in aid efficiency been achieved in Bangladesh?

While GoB welcomed the steady flow of funds for the social sectors, it also brought new complexities. For example, donors channelled resources directly to line ministries, by-passing the Ministry of Finance. Donor aid is registered in different ways having a negative impact on optimal resource utilisation by the Ministry of Finance. Bangladesh still fails to integrate recurrent and development expenditure.

Donors expressed doubts whether efficiency gains have been made due to flaws and delays in the implementation of reforms (health), little attention to 'value for money' and corruption.

In health, there have been operational efficiencies as a result of the incorporation of the previously existing 128 projects under a single framework. Planners and managers gained a more comprehensive and strategic overview over the sector and the Essential Services Package received a higher priority in resource allocation. In education, the planning, strategy development and central management have improved substantially over the last years. According to the Education Watch report 2003//04 the main bottleneck is the way how these policies are being put in practice at the local level. "Street-level bureaucracy" (Lipsky) is sometimes paralyzing. Decentralisation, local planning and improved oversight functions at lower level (*upazila*, union) are required, as well as the integration of information of all school types (so including non-formal education and *madrassas*). Personnel recruitment and deployment policy and practice hinder the development of centres for professional expertise, also since various institutions hardly work together.

In the water management sub-sector projects have been the principal vehicle for grant aid in the water sector. That approach was driven by the strong belief that the lack of institutional capacity was the main bottleneck to development. Projects, with their own accounting and administrative arrangements, their own management and implementation structure were perceived as the best structure for minimising the risk and hence for reassuring the accountability over aid money.

Traditionally, the water sector in Bangladesh has long been characterized by a top-down and non-participatory approach in. From the 1960s to the 1970s the involvement of the people in BWDB projects was minimal, not least because BWDB employed their own staff to operate and maintain sluices and regulators. As of 1979, with the start of the Dutch funded Land Reclamation Project (LRP), and in the 1980s under various foreign funded projects, there were moves towards a more participatory, inclusive and bottom-up approach. During the 1990s this trend was continued and in 1994 the GoB issued the first 'Guidelines for Participation in Projects'. Since 1997 the SSWRDSP has continued and contributed to this process. LGED has operationalised a bottom-up and participatory approach to water resources management and has shifted some rights and responsibilities that used to belong to line agencies to WMOs.

It is too early to say whether the implementation of the sector approach via BWDB has resulted in a major change in the efficiency of the aid delivery. The field work indicated that local people see the high level of corruption in Bangladesh in general and in government departments in particular, as a major limiting factor. An increased efficiency might result from WMOs taking over tasks and responsibilities earlier taken care of by BWDB.

7 SECTOR APPROACH AND POVERTY REDUCTION

A distinction can be made between three dimensions of poverty: the economic dimension (income), the social dimension (access to social services) and the political dimension (inclusion and 'voice'). One of the arguments used for introducing the sector-wide approach was that it would enhance the effectiveness of aid aimed at poverty reduction.

This chapter addresses the question whether the sector-wide approach has created better opportunities for making aid more effective. This evaluation has not assessed the impact of the approach on the three dimensions of poverty.

7.1 Poverty and poverty reduction

Policies

Over the 1990s, in Bangladesh income inequality has increased at a rapid pace in both urban and rural areas. The Gini coefficient in urban areas soared from 0.28 to 0.41 during the period 1990-2000. According to Sen and Hulme (2004) the effects on the poor of rising inequality may have cancelled out any benefits to them derived from economic growth, at least from the perspective of the poor themselves. Inequality results from an "anti-poor" economic path, such as growth based on the use of abundant 'cheap labour'. The resulting increase in inequality is illustrated by trends in child nutrition that at national level has improved substantially, but at a much slower pace in the category 'severe cases of malnutrition' that is registered in the group of the extreme poor.

Since Bangladesh was not HIPC eligible, it did not count with a Poverty Reduction Strategy until 2002. In 1999, GoB did not have either a Comprehensive Development Framework or a PRSP. The 2002 elaboration of a concept I-PRSP has been an almost independent activity, and was not directly linked to the sector approach but had to do with the IMF's approval of the macroeconomic programme and hence to opportunities to access a Poverty Reduction Growth Facility. During the Bangladesh Development Forums 2002 and 2003, GoB reiterated its commitment to the MDGs, especially by focusing its development efforts on education and health. The I-PRSP, as discussed by the Board of the World Bank (June 2003) was based on four pillars: (i) acceleration of pro-poor growth; (ii) improvements in governance; (iii) investment in human development, and (iv) social protection. In December 2004, GoB presented a full-fledged PRSP that stresses the priority of *human development* and social capital by improving education, health and gender equity.

To counterbalance the anti-poor tendencies in the economic development path, Government needs policies to ensure that the poor can seize the opportunities that growth creates, such as

access to health and education services, to land and water and micro-finance, small enterprise development and productivity enhancements. These pro-poor policies are reflected in the PRSP, but it is not specified how these policies will be implemented.

The sector approach preceded the design of the PRSP, so there is no direct relationship between the Government of Bangladesh' pro-poor policy as outlined in the PRSP and the sector approach. Nevertheless, *ex post* all sector programmes matched well the priorities indicated in the PRSP.

At sector level

The Health and Population Sector Programme (HPSP) was initially developed as a *Health and Population Sector Strategy* with a view of coming to a National Policy on Health and Population. So, it was developed and implemented in the absence of a formal health policy. The objective of HPSP was the adoption of a pro-poor health agenda by (amongst others) improving the health and family welfare of the most vulnerable women, children and poor of Bangladesh; the delivery of an essential service package (ESP) at the primary and secondary health care levels and the introduction of a new tier of service delivery at the community level (community clinics) in order to be able to offer a one-stop service for both health and family planning services.

For the education sector, the government identified primary school education as a key area for development and as a means to reducing poverty. In order to increase enrolment and attendance of poor children, and to prevent dropouts and child labour, it offers, since 2002, a stipend to 40 percent of the poorest households. The principal of the school and the school management board select the children eligible for the stipend. GoB does attain to the international goals of Education For All (EFA) and does support (some) NGO initiatives that contribute to the improvement of the outcome of education policies (for example agreement with BRAC on pre-schools). The main objective of PEDP I had been to bring donor funded projects under a single policy frame, irrespective of the poverty focus of these projects. Expansion of access to education was of greater importance.

In the water management Government made an effort to come to a National Water Management Plan, but the process was long and cumbersome. The Plan was finally approved in 2004. The Plan pays attention to the effects of adverse environments on poverty in the rural areas, especially in the case of chars and the areas subject to river erosion.

See for a further elaboration on the various sector plans and projects, annexes B.

7.2 Results and poverty focus in sectors

This evaluation has not studied the impact of the sector approach on the three dimensions of poverty, but uses information from secondary sources to describe results at sector level.

Health

In its intention HPSP was a pro-poor policy, biased towards the most vulnerable groups in rural areas. It contributed to internalise a pro-poor thinking within the MoHFW, as expressed by the Concept Paper for the Nutrition and Population Sector Programme – HNPSP (thereby incorporating the National Nutrition Programme). HNPSP (2005-2007) has an even stronger focus on poor and gender, triggered by the disappointing outcomes on the effectiveness of HPSP on poverty targeting.

The Country Team (2003) concluded that the achievements of HPSP in terms of improved health indicators had been “substantial and unprecedented for developing countries”, considering the fact that total fertility rate had dropped; contraceptives had become widely available and used and infant and child mortality rates have dropped significantly. Beyond doubt, health indicators have improved over the last decade in Bangladesh. Evaluations and surveys indicate that HPSP did contribute to an improvement of the provision of essential obstetric care, and to better access of women to primary health care (PER, 2003). However, the same surveys express doubts whether the improvements in national indicators can be (mainly) attributed to the public health services (APR, 2003:2). Different sources, like the Service Delivery Survey 2001, the Public Expenditure Reviews 2000 and 2003⁵⁹ and the surveys on Spending on Essential Services Package seem to indicate that HPSP did not imply ‘pro-poor spending’ in practice and had little impact on poorer population strata.

Geographically (and excluding large cities like Dhaka and Chittagong) the richest districts received more resources for health care than the poorest districts (PER 2003:145). One of the reasons was the use of hospital-bed criterion in the resource allocation. The Service Delivery Survey (2001) indicated that the very poor households, with the highest disease burden, are less likely to use government health services due to unofficial fees, long waiting times, lack of medicines and poor treatment by service providers. In general, the poor feel government health services discriminate against them and treat them badly. Nevertheless, due to lack of opportunity, lower-income groups use mainly public primary health care facilities. But, the poorest groups pay higher for communicable diseases than any other income group. Around 10 percent of these payments were ‘unofficial’ payments to doctors and medical staff (PER 2003:152).

An issue negatively affecting service utilisation is the high number of vacant posts, particularly in the poorer and more remote regions as well as the high level of absenteeism of service

⁵⁹ Fifth PER, conducted by Health Economics Unit. In PER 2003 Section III

providers. A 2003 survey found that the rates of absenteeism for doctors at *upazila* level was 40 percent and at union-level 74 percent (APR, 2003:8). Overall, people's confidence in the public health system did not improve.

A similar pattern emerges from a gender perspective. In total women did attend more health facilities than men. However, if the use of reproductive services were excluded, then more men attended health facilities than women. Males received more attendance in the categories child health and communicable diseases. Males make up 51 percent of the population, but consumed 58 percent of public spending in health.

Education

Overall, the PEDP I policy was based on expanding access to primary education. Low quality was not explicitly addressed. The objective of improving access to primary education refers to the social dimension of poverty, but it was not an explicit 'pro-poor policy'. PEDP I focused on 'academic' performance in primary education. Access to primary education did improve, although the so-called 'contact hours' remained low as did school attendance (70 percent of the enrolled). Satellite schools were reported to be successful and that had a positive effect on access by the poorer strata of population. The PEDP II formulation introduced explicit poverty targeting (geographical areas and social strata) and put more emphasis on the quality of education, including the training of teachers. Nevertheless, according to UNESCO's November 2004 EFA Monitoring Report, Bangladesh will not reach the EFA goals for 2015 if only a 'business as usual approach' were pursued⁶⁰.

In March 2005, the fifth Education Watch Special was issued⁶¹. The report brought the good news that a broad-based gender parity was observed across the board among school types, socio-economic groups and geographical areas (*upazila*). The bad news was that one out of three children that complete five years of primary education still remain non-literate and that the differences between socio-economic groups are profound and are becoming wider. The most pronounced differences were registered among socio-economic categories in respect of enrolment, repetition rate, and drop out. The ultra-poor showed a net enrolment of 65 percent against the average of 80 percent in the areas studied. Children of ultra poor families have 30 percent less chances to enter primary education and five times a higher chance to drop out. A quarter of the non-enrolled children cited poverty as the first reason for non-enrolment, while forty percent of the drop-outs mentioned the same reason. Well over forty percent of the children from poor families are 'first generation learners' since both parents have not received any education. Taking one parent as a criterion, this is even the case in sixty-five percent of the pupils⁶².

⁶⁰ Education Watch. March 14, 2005

⁶¹ The Education Watch 2003/2004 report is based on a survey of 8,212 households and 47 institutions, 73 focus group discussions, 22 case studies of children and discussion with key informants about primary education in 10 *upazilas*. The results were published in the Daily Star of Minday March, 14, 2005.

⁶² Samir.R.Nath. In: *Key Findings Nature of Deprivation*. Education Watch Special. March, 2005.

The Education Watch Special is very critical with respect to the stipend programme. Stipend recipients (who should be ‘the poor’) were evenly divided between four socio-economic groups. Well over two-thirds of the children from the poorest strata were not selected for the stipend programme, while 27 percent of the stipends were received by parents in the highest income bracket. The Report concludes “targeting the poor, the principal rationale of the stipend programme, does not appear to be working. The programme is not needed: non-formal education programmes run by NGOs have attracted and held poor children in school and helped them to perform well without stipend as an inducement”.

Water management

The conventional wisdom that adverse environments and remoteness are a major determining factor for poverty still has validity in Bangladesh (Sen and Hulme, 2004⁶³). This is especially the case in the *chars* and the areas subject to river erosion. But, the influence of adverse environments on the depth and persistence of poverty is weakening as people increasingly shift into non-farm livelihood strategies, as water management improves in drought prone areas and new uses are found for salinity prone areas.

Evaluations of water management projects showed to have led to important, although localised, improvements in the quality of life of the poorer strata of the population. In particular, the population settling the *char* areas or living in better water-protected areas have benefited from water management projects. Projects did have an impact on the economic dimension of poverty, for example through enhanced wages for family labour and increased employment opportunities during construction of infrastructural works. In most cases, labour-intensive methods of construction have been practiced. As a result of the works and water management measures new land could be converted into agricultural land, while existing land could be used for higher yielding production as a result of the water management measures

Also an effect on the political dimension of poverty could be registered: due to the requirement of having a certain percentage of the population being a member of the Management Cooperative Associations (WMCA), many WMCAs have a proportional overrepresentation of the poor (larger landowners do not become member in an effort to avoid payment for operation and maintenance of the works).

On balance, however, most projects did not lead to a sustained redistribution of incomes as the temporary benefits (of the construction) were for the poorer strata, while the more permanent benefits were often reaped by higher income groups: those persons and families with access to land.

⁶³ Chronic Poverty in Bangladesh. Overview. www.prcpb-bids.org

7.3 RNE focus on poverty reduction

At the moment of introduction of the sector approach, the overarching objective of the Dutch development co-operation was poverty reduction with as leading principles 'good governance, poverty, gender, institutions and environment'. The sector approach did not alter that objective. In the policy paper "Aan Elkaar Verplicht" (2003) the objective remained the same, but the leading principles lost some importance due to the thematic focus on private sector development, water management, and HIV/AIDS.

The introduction of the sector approach in relation to poverty reduction generated intense discussions in the embassy. One of the questions was whether the public sector would be able to reach the poorest strata of the population. The doubt was underpinned by evaluations of project support to NGOs, that indicated that the public sector was not flexible enough to reach poor areas and poor population groups, while these organisations had the capacity and knowledge on how to reach the poor. The Netherlands did put special emphasis on the gender dimension of poverty in both the education and health sector.

The discussion was best reflected by the Dutch manoeuvres in the education sector. Although, the Netherlands participated in the preparations for the Primary Education Development Programme (PEDP), RNE decided to step out prior to the funding arrangement, among others using the argument that the sector programme lacked an explicit poverty reduction focus. Based on evaluation results, RNE decided to exclusively support large NGOs with proven capacity and knowledge to reach the poor (both in geographical terms and in terms of vulnerable groups). A few years later, RNE accepted an invitation to participate in the preparations of the follow-up sector programme (PEDP II).

It was RNE that brought in a more explicit poverty orientation and a strong emphasis on gender equity. RNE funded the review of PEDP I, drew the lessons from that experience and incorporated these into the formulation of PEDP II. RNE had a leading role in the policy development, in formatting of a consortium to support a single policy on primary education and in harmonising the procedures. RNE Dhaka has provided technical expertise and backstopping on gender issues when needed.

Also in health, RNE Dhaka has been influencing policies in these areas, even with relatively limited financial resources. A gender Equity Strategy (GES) for the health sector was developed and endorsed by the Government of Bangladesh in 2001, but not implemented. In the design of HNPS there is more explicit attention to poverty reduction and vulnerable groups. The World Bank mentioned that the bilateral development partners are insufficiently aware of the fact that improving the health status of the poor strata of the population depends in the first place on a new organisation of health care in Bangladesh that as a first step requires co-operation with civil society organisations (CSOs) that manage a large proportion of the health care services in the rural areas.

Through its participation in different co-ordination entities and fora, the Netherlands contributed to pro-poor policy formulation, especially in education.

7.4 Analysis

The government policy contains a strong focus on the social dimension of poverty: health and education. Donors encouraged the formulation of sector plans for health and education and both sector plans were heavily dependent on donor funding. The policy intentions of government are not directly reflected by the resource allocation. The combined donor efforts have expanded the total resource envelope available to the sectors health and education and also government's own revenue generation increased substantially over time. But, that does not imply that GoB's distributive resource allocation changed as well. The discretionary public expenditure in primary education as a percentage of the total budget decreased from 16.4 percent in 1999/2000 to 13.5 percent in 2003-04⁶⁴. The allocation for health amounted to only 10 percent of the internationally accepted standard for an Essential Services Package.

In addition, implementation of policies by the public sector suffers from deficiencies in quality, both as a result of weak governance and weak technical capabilities. The willingness and ability of the government to address the endemic corruption and to improve the human rights situation is still subject to doubt.

Sector programmes, however, have been a learning process. The follow-up programmes in both health and education showed improvements in their orientation towards target groups, including by using quantified targets.

The interesting aspect of the Bangladesh case is the substantial reduction of income poverty as a result of more than a decade of continuous economic growth. This growth was encouraged by government's macroeconomic policy in a volatile political environment dominated by business elite controlling the public sector for its own interest. Neither a PRSP nor the sector-wide approach played a role in that process. Government applied standard macro-economic policy adjustments and by doing that the private activity expanded. Nevertheless, the engine for this growth is vulnerable (garment industry) and partly based on child labour. Although the business environment has improved, Bangladesh is still a rather poor environment for private external investments. Rather massive migrant remittances and innovate micro-credit systems made that millions of families started and developed small businesses.

Evaluations have shown that government's attention to the social dimension of poverty did have some result, although causal relations have been questioned. Beyond doubt overall indicators for access to health and education have improved. That is not the case for quality indicators. Massive donor support seems to have contributed to providing access to social services to the

⁶⁴ The Education Thematic Group paper for PRSP recommended to raise public expenditure in education from the 13.5 percent to 25 percent of the GoB budget during two cycles of three-year rolling plans (2004-2010) (about 5 percent of GNP), which is –most likely- beyond reach.

poor masses. The public system is, however, not equipped to provide these services to the 'last 10 percent' where NGO are more focused and community based organizations (for example, community schools) more efficient in the provision of services.

With respect to reaching the Millennium Development Goals, a complex picture emerges:

- Consumption / income poverty has declined for both the poor and the extreme poor. However, subjective poverty assessments (i.e. surveys by BRAC) revealed that more people than ever perceive their own living situation as 'living in poverty'. Reasons are, amongst others, that farmers have moved into commercial agriculture and are subject to severe price swings; or families provide labour against very low wages in the garment industry. Overall, the income inequalities increased.
- The Human Poverty Index reflecting income poverty, illiteracy and health deprivation has improved substantially.
- Child mortality reduced rapidly over the 1990s for both boys and girls.
- Equal gender opportunity to education has been (almost) achieved. There has been great progress in raising female enrolment rates. But the primary school completion rate declined, mainly to a high drop out rate among the group of extreme poor.

MDG performance is good on a number of indicators, with mixed results on others. Gross enrolment in education has increased from 59 percent in 1980 to 96 percent in 2000, but quality improvement remains necessary. Gender equality in primary education is achieved, but the number of girl drop-outs is still high. Reductions have been registered in infant mortality rate from 87 percent in 1993 to 66 percent in 1999. The achievements in the social sectors cannot be attributed to GoB performance only, since they are catered for by both NGO's (education) and private sector (health) as well.

Overall, Bangladesh is 'on track' to achieve most of the MDG targets except income poverty reduction, maternal mortality, and, perhaps under-five mortality.

7.5 Conclusions

Were pro-poor policies and pro-poor spending enhanced and did the poor strata of the population receive better access to (higher quality) social services? What has been RNE's approach in that respect?

Bangladesh has moved away from the 'doomsday' scenarios that dominated the image of the Asian countries ("the Asian drama") during the 1970s. Although chronic poverty is persistent, it has diminished over time. The economy of Bangladesh has shown a quiet transition to moderate growth, no longer based on agriculture but on manufacturing industry and services. And there has been 'a silent ascent' to democracy, still with paramount deficiencies, but away from military or 'absolute presidential' rule; the position of women has substantially improved, as expressed by the gender equity in education, even in remote and peripheral areas.

In response to the international attention to the Millennium Development Goals (and possibly lured by additional lending opportunities) GoB has gone through a PRSP formulation process in which it has reiterated its commitment to achieving the MDGs. The more pro-poor policies cannot be directly attributed to the sector-wide approach, although there is obviously an interaction with the mainstream thinking of the international development community. But, one characteristic of Bangladesh is its relatively low donor dependency as far as it concerns policy making. Policies in Bangladesh are formulated in the first place from a national perspective, driven by national political forces and a national political agenda. Thanks to an expanding economy and increasing own revenue generation, the resource envelope of the public sector has created more 'room to manoeuvre' to GoB to allocate resources to pro-poor activities. While the total resources available to social sectors have increased substantially, the allocative distribution among sectors did not. At least education and health did not receive a larger share out of the total.

Pro-poor policies have become clearer at the sector level. This is reflected by the 'second generation' of sector support programmes (PEDP II and HNPS) that contain more outspoken and quantified poverty targeting. In PEDP II, the Netherlands embassy has been instrumental in introducing this pro-poor focus.

Evaluations seem to indicate that sector support programmes in health and education have contributed positively to improve the access to social services, also of the poor. Hence, these programmes have contributed to reduce the social dimension of poverty. The massive public sector programmes have not been able to reach specific poor areas, or specific poor target groups. This leads to the conclusion that the public sector has been effective in improving access to social services to the bulk of the population, but that reaching groups with special demand ('the last 10 percent') requires special knowledge or intervention strategies that are best provided outside the public sector. Part of the remaining effort required will depend on a more precise definition of roles and functions between public sector, CSOs and private service providers.

The overarching objective of poverty reduction has played an important role in discussion with respect to the introduction of the sector wide approach in Bangladesh. Doubts regarding the effectiveness have been one of the reasons to the embassy to step out of the preparations for the PEDP I and to opt for the NGO sector. Later, RNE was fundamental in reviewing the effectiveness of PEDP I and in introducing the lessons learnt into PEDP II.

The relation between water management and poverty reduction are not well studied. RNE did not pursue initiatives to expand that knowledge through specific studies. For example, these studies do not form part of the SSWRDSP and BWDB work plans.

Although since 1999 changes have been introduced in the approach in the water management sector, there is no indication that these modifications have contributed to better opportunities for combating poverty more effectively.

8 FINDINGS AND EXPLANATORY FACTORS

Country selection and sectors

From the onset in 1998, the selection of Bangladesh as a partner country for Dutch development co-operation has been questioned, due to doubts about the willingness and ability of the Government of Bangladesh to improve the governance situation, in particular the endemic corruption and human rights situation. Between 1999 and 2004, Bangladesh has performed well on macroeconomic stability, has shown a sustained economic growth and has improved its social indicators, but has continued to occupy the world's lowest ranking on the Transparency International Corruption Perception Index. This persistent weak governance situation made the Netherlands embassy reluctant in considering less earmarked forms of funding. The same governance situation made that the embassy did not pursue a (sub-)sector approach for the water management sector and considers technical assistance in the water sector a necessity for accountability reasons.

Prior to the introduction of the sector approach, the sectors (integrated water management, basic health care and primary education) had been indicated already by the Minister for Development Co-operation during the bilateral negotiations of July 1997. In 1999, RNE Dhaka did not carry out comparative sector studies in order to come to a sector choice. Although, the embassy organised a "sector choice and ownership exercise", the final outcome was not formalised in 'agreed minutes' between the Government of Bangladesh and the Dutch embassy.

In 1999, only in health existed experience with sector support programmes. HPSP was a continuation of earlier multi-donor initiatives joined by the Netherlands in 1985. HPSP was the first multi-donor programme with pool funding under a common strategy (but without a policy framework) in Bangladesh. At the time, RNE considered the perspectives to implement the sector-wide approach in education as negative, while for the water sector RNE stated that "it is preferable to strengthen the capacities of the various institutions through sub-sector programmes, what will lead to an increased opportunity..". In 2001, RNE together with DfID, took the initiative to pursue the elaboration of a sector support programme for the education sector. In the water sector the options for a sector support programme became more distant and RNE continued the project modality but with more joint financing arrangements with other bilateral and multilateral donors. In the assessment about the opportunities for the sector approach personal convictions of key RNE-staff played a role as shown by modifications after change of staff (1999, 2000).

In 1999, the National Water Management Plan (NMWP) was under preparation and the embassy thought that "it would take at least two years to develop a SWAp in the water sector" (Annual Plan, 2000). New 'conventional' project proposals were prepared and approved (IPSWAM and WSIP). In 2002, RNE announced to disregard the (sub-)sector approach in favour of an institutions/agency approach, envisaged as a step in between a project and a sub-sector programme. The arguments for such an approach were the fact that the NMWP had not been

approved, corruption and weak implementation capacity of public entities in the water sector. However, this 'agency approach' was never put in practice. Although, GoB endorsed the NWMP in 2004, it did not lead to modifications in the Dutch programme in the water sector (until late 2004). In fact, there was no clear concept of how a sector approach for water management should look like. The project modality was continued, be it with more joint financing arrangements with other donors.

Less earmarked forms of funding

In 1999, the ministry assumed that from 2002 onwards an increasing share of the structural bilateral aid to Bangladesh would be used for budgetary support. One year later both RNE Dhaka and the ministry considered that intention 'premature'. In 2002, the embassy reports: "with even a modest form of pool funding difficult to achieve [in health], there is no scope in the short or medium term for budget support". In 2004, only IMF and the World Bank provided on-budget external financing.

Basket funding has expanded with the start of the PEDP II (2004). This funding under a Code of Conduct is –according to the embassy- "as close to the edge" as possible under the given circumstances of public finance management and transparency. As a result of the high fiduciary risk, a gradual move towards budgetary support will not be pursued in the short term.

Bangladesh is an enormous country with a large national budget. The relative importance of external funding on the total budget is modest only (12 percent in 2004), while external funding caters for about a third of the development account. This implies that the risk of fungibility is high⁶⁵, while the opportunities for donors to trace the impact of additional resources in the budget are very small. In the case of Bangladesh a cautious attitude towards budget support seems to be justified.

Coordination, harmonisation and alignment

There is little stewardship by GoB to coordinate the donor community and government has no intention to do so. Notwithstanding the large number of LCG-subgroups, the coordination among donors is far from smooth. One of the reasons is that –apart from the health and education sectors- donors are not really enforced to operate jointly.

At national level, and notwithstanding the Aid Governance Initiative (2003) and the Nordic Harmonisation Action Plan, the achievements on harmonisation have been modest only. At

⁶⁵ The less dependent on foreign aid, the higher the risk of fungibility. In highly aid dependent countries the next marginal activities (to which a recipient country may deviate budget resources) are most likely funded by external finance as well. In consequence, these marginal activities belong to the priority areas of donors as well.

sector level, PEDP II is frequently referred to as a good example of harmonisation. It remains, however, “work in progress”. PEDP II is the most advanced in terms of alignment as well. An important aspect of the PEDP-II is the recognition of the 2003 Public Procurement Guidelines by both ADB and World Bank. This implies that over the last years the public procurement system has been modified to such an extent that it has incorporated most of the standards and methods used by the international financing institutions.

Ownership and institutional capacity

There are basically two visions on ‘ownership’. First, ownership understood as leadership in pro-poor policy making, in combating the governance problems and in donor coordination. RNE Dhaka reports that GoB should become (more) the ‘owner’ of the development process. This is a certain shift from the stand hold during the period 1995-1999, when RNE stressed the need for ‘societal ownership’ (referring to the end users and their organisations, like WMOs). The second opinion is that ownership has always been high in Bangladesh. This is evidenced by the modest influence of the donor community (except IMF and World Bank) over the political (and economic) agenda of the country.

The sector approach has not altered the ownership, although GoB is rather pleased to be put in the driver’s seat as opposed to NGOs that were more strongly supported by the international development co-operation in the past. In health and education the sector support programmes hardly change ownership, since to GoB these programmes only expand the resource envelope. While the donors believed the support programmes would bring structural reforms, in practice they did not.

In the water management sector, the ownership of the projects continues to be problematic as far as it concerns the GoB executing agencies. These are consulted and involved in project formulation, but the drafting of project documents is usually done by external consultants and paid for by the Netherlands. In the co-financed projects, the conventional project appraisal and implementation procedures apply (usually according to ADB or World Bank guidelines). Usually, the executing agencies lack a policy mandate and are restricted in their mandate to construction and operation.

If societal ownership is considered, much more has been achieved as a result of transferring responsibilities to end users.

The principal failure of both HPSP and PEDP I has been to bring about institutional reforms. The elaboration of the ‘second generation’ sector support programmes (HNPSP and PEDP II) have shown that GoB’s capacities in planning and in organisation have improved over time. Priority setting and decision-making have shifted from the Planning Commission to the rightful places within MoHFW and MoMPE. The difficulty to implement structural reforms was illustrated in the health sector, where no integration took place of the health and family planning wings of the MoHFW. In addition, the proposed further institutional decentralisation never materialised.

Although the Directorates had proven ability to exercise greater delegated authority, achievements made up to upazila level were later reversed by the Ministry.

RNE invests directly in institutional strengthening in the water management sector. Institutional capacity building in the health and education sectors is through the sector support programmes. In the water sector, most institutional building at project level is a mixture of human resource development (capabilities) and organisational strengthening without an overall strategy on what should be achieved at (sub-) sector level. Capacity building at end-users level has proven to be highly successful.

Most development partners share the view that the effectiveness of aid channelled through the Bangladesh public sector has always been poor. There is widespread misappropriation, and in relation to institutional strengthening in the public sector, there are few examples of successful interventions. Some argue that aid should therefore be directed wholly or almost wholly towards supporting NGOs, and perhaps the private sector. The limitations of this argument, however, centre on the fact that few if any countries have successfully and sustainably raised standards of living if government is left behind or left being highly dysfunctional. In addition, the public sector in Bangladesh has enormous proportions; many activities in society still depend on the public sector that in other countries are considered to pertain to the private sector.

Efficiency

The sector-wide approach is supposed to lead to efficiency gains whenever certain conditions have been put in place, such as a clear definition of roles and functions of both public and private sector and a Public Sector Reform that has matched the human resources required with the roles of government. In Bangladesh, these conditions have not been put in place (yet). A general problem remains the (lack of) administrative decentralisation. In education there is an apparent lack of oversight over primary education at the upazila level and a worrisome corruption in the recruitment and nomination of teachers. Here it is not the policy, strategy or intention, but the central government steering in combination with lack of oversight at local level that hampered proper implementation.

Evaluation reports of HPSP revealed that - from GoB's perspective- operational efficiency gains have been made by incorporating the previously existing 126 projects under a single framework. Transaction costs reduced by making programme planning and management a line function within the ministry. In education, where the PEDP II did get a stronger poverty profile, the real management capacity of the system still has to be tested.

Part of the transaction costs, previously assumed by RNE (and other donors), has been passed on to GoB (for example, recruitment of technical assistance; procurement costs, audit). To RNE, the transaction costs did not diminish, but have changed in character. Embassy staff has become more involved in strategic and policy matters (functions that match better the

professional qualifications of RNE staff) than in the past. This applies less for the water sector, where RNE staff also fulfils the functions corresponding to project portfolio managers.

Poverty reduction

Concerns about the effectiveness of aid on poverty reduction have played an important role in the introduction of the sector wide approach. Doubts on effectiveness made the embassy first choose for a poverty targeted approach in the educational sector (outside the sector programme), while later the embassy played a fundamental role in bringing in a strong poverty focus into a second stage of the sector programme in education.

Sector programmes in health and education have contributed positively to improve the access of poor population groups to social services. The public sector has reached the mass of the population, but has not been able to attend specific poor areas, or specific poor target groups. These programmes have contributed to the social dimension of poverty. There is little knowledge whether the activities in water management effectively contribute to reduce income poverty. The embassy has not invested in instruments or studies to acquire this knowledge about the poverty dimension in water management.

PART B: SECTORS

B 1 SECTOR EDUCATION

B1.1 Background

Prior to the independence of Bangladesh in 1971, the education sector of the country as a whole was neglected. Low public investment in education resulted in limiting the access to education to mainly the urban areas, while the quality of education in both the primary and secondary school systems was poor. After independence, the entire primary education sector was nationalized. For a war-ravaged country, it was difficult to provide access to education to millions of children. The Constitution makes it obligatory for the Government of Bangladesh (GoB) to provide basic education to all citizens and to eradicate illiteracy from the country. The Compulsory Primary Education Act was passed in 1990 granting free and compulsory primary education for all children. Since then various education policies and strategies were introduced to overcome the numerous problems enveloping the education sector in Bangladesh, of which some have never been implemented and others produced only limited results. In October 2000 the GoB approved the National Education Policy (NEP). Bangladesh has committed itself to achieving the goals of Education for All (EFA), as a signatory to the Jomtien Declaration of 1990. As a follow-up of the World Conference on EFA, a National Plan of Action (NPA) for EFA has been elaborated and presented to donors in January 2002.

In 2003, the country had 18.1 million children enrolled in 79,000 primary schools with over 320,000 teachers. In 2001, there were 12,641 secondary schools with 6.4 million students.

The primary school system comprises a variety of schools with diversified educational programmes. The three main types of schooling which offer 5 years of primary education are: (1) public primary school; (2) non-government primary schools (registered, satellite, unregistered, private schools); and (3) Ebtedayee Madrashas (Islamic primary schools). The first two follow the curriculum as set by the National Curriculum Textbook Board (NTCB), while the Madrashas follow the curriculum laid down by the Madrasha Education Board.

Formal education is offered in a 5-year cycle of primary education, 5 years of secondary education, and 2 years of higher secondary education. The Primary and Mass Education Division (PMED) of the GoB has been entrusted to formulate policies and plans, and to evaluate and monitor programmes of primary and non-formal education. The Ministry of Education deals with matters relating to post primary education.

The main issues in primary education are poor quality and inequitable access. Factors underlying the low quality of education comprise (a) weak management and accountability (b) low teacher quality (c) ineffective curriculum development and textbook production (d) inadequate physical infrastructure and (e) weak capacity for monitoring and evaluation (f) little attention to education outside the formal – public – education system (h) inadequate sector

financing, particularly of non-salary items of expenditure (RNE, Sept.2004, Basic Education in Bangladesh in 2004).

According to a list from the Association of Development Agencies in Bangladesh (ADAB), there are about 1,000 NGOs in the country (and enlisted with ADAB) active in development activities. About 400 of these offer non-formal education and literacy programmes under a subvention plan of the GoB; they manage about 40,000 education centres countrywide. The largest is the Bangladesh Rural Advancement Committee (BRAC), operating 34,000 NFPE (Non Formal Primary Education) schools nation-wide (catering for about 1.1 million children). In addition, there are many other education activities implemented by NGOs, which are not registered officially and do therefore not appear in the GoB's statistics. Non formal primary education delivered by NGOs serves 8 percent of the children in the country.

While GoB is the main provider of education, the non-formal education programmes draw on the services of NGOs and Community Based Organisations (CBOs) and the support of the community to generate and sustain the demand for education. The Directorate for Non formal Education (DNFE) of the GoB has developed four NFE Projects for the 1996 – 2001 period, with a target population of 34.4 million pupils (ages 8 – 45 years old) and achieving 84 percent adult literacy by the year 2002 upon completion of the projects. This Directorate was closed in 2003 in the face of widespread complaints about mismanagement and corruption. This left a vacuum in respect of a body with oversight and overall responsibility for NFE in the public sector.

Early childhood development and pre-school education have until now not been part of the publicly provided education services. Pre-schools are mainly operated by NGOs and community organisations. Their value is increasingly recognized by GoB, which has signed an agreement with BRAC for setting up 15,000 pre-schools within or near the GoB primary schools. It is expected that 10,000 more pre-schools will be opened before 2010.

B1.2 Dutch interventions prior to 1999

The Netherlands had supported the First Primary Education Programme (started in 1980) and the subsequent General Education Project, that started in 1990. The General Education Project was a multi-donor effort, supported by 8 donors. This multi-donor effort was the foundation to come to a first attempt to introduce a sectoral approach to primary education: the Primary Education Development Programme (PEDP-I). RNE Dhaka, together with the World Bank and Sweden took the lead in developing the concept. After a smooth start –and when the sector-wide approach gained popularity at the international development community - many donors (EU, ADB, Norway, GTZ) wanted 'join in' and started to send their own formulation and appraisal missions, usually with a project focus and based on the own policies of the respective headquarters. The Ministry of Education of Bangladesh happened to loosely adhere to their own policies and could easily be convinced of deviating from their own strategy whenever sizeable amounts of funds were to be expected. The Ministry of Education left the programme approach already applied in the General Education Project and returned to a project approach as demanded by the new partners. RNE Dhaka decided to step out (1997) and to plea for a more

programmatic approach for a next stage. However, RNE stayed involved a ‘watchdog’ monitoring the achievements. The Primary Education Development Project (1998-2001) basically put 27 different projects (of which 9 with external funding by 13 donors) under a single framework.

RNE Dhaka described the programme as “a failure in its attempts to co-ordinate development partners’ support behind a comprehensive strategy for primary education” and considered it as “little more than a loose set of individual projects” (RNE. Fact Sheet Basic Education in Bangladesh. September 2004). A DfID-led and RNE co-financed assessment of PEDP-I completed by the end of 2001, formed the basis for a second support programme (PRDP-II).

In the meantime, RNE had decided to focus its efforts for improvement of primary education to the non-formal education. The non formal education in Bangladesh is spearheaded by the enormous BRAC. About another 400 NGOs are active in that field, of with most are registered member of the umbrella organisation CAMPE. Table B1.1 shows the delegated bilateral aid to the education sector during the period 1996-1999.

Table B1.1 Delegated structural bilateral aid to education, 1996-1999

Bangladesh Delegated structural bilateral aid. Education (including sectoral programme aid)							
Activities > €100,000 committed							
Activity	Start	Commitm.	1996	1997	1998	1999	Total
Non-Sectoral Programme Aid							
BRAC/Non Formal Primary Education/Phase II	1996	10,323,500	6,352,923	2,269,039	1,701,538	0	10,323,500
General Education Project World Bank	1990	10,106,094	3,630,323	0	0	0	3,630,323
BRAC RDP-Phase IV	1996	8,561,744	4,756,524	1,662,955	1,740,890	0	8,160,369
Total		28,991,338	14,739,770	3,931,994	3,442,428	0	22,114,192
Rest < € 100,000 committed		104,235	0	0	52,185	0	52,185
Total		29,095,573	14,739,770	3,931,994	3,494,613	0	22,166,377

Source: MIDAS and Programmahulpbrieven

B1.3 Sector choice

In 1997, the then Minister for Development Co-operation visited the Minister for Finance of Bangladesh⁶⁶ and indicated that “The....budget is now compartmentalised according to the sectoral approach” and “in Bangladesh integrated water management, basic health care (incl. sanitation) and primary education are likely to be selected as priority sectors”. In practice, this choice of sectors was based on the outcome of the IOB evaluation 1972-1996, which was made subject to discussion with the Government of Bangladesh (GoB) and non-governmental

⁶⁶ Minutes of bilateral official meeting between Bangladesh and the Netherlands. 23rd July 1997. Dhaka.

organisations⁶⁷. The implication of this consultation was the discontinuation of the Dutch involvement in agriculture (part of the portfolio was transferred to the Danish development co-operation⁶⁸), small and micro enterprise development, micro credit and rural electrification and the continuation in health, water and education.

In 1999, at the moment of the sector choice, GoB did not count with an agreed upon policy document for national development and/or poverty reduction strategy that could guide the Dutch decisions on sector choice. Bangladesh is not a HIPC eligible country and for that reason it started to elaborate a PRSP at a relatively late moment in time (the PRSP was expected to be completed by December 2004). The Interim PRSP, as discussed by the Board of the WB (June 2003) was based on four pillars: (i) acceleration of pro-poor growth; (ii) improvements in governance; (iii) investment in human development, and (iv) ensuring social protection. Primary education is one of the twelve priorities listed. During the Bangladesh Development Forums 2002 and 2003 (comparable to Consultative Group meetings), GoB emphasized its commitment to the MDGs, especially by focusing on education and health.

In 1999, both within RNE Dhaka and between RNE Dhaka and the Ministry in The Hague, there were substantial differences of opinion regarding the Dutch funding to the primary education. As indicated above, in 1997 the Netherlands had pulled out funding primary education through the public sector and had increased its support through the NGO sector (in particular BRAC). The question was whether it was desirable or not to fund (only) the non-formal primary education. The new Head Development Co-operation⁶⁹ at the time considered the introduction of the sectoral approach as a gradual change process, in which a two-pronged approach (public sector and NGO simultaneously) would lead to sound opportunities, in particular in health and education.

In December 1999, a discussion took place between the donor community and a large group of civil servants, chaired by the Principal Secretary to the Prime Minister, on the subject of “programme approach”⁷⁰. RNE Dhaka exposed the main concepts of the sector approach, be it in a rather orthodox manner. Most resistance was met from the Ministry of Education, partly as a result of complex internal power play within the Ministry and partly as a result of scepticism, since the Netherlands had pulled out of funding primary education just two years before.

The policy document “Aan Elkaar Verplicht (AEV)”

- The Dutch policy document AEV (2003) invited the embassies to reduce the number of sectors to ‘two, maximum three’. A strategic planning mission of the Ministry of Foreign Affairs carried out a SWOT analysis in December 2003⁷¹. It was concluded that the programme with Bangladesh should focus on water, health and education, while the

⁶⁷ Tweede Kamer, vergaderjaar 1999-2000, 26433, nr 18.

⁶⁸ Interview ex HOS

⁶⁹ Interview ex HOS

⁷⁰ HOS to DAO/ZZ, 6th December 1999

⁷¹ A summary of all arguments used in pro and contra of the various sectors can be found in the Final report of the Country Team Mission Bangladesh 01-04 December 2003

activities in rural electrification programme should winded up. According to that SWOT analysis, RNE Dhaka had acquired a leading role in education, by its chairmanship of the new consortium (PEDP II) (see next section). In addition, the parliamentary motion Hensing forced to spend 15 percent of the development budget on basic education activities and since the volume of resources involved in Bangladesh is high, this consideration played a role in the confirmation of education as one of the sectors chosen in Bangladesh. Also according to the perception of the Bangladeshi authorities interviewed during that mission, the value added of the Dutch presence could mostly be found in education and the water sector⁷².

B1.4 Dutch interventions after 1999

In education, the concept sectoral approach was already applied before its introduction in the Dutch development policy. It had emerged out of the General Education project and had been a starter concept for the elaboration of the first Primary Education Development Programme (PEDP-I), although in practice the latter happened to be only a common framework for series of projects.

In 1999, RNE's understanding of SWAp was less orthodox than the perception of for example the World Bank. At that time the Asian Development Bank (ASB) had started preparations for a next phase of its programme in the education sector (SESIP) and a consultancy was underway. SESIP was one of the projects that had been brought in under the umbrella of PEDP I. Thanks to RNE's pressure on the ASB headquarters in Manila, an opening was created to come to a common (multi-donor) approach. RNE Dhaka and DfID funded an assessment of the first Primary Education Development Programme (PEDP-I). The results were presented to GoB and the Development Partners (DPs). Subsequently, ADB, RNE and DfID (the latter did form part of the PEDP-1 consortium) decided to fund a MacroPlan that would have to lead to a comprehensive sector policy. This was done in close co-operation with PMED and major donors under a TA team led by ADB⁷³. RNE also contributed financially to the MacroPlan (focusing on the gender dimension and quality of teaching).

After 1999, RNE Dhaka's support to the education sector covers both formal and non-formal education: formal education through support to PEDP II, non-formal through support to BRAC's education programme and though the Campaign for Popular Education - CAMPE, an umbrella organisations of NGOs active in pre-school and primary education (Table B1.2).

Table B1.2 Bangladesh delegated structural bilateral aid, 2000-2004.

Bangladesh Delegated Structural Bilateral Aid. Education (incl. sectoral programme aid)								
Activities > € 100,000 committed								
Activity	Start	Commitm	2000	2001	2002	2003	2004	Total

⁷² Interview Country Team

⁷³ Government preferred to work with ADB in stead of the World Bank, since it had had problems with the World Bank in the health sector at the time.

BRAC/NFPE-III	1999	15,947,838	7,260,483	3,685,808	3,176,460	1,815,120	9,967	15,947,838
Preparation PEDP-II	2002	149,123	0	0	115,084	21,772	0	136,856
Campaign for Popular Education	2002	1,560,000	0	0	320,000	84,346	585,654	990,000
BRAC RDP-Phase IV	1996	8,561,744	401,375	0	0	0	0	401,375
BRAC Pre Primary Schools	2003	2,702,806	0	0	0	2,702,806	0	2,702,806
IOA BEP	2003		0	0	0	40,211	0	40,211
BEP-IV	2004	3,000,000					3,000,000	3,000,000
PEDP-II Prim. Educ. Sect.Pr.	2004	4,755,600	0	0	0	0	4,755,600	4,755,600
Total			7,661,858	3,685,808	3,611,544	4,664,255	0	19,623,465
Others < € 100,000 committed		151,226	27,227	37,183	23,707	0	0	88,117
Total			7,689,085	3,722,991	3,635,251	4,664,255	8,351,221	19,711,582
Source: MIDAS and Programmahulpbrieven								

B1.4.1 PEDP II

RNE Dhaka described PEDP I as “an unsuccessful attempt to develop a programmatic approach” (Annual Report 2001). The development of PEDP II started in 2001 when RNE Dhaka and DfID had been approached by the then Primary and Mass Education Division to support future GoB activities in the sector. Since PEDP-I would be coming to an end in June 2003, GoB wanted to prepare a follow-up programme. GoB considered this follow-up as a next phase of coordinated projects in support of primary education. Both the Netherlands and DfID stated that they preferred to do so in co-operation with other development partners in a broad comprehensive programme. GoB agreed with this concept in June 2001.

Through the Education Local Consultative Group a Task Force was established to prepare this new programme according to the following lines:

- ADB was the agency whose PEDP-I activities would end first and had been requested by GoB to develop follow-up. ADB did not support fully the notion of a programme approach and sent out fact finding missions (August and October 2001) to define a new ADB – project, in which other DPs might ‘join in’.
- RNE Dhaka -through ADB Headquarters in Manila- convinced ADB Dhaka that a joint approach was equal to the invitation to ‘join in’.
- The assessment of PEDP-I was the next step. DfID and RNE funded the review (report January 2002).
- Based on the findings of the assessment, an ADB Inception Mission was launched, followed by a joint elaboration (GoB with Development Partners) of a MacroPlan for the education sector (April – November 2002), funded by DfID and RNE.
- After presentation of the MacroPlan the discussions on structural reform went beyond what had been expected by GoB. After a fact-finding mission (Febr-March 2003) MoPME agreed with the reform agenda and it was agreed that PEDP-II would last for six years (in stead of five), in order to bring its planning in line with GoB 3-years rolling planning cycles.

PEDP-II has been designed as a nation-wide programme, covering all government (GPS) or non-government but government financed schools (RNGPS). Long discussions with MoPME did not lead to the inclusion of all schools in the policy and programme. PEDP II covers between 85-90 percent of all primary school aged children, be the remainder catered for by NGOs. The objectives are: (a) improve the quality of teaching and learning, and enhance student achievement; (b) enhance access to schooling for the disadvantaged; and (c) strengthen planning and management of primary education, and establish a national monitoring and evaluation system for primary education. PEDP II is based on the National Education Policy, 2000 and Education for All 2015.

The Government of Bangladesh (GoB) and a consortium of donors (11) agreed to take a programme-based approach. The lead agency is the Asian Development Bank (ADB) and other members include AusAid, CIDA, DfID, European Commission, JICA, Netherlands, Norway, SIDA, UNICEF and the World Bank. The programme became effective in April 2004. The total cost of PEDP II is USD 1.8 billion of which USD 654 million (36%) is from donors. RNE's contribution is USD 50 million (3 percent of the total and 8 percent of the donor contribution).

The main characteristics include common bilateral donor co-financing agreements with the ADB; a pooled fund accounting for 95% of the financing; adoption by the Ministry of Primary and Mass Education of the new Public Procurement Regulations 2003 to ensure transparency and accountability; performance based financing (25% of the pooled funds) which rewards achievement for implementing certain policy and institutional level reforms; a code of conduct that guides new donor investments in the sub-sector; common audit and reporting requirements for all consortium members; a policy matrix with key performance indicators linked to a reform agenda; and a provision for innovative grants to improve quality that can involve the participation of NGOs. Both joint annual reviews and thematic reviews will be conducted by GoB and the consortium members. A Program Liaison Unit, outside of the ADB, has been established to serve as the link between the Consortium and the Ministry of Primary and Mass Education (MoPME) and monitor implementation. A Project Coordination Unit with technical assistance is based within MoPME.

The four main components of PEDP II include quality improvement through organisational development and capacity building of the ministry and local education offices in 64 districts; quality improvement in schools and classrooms (e.g., through teacher training; curriculum development; school management training); quality improvement through infrastructure development (new classroom construction especially in remote underserved areas; separate latrines for girls and boys; safe water supply; basic furniture for classrooms); and improving and supporting equitable access to quality schooling (including a stipend program for girls; support for supplemental learning materials in local languages of ethnic minorities; and strategies for mainstreaming children with special needs into primary schools).

The net enrolment rate is expected to increase to 89 percent by 2009; dropout rates are expected to decrease from the current 33 percent to 18 percent in 2009; 30,000 new classrooms will be constructed; 35,000 new primary teachers will be trained to handle the increased demand and 40,000 existing primary teachers who are unqualified will be upgraded.

B1.4.2 BRAC

In the view of the enormity of the problems of illiteracy in the country and limitations of the formal channels, non-formal education continues to play a very important role in fulfilling GoB's realisation of "Education for All". Until the goals of universalising primary education are fully achieved and backlogs of mass illiteracy are cleared, there will be a heavy dependence on all types of non-formal education. While the government is the main provider of education, the non-formal education programmes draw on the services of NGOs and Community Based Organisations (CBOs) and the support of the community to generate and sustain the demand for education.

There are about 400 NGOs that offer non-formal education and literacy programmes under a subvention plan of the GoB; they manage about 40,000 education centres countrywide.

The Bangladesh Rural Advancement Committee (BRAC) was established in 1972 and has evolved from a relief operation into a comprehensive, multifaceted organisation for the rural poor, with a particular focus on the development and empowerment of poor women. In 2004, BRAC programmes literally reach all part of the country and it is one of the largest indigenous NGOs in the world. It has 57,000 staff members, while their operations reach well over 35 million people in 51,000 villages. BRAC is the biggest supplier of primary education next to the government. In principle, BRAC sees its contribution in primary education as temporary to fill the gap particularly where this gap is affecting education opportunities for children from poor households, especially girls. But in practice, BRAC has grown to a powerful institution in various fields of life, but in education in particular. For example, BRAC runs 34,000 NFPE (Non Formal Primary Education) schools, catering for about 1.1 million children; and runs its own university. Over time BRAC has passed through a permanent growth process, largely funded by external donors, both bilateral and private. The Dutch NOVIB, for example, finances BRAC from the early years since Independence.

The Directorate for Non formal Education (DNFE) of the GoB has developed four NFE Projects for the 1996 – 2001 period, with a target population of 34.4 million learners (ages 8 – 45 years old) and achieving 84 percent adult literacy by the year 2002 upon completion of the projects. In Phase III of the BRAC Non Formal Primary Education programme, the Netherlands bilateral aid funded about 20 percent (apart from the NOVIB contributions) of BRAC's budget of USD 118 million. RNE was vice-chair of the Donor Consortium during the period 2002-2003.

The closure of the Directorate of non-formal education in 2003, in face of accusations of corruption, left a vacuum of a single entity responsible for non formal education. A comprehensive vision on NFE is yet to be developed.

The current BRAC Education programme 2004-2009 (IV) is a non-formal education programme, financed with funds pooled with those of four other donors (DfID, Norway, CIDA and Novib). The total project budget is USD 128 million, of which RNE contributes USD 35 million (27 percent). The objectives are to provide primary education to all children, which, for one reason or the

other, have dropped out of the formal primary education system. In addition, there are the goals of the pre-primary schools that prepare children for future study at the GoB primary schools. Secondary goals are to provide employment to (mostly married) women in the communities, as teachers in the primary schools, and to adolescent (mainly unmarried) girls, as teachers in the pre-primary schools.

The BRAC joint donor programme is not a sector-wide programme, but does link up with the formal sector programmes in activities like:

- The elaboration of a sector analysis for the drop out youth and adult education;
- Regular meetings with PMED and donors on PEDP-II. An Institutional and Organisation analysis is part of the appraisal of the PEDP-II proposal.
- Continued participation in and chairmanship of the ELCG where ways and new initiatives to attain the goals of UPE and EFA will be explored.
- Activities in the non-formal sector open the way to future formal support to 'hard-to-reach' groups of children (especially girls), as has been the case with pre primary education (current GoB funding to NGO activities).
- Continued participation in the Donor Consortium meetings pertaining to BRAC NFPE-III and the development of ideas for future support to BRAC education programmes, in particular the NFPE-IV. The appraisal of NFPE-IV will include an Institutional and Organisational analysis of the entire BRAC education programme (BEP).

B1.4.3 The Campaign for Popular Education (CAMPE)

The Campaign for Popular Education (CAMPE) is the outcome of a collaborative effort of the fifteen main NGOs to mount a popular education movement in Bangladesh. The idea was mooted during the World Conference on EFA in Jomtien in March 1990, and a year later CAMPE was registered as an NGO (August 1991) under the Societies Act of 1860 and recognized by the Government of Bangladesh, Association of Development Agencies in Bangladesh (ADAB), NGOs, UN agencies, bilateral, multi-lateral and other donors, international networks and agencies. It has acquired the status of a NGO forum to network in the area of literacy and non-formal education. CAMPE provides an umbrella framework for about 450 NGOs working in the field of Basic Education.

Since its inception CAMPE had been trying to work in close interaction with the Government towards achieving effective participation of the people in literacy and the non-formal education movement. CAMPE plays an important role as a facilitator, assisting the different actors working in the education sector by strengthening NGO-NGO, NGO-GoB, NGO-donor and NGO-civil society relationships for achieving the objective of EFA.

During its initial phase (1992-1995) CAMPE counted with the support of the (then) British ODA, SIDA, OXFAM and PRIP/PACT. UNICEF and UNESCO also supported specific programme components. After a second phase (1995-2000), the current third phase (2002-2006) consolidates CAMPE's position in the field of Basic Education as a player for and in between

NGOs, between GoB and NGOs, as an advocacy and lobbying group, a networking and liaison agency, a training institute, an awareness raising organisation, a watchdog for civil society, and a promoter of EFA. During the preparatory stage for the Strategic Plan 2002-2006, CAMPE has gone through a review and analysis of the organisation, its stakeholders, and its programme interventions. CAMPE's activities, managed by three different units within the organisation, can be grouped under three programme headings:

- Policy Advocacy and Mass Communication Programme (PAMC):
 - Mainstreaming of education programmes with development initiatives and facilitating integration of literacy programmes with other development interventions;
 - Strengthening networking and co-ordination;
 - Ensuring people's participation in mass education through social mobilisation.
- Institutional Development and Continuing Education Programme (IDCE):
 - Facilitating and Advocating continuing education;
 - Developing capacity of partner organisations in implementing quality Basic Education for all.
- Research, Monitoring, Evaluation and Documentation Programme (RMED):
 - Provide support through monitoring and evaluation;
 - Integrated research and development for promoting quality Basic Education;
 - Organisational capacity for programmatic sustainability developed.

The overall objective of the programme is to establish a functional and effective networking system to ensure Education for All. The aims of the proposed activities are:

- to increase awareness of people of all classes about the importance of popular education in terms of literacy, democracy, human rights, gender, and environment.
- to establish and promote a nation-wide network and coalition of NGOs and civil society to achieve EFA.
- to promote and support education programs focusing on early childhood care and development, formal and non-formal primary education, adolescent education, adult literacy, continuing education and inclusive education.
- to strengthen, supplement and complement the primary and mass education programmes (both formal and non-formal) of GoB, providing networking, liaison, co-ordination and facilitation services and technical assistance.
- to strengthen the capacity of partner NGOs through providing assistance and other support services.
- to advocate and lobbying to enhance NGO participation in educational policy making and other national and international educational activities/issues.

RNE Dhaka's funding started with the programme 2002-2006. Financing takes place in partnership with the Swiss Agency for Development and Co-operation (SDC), in equal parts of 50 percent each. In addition, RNE and SDC provide backstopping support for evaluations, studies etc. RNE total allocation is € 1.560.000,-. NOVIB will contribute a yearly amount of about

€ 50.000,- for a specific part of the programme, Education Watch, which is about 50 percent of the budgeted costs of that programme. It is the intention that CAMPE will generate own income able to increasingly contribute to programme: from 2 percent in 2002 to 8 percent of the total budget by 2006.

B1.5 Donor coordination and harmonisation

Bangladesh was one of thirteen partner countries attending the meeting of the Task Team (TT) on Harmonisation and Alignment in Paris (February 2004) and has been a 'test country' for the OECD/DAC Working Party on harmonisation. In both cases the harmonisation efforts within the development of PEDP II have been used as exemplary to the Education for All - Analytic Fast Track (EFA-AFT) initiative, for which Bangladesh is a pilot as well.

ELCG

The main body for co-ordination and consultation is the Education Local Consultative sub-Group (ELCG), in which all Development Partners (DPs) active in the education sector discuss education matters. The ELCG is a broad sector forum in which not only the public sector is present, but the non governmental organisations as well, for example represented by CAMPE. GoB has recognized ELCG as an important partner for dialogue.

It is within the frame of the ELCG that GoB, donors and non governmental organisations, in pursuance of PEDP I agreed upon a joint support the Primary Education Sector Development Programme II and a parallel funding for the non formal education. A Macro plan was developed as an overarching policy framework and implementation plan for the development of quality primary education over a period of six years. Donors agreed upon a concerted approach towards greater coordination and effectiveness of development assistance, mainly through harmonisation of policies and procedures around existing and improved government systems and procedures, with focus on local capacity building and use of improved GoB systems (alignment).

RNE's position within ELCG was rather complex. On the one hand it had not joined the PEDP I and had opted to channel its resources through BRAC and CAMPE. On the other hand, RNE had taken a lead in getting a sector-wide programme off the ground, in first instance even in a broad sense, so including the non governmental organisations. In the course of time, that perspective changed towards a two-pronged approach and RNE became more acceptable as a leading partner to GoB. RNE's efforts were finally recognized by RNE (TDO) occupying the ELCG chair from August 2002 until April 2004 (passed over to CIDA).

At the broader sector level (ELCG), donors adopted a concerted approach towards greater coordination and effectiveness of development assistance, mainly through harmonisation of

donor policies and procedures, but in practice this effort is materialized mainly through the PEDP II, that counts with its own organisational structure.

PEDP II Consortium

To support the GoB's programme PEDP II, ADB is the lead agency among the eleven development partners (DPs), to coordinate the support from EC, IDA, JICA, UNICEF and six bilateral donors (AusAid, CIDA, DFID, Netherlands, NORAD and SIDA). The PEDP II Consortium partners (not government) signed a Code of Conduct (between April 2003 and January 2004). The elaboration of a Code of Conduct had been a suggestion by the Chair of the PEDP-II Consortium (RNE at the time). The Code of Conduct was signed by all Consortium members, poolfunders and non-pool funders alike. In its first 'guiding principle' the Code of Conduct outlines the basics of the sectoral approach "Members of the Consortium are committed to a systematic development of primary education in Bangladesh, with the ensuring commitment to support the policies of the Government of Bangladesh (by work with GoB systems, and accept common procedures and requirements)". As regards financial flows, DPs are committed to the principle that, to the extent possible, resources will be channelled through government systems and decided to work together for greater levels of harmonisation in line with GoB procedures and requirements. The Code of Conduct indicates that the poolfunding DPs will refrain from parallel funding of Technical Assistance to PEDP – II, will accept a single reporting system, a single review, a joint annual review and that Consortium partners will abstain from bilateral activities which put demands on the time of GoB officials.

Between 2002 and 2003, RNE also chaired the PEDP-II consortium. In this capacity, RNE has played an important role in keeping the main donors at the negotiating table and in convincing the DPs of the necessity of increased harmonisation of procedures. Within the frame of PEDP II harmonisation efforts (see also alignment following paragraph) the following was achieved⁷⁴:

- Common (DPs) diagnostics, as well as a common risk assessment and risk mitigation / management strategy were elaborated. The main risks identified were political will and support; effective coherence and coordination of the programme; weak management and implementation capacity; financial viability and sustainability; and inadequate governance;
- Common procedure for technical assistance, for example to the accounting and internal control guidelines and procedures, and strengthening of the accounting and internal control functions;
- Donor reporting requirements;
- Donor audit requirements;
- Agreed upon monitoring an evaluation and joint review process;
- Establishment of a programme Coordination Unit (not a Programme Implementation Unit). The programme coordination unit is embedded in the government structure and operates through the line divisions of the Directorate of Primary Education.

⁷⁴ Source: www.aidharmonisation.org

Alignment

In the context of PEDP II, not only policies and procedures among donors were harmonized, some of those were aligned with GoB policies and procedures as well.

- Probably, the most important alignment took place with respect to policy making: the PEDP II strategy is entirely in line with the GoB's policies as outlined in the National Education Policy, 2000 and the Education for All 2015 documents.
- In addition, PEDP II funding was integrated with GoB's budgeting and planning cycle and process, and forms integral part of GoB's medium term expenditure framework. It covers two cycles of GoB's 3-year rolling MTEF, reason why the duration of PEDP II had been extended from the initially envisaged five to six years. The government's development budget allocations reflect the commitments of both GoB and donor partners. Additionally, increases to the GoB's recurrent budget will be phased in, so by the end of PEDP II the operational and maintenance requirements will be allocated for.
- Integration with the government financial management, accounting and disbursement systems. In the area of financial management and accountability, reforms are still being pursued in budget and expenditure control and government audit;
- The integration with the GoB procurement system. This merits further explanation. In 2003, a new Procurement Regulation was introduced, largely based on international best practices⁷⁵. A computerized real time procurement management information system was established to monitor and enforce compliance with new procurement regulations. PEDP II has adopted GoB's reformed procurement system for national competitive bidding (LCB; 80 percent of all procurement and contracting of services is LCB), while use will be made of ADB procurement guidelines for International Competitive Bidding and recruitment of TA. To the ASB this was a significant modification. For the first time the ASB Head office in Manila has agreed on a deviation from the standard ASB guidelines on procurement⁷⁶.

BRAC and CAMPE

Also the other two programmes supported by RNE (BRAC and CAMPE) count with multi-donor funding and use procedures comparable as those in use with GoB. Codes of Conduct have been signed by the DPs, and in the case of BRAC, this includes the executing agency. The Codes of Conduct stipulate the joint arrangements for reviews, reporting and auditing.

Since during 2002-2003, RNE not only chaired the ELCG and the PEDP-II Consortium, but also the BRAC donor consortium, RNE was instrumental in launching this harmonisation instrument.

⁷⁵ Improvements in the area of procurement have included: guidelines for management of procurement process; publication of contract award; simplification of advertisement procedure; establishment of a public procurement web-site and electronic tendering; a procurement bulletin; a sequestering evaluation committee; de-layering of procurement approval process and delegation of powers; procurement post review; appeal procedures and code of conduct. Standard bidding documents for goods and works, and request for proposals for consultants services were completed.

⁷⁶ Interview AsDB

From a broader perspective, one could state that the non-governmental component in education is less well organised as it seems at first glance. In fact, most NGOs are deliverers of services and in fact competitors for donor resources. Only few NGOs are active advocacy groups and fulfil a watchdog function as far as it concerns government policies. In fact one of the reasons why RNE supports CAMPE is its belief that by involving civil society organisations in the Embassy's work, this will pave the road towards a 'real' sector wide programme in basic education⁷⁷. CAMPE has an observer status in the Local Consultative sub Group on Education, and it voices the interests of its members while simultaneously publishing research results of high quality. That makes CAMPE a serious discussion partner to GoB.

On the other hand, in 2003 corruption was discovered in the Directorate for Non Formal Education (DNFE) especially concerning the way contracts were given out to NGOs. RNE concluded at the time ".it might be a blessing in disguise that the Directorate has not been included in the sector programme..".

B1.6 Financing and commitment

PEDP II

PEDP-II is –next to RNE Dhaka- financially supported by the ADB, WB (IDA), DfID, EC, NORAD, CIDA, UNICEF, AusAid, SIDA and Jica.

The agreement with GoB is for two three-year budget cycles, so six year. This is laid down in the Code of Conduct as well. So, although RNE maintains the right to withdraw from the consortium in case of unforeseen circumstances, it is committed for contributions during a period of six years.

In the funding mechanism ADB is the lead agency. The funding mechanism combines grant resources with loans (ASB and IDA).

There are basically two different mechanisms. The most important mechanism is used by ADB, IDA and six partners (amongst them RNE), who make advance payments to a 'pool account' in support of the programme.

AusAid, JICA, and UNICEF make funds available through direct payments to service providers under bilateral agreements with GoB.

⁷⁷ Memo RNE Dhaka ASI ID/H to DSI/SB, dated April 14th, 2003.

In the pool funding, donors pledge resources on a pre-account (in fact, three different ones, being one for ASB, one for WB and one for the six bilateral donors), out of which resources can be withdrawn for deposits to a single account at the disposal of the Ministry of Education (hence not the Ministry of Finance). It is a replenishment procedure (after a first up-front instalment, replenishment of resources). The Programme Liaison Office conducts a check on eligibility of the expenditures presented by the Ministry of Education for reimbursement prior to replenishment. The Ministry's single account is kept outside the Treasury on an a commercial bank in order to generate interests.

AsDB, as the lead agency, is responsible for reporting to donors on the flow of funds on a quarterly basis. There is no separate financial reporting by GoB, since the Annual Consolidated Financial Statements for the sector serve as the common report for both Government and donors. PEDP II is subject to external audit by the Comptroller and Auditor General of Bangladesh and, unless the situation requires a special external or additional audit, this is the single external audit used by both GoB and all participating donors (except the 'direct funders').

A novelty in the funding mechanism is the Pilot Performance-Based Financing that links a portion of the funding provided by development partners to performance. In other words, a portion of the funding will only be disbursed against satisfactory performance during the previous year. Also the two main lenders (ADB and IDA) apply this performance based funding. The argument is simple: GoB should show that it is not only good in spending (input supply of the programme) but also good in producing the expected results (the outcome of the spending).

Late 2004, the programme was still to 'young' for having had a first performance measurement that might have had an effect on the resource flow.

BRAC and CAMPE

The BRAC Education is supported, next to RNE Dhaka by DfID, Norway, CIDA and Novib. For the BRAC funding, a pool system is being used.

CAMPE is supported by SDC and RNE, who each cover fifty percent of the costs.

B1.8 Changes in Bangladesh

B1.8.1 Ownership

One of the key lessons learned has been the poor coordination between Government and [among] donors during the implementation of the 27 generally donor-financed projects that together composed PEDP I. The project-by-project approach had a negative impact on capacity building and human resource development in the educational sector as a result of the creation of

parallel structures, separate project implementation units and the like. Although GoB had recognized these problems, the first attempts were to continue on that venue, mainly since GoB was not aware of the opportunities for an alternative approach and for reasons of vested interests in the various projects. So with the separate GoB requests to ADB, RNE and DfID the Government of Bangladesh did not seem very eager to switch to a sector programme. In consequence, the initiatives by DfID and RNE Dhaka to come to PEDP II seemed rather donor-led in the beginning, in particular when ADB and WB subscribed to the concept. Persistent advocacy to the relevant GoB policy makers that a comprehensive approach was needed in order to move forward in co-operation with GoB and other DPs, which resulted in the realisation of the Macro Plan for PEDP-II. But GoB became more and more involved and appropriated the programme. It was the Department for Primary and Mass Education (Office of the Prime Minister) who presented the MacroPlan in December 2002 to the ELCG (and not, for example the ADB). After a slow start, GoB has been leading the design stage of the programme rather well and provided valuable staff input. By late 2004, little could be said about the implementation, since a Coordination Unit had just been established; GoB did assign high level staff to that Unit).

In fact PEDP-II supports the MoMPEs budget and its activities do not differ much from those regularly implemented by the education system: building classrooms, training teachers, developing and printing textbooks, and overall management. From that perspective, PEDP II does not bring a lot of structural change; it enables GoB to do more of the same and to that better. That approach has made it easier to GoB to appropriate the concepts and take a lead in the process.

If ownership were to be measured by GoB's own budget allocations to primary education, the result is less positive.

The public expenditure in primary education as a percentage of GDP increased from an average of 0.09 percent between 1973-83 to 2.4 percent in 1994-95, but has since then shown a downward trend falling to 2.3 percent in 2000-01 and 2.21 percent in 2002-03. This is confirmed by the budgetary allocation to education that declined as well from 16.4 percent to 13.5 percent in 2003-04. That gap is largely bridged by increasing coverage by NGOs.

The Education Thematic Group paper for PRSP recommended to raise public expenditure in education from the 13.5 percent to 25 percent of the GoB budget during two cycles of three-year rolling plans (2004-2010) (about 5 percent of GNP). It is, however, doubtful whether such targets will be realistically reflected in an MTEF and the annual national budget.

B1.8.2 Implementation capacity of the sectoral institutions

Although RNE Dhaka had been an active partner in the first formulation stages of PEDP I, in 1997 the Netherlands had withdrawn from the financing of education activities through the public sector. This had not only to do with differences on vision on how to pursue with primary

education in Bangladesh, but also with disappointment regarding results achieved by the public sector. In that disappointment, the institutional problems at the Bangladeshi side played a role: the ministry of education was considered relatively weak⁷⁸, while the final responsibility over primary education had been placed under the Office of the Prime Minister, a shift that not only made the decision-making process less clear, it also implied a certain 'distance' between donors and the educational sector⁷⁹.

Over the years, the Ministry of Education had shown a weak management and implementation capacity as a result of a very centralized institutional framework, a lack of human resource capacity, low teacher morale, and poor community-school management relationship.

In order to overcome these weaknesses, PEDP II has built in a continuous institutional assessment system and has developed a recruitment strategy. One of the main objectives of PRDP II is strengthening the planning and management capacity of primary education and the establishment of a national Monitoring and Evaluation system for primary education. GoB, in consultation with donors (DfID, JICA, UNICEF) has formulated guidelines for donor-funded project-related foreign training, such as on candidate selection procedures; placement after completion of training; optimum utilization of locally available training facilities; participation of women (at least 35 percent); preparation of a Training Plan; and administrative procedures to oversee training abroad (FAO, Germany, Japan, UK and UNDP).

Apart from general capacity problems, Bangladesh had and still has a poor governance record. The government system is infested with corruption and mismanagement⁸⁰. Governance issues, such as transparency, accountability and management have therefore received serious attention in the design of PEDP-II. A risk reduction strategy on financial management and governance was developed in preparation to PEDP II. The agenda on governance matters to be improved during the implementation stage of PEDP II is rather long. That agenda includes series of accountability measures aimed at avoiding leakage in the short term and leading to structural improvements at the end of the budget cycle.

The Development partners have underpinned the importance of governance matters by linking progress against key agenda points the financing mechanism: resources for some of the more routine capital intensive activities will only be released once progress towards agreed governance and accountability milestones has been registered.

One of those milestones is that PEDP II will be one of the pilots for the Financial Management Reform Programme (FMRP). As part of this programme specific studies on the resource

⁷⁸ RNE Annual Report 1997

⁷⁹ Interviews ex HOS and ex TD Onderwijs

⁸⁰ In 2005, for the fourth consecutive year, Bangladesh is -together with Haiti- the lowest ranking country in the Transparency International Corruption Perception Index.

allocation and the efficiency/effectiveness of the allocations will be carried out, such as expenditure tracking surveys, school performance and household surveys⁸¹.

By late 2004, little could be said about the implementation capacity. The Programme Liaison Unit at ADB – Dhaka office (the central contact point for donors) was still not fully staffed, while the Programme Co-ordination Unit (of GoB) was still in the selection process of consultants needed to guide the implementation.

Organisational capacity building is also one of the three main components of RNE support to CAMPE.

B1.9 Poverty alleviation

Also in Bangladesh there is a growing consensus that poverty strongly correlates with the level of education and that in overcoming poverty the provision of educational opportunities to all strata of the population is of utmost importance. GoB recognizes primary school education as a key area for development and as a means to reducing poverty. And it acknowledges the importance of non formal education, notwithstanding the fact that the department for non formal education had been closed. NFE aim in particular to the excluded and marginalized populations, those who did not complete formal education (due to reasons such as poverty and necessity to work), and those who require a more flexible system (working children, adolescents and adults).

The Government of Bangladesh declared on 2nd May 2002, a policy of offering a stipend to 40% of the poorest families to send their children to primary school. The objectives of this policy were to increase the enrolment and attendance of poor children in primary schools, to prevent dropouts, prevent child labour and to increase the quality of primary education. This stipend will be available in all government schools, registered private primary schools, community level primary schools, temporarily registered private schools, Government funded NGO managed schools, and Government funded madrasas (Islamic schools).

Children considered eligible for stipend will be selected by the principal of the school along with the school management board.

Over the last decade Bangladesh has made important achievements in increasing access to primary education (Class 1 to 5). Obviously, these achievements cannot be attributed to PEDP II, but PEDP I, although not fully successful did contribute that achievement. In Bangladesh, the Gross Primary Education Enrolment Rate increased from 76 percent in 1991 to 97.5 percent in 2001 (17.67 million children, of which 51 percent boys and 49 percent girls; Net Enrolment Rate of 81 percent [2001]), there is still a significant number of children (e.g., children in remote areas, tribal and religious minorities, disabled children, working children, refugee children) out of

⁸¹ Source: Programme Based approaches to formal education in Bangladesh. Presentation for Learning Network on Programme Based Approaches Forum. Tokyo. June 1-3, 2004.

school. Quality is a major concern as dropout rates are high (33 percent); repetition rates are high (39 percent) as well and completion rates are low (67 percent). Only 5 percent of Class 5 pupils successfully pass the Primary Scholarship Examinations⁸². Hence, transition rates to secondary education are low. Multi-shift use of classrooms (90 percent of all classrooms) and overcrowding (teacher –student ratio per shift 1:30) leads to only 120 ‘contact hours’ for classes I-III and 240 for classes III-V.

Estimates indicate that the adult literacy rate (15 years +) ranges somewhere between 40 and 50 percent, with urban rates higher (64 percent) than rural (46 percent) and male rates higher (49 percent) than female (30 percent). In spite of the lower rates, women’s literacy rate has been increasing steadily since 1990⁸³. There is clear evidence that female enrolment in primary and secondary schools increased at a faster rate than for males throughout the 1990s and that the Female Stipend Programme (FSP) has played an important role in that achievement.

With GoB’s and donors’ priority given to the primary education sector, the quality of secondary education has been neglected. At the higher level education, most vocational and technical colleges and institutes are poorly equipped. Female gross enrolment is still lagging at the higher secondary (48.4 percent against 57.0 percent for males) and the tertiary levels (with around four males in formal educational institutions for each female). A World Bank-funded Female Secondary School Assistance Project more than doubled girls’ enrolments in the project area from 462,000 in 1994 to just over 1 million in 2001. A follow-on project approved in March 2002 is expected to benefit up to 1.45 million more girls.

In the design of the programmes, RNE Dhaka has put special emphasis on the gender dimension of education and has provided technical expertise and backstopping when needed. This has facilitated the development of gender strategies and action plans within PEDP II and CAMPE’s programmes.

B1.10 Assessment of the introduction of the sector approach

RNE’s assessment of the options to come to a successful sector-wide approach in the educational sector shifted substantially between 1997 and 2000. In 1997, it was RNE Dhaka’s impression that the public sector would not be able to provide education services adequately to the poor population strata. Since RNE could not agree with the first multi-donor programme for primary education, it decided to focus its support to the non governmental organisations that used a clear direct poverty targeting.

⁸² Over time GoB has gone to improve the enrollment rate without paying sufficient attention to quality of the education. So children do go to school, but acquire reading, writing and mathematic skills insufficiently.

⁸³ Fact Sheet Basic Education in Bangladesh. RNE Dhaka. September 2004.

At the time, the RNE's interpretation of the sector-wide approach was –probably- rather orthodox and aimed at a real 'sector-wide' approach, that means comprising all levels of education, formal and non-formal, as well as special education (for example, education for special vulnerable groups, such as the blind). RNE reported in 1997: "the planning of PEDP I is taking place in isolation; it lacks the coherence with the secondary and tertiary education; it is silent on the non formal education....what is needed is a comprehensive sector wide approach for education".

In 2001, RNE Dhaka was among the leader donors that intended to get a sector support programme for primary education of the ground. Not a 'sector-wide' programme, but the subsector 'primary education' and only the formal education. The developments in the Basic Education sector did provide the openings to apply the Dutch policy for SWAp, although RNE Dhaka had to make a tremendous effort to reach that, for example by lobbying with the ADB head office in Manila⁸⁴. The fact that it comprised formal education only was not perceived as an impediment anymore, since RNE Dhaka continued to fund the non formal education programmes as well. But the continued funding of the non formal education system got an additional element in it: it also tries to provide incentives for increased public –private relationship, such as the pre-school programme.

The process toward a comprehensive basic education programme has again proved to be long. Because of the Embassy's commitment and participation in the discussions on PEDP-II, the GoB's trust in the Netherlands as a serious future donor has definitely increased.

The main strength of PEDP II is the programme approach accepted by GoB including the strong donor co-ordination and harmonisation efforts. RNE has definitely contributed to that acceptance of coordination and harmonisation. PEDP II is frequently referred to as a good example of harmonisation. It remains, however, "work in progress" as some donors have difficulties in being faithful to the Code of Conduct. Especially to the World Bank it seems hard to accept that it is not the lead donor of the consortium.

The World Bank's concern refers to the poor innovative character of PEDP II and the fact that it hardly contains reform elements. PEDP-II is an investment programme supporting MoMPEs budget. Activities do not differ from those regularly implemented by the education system: building classrooms, training teachers, developing and printing textbooks. Although there are various reform components within PEDP II, these reforms are not far-reaching for the following reasons⁸⁵:

- The reform package had been subject of a process of debate and negotiations among donors. The consensus finally agreed upon among donors and reflected in the MacroPlan was still too far-reaching for MoMPE and hence scaled down in the PEDP II Programme;
- Since primary education rests under the Office of the Prime Minister it has been disentangled from the remainder part of the educational sector. Reforms in primary

⁸⁴ Report Landenteam Bangladesh, 2003

⁸⁵ Interview with World Bank

education might have implied consequences for the secondary education, hence involving the mandate of a different ministry. The start of a World Bank exercise for the secondary education (2004) will embrace more structural reforms in the educational system and may therefore affect the primary education as well. The World Bank prefers 'not to involve too many partners in order to perform our function as structural reformers well'.

There have been a number of lessons learned from the planning and inception phase of PEPD II.

First, it is clear the programme-based approach involves substantial up-front time investments from both consortium members and GoB in achieving consensus on design and administrative issues

Second, this investment should finally lead to more coherence and synergy of the investments, as well as less administrative burden for GoB during implementation

Third, in the 'current state of art' flexibility is required with respect to the sector-wide approach (e.g., the ability to allow for different funding systems within a common vision for the sub-sector; the opportunity for new donors to join the programme at a later stage);

Fourth, although the reduction in transaction costs to individual donors is hard to measure during the initial stages, the sharing of workload among consortium members through smaller groups working on specific issues and concentration of contact between donors and GoB through a Programme Liaison Unit should finally lead to a higher efficiency.

The challenge for the future is to find the common ground for bridging the formal to the non-formal sector. But practice might be stubborn here. There are various scenarios for the position NGO's in sector support programmes. Reality is that GoB is not able to offer primary education to all the eligible children, so it will continue to depend on partners like BRAC in the near future. Donors supporting BRAC, including RNE Dhaka have contracted BRAC directly, also since NGOs should not be made dependent upon release of funds from the public sector. A more balanced approach to the primary education sector (formal – non formal) depends on public – private relationships. BRAC does recognise the need for a coherent sector approach to basic education, but would oppose a role of NGOs solely as implementer of contracts with government. The pre-primary programme is expected to strengthen GoB-NGO relations.

B 2 SECTOR HEALTH

B2.1 Dutch interventions prior to 1999

Prior to 1999 (the year of formal introduction of the sector-wide approach as policy of the Dutch development co-operation), the health sector counted already with a sector support programme. In fact in 1979 had started a co-ordinated approach by a donor consortium, led by the World Bank, in support of the health sector in Bangladesh. The Dutch support was not from the start onwards, but RNE became involved in 1985, when the scope of the programme was widened from family planning to a broader health agenda, focussing on poverty diseases. The World Bank Population and Family Health project passed through various phases, of which the IDA IV (1992-1996, later extended to 1998) was sector-wide, comprised all kind of public health care (as well as some services delivered by non governmental organisations [NGOs], although NGOs were only sub-contracted and had no voice in the programme) and was funded by various donors, amongst them the Netherlands. The Netherlands commitment for the period 1992-1996 totalled 46,070,000 guilder (€ 20,905,000). The programme was basically a framework for different and separate projects in the health sector.

The follow-up of the World Bank project was the Health and Population Sector Programme (HPSP), that contained more features of a sector-wide approach than its predecessor multi-donor projects. Apart from that co-financing arrangement, the Netherlands funded only a few projects in the health sector of which the financially most important was the Oral Rehydration Campaign. This campaign was linked to the support to research on diarrhoeal diseases (ICDDR Bangladesh) in the slums of Dhaka. Other projects were related to reproductive health care and mother and child health care (table B2.1)

Table B2.1 Bangladesh delegated structural bilateral aid, health sector 1996-1999

Bangladesh delegated structural bilateral aid health sector (incl. sector programme aid)							
Activities > €100,000 euro committed							
Name activity	Start	Commitment	1996	1997	1998	1999	Total
Sector Programme aid							
HPSP Health sector Programme	1998	22.689.011	0	0	0	4.573.238	4.573.238
Project aid							
Research Initiative for Safe Motherhood and Child Health	1995	478.028	243.297	107.284	22.633	0	373.214
Water supply, Sanitation and Drainage for 18 District Towns; Phase III (TA)	1996	4.849.774	0	2.064.449	1.345.254	1.260.686	4.670.389
Water supply, Sanitation and Drainage for 18 District Towns; phase III (FA)	1996	7.389.076	0	885.198	972.660	2.433.349	4.291.207
Bangladesh Women's Health Coal.	1999	1.220.858	0	0	0	235.966	235.966
Core funding 1999 ICDDR'B (International Centre for Diarrhoeal Diseases Research Bangladesh)	1999	226.890	0	0	0	226.890	226.890
Oral Dehydration Therapy Campaign	1996	4.447.046	2.525.287	0	1.921.759	0	4.447.046
Population and Family Health Project (IDA IV)	1992	20.905.655	0	4.084.022	3.265.648	0	7.349.670
<i>Total</i>		62.206.338	2.768.584	7.140.953	7.527.954	8.730.129	26.167.620
<i>Rest < € 100,000 committed</i>		74.899	0	0	39.523	30.081	69.604
Total		62.281.237	2.768.584	7.140.953	7.567.477	8.760.210	26.237.224

Source: MIDAS and Programmahulpbrieven

B2.2 Sector choice

Prior to the introduction of the sector approach, Dutch funded activities were implemented in a wide spectrum of sectors and themes, such as environment, economics and employment, rural development and agriculture, education, health, water, rural electrification, micro-credit, medium and small enterprise development; and women and development.

The then Minister for Development Co-operation, visiting the Minister for Finance of Bangladesh in July 1997 indicated that "in Bangladesh integrated water management, basic health care (incl. sanitation) and primary education are likely to be selected as priority sectors"⁸⁶. He also announced that the mandate for bilateral negotiations had been transferred to the embassy and indicated: "the Netherlands is keen on coming to programme assistance in the form of budget assistance". One of the arguments for selecting the health sector was that "In primary health care activities are carried by government, and supported by a basket funding to the sector [...]. Here the role of the NGOs is explicit; they are directly involved in both policy dialogue and in implementation".

The 1997 choice, as presented by the Ministry of Foreign Affairs in The Hague, was largely based on the outcome of the IOB evaluation 1972-1996. That outcome had been made subject

⁸⁶ Minutes of bilateral official meeting between Bangladesh and the Netherlands. 23rd July 1997. Dhaka.

to discussion with the Government of Bangladesh (GoB) and NGOs⁸⁷. The implication of this consultation was the discontinuation of the Dutch involvement in agriculture (part of the portfolio was transferred to the Danish development co-operation⁸⁸), small and micro enterprise development, microcredit and rural electrification.

- In the health sector, the Netherlands had a long standing involvement (since 1985) and RNE's added value - according to other donor partners⁸⁹ - lied in the consistent focus on gender and reproductive health and rights.

In 1999, there was no PRSP that could have been used as a reference for the sector choice, but health was and remained under the first priorities as exposed by GoB during the various meetings of the Bangladesh Development Forums (comparable to Consultative Group meetings). Up to 2003, GoB reiterated its commitment to the MDGs, especially by focusing on education and health, and later more generally on the social sectors. This became the core-element of the I-PRSP. Continuation of Dutch involvement in the health sector was also logical, given the fact that RNE had committed itself to the preparation of (and subsequent implementation of) HNRP.

B2.3 Dutch interventions after 1999

The introduction of the sector approach did not lead to significant changes in the Dutch programme, although the total allocation per year experienced a modest increase. Sector programme aid was provided not only to the HPSP, but also to the National Nutrition Programme, Phase I in a parallel arrangement.

In project aid, basically the same activities continued, such as the ICDDR core funding. Technical Assistance to ICDDR'B (International Centre for Health and Population Research) was made available and became institutionalised through funding a technical co-operation agreement between ICDDR'B and NIDI (Netherlands Interdisciplinary Demographic Institute). RNE took over the Chair of the ICDDR'B Donor Support Group in 2003.

New projects were the support to polio eradication through WHO and UNICEF; and the support to the Bangladesh Women's Health Coalition (BWHC). (See table B2.2)

⁸⁷ Tweede Kamer, vergaderjaar 1999-2000, 26433, nr 18.

⁸⁸ Interview ex HOS Bangladesh

⁸⁹ Source: Ministry of Foreign Affairs' Country Team.

Table B2.2 Bangladesh delegated structural bilateral aid, health sector 2000-2004

Bangladesh delegated structural bilateral aid. Health sector (incl. sector programme aid)								
Activities > €100,000 committed								
Name Activity	Start	Commitm.	2000	2001	2002	2003	2004	Total
Sectoral Programme aid								
National Nutrition Programme Phase I	2000	13.783.574	838.041	0	0	3.000.000	7.866.000	25.487.615
HPSP Health sector Programme	1998	22.689.011	4.455.384	4.584.784	4.537.802	4.537.802	0	40.804.783
Total		36.472.585	5.293.425	4.584.784	4.537.802	7.537.802	0	58.426.398
Project aid								
NNP Management Support	2001	280.209	0	0	81.200	0	162.000	243.200
Nat. Surv. Project (NSP) HKI	2002	2.692.558	0	0	588.235	626.002	1.282.973	2.497.210
ICDDR-B core funding 2000	2000	226.890	226.890	0	0	0	0	226.890
Polio eradication	2002	4.760.041	0	0	2.896.508	854.914	846.365	4.597.787
Cooperation ICDDR'B and NIDI	2002	722.204	0	0	78.106	188.179	231.947	498.232
Bangladesh Women's Health Coalition	1999	1.220.858	308.571	156.561	218.374	270.040	19.560	973.106
<i>Total</i>		53.764.421	8.926.756	4.741.345	8.400.225	9.476.937	0	31.545.263
<i>Rest < € 100,000 committed</i>		132.735	45.818	4.081	39.446	0	0	89.345
Total		53.897.156	8.972.574	4.745.426	8.439.671	9.476.937	0	31.634.608

Source: MIDAS and Programmahulpbrieven

HPSP

The Health and Population Sector Programme (HPSP-V) was set up as a SWAp. The HPSP was a World Bank-led continuation of the Population and Family Health project. It was initially developed as a *Health and Population Sector Strategy* with a view of coming to a National Policy on Health and Population. So, it was developed and implemented in the absence of a formal health policy. To a certain extent this was a deliberate approach, since the formulation of a National Health Policy was seen as a major political trap. In the course of time several attempts had been made that stranded on issues like the proportion of services to be provided by the public sector, the role of government (provider versus purchaser/regulator), conflicts of interest, in particular with the powerful association of physicians. The strategy was to develop a Programme Implementation Plan and then subsequently and step by step to deal with the reforms required for a National Health Policy. To a certain extent this strategy was successful. Well over 200 specialist were directly involved in the formulation of the Health Strategy, while in the participatory process well over 6,000 experts were involved. This finally did lead to a National Policy in the year 2000.

HPSP aimed at promoting coherence and harmonisation among donors, eliminating duplications and increasing cost-efficiency through coordinated management. But as a GoB 'owned' strategy

it did not take off. In fact, the degree of government ownership over some key reform elements had been controversial from the outset, even though the objective of the reforms was consistent with decisions made by GoB following the International Conference on Population and Development in Cairo, 1994. Finally, it was developed as a multi-donor programme. In fact, the family planning portion alone was the largest of its kind in the world.

One of the features of HPSP was that it provided an umbrella framework enabling to cover many separately donor funded projects in the health sector. One hundred twenty eight (128) previously separately administered projects were brought into a single programme. But this single programme counted with 27 separate programme components, most of them with a different donor and the total package with the resources of the pool funders. This caused tremendous coordination problems. In fact, the programme was compartmentalised as if it were projects. And that claims high management capacity of GoB staff, that was not in place (Hay, 2003). HPSP started its activities in 1999. The objective was to improve the health and family welfare of the most vulnerable women, children and poor of Bangladesh. Reforms were to focus on:

- delivery of an essential service package (ESP) at the primary and secondary health care levels;
- restructuring of some elements of the government's health and family welfare system, including the unification of the health and family planning service delivery systems;
- decentralisation of the government health system to the district and *upazila* levels;
- introduction of a new tier of service delivery at the community level (community clinics) in order to be able to offer a one-stop service for both health and family planning services;
- hospital autonomy;
- adoption of a pro-poor health agenda;
- development of a national essential drugs strategy;
- development of health insurance;
- institutionalisation of stakeholder participation in programme development and oversight;
- preparation of a regulatory framework for the provision of private health services and for Government – NGO cooperation.

The HPSP design side-lined some key elements, such as urban health NGOs (a number of which boast innovative, comprehensive and highly developed health services) and for-profit elements. Neither did it incorporate nutrition, HIV and environmental health care. Later on a different programme was developed for the nutrition component (National Nutrition Programme).

HPSP covered the period between July 1998 till June 2003 (extended to late 2004) and counted with an overall budget of USD 2.9 billion, of which almost USD 2 billion to be provided by GoB. USD 890 million was provided by fourteen development partners of which USD 450 through a joint funding mechanism by the World Bank, the European Commission, the Government of the Netherlands, the Swedish International Development Cooperation Agency (SIDA) and the UK Department for International Development (DfID).

RNE Dhaka has actively participated in the HPSP and in different manners, such as:

- active contributions to the design of HPSP, for example in gender mainstreaming;
- active promoter of pool funding. RNE was consistent in that approach and denied –for example- additional project funding, such as on the arsenic contamination of drinking water. RNE did participate in missions to prepare activities on the arsenic problem from a health perspective, but insisted in bringing the problem under the umbrella of HNRP;
- co-drafting terms of reference for the 2003 (final) Annual Performance Review (APR) and participation in the field work of the APR;
- participation in different working groups, regional workshops and discussions on the preparation of the next Health, Nutrition, Population Sector Programme (HNRP) and future financing of the health sector;
- RNE was one of the six steering committee members of the Health and Population Sector Office (HPSO) and has occupied the vice chair;
- RNE provided assistance in resolving the ‘time slicing’ problem. The disbursements by donors were of two kinds: those of a routine nature as expenses incurred and ‘time slicing’, based upon fulfilment by GoB of certain milestones and accomplishments related to reforms (conditionalities). Time slicing became a subject of controversy as GoB refused to agree with the measure of progress applied by the Development Partners.

HNRP

Initially, the follow-up Health, Nutrition and Population Sector Programme - HNRP was scheduled to start off 1st July 2003. Preparations for HNRP had started in the last months of 2002, but were interrupted in the last week of 2002, when GoB unilaterally decided to reverse the envisaged unification of health and family planning services, thus undermining one of the main pillars of the HPSP reform programme. After a ‘chilled’ period between GoB and the main development partners (donors threatened to suspend funding; press release 7th April 2003) preparations to come to a broader health sector programme re-started mid 2003. After an initial no-cost extension of HPSP until December 2003, GoB requested an extension of the IDA credit to support 'a 2004 contingency plan' of HPSP. HPSP was extended for the year 2004 with contingency funding provided by DfID, Sweden, Canada and World Bank).

HNRP (envisaged time line 2005-2007) is aimed to have a stronger focus on the health and nutrition status of poor and women than its predecessor HPSP. This was triggered by the outcomes on the relations between the HPSP and poverty targeting (see section B2.7). Since Bangladesh counts nowadays with both an I-PRSP and a Health Sector Policy, the HNRP will have a stronger policy base than its predecessor HPSP, that had started off without a policy underpinning.

RNE has been an active partner in the HNRP preparation period (workshops, support to studies) and joined the appraisal mission, late 2004. As part of a multi-donor sector study, RNE (partly) financed a governance study about the health sector. This multi-donor/GoB effort went beyond an institutional sector analysis and comprised a study on the role of the private sector, a labour market survey, and decentralisation options.

As complementary contributions to HNPSP, RNE Dhaka has focused on gender equity mainstreaming in the health sector, including implementation of Technical Assistance to the MoHFW and has fostered collaboration with Hellen Keller Institute in order to continue the accumulation of nutrition data and to find a long-term solution for the funding of independent monitoring mechanisms on nutrition.

At the moment of the IOB-mission (late 2004) no activities of HNPSP had started yet.

B2.4 Donor coordination and harmonisation

HPSP was initially an umbrella framework that incorporate some 128 separate projects⁹⁰ under a single strategy and implementation structure. This in itself was an enormous achievement that obliged the donors to coordinate on information, to agree upon a single reporting system and to accept GoB implementation methods. It did not (yet) implied a single funding system (see B2.5) and initially allowed donors to maintain different accounts. After the mid-term review the accounts system was further simplified. The Programme Support Office HPSO played an important role in the flow of contacts between GoB and the Development Partners.

Main achievements have been registered in the areas of the adoption of a common set of implementation arrangements, including co-ordinated procedures for planning, funding, procurement, monitoring and evaluation, as well as the agreement with government on a single expenditure programme covering a large portion of the sector.

B2.5 Financing and commitment

The HPSP (1998-2004) had various financing mechanisms: pooled 'core'-funding, parallel earmarked funding, and co-financing with the World Bank. At the start of HPSP, along with GoB funding, during the first two years IDA, DfID, SIDA and the Netherlands formed the pool. The European Commission joined in during the third year. The World Bank created a Trust Fund. Within that Trust Fund, some donors reached an agreement that part (or all) of their contributions would be earmarked (i.e. CIDA). Some donors opted to apply different forms of funding simultaneously: for example, DfID provided unearmarked core funding, next to earmarked pooled funds (for HIV/AIDS) and in a parallel 'project' funded technical assistance.

After the mid-term evaluation, the single donor project funding was abandoned, but contributions to the pool could be totally earmarked, if donors wanted to do so. There were three forms of funding⁹¹:

- Pooled funding (not earmarked): IDA, EC, Netherlands, DfID, and Sweden-SIDA;

⁹⁰ The APR 2003 refers to 126 projects, the World Bank to 122 projects and HPSP BEMO refers to 128 projects.
⁹¹ Source: www.aidharmonisation.com

- Totally or partially earmarked pooled funds: Netherlands, Germany, IDA, Sweden, EC, DfID, and CIDA; and
- Technical assistance (parallel funding): USAID, UN, Japan, Germany (KfW and GTZ), EC, UK-DFID, CIDA

Pooled funds were managed by the Health and Population Support Office (HPSO), which was housed and staffed by World Bank personnel.

In the pool funding for core activities, two different kinds of disbursement methods were applied:

- Routine disbursements: reimbursement to GoB as expenses were incurred;
- ‘Time slicing’: disbursement of donor contributions based upon fulfilment by GoB of certain milestones and accomplishments related to reforms (conditionalities).

An overview of the funding is provided in table B2,3.

The Independent Technical Report on HPSP concluded that a major lesson emerging from HPSP was that the flow of funds should be simple, easy to understand and transparent (Hay, 2003). That does not only apply to the GoB financial system, where a unified government budget structure in line with international public finance management norms would improve the transparency, but also to the development partners that -in the case of HPSP- made the funding methods complex and the disbursement criteria far from ‘easy to understand’. In particular, the ‘time slicing’ (compliance to conditionality) was a permanent source of controversy and misunderstandings between GoB and the development partners.

Table B2.3 HPSP funding agencies

Source	Total costs in USD	Percentage
Government of Bangladesh	2 billion	69
IDA	250 million	8.6
USAID	150 million	5.2
UN	100 million	3.4
EU	88 million	3.0
DFID	82 million	2.8
Germany KfW	26 million	0.9
Netherlands	24 million	0.8
Canada	19 million	0.6
Japan		
Germany GTZ		
Development partners total	890 million	30
Total	2.9 billion	100

Source: CIDA Support to the Health Sector in Bangladesh, febr. 24,2004

(Note: registration for Canada not only HPSP as indicated in title)

B2.6 Changes in Bangladesh

The application of sector-wide approaches is supposed to lead to both a higher sense of ownership of the recipient government and a strengthening of its planning and implementation capacity.

B2.6.1 Ownership

Although the country was aid dependent in the past, recently, the relative weight of external funding in Bangladesh has been less than in most other least developed countries. That also implies that the ownership is relatively high in Bangladesh, since the role of the donors in society is less pronounced than in Africa, for example. But 'ownership' in Bangladesh over –amongst others- the health and nutrition policies and strategy is largely a 'Dhaka' ownership. The public administrative system is still highly centralised, while the governmental mandates of lower level governments are limited.

But even at the Dhaka level, the ownership over the development process varies according to the political party in power. Policies are easily abandoned when a new government turns in. Political parties are largely based on clientalism related to different power structures and kinship relations (see Annex C1). A change of Government implies a change of relations in which the incoming party does not automatically recognize what has been set in motion by the previous government. The HPSP was started under a different government than the one who governed at the moment of its finalisation. RNE reported in 2003: "The present Government appears not to 'own' the HPSP and continuation of the SWAp process is not beyond doubt". That complaint about lack of ownership was related to the shift in power. But one year later, that government that apparently lacked ownership has drafted the HNPSP Concept paper (and not the DPs)⁹². After various re-elaborations, the proposal by GoB was made subject to appraisal by the development partners (November, December 2004).

Like anywhere, 'ownership' is not only a question of the public sector, but of the entire society, since the public sector is not the only, and possibly not even the most important driver of change in Bangladesh. Two observations should be made:

- GoB showed a rather weak 'ownership' over reforms that were regarded by DPs as basic. It may have been exacerbated by the imposition of conditionalities as a means of pressuring GoB to fulfil its commitments, without looking at the capacity of GoB to make a real shift. The largest source of funding in the programme, the World Bank, viewed its role as intellectual and perhaps as a moral leader in pressuring for these reforms, a posture that did not go unnoticed in GoB quarters. An over-reliance on international advice hampered the feeling of ownership (CIDA, 2004). In the last week of 2002, the

⁹² MoHFW (2002) Conceptual framework for the Health, Nutrition and Population Sector Programme (HNPSP) July 2003-June 2006. Draft Final Report. Government of Bangladesh

- GoB unilaterally and without consulting donors decided to reverse the unification of health and family planning services, undermining one of the reform pillars of HPSP.
- Stakeholder Participation was seen as a key strategy of the HPSP. A process for structuring meaningful consultations that engage a wide range of stakeholders, especially community groups and civil society was never developed. A Clients Charter of Rights was formulated, but with little real ‘rights’ and control on accomplishment attached to it. In general, people have no confidence in the public health system (APR, 2003:8).

B2.6.2 Implementation capacity of the sectoral institutions

In judging the implementation capacity of the institutions in health, one should first recognize the fact that GoB is not the major provider of health and population services in Bangladesh, since 70 percent of all health expenditures are out-of-pocket and catered for by the private and NGO service providers. And the relations between public sector and these providers is poor. There is ambiguity in government’s stance towards other health service providers⁹³ despite their increasing share of urban and some rural primary health care services (both promotive and preventative) in competition with public services.

Second, in the health sector, notwithstanding a decentralisation process, the management is still highly centralized. This centralisation has some advantages, such as in the capacity to plan activities nation-wide, but also disadvantages, such as in implementation.

The last Annual Program Review (2003) mentioned as achievements of the HPSP that the essential services have consistently received the agreed 65 percent of the total budget allocations and that the salary component has remained well below the targeted 50 percent. As far as it concerned implementation, there were clear efficiency gains. These included: enabling planners and managers to take a strategic overview over the sector, enabling key services to receive priority attention and resources; giving MoHFW more control over budget resources to pursue their objectives for the sector; better priority setting and improving transparency and accountability. The Review also mentioned a significant progress in strengthening in-service training. A Training Management Information System (TMIS) has been functioning as part of the Personnel Management Information System (PMIS) both at central and district level.

Health workers resist decentralisation as they stand to lose power, status and access to rents from decentralisation or from other more efficient, equitable or less corrupt outcomes.

The results in achieving reforms related to GoB implementation capacities have been poor: the first reform step related to the integration of the health and family planning was completed up to upazila level. However, progress was stalled due to lack of attention to the organisational change process, the establishment of necessary coordination and supervision mechanism and grievances from staff negatively affected by the reform. The poor attention to implementation of

⁹³ The 2002 NGO policy was supposed to lead to clarification of the respective roles of different agencies, but hardly produced that result.

established action points and GoB's unilateral decision to reverse mutually agreed policies, have strained relations between MoHFW and the DPs.

Throughout the HNSP period high staff turnover at senior level has been a serious problem. This turnover is not only product of clientalism and power structures, but also the product of low salary levels. Capable civil servants are easily lured into the private sector or are being contracted by externally funded non governmental or international organisations.

B2.7 Poverty alleviation

The Ministry of Foreign Affairs Country Team (2003) concluded that the HPSP achievements in terms of improved health indicators had been "substantial and unprecedented for developing countries", considering the fact that total fertility rate had dropped; contraceptives are widely available and used and infant and child mortality rates have dropped significantly. "Bangladesh is well underway in meeting the child mortality MDG. Sustained and coordinated donor support has been a critical factor in this success. Progress in reducing maternal mortality has however been stagnant, related to inadequate service delivery in this field as well as to the poor position of women" (Country team 2003).

Beyond doubt, many health indicators have improved significantly over the last decade in Bangladesh. However, there are serious doubts whether these achievements can be attributed to either HNSP or its predecessors (APR, 2003:2). Different sources, like the Service Delivery Survey 2001, the Public Expenditure Review 2000⁹⁴ and the surveys on Spending on Essential Services Package seem to indicate that HPSP did not imply 'pro poor spending'. It basically did more of the same as it did before.

Geographically (and excluding large cities like Dhaka and Chittagong) the richest districts received more resources for health care than the poorest districts (PER 2003:145). One of the reasons was the use of hospital-bed criterion in the resource allocation. Those areas that do have more hospital beds receive more resources. Data on per capita income and Human Development Index show that resources are not inversely distributed according to incomes. In fact the opposite is true (2003:147). Also the APR 2003 Independent Technical Report considered that public resources did not effectively reach the intended target groups (APR 2003:6). In addition, the total resource allocation remained below expectation. The public sector health expenditure equalled to USD 4 per capita per year, which is approximately 10 percent of the internationally accepted standard for an Essential Services Package.

The Service Delivery Survey (2001) indicated that the very poor households, with the highest disease burden, are less likely to use government health services due to unofficial fees, long waiting times, lack of medicines and poor treatment by service providers. In general, the poor feel government health services discriminate against them and treat them badly. Nevertheless,

⁹⁴ Fifth PER, conducted by Health Economics Unit. In PER 2003 Section III

due to lack of opportunity, public primary health care facilities are primarily used by lower-income groups. But, the poorest groups pay higher for communicable diseases than any other income group. Around 10 percent of these payments were 'unofficial' payments to doctors and medical staff (PER 2003:152).

An issue negatively affecting service utilisation is the high number of vacant posts, particularly in the poorer and more remote regions as well as the high level of absenteeism of service providers. A 2003 survey found that the rates of absenteeism for doctors at upazila level was 40 percent and at union-level 74 percent (APR, 2003:8)

A similar pattern emerges from a vulnerable group perspective. In total women did attend more health facilities than men. However, if the use of reproductive services is excluded, then more men attended health facilities than women. Males received more attendance in the categories child health and communicable diseases. Males make up 51 percent of the population, but consumed 58 percent of public spending in health. This is particularly the case in communicable diseases (64 percent to males).

In sum, most findings suggest that HPSP insufficiently targeted the poorest population groups (DfID, 2001:36) and there is no evidence that public subsidies favoured either poorer areas (2003:154) or vulnerable groups.

It is precisely for those findings that the HNPSP has been more specifically poverty focused than HPSP.

B2.8 Efficiency

According to the APR 2003, HPSP led to significantly lower transaction costs to both GoB and to the development partners. The lower transaction costs to GoB were registered in areas like reporting, procurement, and financial administration.

Considerable savings were registered as a result of bulk procurement using local competitive bidding methods.

But the inefficiency resided in the fact that HPSP dealt with the provision of public services alone. Efficiency gains could have been made by a greater use of diverse providers of publicly funded services (private sector, NGO, community organisations), competition, an improved management environment, and regulation of contracts for publicly financed services. Operational challenges will include lowering management costs and strengthening capabilities for consumer voice. (Duncan, Sharif and others, 2002).

B2.9 Assessment of the introduction of the sector approach

HPSP was a continuation of earlier multi-donor initiatives that had existed since 1979, all guided by the World Bank. The Netherlands had joined in 1985. HPSP was the first multidonor programme with pool funding under a common strategy (but without a policy framework). Initially the concept was welcomed by higher level civil servants in the Ministry of Health and Family Welfare, who were also in favour of substantial reforms in the operations of the ministry and in the way health services are being provided in Bangladesh. HPSP started without a policy framework in the thought that changes would be introduced 'along the way'. Milestones were set for those reforms. The small 'top' in the Ministry that carried those concepts was, however, not able to disseminate the reforms throughout the system, while fundamental questions concerning the public-private relationships remained unaddressed. In addition, the association of physicians happened to be a powerful obstacle against change. When after the elections, new top civil servants were nominated, the support for the reforms crumbled. Donor even threatened to suspend their contributions in April 2003.

HPSP did make significant achievements (Hay and others, 2003), such as:

- It placed the health needs of the poor firmly on the agenda of MoHFW. That did not imply that the poor were actually reached, but poverty targeting became a permanent concern of both GoB and the development partners.
- It changed the way the Ministry of Finance and the Planning Commission conduct business with MoHFW. MoHFW is now capable of preparing its own plans and to attach budgets to these plans;
- It changed the relationships between MoHFW and its development partners: more mutual trust, but also more initiatives taken by MoHFW. DPs are not implementing agents anymore, but financiers that require accountability and transparency;
- It has given MoHFW more control over budgetary resources and has facilitated its own internal financial planning;
- It has allowed sector managers to take a broad and oversight view of the sector's need and priorities in stead of the previous piecemeal attendance to demand and political pressure;
- HPSP has showed that it could "swallow up" some 120 projects into a single programme;
- The initial weaknesses as assessed by the donors (procurement, financial management and monitoring functions) were largely overcome in the course of HPSP implementation (CIDA, 2004).

But the various documents show a great deal of criticism as well (for example CIDA, 2004, APR 2003 and the PER), while various stakeholders expressed themselves in rather critical terms during interviews:

- HPSP was a World Bank-led initiative. The programme as a whole was hampered by a centrally planned process, unduly influenced by the development partners. CIDA (2004:2) commented "as the largest source of funding, the World Bank viewed its role as intellectual and moral leader in pressuring for reforms, a posture that did not go unnoticed in GoB quarters". WB felt responsible for 'steering the process': it imposed

- rather than negotiated and convinced, while it 'acted on behalf of the DPs' instead of representing them after having received their consent.
- GoB's capacity was not sufficiently assessed and as a result Government progress did not reach levels of reform and results as expected by the DPs (no unification of the Health Services and Family Planning Directorates; decentralisation did not take off; the community clinic programme was halted in October 2001)
 - The sound progress at the start slowed down during the transition of government, in particular with respect to reforms that were considered crucial by the DPs. This even resulted in a break down of communication and a temporal withholding of pool funding early 2003. In June 2003 a joint Swedish-UK-Dutch mission took place to suggest possible approaches and funding was re-established.
 - CIDA (2004:21) concluded that although HPSP had 'swallow up' over 120 projects and millions in resources, there was little to show after 5 years. In fact, the DPs had underestimated the institutional labyrinth they had created during decades by setting up donor-driven satellite structures meant to overcome the weaknesses in GoB capacity. GoB could not be expected to instantly manage all those projects along the lines of the formal institutional structure (CIDA, 2004:20).
 - The results of the Independent Technical Report (2003) showed that public resources did not effectively reach the intended target groups. The Service Delivery Survey (2001) indicated that the very poor households feel discriminated and badly treated, since they suffer from payments of "unofficial fees", long waiting times, lack of medicines and poor treatment by service providers. The absenteeism of service providers in poor and remote areas is very high; on average 40 percent for doctors at upazila level (HPSP Aide Memoire 2003: 8).
 - The flow of funds was complex, as was the disbursement system that led to frictions between GoB and the DPs.
 - Top level managerial functions were occupied by clinical doctors. The sector requires a relatively small number of qualified and experienced professional managers, economists and accountants.

Overall, GoB is not the major provider of health and population services in Bangladesh, since 70 percent of all health expenditures are out-of-pocket and catered for by the private and NGO service providers. GoB and DPs alike focused mainly on the public administration, while the effectiveness on improving the health status of the poor strata of the population continues to depend on co-operation with the civil society organisations (CSOs). These were not included in the HPSP, neither were the for-profit practitioners. CSOs manage a large proportion of the most effective health care services in the country, which directly address the needs of the poor.

Without the implementation of structural institutional changes and reforms, broad based programmes like HPSP basically fund "more of the same". Doing 'more of the same' does produce results in terms of providing access to services or the quality of those services, but it does not remove the constraints that had impeded solving the problem in the first place.

Government should be "steering more and rowing less" (Hay, 2003:vii).

HPSP was a programme-based approach rather than a SWAp (CIDA, Febr 2004).

RNE's added value, according to other DPs, lies in a constant focus on gender and reproductive health and rights. RNE has been effective in influencing policy in these areas, even with relatively limited financial resources. RNE has been an active donor in the health sector and has actively participated in monitoring and planning exercises.

B3 SECTOR WATER

B3.1 Background

B3.1.1 General

Water is deeply embedded with the life and well being of the people of the country. Since water touches almost every aspect of daily life in Bangladesh, it has led to the evolution of a complex system of institutional arrangements for its management. A great variety of agencies have interests in water, interests that are sometimes complementary but more often competitive. This condition becomes all the more complicated by the fact that the geo-physical conditions of Bangladesh present extreme conditions rendering it difficult to make a rational judgment on the use of water.

As a consequence of extreme climate conditions, the country suffers from both floods and droughts. Being basically a floodplain, Bangladesh consists of extremely low and flat land. Almost half of the area is within ten meters above mean sea level. Floods in Bangladesh are caused by high volume of river flows accompanied by intensive local rainfall. About 27 percent of the country's net cultivable area is inundated during the monsoon and 37 percent at least once in every 10 years. By contrast, the net availability of surface water during the dry season is significantly reduced and erratic distribution of pre-monsoon rainfall can cause serious soil-moisture deficits for crops.

Like flood management, the phenomenon of drought also brings to sharp focus the inherent discord among different uses of water. In the post-monsoon period, soil-moisture content declines rapidly and the deficit needs to be augmented by irrigation. Agriculture gets the lion's share of the available water and this sets in motion a chain reaction that affects navigation, drinking water supply, environment, rural health and sanitation and the general welfare of the people. The higher incidence of salinity intrusion, water logging and the contamination of the groundwater aquifer by arsenic are some of the more recent additions to the century-old woes surrounding the water regime of the country.

B3.1.2 Water Policy and Planning

An extensive policy framework exists, developed mostly over the last decade, to govern water resources development and management in Bangladesh. Key among these are the declaration of National Water Policy and the National Water Management Plan (NWMP).

The **National Water Policy (NWP)**, approved by the Government of Bangladesh (GoB) in 1999, provides the directives and the guidelines for fundamental and wide-ranging reforms of the water

sector and its two principal organisations, the Water Resources Planning Organization (WARPO) and the Bangladesh Water Development Board (BWDB) (see for institutional description B3.1.3). It declares clearly and unequivocally the intention of GoB to pursue a policy of integrated water resources management and further pledges to take all necessary means and measures to manage the water resources of the country in a comprehensive, integrated, equitable and environmentally sustainable manner. The NWP provides a comprehensive policy framework for dealing with such issues as river basin planning, water rights and allocation, delineation of public and private domains, water supply and sanitation, preservation of the natural environment and the developmental concerns of fisheries, navigation and agriculture. The policy also provides clear guidance on its disposition towards water as an economic good, water pricing, full participation by stakeholders, decentralized management and delivery structures. The policy has also very clear and unequivocal views on regulations, incentives, public investment plans and environmental protection and on the inter-linkages among them. Finally, the policy enunciates the basic principles for turning WARPO as the exclusive government organisation for macro-level water resources planning and the BWDB into the implementation agency of all major surface water development projects and other Flood Control, Drainage and Irrigation (FCDI) projects having command area of more than 1,000 hectares in a single project. Under the new policy, ownership of projects with a command area of 1,000 ha is transferred to local government.

Water sector planning at the national level in Bangladesh began with the preparation of the erstwhile East Pakistan Water and Power Development Authority's Water Master Plan, which was published in 1964. In 1986, the Master Plan Organisation prepared a draft National Water Plan that was updated in 1991. In addition, the catastrophic floods of 1987 and 1988, which prompted widespread support from the international community, resulted in five regional plans and a range of supporting documents. These culminated in the Bangladesh Water and Flood Management Strategy (BWFMS), issued by the Flood Plan Coordination Organisation (FPCO) in 1995 before being revised and re-issued in 1998. The BWFMS recommended

- that a National Water Policy be drafted;
- that a supporting strategy be developed relating water sector development to national development objectives;
- that a National Water Management Plan be prepared within the new policy and strategic framework.
- that FPCO would be subsumed into the Water Resources Planning Organisation (WARPO, formed in 1992) with a mandate inter-alia to prepare a National Water Management Plan.

The GoB implemented these recommendations promptly. Consultants were mobilized in March 1998 to undertake background studies leading to the preparation and promulgation of the **National Water Management Plan (NWMP)**. The Final Draft of the Plan was issued in November 2001. A highly participatory approach was used during its preparation (carried out in 28 districts) and was based on regular contacts with all development partners. The NWMP represents a conscious effort to avoid the old-style master plans comprising little more than asset oriented shopping lists. The investment portfolio provides a complete set of programmes that are spatially and technically integrated and chronologically phased to fulfil the overall goals of the NWMP over the next 25 years. Planned activity programmes are presented in 8 sub-

sectoral clusters comprising some 84 sub-sectoral programmes grouped in cross-cutting programmes, national and regional programmes. The investment cost of the entire Plan is estimated at approximately one Trillion Taka (USD 18 billion in constant 2000 prices). Priority is given to institutional development, enabling environment, water supply and sanitation, rationalisation of FCDI management and key fundamental requirements for efficient and effective implementation of all other programmes. Rationalisation of FCDI is a central tenet of the policy.

By the time the Plan was issued in 2001, the momentum was not taken up by the newly elected government which in fact downplayed the value of the document as being a product of the previous government. Mobilising the required political support took a lot of time as the NWMP was eventually endorsed as late as 2004.

The NWP is supported or complemented by a considerable range of government instruments in the form of other policies, laws and guidelines. The most relevant instrument is the Guidelines for Participatory Water Management (2000) that are concerned with the institutional, regulatory and procedural issues concerning participation in water management. With the exception of service delivery and water quality standards that are still lacking, all other key features are addressed by one or more of the instruments.

B3.1.3 Sector institutions

Government functions in Bangladesh are highly fragmented. Water is directly associated with as many economic opportunities as it is with a number of hazards. For these reasons, the scope of activities relating to the water sector is large, as is the institutional framework created for the realisation of these activities. The NWMP has identified 35 agencies falling under the control of 13 different Ministries all of which have a stake in water related issues.

The **National Water Resources Council (NWRC)**, with the Prime Minister as the Chair and other relevant Ministers as members, is the highest inter-ministerial body responsible for dealing with water policy issues, coordination of various sector policies related to water, oversight of the NWMP and updates, resolution of inter-agency conflicts and adoption of common standards for the water sector. It is assisted in its work by an Executive Committee headed by the Minister for Water Resources.

The core functions of the **Ministry of Water Resources (MOWR)** are mainly normative (policy formulation, planning, monitoring and evaluation, legislation). It is organized in two broad Wings. The main Wing, called the Administration and Development Wing, is headed by an Additional Secretary and is responsible for all kinds of work other than planning and monitoring and evaluation of projects/programmes. The second Wing, called the Planning Wing, is headed by a Joint Chief and is responsible for the core functions. Line Ministries do not have any control over the resources needed for carrying out the activities assigned to them. Personnel management is centrally controlled by the Ministry of Establishment and allocation of funds by

the Ministry of Finance. Similarly, all legal matters must be cleared by the Ministry of Law, Justice and Parliamentary Affairs. And the Planning Commission has to clear every aspect of a project from conceptualisation to implementation. The Rules of Business make it mandatory to consult the service Ministries before matters are put up to higher authorities for decision. Two agencies under its control, namely, WARPO and BWDB are respectively the designated agencies for macro-level water sector planning and execution and maintenance of large water projects.

The **Bangladesh Water Development Board (BWDB)** was created for the purpose of carrying out flood control, irrigation and drainage activities after the devastating floods of 1955 and 1956. The significance of BWDB in water management can be appreciated from the fact that more than two-thirds of the estimated USD 3 billion invested by donors till 2003 in the sector were spent by the Board alone.

The original mandate of the BWDB was formulated in terms of the perceived needs of the 1950s. Flood control, drainage and irrigation were the crying needs of the day and the Board was mandated to accomplish those tasks. But as time passed by, the inherent contradictions in its mandate and its method of work became evident. Between 1980 and 1995, a number of studies identified deficiencies in the structure and processes of the Board and pleaded for urgent reforms to redefine its role in water management and to bring about greater transparency, accountability and efficiency in its operations. The efficiency of the BWDB had also been deteriorating over the years. It lost its initial dynamism to the ills of an over-extended, overly large and highly centralized bureaucratic structure. Many of the bureaucratic dysfunctions could have been overcome if beneficiaries were involved in the entire project cycle. Despite many shortcomings, *the Guidelines for People's Participation*, as approved by the Government, was a step in the right direction. However, this could not be pursued vigorously due to lack of an enabling environment. The internal working of the organisation was not conducive to a people-oriented management and the officials were not comfortable in interacting with people. The culture of a participatory approach to project implementation and management did not permeate through the ranks and files; the top down approach continued.

The NWP conceptualised the **Water Resources Planning Organization (WARPO, 1992)** as the exclusive public sector agency responsible for macro level water resources planning. In addition to preparing and updating the NWMP, it was also given the responsibility of monitoring and overseeing the implementation of sectoral activities according to the planning framework developed in the NWMP. Another task assigned to WARPO has been the setting up and updating of a National Water Resources Database (NWRD) and an Information Management System.

A few important conditions for a strong WARPO are in place: its mandate is well defined and established through a well formulated National Water Policy, while integration on ministerial level is covered through the National Water Resources Council and its Executive Committee. However, the operational establishment of a strong WARPO still meets several constraints.

Though its mandate is well-defined it is not adequately covered under the existing law to allow it the required authority for dealing with other agencies. Staff capacity and capabilities in terms of number, multi-disciplinary composition and capacity building are seriously inadequate. The staff situation is further aggravated by unattractive salary structure and lack of sufficient incentives. Moreover, the organisation lacks a coherent framework of analysis accentuated by lack of reliable information and access to data. It is not possible for WARPO staff to apply state of the art methods and technology due to a lack of networking with national and international research organisation and support from the scientific community. The organisation has been excessively dependent on TA support for even performing its routine functions and has consistently shown a dearth of strong leadership.

Local Government Engineering Department (LGED) There are many other both national and local government institutions that are relevant to the water sector. The national institutions comprise some 35 central Government organisations affiliated with 13 different Ministries. The Local Government institutions include four city corporations, 206 municipalities, and the local Government administrations at the district (64), thana (464), union (4,451), and village (86,500) level.

The National Water Management Plan envisages some key changes in the institutional framework of the future. The sector is likely to be managed through national and regional framework plans that reflect GoB's policies as well as stakeholders' demands. The Plan foresees a sector that is regulated under law with new independent regulatory bodies formed to ensure quality and cost-effective water service delivery. BWDB will be encouraged to operate on a regional basis and the present District Level Inter-Agency Project Evaluation Committee coordination system will be replaced by District Committees under Local Government. The Plan also foresees a strengthened Local Government that increasingly takes on the task of managing local water resources for agriculture, water supply, sanitation, urban and peri-urban services, and cyclone protection shelters. The principal departments supporting this effort will be the Local Government Engineering Department (LGED) and the Department of Public Health Engineering (DPHE).

Bangladesh is renowned for its vibrant NGO movement. Within water sector projects, NGOs are often involved as partner organisations mainly for mobilising beneficiaries and group formation, representing the interests specific groups or beneficiaries, usually the disadvantaged sections in society, or broader interests, such as for example the environment. Many of the NGOs are relatively active and their staff possesses good professional skills especially in working directly with the poor in rural areas.

The planning, design and implementation of projects are increasingly being outsourced, with the BWDB performing as regulator and supervisor. At present, approximately 25 local and about 15 expatriate consulting firms, apart from individual consultants, are regularly involved in water management projects. The implementation of many donor-funded projects is entrusted to groups of consultants, usually involving one or more local consultancy firms. Increasingly, BWDB and LGED are engaging individual consultants on a free lance basis, primarily for the execution of studies (monitoring, evaluation and feasibility studies) or other support to the planning and

implementation wings of the BWDB. These consultants include many non-engineering disciplines.

B3.1.4 Development Partners

Since Independence in 1975, Bangladesh's development partners are estimated to have contributed about USD 2.5 billion to the water sector. Project-related donor assistance declined from an annual average of about USD150 million during the first half of the 1990s to an annual average of about USD 45 million during the last five years. Between 1999 and 2004, the World Bank undertook no new investments in the sector, causing an overall decline in the externally funded investments in the sector (also since various bilateral donors use to follow the World Bank). The decline in multi-lateral and bi-lateral support to the sector was the outcome of a general perception that investments needed to be more effective and this required improving all aspects of service delivery. A profile of this assistance is provided in table B3.1.

Table B3.1 Profile of Development Partners Assistance to the Bangladesh Water Sector (1975-2004)

	Percent of Total	Grant (percent)	Loan (percent)
World Bank	40.5	0	100
Asian Development Bank	24.4	1	99
Netherlands	8.8	100	0
Canada	2.6	100	0
Germany	2.3	100	0
UNDP	1.6	100	0
Japan	1.6	95	5
Others	16.6	90	10

Source: World Bank Country Assistance Strategy

The table illustrates that Bangladesh has had three main development partners in the water sector: the World Bank, the Asian Development Bank and the Netherlands.

The **World Bank** has traditionally been the central partner to the GoB in water management. However, as of 1999 governance issues made the Bank withdraw its support from the sector and no new water-related projects have been approved since then. In 2004, the Bank was committed to return to the sector by means of two projects, addressing water resources and water supply respectively.

The assistance provided by the **Asian Development Bank (ADB)** is governed by the Partnership Agreement on Poverty Reduction signed in 2000. The 5-year operational strategy of ADB in the water sector is two-pronged: (i) to support GoB in effectively institutionalising key National Water Policy principles and guidelines, and (ii) to assist GoB in implementing the National Water Management Plan, while recognizing the need to continuously upgrade these instruments. Implementation of ADB's strategy is guided by important principles, such as a move towards decentralisation in implementing and democratic (local) control; the promotion of local

stakeholder participation and ownership; and the strengthening of multi-sectoral coordination mechanisms.

Of the list of smaller donor countries, four are worth mentioning. The **Canadian International Development Agency** is investing in interventions that promote financial management reform in the Ministry of Water Resources and the institutions reporting to this Ministry. They are also supporting development of an information network based on satellite radar technology that is accessible to the poor and those living in rural areas to plan and manage water and land resources on both the national and local levels. **UNDP** has developed programmes that link advocacy, policy advice, with projects. In 2004, UNDP focused on initiatives to strengthen local governance and natural hazard preparedness at the national and local levels. The **German Government**, through KfW, finances capacity development for planning, implementing, and maintaining riverbank protection. The focus of **Japan's** assistance to GoB has been shifting to initiatives that aim more directly at mitigating the impacts of the population on the environment, developing human resources, and reducing poverty.

B3.2 The Bangladesh-Netherlands Co-operation programme in the water sector

B3.2.1 General

Water management has been an important component of the Netherlands co-operation programme with Bangladesh. The history goes back to 1975 in reaction to the urgent need to rehabilitate the irrigation and drainage network badly damaged by the 1974 floods. The sector programme basically consists of a set of projects that can be grouped into five sub-sectoral clusters i.e.

- drinking water and sanitation;
- water resources management;
- coastal zone management;
- the Ganges Dependent Area programme and;
- general support.

Over the period 1998-2003 spending averaged €11 million per annum with a maximum of € 16.4 million in 1998 and a minimum of € 5.93 million in 2002. The main projects and annual disbursements for the period 1998 – 2003 are listed in table B3.2.

Over the years, projects have been the principal vehicle for grant aid in the water sector. The focus on the project modality was driven by the strong belief that the lack of institutional capacity was the main bottleneck to development. Projects, with their own accounting and administrative arrangements, their own management and implementation structure was perceived as the best structure for minimising the fiduciary risk and hence for reassuring the constituency at home that their tax money was not wasted.

Table B3.2 Netherlands Support in the Water Sector Bangladesh, 1999 – 2003

(€ million)

		1998	1999	2000	2001	2002	2003	Total
Drinking water and sanitation								
18 District Town Water Supply Project	DTP	2.35	3.69	3.28	0	0	0	12.30
Water Resources Management								
Early Implementation Project	EIP	4.64	1.54	0.08	1.26	0	0.04	14.78
System Rehabilitation Project	SRP	0.68	0	0	0	0	0	2.59
Water Management Improvement Project	WMIP	0	0	0	0	0	0	0
Small Scale Water Resources Development	SSWRD	2.70	1.11	0.01	2.48	0.72	1.67	9.57
Integrated Project Sector Water Management Project	IPSWAM	0	0	0	0.03	0	1.03	1.06
Compartmentalisation Project	CPP	0.93	1.68	1.29	0	0	0	5.75
<i>Coastal zone management</i>								
Char Development and Settlement Project	CDSP	1.81	1.85	1.81	3.27	3.64	2.31	19.21
Meghna Estuary Study	MES	1.90	1.59	1.51	0.52	0.10	0	6.64
Integrated Coastal Zone Management Plan	ICZM	0	0	0	0.04	1.03	0.71	1.78
Ganges Dependent Area								
Goral River Restoration Project	GRRP	0.05	1.08	1.44	0.95	0.10	0	3.62
General support								
Environmental Geographic Information System	EGIS	1.33	1.30	1.40	1.74	0.04	1.36	10.21
Twinning Project*		0	0	0	0	0	0	0
Other projects		0	0.21	0.08	0	0.29	0.05	0.68
Total		16.39	14.05	10.90	10.29	5.93	7.17	88.19
Number of operational projects		9	10	10	9	8	9	

Source: DGIS. * Twinning project not funded by RNE.

The following overview provides a comprehensive account of the projects' experiences and results. It excludes the drinking water and sanitation sub-sector that was phased out in 2000. It also excludes the Twinning Project with the Dutch Rijkswaterstaat (not funded under the bilateral programme) and the civil engineering co-operation programme that is of a more general scientific and educational character.

B3.2.2 Water Resources Management

The **Early Implementation Project (EIP)** on flood control, drainage and irrigation was the first major water management project supported by the Netherlands. It focused on the execution of small-scale technical interventions identified, prepared and implemented by BWDB. The project went through 4 consecutive stages of roughly 6 years each and was phased out in 1999. Over the years, BWDB built up a rather unique multidisciplinary experience in planning, implementing and monitoring small-scale rehabilitation projects (88 in total, covering some 465,000 ha).

The **System Rehabilitation Project (SRP)** started in 1990. The project was funded by a World Bank led consortium, in which the European Union and the World Food Programme also participated. Implementation ran into problems from the very beginning. Difficulties were compounded by the multi-donor character with each of the four donors having their own policies and procedures. A joint Bangladesh/Dutch {was it not British?} team of experts evaluated the project with as main conclusions that rehabilitation had worked but that Operations and Maintenance had failed. In order to come to sustainable O&M use should be made of local diversity, of local participation and training in construction management needed for consolidation.

The **Small Scale Water Resources Management Project (1996-2002)** was a similar project to EIP and SRP but focused on rehabilitation and upgrading of small-scale irrigation and drainage schemes in western Bangladesh resorting under the authority of the **Local Government Engineering Department (LGED)**. The project was financed through a loan by ADB and IFAD (of resp. USD 32 million and USD 10.4 million) and a TA grant by the Netherlands (of USD 7 million). The project aimed at introducing sustainable O&M practices and included agricultural development, floodplain fisheries, environmental mitigation measures, stakeholder and beneficiaries involvement, poverty reduction and gender development as core elements. An external evaluation mission, fielded early 2003, concluded that the project did not achieve its physical objectives (out of 400 planned a total of 280 schemes was completed at the time of evaluation) but developed an innovative approach to ensure sustainable operations and maintenance for small-scale schemes. But even the most successful sub-projects required additional support enabling the newly created water management co-operative associations (WMCAs) to further develop into fully responsible and resourceful organisations.

The formulation of the follow-up Phase II project proposal was cumbersome. The quality of the ADB-funded Project Preparation document was rather poor and two joint appraisal missions were needed to redraft the document. The geographical intervention area of the project was extended to the entire country but the physical target of scheme rehabilitation was scaled down from 400 in the previous phase to 300. In response to the withdrawal of IFAD, RNE increased its contribution to USD 24.6 million, next to USD 33.5 million commitment by ADB. At the request of ADB, the Dutch contribution was earmarked for specific subcomponents with exception of the community based infrastructure development component which is being co-financed only for a specific percentage (30.5 percent). The 7-year implementation period expires in December 2008.

Larger scale flood protection became a dominant issue following the 1987 and 1988 floods. In 1989, the World Bank agreed to co-ordinate various flood control initiatives and produced an Action Plan for Flood Control (known as the **Flood Action Plan**), describing activities to be undertaken during the period of GoB's Fourth Five-year Plan (1990-1995). The strengthening of existing river embankments and the construction of new embankments, together with the provision of inlet/outlet regulators, constituted the major structural components of the Plan. In order to maximise the benefits to be derived from flood protection works, it was proposed that the protected areas be divided into "compartments" in which flooding and drainage could be effectively controlled and managed. The concepts of compartmentalisation and controlled flooding were relatively new and needed to be developed, tested and demonstrated in the field under practical operating conditions.

The **Compartmentalisation Pilot Project (CPP)** was incorporated into the Flood Action Plan (FAP-20) to establish appropriate methods of protected area development and operation. The overall objective of the CPP (1992-95) was to test the technical and economic viability of the compartmentalisation concept and the establishment of the required institutional context of water resource management in these compartments. The project came under the authority of the Ministry of Irrigation with the BWDB taking responsibility for the structural components. By the end of the project period (December 1994), neither the physical nor the institutional components of the project were completed and the project was extended for another year (1995). The basic

objective of Phase II was to further investigate whether the concept of compartmentalisation was a good investment. In the end, CPP demonstrated that compartmentalisation in a single compartment setting was technically viable and replicable. The project also developed a more coherent institutional development strategy based on principles of sustainability and participation. The impact on stakeholder livelihoods was reported to be largely positive, with improvements to agricultural production; to flood control and to road transport. No major negative impacts were identified. In (national) economic terms, however, the compartmentalisation experiment turned out to be less attractive with an Economic Internal Rate of Return falling well below the 12 percent threshold for viability. This largely reflected the relatively high capital costs associated with the implementation of the concept. {I disagree with this overly positive evaluation of CPP, but respect Rolandt's views on this!}

Since the turn of the millennium, the most important development was the agreement reached between WB, RNE and GoB in June 2001 on the joint design, financing and implementation of the sector-wide **Water Sector Improvement Programme (WSIP)**. WSIP was a more comprehensive attempt to address institutional capacity building problems at the BWDB corporate level and signified recognition of the progress reached by GoB in reforming its water sector institutions. The formulation and appraisal process has been laborious to such extent that in 2004 the project was not yet operational. Following allegations of abuse in procurement and denouncing the lack of quality leadership by BWDB, the WB suspended the appraisal process. By the time the two issues were resolved the original project document was outdated and a new Project Preparation Study was commissioned in the course of 2003. On that occasion the project was renamed into **Water Management Improvement Programme (WMIP)**. The WMIP's aim was to come to a sectoral framework that will ultimately encompass all activities in the water sector. This is to be based on the participation of local stakeholders and by enhancing the capabilities of the organisations concerned.

The proposal was jointly appraised by the RNE and the WB in December 2003 and February 2004. In its final form, WMIP consists of three components with a total budget of USD 104.4 million to be spent over a 7 year implementation period:

- Component 1: USD 86.3 million for the rehabilitation and improvement of 81 existing medium and 21 large FCD and FCDI schemes of BWDB covering approximately 378,900 ha;
- Component 2: USD 36.4 million to ensure sustainability of the schemes; improve the culture of O&M cycle and approaches through annual maintenance contracts or performance-based contracts to undertake O&M;
- Component 3: USD 17.7 million for institutional development of BWDB and WARPO.

RNE's co-financing contribution was fixed at USD 20 million. Effectiveness of the project financing agreement has been delayed by a late call of the GoB Ministry of Finance to scale down the project's TA budget.

The **Integrated Planning for Sustainable Water Management (IPSWAM)** project is an off-shoot of the Early Implementation Project mentioned above. Following a positive assessment of the EIP in 1998, IPSWAM was formulated in November 1998 by a joint GoB/RNE Dhaka team,

but the programme was not taken up for immediate appraisal. A 5-member Reformulation Committee revised the programme two years later. The reformulation took another three years before the proposal was appraised and approved and the project became operational (November 2003). The overall objective of IPSWAM is to strengthen the capacity of water sector organisations at the level of BWDB and at the local level and in doing so act as a pathfinder for WMIP. The activities of the € 6.6 million project (2003-2008) are concentrated in three polder areas in South Central and the South-West Zones of Bangladesh. The objective is realised by:

- establishing and developing one central and two zonal planning cells capable of planning and implementing water management projects in line with the principles of the NWP;
- developing local level water management capability and stimulating transfer of responsibilities for operations and maintenance to local level water management organisations by introducing and establishing integrated, sustainable water resources management.

B3.2.2 Coastal Zone Management

The co-operation between GoB and the Netherlands in the area of char development started in 1978 with the funding of the **Land Reclamation Project (LRP)**. The objective was to: (i) set up an organisation within the Bangladesh Water Development Board (BWDB), to carry out surveys and studies to develop a long term policy for land accretion works in the south-east of Bangladesh; (ii) test various methods to accelerate the accretion. In the course of time, the project was reformulated into the Char Development and Settlement Project (CDSP) and Meghna Estuary Study (MES) projects.

The objective of the **Char Development and Settlement Project (CDSP)** (1991) was to design and test a generally replicable approach for char development that is economically viable, socially and environmentally acceptable and technically feasible. The implementation of CDSP ran into problems from the very beginning and progress in meeting the already reduced targets was poor, with in particular the completion of the construction components (land settlement, housing and infrastructure) well behind schedule. The process of selecting landless families, the location of the cluster villages and the infrastructure and house construction programmes all suffered further delays. The multiplicity of proposed activities and imbalance within project staff composition also complicated the approach. Towards the end of the project period (March 1997), the project was evaluated by a joint Dutch/ Bangladesh, external evaluation mission. Despite all the constraints, the mission concluded that CDSP had been making good progress on several fronts and a € 1.54 million extension proposal was formulated to complete and consolidate the unfinished tasks in infrastructure and land settlement. By September 1999 most of the original physical and institutional appraisal goals of the project were met.

While completing and consolidating work on the three char areas, two new engineering studies were undertaken to assess the development potential of a series of new accreted areas (Muhuri Feasibility Study and Coastal Char Study) which could eventually be taken up in a follow-up Phase II project. The Ministry of Water Resources and the RNE invited the CDSP to prepare a Phase II project proposal, consolidating the CDSP "best practices". In principle, the design, approach and implementation modality of the new 5-year CDSP Phase II (2000-2004) project

remained unaltered. The massive project budget of € 20.4 million covered the cost of extending the TA contract for 5 more years (€ 5.7 million) and the (investment) cost of settling and housing some 19,500 households, infrastructure development and income generating activities in 13 newly identified intervention areas (€ 14.7 million). Early 2004, a proposal for another 5-year extension was rejected by the GoB and Phase II implementation period was extended up to June 2005 to revise the proposal. In 2004, preparations for tendering consulting services and working out investment proposals were underway.

The objective of the **Meghna Estuary Study (MES, 1995-98)** was to retain and increase the operational knowledge in the field of hydrological, hydraulic and morphological processes in the Meghna estuary and develop viable methods of land exclamation and river bank protection. The initial € 4.7 million TA budget was co-financed by DANIDA. Implementation started in September 1995 and was plagued by many problems. The political situation, extreme flooding, poor condition of the survey vessel and lack of BWDB/WARPO counterparts hampered efficient transfer of know-how and experience. Eventually, the TA team prepared a long-term Master Plan and identified three priority erosion control and land accretion projects (at feasibility level). Based on the MES outcome a team of senior officials drafted a policy paper on integrated coastal zone management in 1999. During that year, two joint WB-RNE Dhaka missions were fielded with the intention to initiate an Integrated Coastal Zone Management process which would ultimately culminate in the development or formulation of a Coastal Zone Management Programme. The idea of setting up an autonomous Coastal Zone Development Authority was abandoned and replaced by the idea to set up a Programme Development Office (PDO) in WARPO to develop a comprehensive knowledge and information base, develop guidelines and planning criteria for coastal development activities, identify, appraise and formulate projects which can contribute to the ICZM Plan and monitor the implementation of specific project activities. The formulation of a new project proposal dragged on for more than three years and a skeleton TA staff was maintained to keep the momentum and continue to work on the strengthening of the WARPO office (MES – Phase II 1998-2001).

The new technical assistance team for setting up the **Programme Development Office (PDO-ICZMP)** was eventually contracted by the RNE in March 2002. The project activities largely correspond with the immediate objectives of the project i.e.: (i) inventorying ongoing projects and programmes and building linkages between existing activities; (ii) management of the integrated coastal zone data base; (iii) supporting survey activities in the coastal areas; (iv) policy analysis and development of vision and strategy and; (v) carrying out detailed studies and dissemination of information on coastal development. The substance and realism of the appraisal process was called into question when counterpart funding was blocked for more than 2 years following the GoB's refusal to approve the original project document.

Parallel to setting up the ICZMP – Programme Development Office, a separate TA project proposal was formulated in the course of 2002 to further support BWDB's bathymetric and hydro-morphological survey capabilities and assist BWDB in investigating and executing erosion control and land accretion activities. Implementation of the € 6 million TA **Estuary Development Project (EDP)** has yet to start.

B3.2.3 Ganges Dependent Area (GDA) Programme

Following the fielding of two joint WB/RNE appraisal missions in 1997/98, financial support was pledged to determine the feasibility of dredging the Gorai River from its off-take at the Ganges to about 16 km downstream. The aim of the project was to increase the dry-season discharge of the Gorai River to mitigate the increase in salinity of the surface water, groundwater, and soils and deterioration of the Sundarban ecosystems in the south west of Bangladesh. Pending the formulation of a joint project proposal, the Netherlands (with Belgian, World Bank and GoB co-financing) supported pilot dredging works during three winter seasons (1998/99, 1999/00 and 00/01) with related technical supervision at a total cost of € 18.7 million (MILIEV funding) and a Feasibility Study and Detailed Design at a cost of € 2.3 million. On the basis of the pilot dredging works, the feasibility study concluded that restoration of the Gorai River off-take was feasible through a combination of continuous dredging and structures, including a flow divider, to divert Ganges flows into the Gorai River. The study considered five infrastructure options ranging in cost from USD 110 million to USD 198 million. The preferred technical option (costing USD 130 million) was positively assessed by an independent panel of experts and by a WB Country Management Team in August/September 2001. Pending final appraisal, RNE offered further financial assistance for a fourth year of pilot dredging and complementary consulting services (€ 5.7 million). The financial offer was not accepted by GoB. Following the October 2001 elections, the new government did not endorse the project conceived under the previous government and the ambitious plan to restore the Gorai river flow was abandoned.

B3.2.4 General Support

The aim of the **Environmental Geographic Information Support (EGIS)** project was to support macro-level water resources planning in Bangladesh. The TA project became operational in September 1995 and was extended up to the end of June 2002. The primary mandate of the project was to assist WARPO in the field of environmental impact assessment and planning, to establish an independent organisation for spatial and environmental information management, establish cross sectoral links for resource analysis and planning and undertake research on contribute to national awareness for sustainable resource management. Evaluation missions confirmed that EGIS was reasonably on track but a major point of concern was WARPO's capacity to formulate a clear assessment of its needs leaving the organisation on its own to position itself in the local consultancy market. Plans to transform the project organisation into an independent research organisation culminated in June 2002 in the establishment of the non-profit Centre for Environment and Geographical Information System (CEGIS). Review missions concluded that it was not only unavoidable but even desirable to sponsor CEGIS with public resources and the RNE indicated its willingness to core-fund the Centre for a period of 5 years up to maximum of € 14.6 million. The core-funding agreement expires in June 2007.

B3.3 Programme Assessment

B3.3.1 Period 1975 – 1999

Projects in the Bangladesh water sector have a long history, distinctive character and complex structure. At first, the emphasis was on physical rehabilitation and construction but the subsequent development of the project proposals led to the addition of project components to improve operation and maintenance (O&M) procedures and internal management practices of the executing agencies (BWDB mainly) and to involve farmers in the project implementation process and in daily water management.

In all cases, the "project concept" was described as a series of inter-related actions to upgrade the services provided by BWDB, with a series of activities including: (i) the construction of drainage networks; (ii) the rehabilitation and improvement of deteriorated irrigation and road infrastructure; (iii) the development and gradual introduction of improved O&M programmes; (iv) on-farm development programmes in selected schemes; (v) organisation and staff development improved and staff and beneficiaries trained in their respective fields; (vi) the organisational (and financial) burden for O&M transferred, in part, to the beneficiaries; (vii) disadvantaged groups (women and the landless) involved in project works and water resources management.

The conception of the projects implicitly assumed that the construction, rehabilitation and continued functioning of the water control structures and infrastructure works were instrumental to the maintenance and improvement of the development prospects of rural areas. It also assumed that increased agricultural production was synonymous with general development, and that farmers were the only people who would be affected by or concerned with the functioning of these structures. Finally, there was the assumption that the executing agencies were the correct agencies to operate and maintain the water control infrastructure, with past failings (and hence the need for the projects) reflecting operational, not structural, problems within the organisation.

The approaches were often loosely specified in the respective project documents. In their definition of inputs, project documents identified a high level of technical assistance input. In many cases, the scope of the project soon changed, however, and continued to change almost continuously. The result was a situation where, at the end of the projects, the range of activities, budgets and implementation modalities were significantly different to those identified in the project documents. What was clear from the project documents was that the projects intended to achieve more than just the construction of a drainage network or the rehabilitation of water structures in the field. From the outset they also aimed to implement a number of institutional development goals intended to enhance the effectiveness of the executing agencies as organisations capable of operating and maintaining water control infrastructure. These institutional development goals increased in scope and emphasis during the lifetime of the projects.

The implementation of most projects ran into problems from the very beginning. There were delays in the fielding of the technical assistance teams. There were also the type of start-up problems characteristic of most projects of this sort, with the establishment of offices, designation of responsibilities, development of internal procedures and detailing of implementation plans all taking time. The problems stemmed from the implementation schedules set out in the project documents and initial project agreements (consultancy contracts, etc.)

which can be seen, with hindsight, to have been too optimistic but which were accepted by all parties.

The projects' failure to come close to meeting stipulated targets for physical and financial progress was as much a consequence of the poor definition of targets and the means through which they would be reached, as a reflection of inadequacies in the process of implementation. In other words, "failure" in terms of poor progress against defined targets, was perhaps inevitable given the project's structure and scope: the job given the implementers was just not realistic.

Over the years, projects were reoriented, the key being the development of the capacity within the BWDB to introduce sustainable construction and improved O&M to their schemes with a strong emphasis on beneficiary participation. By this, projects which were originally conceived as being predominantly concerned with the physical refurbishment of infrastructure were now defined by one party, the donor, as being essentially institutional development projects whose key goal was to introduce structural changes to the way the executing agencies operated. These institutional development goals increased in scope and emphasis during the lifetime of the projects. This vision was, however, not always shared by the agencies, which continued to place emphasis upon the construction dimensions of the projects and which were reluctant to take on board the major restructuring of their internal levels of authority, mandates and expertise that the new emphasis implied. In the process, massive programmes of human resource development activities have been implemented by all projects. The institutionalisation of training capacities was relatively effective, with well established training sections which are able to routinely implement defined and proved training programmes without the assistance of consultants. The main area for concern has been the lack of coherent evaluation and follow-up in training. A frequent comment is also that, whilst the training gave recipients many insights into better ways to perform, the scope for doing so once they returned to their tasks was often limited.

Meanwhile, all major water related legislation, basic institutional reform programmes and the formulation of the National Water Management Plan were introduced and funded in the late 1990s under the policy-lending programmes of the leading donors in the sector i.e. the World Bank and Asian Development Bank.

B3.3.2 The change process or lack of it (2000 - 2004)

In the period 1999-2000 a series of internal RNE discussions took place on how to move from traditional project support to programme financing in the water (and other) sectors and on how to improve the quality of the co-operation effort through streamlining the portfolio of activities. At that time the National Water Management Plan (NWMP) was under preparation and the RNE announced (Year Plan 2000) that "it would take at least 2 years to develop a SWAP in the water sector". In the mean-time, activities would continue (on a project basis) to focus on strengthening institutional capabilities of the key agencies and supporting the NWMP formulation process. The intention was also announced to discuss the introduction and development of a SWAP in the Local Consultative Group of donors.

One year later, in the 2001 annual report, the RNE concluded that donor-coordination was desired by all parties including GoB but the implementation of the NWMP (or part of it) as a sector programme with a uniform funding modality (basket funding, programme support) was not a realistic option for the years to come. The major multilateral donors were reported to not being able to operate in a different form than the project modality. Also GoB did not show a major drive for a programme approach; management capacity and tools for such an approach were still lacking. Moreover, sectors such as the water sector were thought to be too vast and diverse to be covered by one sector programme. The absence of written evidence of any substantial discussions taking place between donors or between donors and the GoB illustrated the general hesitation of the RNE to take the lead in introducing the new SWAp modality in the water sector. During the year, two new “conventional” project extension proposals were approved (PDO-ICZMP, SSWRSDP Phase II) and preparation of two new projects (IPSWAM and WSIP) were in full swing.

Reviewing developments in the water sector, RNE concluded, one year later, that no real progress was made towards a coherent sector approach by all parties concerned. Part of this was contributed to 'transitional stagnation' related to the change of government in October 2001. But there was also a lack of leadership by MoWR in integrating the water sector into the overall development process (and the almost completed I-PRSP) and insufficient commitment towards structural reforms. Referring to the issue of the NWMP, it was mentioned that approval of the NWMP would have brought the discussion to the foreground but this in itself was not a sufficient basis for a SWAp.

Another relevant but less publicized development was the announcement of the World Bank, the leading donor in the sector, to withdraw its support from the water sector in absence of real GoB commitment to reform its procurement practices and appoint well-qualified BWDB management staff with sufficient tenure to implement the reform agenda.

Under the circumstances, RNE announced its intention to phase out the sub-sector approach altogether in favour of a (project-based) institutions/agency focus. The new concept would be further studied and discussed with other development partners. Until then, new project activities (IPSWAM, EGIS, SSWRDP Phase II) were initiated on the basis of their potential to enhance the capacity of the institutions concerned or for their specific added value in strengthening the partnership relation. A future outlook was that the institutions would receive 'organisational budget support', which could be seen as an interim phase in the move from project support to more sector oriented support. Such organisational budget support would be based on approved long-term strategic plans reflecting the GoB's development priorities and the outcome of an institutional sector analysis (ISA) to be carried out in 2003.

In 2003, the water sector of Bangladesh was reported to be at a critical juncture with elements and components of a SWAp in place but “other elements still missing”. Main problem areas were the lack of a formal and complete endorsement of the NWMP by the GoB, the moderate pace of the BWDB reform programme and a Water Resources Planning Organisation (WARPO), although having a strong mandate, incapable of carrying forward the National Water Management plan (NWMP). Earlier intentions of the RNE to carry out an ISOA and engage in

more substantial discussions on the introduction of an “organisational” type of SWAp were not followed-up “following budget cuts and subsequent uncertainties within RNE’s programme”. Under the circumstances, support to the water sector would continue to focus on development of the enabling environment through national-level projects (WMIP, SSWRSDP, PDO-ICZMP) and to implementation of specific poverty reducing water management projects.

In the course of 2004, GoB endorsed the NWMP and, under pressure of the World Bank, initiated further reforms aimed at restructuring and rejuvenating key agencies in the water sector, promoting a process of participatory water management, rationalizing the national water management planning process, and developing improved systems for service delivery including more robust procurement systems. Early March 2004, an IWRM Programme Support Fund was set up by the RNE to facilitate the formulation and updating of the water sector programme during the coming 4 year period. The € 400,000 facility allows the RNE to mobilize consultancy services for carrying out the announced institutional sector organisation analysis (ISOA) and relevant strategic missions. No real progress was made, however. By the end of the year, terms of reference for the ISA had yet to be prepared and no concrete action was undertaken (by any of the donors involved) to engage in a constructive dialogue with the GoB on the feasibility and/or desirability of a SWAp.

B3.4 Towards less earmarked forms of funding

In absence of a SWAp, Dutch aid in the water sector has been and continues to be committed on a project basis with implementation periods varying between 5-7 year period. Project aid earmarks expenditures to a discrete set of activities for which coherent objectives of outputs and required inputs are defined in specific project documents and the implementation is subject of discrete financing agreements. In principle, the projects are part of GoB budget, but resources are disbursed through separate project accounts.

B3.5 Donor co-ordination and harmonisation

Sector co-ordination essentially takes place at country office level through sector based co-ordination meetings (Local Consultative Groups). RNE is represented in the two LCGs dealing with water sector issues: Water Management (WM) and Water Supply and Sanitation (WSS). The LCG WM is the main mechanism for formal, local-level dialogue on aid coordination in water resources management. Sometimes relevant government officers are invited to these meetings. There is no systematic mechanism of consultation with civil society, the private sector or local authorities. All donor agencies have established local offices and attendance of LCG meetings is good (8-12 times a year). The RNE water desk is chairman of the LCG WM since many years. At the LCG level there are no plans for jointly formulating and/or implementing sector action plans or joint sector support programmes, basically since neither the donors nor GoB have an idea about what a SWAp for the WM sector could look like or should be. Coordination takes place as far as it concerns sharing information on current and planned projects, the respective development agendas, identifications of gaps and avoiding duplication. Donor programmes have been and continue to be project-based but, because of their size and scope of work, World Bank

and ADB projects have a sector/ subsector-wide character. Part of the RNE WM programme is and will be closely associated with the latter through co-financing arrangements (SSWRP and WMIP). Beyond co-financing, there is no harmonisation of donor procedures and practices in the water sector and each donor continues to have its own procurement, disbursement, reporting and audit requirements.

The interaction between the Subgroup and main LCG is limited to preparation for the annual Bangladesh Development Forum – an international level aid coordination forum. In general, there is the feeling that the main LCG makes insufficient use of the expertise in the Subgroup, particularly in setting agendas and there should be more of a two-way dialogue. One of the aims of the LCG and the Subgroup is also to facilitate and enhance donor-government dialogue. This is not really the case. GoB officials are invited to the monthly meetings on an ad-hoc basis and attendance is irregular.

B3.6 Changes in Bangladesh

B3.6.1 Increased ownership

In the many evaluation reports of the series of projects in the water sector, lack of recipient ownership has been reported. Finding empirical support for the role of Bangladesh ownership in the water sector is difficult because ownership cannot be directly measured or cannot be attributed to a single actor. There is a difference between ownership at the institutional level and ownership at the level of the end-users or clients. Assessment of ownership is a subjective exercise, but there is a broad body of opinion in the international donor community that institutional ownership in general (and therefore also in the water sector), is negatively affected by political instability characterized by frequent changes in political leadership and government policy priorities.

In the water sector, three factors seem to have influenced a lack of institutional ownership:

- an inadequate appreciation of the importance appropriate policies and institutional capacity to boost development;
- a certain reluctance to explicitly recognize that poor remuneration, political interference in day-to-day administration and uncertain career prospects for civil servants does affect corporate performance;
- the space occupied by external agents: it is the external agencies, for all its good intents and purposes, that conceptualises and shapes the policy/institutional agenda. GoB normative and executing agencies are consulted in the process and are involved in the project formulation, but the process itself is steered and funded by agents like RNE. The drafting of project documents is done by external consultants, the reviews ‘judged’ by the

financiers, the solutions for improvement ‘imposed’ (conditionality) by the ‘development partners’.

All Dutch funded projects have a relatively large TA component. In bilateral projects, the executing agencies such as BWDB are not involved in the tender process. Consultants are selected according to DGIS rules and regulations and directly contracted by RNE. Procurement of supplies and goods are funded on a reimbursable basis (FA procedure). In the co-financed projects, there is more local ownership. Procurement of goods and services is in accordance with ADB/World Bank Guidelines (local and ICB). Under contract with the executing agency, the TA team has an advisory function only and tendering, bid evaluation and contracting is the full responsibility of the executing agency. Under pressure to go for more local ownership, RNE is reconsidering currently its position on the TA funding mechanism in bilateral projects.

One indicator of GoB’s ownership is the budgetary resource allocation. Bangladesh’s investment priorities are set by the Five Year Development Plans and the Annual Development Programmes (ADP). Over the past years, GoB has destined 6-7 percent of GDP to the ADPs. That corresponds to about half of the total budget. This relatively high level of spending depends on the level of concessional donor financing, including grants. Allocations for the water resources sector have declined significantly over the years from 7.9 percent of Revised ADP (RADP) expenditure in 1997 to 4.8 percent in the current FY 2004 (table B3.3).

Table B3.3 RADP Allocation estimates Fifth Five Year Plan period (FY 97 – FY 01) and FY2004

Source of Financing	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2004
Total RADP Allocation (Taka billion)	122.0	140.0	165.0	182.0	160.0	220.0
of which: Water Resources %	7.9	8.1	6.2	5.5	4.5	4.8

Source: RADP Year Book of GOB and ADP FY 2004

The BWDB manages almost the entire ADP of the sector⁹⁵. As illustrated in table B3.4 the revised annual ADP allocations dropped from an all-time high of Taka 11.3 billion in FY 98 to Taka 7.2 billion in FY 01, following the closure of a series of major internationally funded investment projects.

Table B3.4 BWDB – Revised ADP allocations during the Fifth Plan period (FY 97 – FY 01) and 2004-05, by source of funding (Taka million)

Source of Financing	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2004
Total	9,683	11,345	10,194	9,961	7,238	10,529
of which: donor support	64	66	54	47	37	22

⁹⁵ The Ministry of Water Resources receives some allocations through ADP for specific projects that aim to increase its capabilities in planning, monitoring and control of water resources development projects. During the Fifth Plan period, MoWR received a total allocation of Taka 322.20 Million for running two projects i.e. (i) Environment & GIS Support Project for the Water Sector and; (ii) Computerization of Planning Cell of MoWR. WARPO has no development projects under its control and its activities so far have been financed under TA projects.

Source: RADP Year Book of GOB and ADP FY 2004

During the period, project-related donor assistance declined dramatically but the mobilization of domestic resources allowed GoB to fill the gap and maintain the overall level of annual development expenditure at the Taka 10 billion level (the equivalent of roughly USD 165 million).

In sum, the water sector does receive more resources in absolute amount, but its relative share in the budget has decreased over time. This has more to do with the decline in donor contributions than in GoB funding. On the contrary, one could conclude that GoB at least tries to keep up the investment levels in the sector and shows that the sector is important in the total resource allocation.

The DGIS policy document on SWAp states that ownership and partnership should not be considered as the exclusive domain of recipient country governments: NGOs and the private sector should also be involved. While Bangladeshi NGOs are involved in Dutch project implementation, there is as yet no multi-actor participation platform to extend ownership of the water sector programme beyond the GoB.

A different layer of ownership is at the user's level. That is not the institutional GoB structure, but the users of water resources, the inhabitants of the char areas, the users of irrigation systems, etc. See for appreciations at that level Annex B4.

B3.6.2 Strengthening institutional capacity

Since 1984 the size and operations of the BWDB grew to the point where GoB was no longer able to provide budgetary support for it. On many occasions, consequently, funds from the development budget were diverted to administrative expenditure. A number of World Bank studies recommended changes in the structure and operation of the Board, notable among them the recommendations of the Water Sector Institution Reform Program in 1984 and the World Bank Staff Appraisal Report for the BWDB System Rehabilitation Project in 1989. After many unsuccessful attempts, reforms of a fundamental nature were applied to the BWDB towards the latter half of the 1990s and intended to improve operational accountability and transparency and to promote participatory water resources management.

For various reasons, the BWDB became a bloated, dysfunctional bureaucracy in urgent need of downsizing and restructuring in order to meet the challenges of the 21st century. Financial management reform programmes began in 1988 with technical assistance from the Canadian International Development Agency. This has resulted in the establishment of 26 Regional Centres covering the entire jurisdiction of the BWDB. Monitoring of expenditure with reference to the budgetary provisions is now accurate and speedy. With help from the World Bank, the Government finalized and issued the Bangladesh Public Procurement Regulations. It may be expected that adherence to them will increase transparency and accountability in the disbursement of BWDB funds. Technical studies have been carried out to divest the Dredger

Organization (DO) and the Mechanical Equipment Organization (MEO). Downsizing is being achieved by a process of attrition with the intention of reducing staffing levels from a high of 18,032 to 8,860 by the 2007. The professional skills mix is being enhanced by the creation of positions for "non-traditional" expertise including sociology, environmental sciences and fisheries. Monitoring of expenditure was upgraded under CIDA funding. In order to take advantage of its structural reforms, the Board accomplished a number of procedural improvements intended to improve its overall performance. Measures included preparation of job descriptions covering the senior tier of officials; rules of procedure covering day-to-day business, new staff recruitment rules; and revised delegation of administrative and financial functions to the field level. The reform measures are implemented with short term assistance of the Netherlands Ministry of Public Works (twinning arrangement).

In retrospect, however, it appears that operations in support of institutional development have not been built on quality sector analysis whereby institutional development components were integrated into a longer-term institutional development strategy. Despite the recognition that sector analysis is a key element, the resources deployed to support and expand it operationally and to place it in a strategic context, have been negligible.

With regard to WARPO, the effectiveness of the aid effort to upgrade its macro-level water resources planning capability has been and continues to be marginal. As yet, there is a general consensus that the organisation is incapable of responding to its new and expanded responsibilities under the NWPO

The problem is all the more serious because the binding constraint is not the institutional and managerial weakness of the organisation but lack of commitment of the GoB to remove ambiguities in existing water sector legislation and confirm unequivocally WARPO's role as the exclusive organisation for macro-level planning and monitoring of water resources exploitation in the country.

In all Dutch funded projects, an important subsidiary goal was to introduce structural changes to the designation of responsibilities in the wider spectrum of the management of water resources; to transform the agencies from construction organisations into water management and/or land development organisations or to improve the implementation capacity in general. Projects contained all kind of training components, including 'on the job training' by provision of technical assistance. By and large, strengthening of institutional capacity was characterized by a technical (especially engineering) orientation and a predominately centralized, top-down structure of decision-making and responsibilities. Despite the limited effectiveness, the fact that such process took place and was the focus of training programmes and wide debate within the organisations, increased awareness of and a positive attitude towards participation.

Operations in support of institutional development were not built on quality sector work whereby relevant institutions such as the BWDB were mapped, institutional arrangements duly assessed, proposed key strategic initiatives fully understood and wide-ranging discussions with the government and leaders of public opinion held to ascertain their will and capacity to support

institutional reform. As far as known, RNE did not undertake comprehensive water management sector work in Bangladesh. As a result, institutional development components were seldom integrated into longer-term institutional development strategies. Despite the recognition that sector work is a key element, the resources deployed to support and expand it operationally and to place it in a strategic context, were negligible.

The design of institutional development components only rarely provided for the systematic monitoring of progress against explicit performance criteria or concrete or dated targets. It was assumed that the benefits of institutional development were largely, if not entirely, qualitative, and that any stipulation of time-bound results might have been inconsistent with the flexibility needed in approach.

B3.7 Efficiency

Transaction costs for aid delivery in the Bangladesh water sector are relatively high for a number of reasons. There is very limited Bangladeshi input during the preparation and design stage of projects (international consultants tend to dominate projects) resulting in excessively high appraisal and project formulation costs. There are multiple procedures (for both government and donor agencies) and multilevel procedures for government.

Some procedures are non-uniform for donor agencies too. Other problems are delays in receipt of government funds and non-synchronized donor and government decisions.

In the absence of a single sector approach, no real contribution was made towards a reduction of transaction costs in the water sector apart from the gains resulting from co-financing agreements.

B3.8 Overtly Alleviation

Evaluations of targeted interventions (projects) showed to have led to important, although localised, improvements in the quality of life of the poorer strata of the population. In particular, the population settling the *char* areas or living in better water-protected areas have benefited from water management projects. Evaluation reports reveal that projects did have an impact on incomes of the poor, for example through enhanced wages for family labour and increased employment opportunities during construction of infrastructural works. In most cases, labour-intensive methods of construction have been practiced. As a result of the works and water management measures new land could be converted into agricultural land, while existed land could be used for higher yielding production as a result of the water management measures.

On balance, however, most projects did not lead to a redistribution of incomes as the temporary benefits (of the construction) were for the poorer strata, while the more permanent benefits were often reaped by higher income groups: those persons and families with access to land.

Development banks and international financing institutions use to apply a cost-benefit analysis during appraisal stage and compare the outcomes with the results observed in the project completion reports. In various cases, the viability of the investments made on the society, as expressed by the Economic Internal Rate of Return (EIRR) happened to be below the opportunity costs of capital (usually taken at 12 percent, but actually some percentage points less). The EIRR for CPP, COSP and SRP suggest that from a national economic point of view, investments made have been less attractive than initially envisaged at appraisal stage.

B3.9 Assessment of the introduction of the sector approach

At that time the National Water Management Plan (NWMP) was under preparation RNE announced in its Annual Plan 2000 that “it would take at least 2 years to develop a SWAp in the water sector”. In the mean-time, activities would continue (on a project basis) to focus on strengthening institutional capabilities of the key agencies and supporting the NWMP formulation process. The Annual Report 2001 reported that a sector programme with a uniform funding modality (basket funding, programme support) was not a realistic option for the years to come, since the multilateral donors would not have the operational modalities to that end and because GoB did not show a major drive for a programme approach. During the year, two new “conventional” project extension proposals were approved (PDO-ICZMP, SSWRSDP Phase II) and preparation of two new projects (IPSWAM and WSIP) were in full swing.

In 2002 RNE concluded that no real progress was made towards a coherent sector approach by all parties concerned as a result of the 'transitional stagnation' related to the change of government in October 2001. In addition, there was no completed and approved I-PRSP and no approved NWMP. RNE announced its intention to disregard the (sub-)sector approach in favour of an institutions/agency focus. The new concept would be further discussed with other development partners. Until then, new project activities (IPSWAM, EGIS, SSWRDP Phase II) were initiated. A future outlook was that the institutions would receive 'organisational budget support', which could be seen as an interim phase towards general budget support. Organisational budget support would be based on approved long-term strategic plans reflecting the GoB's development priorities and the outcome of an institutional sector analysis (ISA) to be carried out in 2003.

In January 2003 RNE reported that the water sector had come at a critical juncture with elements and components of a SWAp in place but “other elements still missing”. Main bottlenecks mentioned were the lack of a formal and complete endorsement of the NWMP by the GoB, the moderate pace of the BWDB reform programme and a Water Resources Planning Organisation (WARPO) incapable of carrying forward the NWMP. The earlier intention of carrying out an ISOA or to engage in more substantial discussions on the introduction of an

“organisational” kind of SWAp had not been followed-up due to “budget cuts and subsequent uncertainties within RNE’s programme”.

In 2004, GoB endorsed the NWMP and initiated further reforms aimed at restructuring and rejuvenating key agencies in the water sector, promoting a process of participatory water management, rationalizing the national water management planning process, and developing improved systems for service delivery including more robust procurement systems. Early 2004, RNE set up an IWRM Programme Support Fund to facilitate the formulation and updating of the water sector programme during a 4-year period. The € 400,000 facility allows mobilizing consultancy services for carrying out the announced institutional sector organisation analysis (ISOA) and relevant strategic missions. Up to late 2004, no real progress had been made.

In retrospect, it appears as if the prospective for a SWAp in the water sector is rather gloomy. While the water sector was selected as a priority sector RNE Dhaka did not back it up with a comprehensive sector co-operation strategy identifying how the main problems could be solved in order to get the main development partners behind the concept of a sector support programme. In the course of time, the various Annual Reports refer to a large of problems and obstacles to come to a sector approach, but in the end RNE itself might not have believed in it. In fact, it continued the project modality, even with strong TA components.

Although RNE is a very active and recognised actor in the water sector, it made little efforts –for example as compared to the educational sector – to deploy its manpower and resources to come to a single GoB-multi-donor approach.

The way of working together between the GoB and RNE in the sector has, until now, hardly changed. While the basic mechanism of donor-coordination is in place, further steps to develop a comprehensive and coherent sector or sub-sector policy and strategy, a unified public expenditure framework and a common management, planning and reporting framework have yet to be taken. At the hart of the problem would seem to be: (1) a lack of strong and effective leadership at the sector ministry level and commitment to the process elsewhere in GoB, particularly in the Ministry of Finance; (2) the lack of a “lead donor” able and willing to take the sector support process through its different development stages, and (3) as far as it concerns RNE, a real conviction that it would be worthwhile the effort. Doubt prevails.

B4A FIELD STUDY LGED/SSWRDSP

B4A.1 Introduction

The Second Small Scale Water Resources Development Sector Project (SSWRDSP) and the Integrated Planning for Sustainable Water Management (IPSWAM) and their Water Management Organizations (WMOs) were visited in order to gather perceptions at micro and

mid level of the eventual change process towards the sector-wide approach. This is the report on the SSWRDSP related WMOs⁹⁶.

The SSWRDSP team selected four Water Management Cooperative Associations (WMCAs) based on the following criteria:

- Two WMCAs from SSW-1 (first phase of the Project), well established and amongst the best of that phase, to get an impression of the potential of WMCAs;
- Two WMCAs from SSW-2 (second and current phase of the Project) to get an impression of changes between SSW-1 and 2.

The findings are reported below in line with the ToR, in three sub sections, each detailing the outcomes of the fieldwork concerning issues (*which are printed in italics as section headings*) specified in the ToR. This annex is not an evaluation of the WMOs of SSWRDSP or of the Project itself. The report is limited by the objective and scope of the ToR.

B4a.2 Findings

B4a2.1 Institutional capacity

What are the activities initiated by the Netherlands to strengthen the Water Management Organisations (WMOs) and other civil society organisations (at mid and micro-level) in the water sector in order to assume tasks and functions currently (previously) carried out by projects (technical assistance) or public organisations?

The SSWRDSP-2 documents are full of activities and procedures to ensure that WMCAs are established and strengthened so that they can take on tasks that were previously carried out by projects through TA and government agencies such as:

- initiating and conceptualising interventions;
- approving main elements (alignment of embankments, nature and location of structures etc.) of infrastructure design;
- observing/checking quality of infrastructural works;
- declaring infrastructural works complete;
- operating infrastructure; and

⁹⁶ This draft report is based on the following sources:
➤ Documents and reports provided by SSWRDSP
➤ Discussions with the SSWRDSP team (LGED, Project and TA staff) at national level and LGED and Project staff at district and sub-project level
➤ Discussions with the members of the executive committees of four Water Management Cooperative Associations (WMCAs).

- carrying out and paying for all regular operation and maintenance.

Discussions with members of the SSWRDSP team revealed that team members at national and district levels have various degrees of understanding and commitment to the transfer of responsibilities to WMOs. National level staff is committed to the gradual transfer of tasks and functions previously carried out by government agencies. There are, however, differences as to the speed with which the transfer of the various tasks can take place while ensuring sustainability.

One example of this is the level of decision making power that the WMCAs should have over the overall package of the infrastructure. Initially national level staff doubted whether WMCA members would be able to understand the technical issues involved. However, a series of design meetings has convinced most staff that WMCA involvement in this stage of the project cycle is very positive as it results in more appropriate interventions.

Another example is the contractual commitment by WMCAs that they will pay for all regular operation and maintenance (O&M). LGED staff believes that sub-project people are too poor to pay for all but minor O&M. In the implementation agreement between the WMCA and LGED there is a provision for government assistance in maintenance if there is a 'catastrophic disaster', which in the Project Administration Manual (PAM, May 2002) is defined as an event in which the design parameters of the sub-project have been exceeded (for instance the flood level). To be prepared for that eventuality LGED has asked GoB to allocate money in the revenue budget for O&M of completed sub-projects. GoB has granted such resources but these have to be spent during the budget year. However, it is not possible to predict the level of exceptional damage. As a result LGED in 2002/03 was faced with funds it felt had to be spent but no detailed guidelines on how to apply the PAM criteria. The Project has now developed a detailed guideline. Nevertheless, there is every chance that the availability of O&M funds from the GB will sooner or later undercut the good achievements of the Project in this respect⁹⁷.

There is no doubt that the WMCAs are very happy with the government funding of part of their maintenance. In fact, as far as they are concerned, the government should fund all of it! However, if the rules on government contributions to maintenance were to be relaxed this would not in line with the stated objective of transferring responsibility for regular maintenance to WMCAs. The way forward might be for the government to establish a fund for emergency maintenance and build up its capital in the next few years. As and when needed this fund can be used to pay for emergency maintenance that clearly exceeds the WMCAs responsibility and capacity and where the WMCA has earlier done its part in regular O&M.

Most of the actual transfer of responsibilities depends on the people at district and grassroots who are the interface between the LGED and the Project and the WMCAs. The commitment of the Executive Engineers is of course crucial, but they are often responsible for a wide variety of

⁹⁷ An ADB study of participatory arrangements across a wide variety of projects including of SSWRDSP-1, has thrown new light on when and where and how local beneficiaries are likely to contribute to the cost of O&M of government built infrastructure. Currently only a non-quotable draft of this report is available.

interventions alongside SSWRDSP. Therefore much depends on the Project staff such as the Assistant Engineer, the Socio Economist and the NGO Facilitator. The permanent LGED staff concerned, the Community Organizer (previously Storekeeper) is also crucial in the process. The field visits indicate that there is considerable variety in the level of understanding, commitment and skills of the Project and LGED staff at district and grassroots level.

The WMOs are still getting used to the new arrangements in which they have new tasks and increased responsibilities. The older WMCAs visited indicate that, given the right training, advice and follow-up, WMCAs are well able to fulfil their new responsibilities. At the same time the new WMCAs indicate that without proper assistance they will not be able to play their role in the process of developing their sub-projects.

What kind of support does GoB provide to these WMOs?

The SSWRDSP documents indicate a wide range of support activities for the WMCAs. First of all the Project assists the WMCAs in getting established and registered as cooperatives. Once established, WMCA members receive training on a wide variety of relevant matters such as drafting their own bye-laws, cooperative management, maintaining accounts and records, holding of Annual General Meetings, observing/supervising construction, operation and maintenance, savings and credit management and training in various functional areas (agriculture, integrated pest management, aquaculture etc). In addition to WMCA support the Project also spends a good deal of effort in training the Local Government Institutions (LGIs) (currently only the Union Parishad) concerning its role in water management.

The SSWRDSP Team mentioned that in the 2004 calendar year for about 6-9 months very little training could be given due to lack of funds in the Project account. The WMCAs mentioned that this had major negative repercussions, such as ongoing construction works without simultaneous training of the sub-committee charged with overseeing the construction quality.

WMCAs from SSW-1 complained that they received little assistance from the regular LGED side (that is the non-project staff), which is charged with follow up of handed over sub-projects. LGED pointed out that they did not have a budget for assisting SSW-1 WMCAs and could not use the budget allocated to SSW-2 schemes. In the end LGED did manage to give limited support to old WMCAs, mainly in training for O&M, agriculture, fisheries and to a lesser extent in cooperative activities and by in providing capital for micro-credit through the Japan Fund for Reduction of Poverty (JFRP). However, the members of the WMCAs concerned reported that the support was not nearly enough, amongst others because the compositions of the Executive Committee often changes after the three-yearly elections. This results in new, as yet untrained members assuming leadership responsibility in the WMCAs.

To which extent initiatives are known, undertaken or planned to come to a better integration and harmonisation of donor activities at the mid-level?

In the case of the SSWRDSP, the Asian Development Bank (ADB) and RNE Dhaka have agreed that the ADB will administer the Project and that RNE support is pooled with that of the ADB. At national level, the financial flows and procedures have been integrated and harmonized.

At sub-national level that is another issue. Nowadays the activities and programmes of the various line agencies are more visible at grassroots level, and the support of the donors more 'hidden'. What matters to the WMCAs and their members is the access to activities of GoB line agencies at grassroots level.

At a policy/national level the ADB and RNE pursue elements of the sectoral approach, such as sub-project approval and TA expenditure by GoB. Project staff mentioned that in practice the ADB keeps a very close watch on expenditure. This includes ADB looking at third level accounts and often disapproving or cutting items previously approved by GoB

During the calendar year 2004, this resulted in little training of WMCAs for about 6-9 months. At the same time there has been pressure by GoB to ensure that the disbursement schedule agreed earlier would be respected. While construction of infrastructure went ahead⁹⁸ the training course for the WMCA sub-committee on Construction Work Supervision has not taken place. As a result WMCAs were ill equipped to conduct their crucial task in quality control and therefore ownership of the infrastructure constructed under the Project.

When it comes to integration and harmonisation of line agency activities at grassroots level, the programme approach through LGED/SSWRDSP is clearly working. The Project documents indicate an awareness of line agencies like the Cooperative Department, Agricultural Department, Fisheries Department, Livestock Department, Women and Children Department, Forestry Department etc to be involved with WMCAs and their members. The Project documents therefore stipulate that LGED make a Memorandum of Understanding (MoU) with each of these departments. This has been done.

In most cases, to keep administrative arrangements simple, the supporting activities of the various departments are funded from their own existing budgets. The MoUs only stipulate that WMCAs and their members will be given preferential treatment when applying for assistance. In some cases, such as the Cooperative department, the Project provides limited financial support, such as for capital items used in training and follow up of WMCAs. However, the LGED officials are of the opinion that mainly due to lack of funds most line agencies cannot provide anywhere near the necessary support for WMCAs, most specifically the Cooperative Department.

The arrangements with the various line agencies are working out quite well. This is particularly the case with the Agricultural department. A major reason is that their field staff (Block Supervisors) usually do not find farmers at field level organized into groups. The presence of a

⁹⁸ The Project officials pointed out that the training of the construction observations committees was not one of the conditions that had to be fulfilled before construction could be started.

WMCA, often with an agricultural sub-committee, makes it rather easy for the Block Supervisors to do their extension work. WMCAs are creating an effective and growing demand for a range of government services as well as an avenue for the effective delivery of those services.

If none, what have been the bottlenecks to integration?

Fieldwork indicated two bottlenecks to integration of GoB activities at field level:

- A long-standing tradition of line agencies working alongside each other but independently, each operating within their own hierarchical organisation;
- Poorly funded and ill equipped LGIs which are not able to plan, direct and coordinate the activities of line agencies at grassroots level.

At the sub-national level, what are the conditions and capacities to formulate sector policies and activities as far as it concerns:

a) knowledge and management;

According to the National Water Policy (NWPO) water sector schemes under 1,000 ha come under the responsibility of LGIs. Bangladesh has legal provisions for elected LGIs at four levels; the village, the Union, the Sub-district and the District. However, as of November 2004 only the Union Parishads⁹⁹ (Councils) are functional.

Management of local water resources comes under the mandate of all LGIs, including that of the Union Parishads. However traditionally BWDB has looked after the surface water management in the whole of Bangladesh while since its inception LGED has become more and more involved in managing smaller surface water schemes. Until the 70s LGIs had a major role in various Union and District level water interventions. The last major involvement of the Union Parishads was in the 1970s in the so-called "Thana Irrigation Project". After this project was phased out the involvement of LGIs in the water sector all but disappeared. As a result LGIs currently have little knowledge or management capacity for policy formulation in the water sector,

Within LGED the capacity to formulate sector policy is almost completely concentrated at national level. At sub-national level there are some Executive Engineers who have taken a very active interest in SSWRDSP who have the knowledge and management capacity to contribute to policy formulation.

⁹⁹ The Union Parishad is the oldest of the LGIs and was started during British colonial times. It is the level above a village, often covering a number of villages. The council is normally made up of 9 elected men and 3 elected women. The council has one paid secretary and sometimes one or two other staff such as guards. The UP's income comes from limited local taxes and a small grant from the national government.

Until recently, for policy formulation, LGED depended heavily on water project related local and international Technical Assistance (TA). To create and retain in-house capacity for policy formulation, LGED in 2002 establish a multi-disciplinary “Integrated Water Resources Management Unit” (IWRM Unit) at its national headquarters. As of November 2004 the engineering positions have been filled but the non-engineering positions are yet to be staffed. However, the GoB has approved all these positions and has committed itself to make the necessary revenue budget allocations as of the 2005/06 financial year. In the mean time the unit is actively assisted by specific SSWRDSP TA team members. Through this IWRM Unit LGED is gearing up its capacity to contribute to the formulation of water sector policy.

At grassroots level, amongst the WMCAs, there is a rapidly growing level of knowledge and to some extent management capacity to formulate sector policies. Many outside observers have expressed surprise at the level of knowledge and insight in water related issues of WMCA leaders, not only about their own sub-projects but about the sector as a whole. This is the more surprising since none of WMCAs are older than 7 years.¹⁰⁰ LGED is now considering their involvement in the design of SSW-3 by holding the participatory workshops planned by the Project Preparation Technical Assistance (PPTA), at regional instead of national level. However, some WMCA members point out that LGED is only interested in working with WMCA leaders whom they feel they can control. Some local leaders who are more outspoken claim to be sidelined.

b) manpower and civil service conditions;

LGIs have neither the manpower nor the civil service conditions to match their official mandate in the water sector.

As mentioned above at sub-national level there are some LGED District level Executive Engineers who can contribute to policy formulation. There are no service conditions that would prevent them from being involved in the policy formulation work of the IWRM Unit.

Amongst the WMCAs there are at least 2-4 individuals who have the know-how and overview needed to contribute to policy formulation. However, all of them work as volunteers for their respective WMCAs. Some of these leaders, because of their favourable personal financial situation, could temporarily be involved in policy formulation on a voluntary basis. Because of the lack of financial support, few would be able to contribute on a long term or intensive basis.

c) organisational and institutional infrastructure;

¹⁰⁰ In the years to come it is likely that the National Water Policy and the Guidelines for Participatory Water Management will be revised and a SSW-3 designed. If allowed, outspoken WMCA leaders would be well placed to contribute the grassroots perspective to the development of the water policy and its outworking in various guidelines and GoB schemes.

At the national level the National Water Resources Council (NWRC) is the institution that coordinates to input of the key stakeholders in water policy formulation. There are no specific arrangements for inputs from LGIs in this process.

The key stakeholders that are involved in the water sector are the LGED, the Bangladesh Water Development Board (BWDB), the Department of Public Health Engineering (DPHE), the Department of Agriculture Extension (DAE) and the Bangladesh Inland Water Transport Authority (BIWTA) as well as some international agencies such as UNICEF and IUCN, and NGOs like WaterAid. As of November 2004 there is no clear sub-national structure amongst government agencies or NGOs to contribute to policy formulation.

At grassroots level there are as yet no organizational or institutional arrangements for WMOs to contribute to Policy Formulation. LGED is considering involving representatives from WMCAs in the formulation of SSW-3.

d) participatory structures;

In principle LGIs as bodies elected by the people, would be a logical partner in any participatory structure. As of November 2004 there are however no clear structures for them to influence water policy formulation.

Over the last decade there have been several sub-national projects, programmes or activities based ad-hoc participatory arrangements, such as the participatory way in which the National Environmental Management Plan (NEMP) was developed, the Participatory Action Plan Development (PAPD) of the Centre for Natural Resources Study and the involvement of civil society in the Bangladesh Interim Poverty Reduction Strategy Paper (I-PRSP).

There are currently no structures for WMCAs to participate in water policy formulation.

e) check and balances;

In the absence of involvement of LGIs, there are no clear sub-national checks and balances in policy formulation¹⁰¹.

f) and financing arrangements;

¹⁰¹ In the early 1990s during the Flood Action Plan, there were some NGOs and civil society groups that raised their voice against elements of the FAP, providing a level of checks and balances unheard of before. Since the mid 1990s these groups are not as visible any more, nor as vocal

There are no sub-national financial arrangements to facilitate policy formulation.

At the sub-national level, what are the conditions and capacities to implement sector policies and activities as far as it concerns:

a) knowledge and management;

Since they were effectively side-lined, LGIs have lost most of whatever capacity they had to implement water sector policies. As such they are unable to fulfil their own mandate in this area as well as the responsibilities allocated to them in the NWPo.

In contrast, within LGED the knowledge and management capacity to implement sector policy at sub-national, that is district and sub-district level, is rapidly growing. Under SSW-1 this capacity was developed in the Western part of the country only. As a result of staff transfers to the other part of the country some of this capacity was lost. In line with the sector approach, under SSW-2 the whole country (except the Chittagong Hill Tracts) is now covered and implementation capacity developed country wide.

At grassroots level, the WMCAs are the focus of the capacity to implement water sector policies. Under SSW-1 a total of 280 WMCAs were formed of which around 90 reportedly have a good to very good capacity to manage their local water resources, as envisaged in water sector policies. Of the remaining WMCAs about half are weak and the other half almost non-functional as far as water management is concerned. Another 300 WMCAs are to be established under SSW-2 but as of November 2004 only 34 have been registered and those are still very young. As mentioned above this batch has suffered from the 9 month delay in training and field work confirms that they are quite weak.

b) manpower and civil service conditions;

The LGIs have no manpower nor are there relevant civil service conditions to implement water sector policies.

LGED, the implementing agency of SSWRDSP, is involved in a wide variety of engineering activities at grassroots level. The vast majority of their staff is posted in the 64 Districts and 464 Sub-districts of Bangladesh. Until recently LGED only had project-related non-engineering staff available to implement the participatory and other non-engineering aspects of the sector approach. That staff includes socio-economists, agricultural, fisheries, gender, environmental and other specialists.

During the preparation of SSW-2, and in line with the sector approach, GoB, ADB and RNE agreed to institutionalise the participatory approach and non-engineering aspects of the sector

approach within LGED. This involved incorporating non-engineering positions in the LGED revenue budget set-up as well as expanding the engineering capacity at district and sub-district level to handle (amongst others) small scale water resources schemes.

While the additional manpower is put into place, SSW-2 continues to work as SSW-1, that is with Project staff at District (Assistant Engineer and Socio-Economist) and sub-project level (NGO facilitator). Although some staff members are very committed and capable, among the NGO facilitators there is scope for improvement, is evidenced by weak WMCAs and poor record keeping.

At grassroots level the WMCAs are headed by an Executive Committee of 12 representatives elected from among the cooperative society members (9 men, 3 women). Established WMCAs have a number of sub-committees (Operation and Maintenance, Agriculture and Fisheries, Micro Credit, Health, Women's rights, Children etc) bringing the total of the members involved in various capacities to around 30. All of the members work as volunteers. Some committees, particularly those engaged in micro credit, employ between one and eight staff. The field work revealed dissatisfaction among some WMCA leaders about the fact that they have to do all their work as volunteers.

c) organisational and institutional infrastructure;

Currently the LGIs lack the organisational and institutional infrastructure to implement water sector policies.

LGED has made a clear distinction between the execution of SSW sub-projects and their long term follow up. The SSW-2 Project Management Office (PMO) is responsible for the whole process from screening requests for sub-projects, to formation and strengthening of WMCAs, construction and handing over of responsibility for O&M to WMCAs. The PMO coordinates these activities but most of the WMCA and all of the construction related activities are handled by the LGED district and Sub-district offices.

Under SSW-1 and SSW-2 the LGED District offices are supported by (temporary) Project staff such as an Assistant Engineer and a Socio-Economist. At Sub-district level the Project supports the implementation by seconding an NGO Facilitator to an average about two new sub-project. He/she assists the Community Organizer and trains him/her on the job.

Under SSW-1 and SSW-2 WMCAs are registered as cooperative societies. This constitutes them as "bodies corporate having perpetual succession and a common seal, the right to sue and be sued in their own names and the right to enter into contracts in their own names". Registration as cooperatives also gives them an organizational structure, with bye laws, rules and regulations to operate. These arrangements give members clear rights and duties and also

provide a level of transparency and redress in case of grievances that is absent in informal/unregistered groups.

d) participatory structures;

Currently the LGIs do not have the participatory structures necessary to implement the water sector policies.

LGED as a line agency is organized in a fairly hierarchical way. At the same time District offices enjoy a level of decentralization and authority that is unheard of in most GoB line agencies.

WMCAs operate in the legal framework of cooperatives, with the participatory structures that come with it. Some of the WMCAs formed under SSW-1 would benefit from exchange visits to well established WMCAs. However, at the moment there are no structures in place to facilitate exchange visit amongst SSW-1 WMCAs. In due course all SSW-2 would also benefit from exchange visits and funds are available for this. Some WMCAs feel very much part of the cooperative movement, but say that they cooperative department does not give them due recognition. They suggested that LGED approach the cooperative department to recognize the water management cooperatives as a separate category (like those of fisheries, agriculture etc.) and to give a 'best water management cooperative' award to the best WMO every year.

e) check and balances;

The current weakness of LGIs prevents them from providing checks and balances in relation to the two major actors in water sector implementation; BWDB and LGED.

When it concerns their own sub-project area, well organized WMCAs are able to provide a certain level of checks and balances in relation to LGED/SSWRDSP. There are a number of examples where WMCAs have insisted that LGED rectify poor workmanship and finally did so. An example is that LGED repaired leaking gates of a SSW-1 sub-project at their own expense, even after the sub-project was handed-over. However, apart from WMCAs exerting checks and balances at micro level, WMCAs are currently unorganised and therefore unable to provide checks and balances in water sector implementation beyond their own area say at Union, Sub-district or District level.

f) financing arrangements.

The government has allocated Taka 10 million to LGED for O&M of SSW-1 sub-projects in the last financial year and double that amount this year. One of the major bottlenecks in LGIs fulfilling their mandates is their lack of finances. There are signs that the government is going to increase their budget.

Through the sub-project Implementation Agreement signed between LGED, the WMCA and the UP, the WMCAs have accepted the responsibility to do all regular operation and maintenance of the infrastructure of their sub-project and to pay for that from their own funds. The field visits confirm that at least the best WMCAs take their responsibilities seriously, collect money in various ways and also spend money and voluntary labour on O&M. However, ever since LGED has managed to get GoB funding for O&M, even those WMCAs are trying very hard to get access to these government funds and skip their own responsibility. While understandable, this could have serious long-term consequences.

Older, SSW-1 related WMCAs lack financial arrangements that would allow them to continue receiving training and other support. Some WMCAs are in fact so keen to get follow-up training that they pay to attend courses from their own funds. However, WMCAs find it next to impossible to use their own funds to get organized to influence water sector implementation beyond their own area.

B4a.3 Ownership

Ownership is a continuous process. The question is not whether 'ownership' has been 'achieved', but whether the ongoing process moves into a direction in which the ownership changes hands. In the water sector this may imply both a change from donors to the public sector and –simultaneously- a shift from central government to the local water management organisations.

In SSWRDSP there are detailed and well-defined processes and procedures for social dialogue concerning specific sub-projects. There is as yet little dialogue outside the structure of the sub-projects.

How is that organized?

The organisation of the dialogue in SSWRDSP between LGED and the people of (proposed) sub-projects is elaborated the Project Document¹⁰².

If no sound social dialogue exists, what have been (or still are) the bottlenecks?

When the dialogue with people in (proposed) sub-projects in SSWRDSP fails, the main reason is the political pressure to implement 'imposed' sub-projects.

¹⁰² For details see the SSWRDSP-2 Project Administration Manual (May 2002) and the Inception Report (2002).

Are there any indications of social inclusion / exclusion process (for example based on resource endowment, social status, ethnicity or political affiliation) in the local water management structures?

Due to the wide variety of circumstances, general statements cannot be made, but the following has been registered in the various reviews:

- The more widespread and serious the water problems are, the broader the participation of the various socio-economic and other groups;
- Where sub-projects have been proposed by individuals or groups affiliated to a particular political party, there is clear exclusion and conflict, sometimes resulting in a sub-project stagnating half way through implementation;
- Because of the requirement that a certain percentage of the population of the sub-projects must be a member of the WMCA and the promise of micro-credit, many WMCAs have a proportional overrepresentation of the poor;
- Some of the larger landowners do not become a member of the WMCA, possibly in an effort to avoid payment for O&M and/or spend time in WMCA activities;
- In response to RNE gender focus, and according to the lines of the project approach, a real effort has been made to enlist women as WMCA members. In SSW-1 their number reached a relatively high of 20 percent; as per the Project guidelines the membership of women in the Executive Committees of the WMCAs is one-third. However, apart from exceptions the actual level of women's involvement is less than the numerical presence.

B4a.4 Efficiency

What have been the mayor changes in the efficiency of aid delivery from the Bangladeshi perspective at mid level (if any)?

Even in SSW-2 there is still a relatively high level of TA. Part of this is related to the ongoing Project and part to the strengthening of the IWRM Unit. At the same time the in-house capacity of LGED to handle water schemes is gradually increasing so that in future LGED should be able to handle SSW interventions with much less TA, increasing efficiency.

Although it is difficult to quantify changes in the efficiency of aid delivery at sub-national, there are indications that there is an improvement. The increased efficiency is partly due to increased capacity to implement SSW interventions at sub-national level and partly due to WMCAs taking over tasks and responsibilities earlier taken care of by LGED.

The capacity of WMCAs to handle local water resources too leads to increased efficiency, and the related effectiveness, mainly for three reasons;

- Water users now have a major say in the water infrastructure constructed and are therefore better able than in the past to get what they need, reducing wastage

- Through the participatory process water users are now much more aware of the potential positive impact of improve water management on their livelihood opportunities and therefore better able to adjust their activities to make the most of the new circumstances
- By linking WMCA members up with the relevant line agencies the water users have better access to the complementary services that are needed to reap the full benefit of better water management.

Have there been any changes in transaction costs to local water management organisations as a result of donor procedural harmonisation?

While donor harmonization is not visible at grassroots level, members of WMCAs have found it easier to access the various GoB services because they can now voice their needs and offer an easy entry point for service delivery.

It is difficult to say whether harmonization of donor procedures has lead to a change in institutional transaction costs at grassroots level. Two things can however be said:

- People at grassroots level are confused about the different criteria and procedures followed by BWDB and LGED, particularly if their projects are side by side. This is the most visible in relation to whether or not local beneficiaries have to pay for the O&M (LGED) or not (BWDB).
- Members of the WMCAs have found it easier to access the various GoB services because they can now voice their needs and offer an easy entry point for service delivery.

B4a.5 General Observations

Initial discussion with members of the Project Team and the IWRM Unit at the LGED headquarters revealed that none of them were aware that RNE had shifted to a sector approach in its bilateral aid to Bangladesh. However, when asked about shifts in the approach over time, it became clear that in many ways SSWRDSP pursues elements of a sector (or programme) approach. Fieldwork confirmed that people were unfamiliar with the designation 'sector approach', but that some were aware that SSW-2 follows a 'programme approach'.

SSWRDSP is jointly funded by the GoB, ADB and RNE Dhaka. The beneficiaries fund the post project O&M only. ADB administers the project in a co-financing arrangement with RNE. In that setting there is no distinction in procedures, requirements, criteria or approaches between the donors. The only exception is RNE's emphasis on gender sensitivity.

Whether RNE pursues a sector approach in the water sector or not depends on a number of variables:

- In theory a sector approach in water would covers all forms, uses and problems related to water such as surface and ground water, drinking water (with sanitation), water for

agriculture, for fisheries, for transport, flooding and droughts etc. However, in Bangladesh these different aspects of water are dealt with by different line agencies that often work independent from each other. In the case of SSWRDSP the 'coverage' is even less in the sense that only small scale surface water interventions (< 1,000 ha) are involved.

- The usefulness of talking about and dealing with the 'water sector' is doubtful. Water can be seen as a sub-sector of for example, agriculture or rural development. If used in that perspective, than improved water resources management may be a necessary precondition for rural development, but is insufficient on its own to achieve development.
- Application of a sector approach in water impinges on a wide variety of other sectors.

B4a.6 Summary and Conclusions

Traditionally, the water sector in Bangladesh has long been characterized by a top-down and non-participatory approach in. From the 1960s to the 1970s the involvement of the people in BWDB projects was minimal, not least because BWDB employed their own staff to operate and maintain sluices and regulators. As of 1979, with the start of the Dutch funded Land Reclamation Project (LRP), and in the 1980s under various foreign funded projects, there were moves towards a more participatory, inclusive and bottom-up approach. During the 1990s this trend was continued and in 1994 the GoB issued the first 'Guidelines for Participation in Projects'. Since 1997 the SSWRDSP has continued and contributed to this process.

From a sub-national level the SSWRDSP contribution to developments in the water sector can be summarized as follows:

- LGED has operationalised a bottom-up and participatory approach to water resources management;
- LGED has actually moved beyond the water sector by facilitating the access of WMO members to the services of other line agencies;
- LGED has shifted some rights and responsibilities that used to belong to line agencies to WMOs;
- LGED has ensured reasonably broad participation of interest groups in the WMOs though the poor, without land, seem over represented and the landed class under represented;
- Women are members of WMOs and their Executive Committees in relatively large numbers but their actual voice in decision-making is less than the numbers suggest;
- Many members of WMOs formed under SSWRDSP have a growing sense of ownership and pride in their organization;
- LGED has made a major contribution to the formulation of the national 'Guidelines for Participatory Water Management' (GPWM);
- Water management projects can have a major impact on poverty alleviation.

Overall the following conclusions can be drawn:

Through SSWRDSP 1 and 2, funded by the ADB and RNE Dhaka, LGED:

- has made a considerable and comprehensive contribution to development of the water sector in Bangladesh;
- by developing WMCAs, has institutionalised the involvement of grassroots people in water resources management;
- has taken decisive steps to internalise and institutionalise its role in small scale water resources development;
- has as yet not been able to do much to ensure that LGIs, such as the Union Parishads, can fulfil their mandate in local water resources management.

B4B FIELD STUDY BWDB/IPSWAM

B4b.1 Introduction

This is the draft report on field research of the Dutch funded Integrated Planning for Sustainable Water Management (IPSWAM) programme. According to the ToR this was selected because it is the most recently designed programme. However, as of November 2004 IPSWAM was only one year old and work at grassroots level was in its initial stage. It was therefore decided to also visit an older project in the same area, the Khulna Jessore Drainage Rehabilitation Project (KJDRP)¹⁰³.

The KJDRP, covering an area of over 100,000 ha and more than 135,000 households, was started in 1995 and completed in 2002 and has over 500 Water Management Organizations (WMOs). KJDRP was funded by the Asian Development Bank (ADB) and not by the Netherlands, but the project design included many of the 'sector' elements now found in the Dutch funded IPSWAM, particularly the emphasis on participation by the people living in the area concerned. As KJDRP was initiated about 8 years prior to IPSWAM it provides a suitable long term perspective as to how the sector elements worked out in practice and what lessons can be learned from that.

In case of KJDRP a meeting was arranged with members of the Water Management Federation, representing 9 Water Management Associations (WMA), 58 Water Management Committees (WMCs) and 507 Water Management Groups (WMGs). The IPSWAM team proposed meeting members of the WMGs and of the Water Management Association (WMA)¹⁰⁴ from Polder 22 near Khulna because they are representative for the WMOs established under IPSWAM in the three polders currently under implementation. Polder 22 covers an area of about 1,500 ha and about 1,500 households.

The findings are reported according to the issues specified in the ToR (*which are printed in italics as section headings*). It may be noted that this report is not an evaluation of BWDB, nor of the WMOs of KJDRP and IPSWAM. The report is limited by the objective and scope of the ToR.

B4b.2 Findings

¹⁰³ This final report is based on four sources:

- Various documents and reports provided by BWDB about the KJDRP and IPSWAM
- Meetings with staff of the KJDRP and with the IPSWAM team (project and TA staff) at national level and at district and sub-project level
- Meetings with members of the executive committees of Water Management Organizations (WMOs)

¹⁰⁴ In the case of Polder 22 the WMOs are formed in line with the Guidelines for Participatory Water Management (GPWM). When the group formation work in KJDRP was started the GPWM did not exist so their structure is slightly different.

Institutional capacity

What are the activities initiated by the Netherlands to strengthen the Water Management Organisations (WMOs) and other civil society organisations (at mid and micro-level) in the water sector in order to assume tasks and functions currently (previously) carried out by projects (technical assistance) or public organisations?

RNE Dhaka supports the strengthening of WMOs through the IPSWAM as is explicitly mentioned in the IPSWAM documents. Through IPSWAM a total of around 200 WMGs and 9 WMAs will be formed. Both the KJDRP and IPSWAM documents detail the various activities and procedures to ensure participation of the people at grassroots level. The IPSWAM documents mention the tasks that were previously carried out by projects via TA and government agencies such as:

- involvement in problem identification;
- approving main elements (alignment of embankments, nature and location of structures etc.) of infrastructure design;
- observing/checking quality of infrastructural works;
- operating infrastructure;
- carrying out operation and minor maintenance.

Discussions with members of the KJDRP WMOs suggest that BWDB staff at national and district levels have various degrees of understanding and commitment to the transfer of responsibilities to WMOs. The time difference between KJDRP and IPSWAM throws some light on the changing understanding and attitudes in the BWDB about the role of WMOs. The WMO members said that the history of KJDRP shows that, in spite of what the project document stated, BWDB staff were initially not at all interested in facilitating people's participation. During the second year of the project one WMA was formed. In the third year the project arranged for NGOs to establish WMOs and this work was completed only one year before project completion¹⁰⁵. After intervention of a senior ADB official in 2001, the relationship with the relevant BWDB offices and staff improved. Members of the WMOs say that for various reasons they are now again frustrated about the level of support they receive from concerned BWDB offices and staff.

With the start of IPSWAM at the end of 2003 the national level environment for people's participation and an increased role and responsibilities for WMOs has improved. Chapter 4 of the IPSWAM inception report (June 2004) details how the BWDB will set up and strengthen the WMOs. Chapter 3 of that same report goes into much detail on how the Project will assist BWDB to adjust to an enlarged role for WMOs. At the time of the fieldwork IPSWAM was just one year old and it was too early to assess results.

¹⁰⁵ BWDB staff pointed out that the delay in starting WMO formation was not deliberate. According to them there were a number of NGO related provisions in the Project document that that led to lengthy negotiations with ADB and cause the delay in starting up WMOs.

During discussions with a few IPSWAM related WMO members in Polder 22 they expressed scepticism about whether BWDB staff are now genuinely interested in WMOs assuming new roles and responsibilities. The WMO members said that they think it is very hard for the prevailing 'culture' in BWDB to change.

What kind of support does the Government of Bangladesh provide to these WMOs?

The IPSWAM inception report (chapter 4) describes in detail the activities to set up and strengthen the WMOs. A broad training programme has been developed that is based on an extensive training needs assessment. Apart from training the WMO, IPSWAM will also train members of Local Government Institutions (LGIs). The objective is to enable LGIs to support WMOs.

In chapter 3 of the IPSWAM inception report, the project details how it will institutionally strengthen BWDB. The document stresses that IPSWAM fulfils a 'pathfinder' role and that the methods and procedures developed under IPSWAM for WMOs and LGIs will have to be disseminated and mainstreamed throughout BWDB. One avenue for that is dissemination via O&M Divisions, another via planning projects such as the Water Management Implementation Project (WMIP).

Members of the KJDRP WMOs expressed frustration about the lack of support from GoB/BWDB after completion of the project. They had accepted responsibility for regular O&M including generating at least part of the necessary local resources. To do so they were to receive access to land previously acquired by BWDB but no longer needed for water management. They would then be able to put this land to productive use and use part of the profits for O&M. However, two years after completion of the project they still did not have legal control over and access to that land¹⁰⁶. As a result the funds generated by the WMAs for O&M activities until April 2004 was only 7.3 percent of the potential (assessed) value.

Furthermore the KJDRP members said they were promised at least some GoB funding for O&M, but did not receive any resources at all. They were told that GoB had not allocated the requested 50 Million Taka, but BWDB officials were not able to tell them how much money they would get¹⁰⁷. WMOs were also promised that 25 percent of earth work would be carried out via Labour Contracting Societies (LCSs) in which their poorest members could participate. They doubted whether BWDB would honour this commitment as their officials prefer to work via so called Project Implementation Committees (PIC) as in that case they only have to 'deal' with one

¹⁰⁶ According to some WMO members BWDB, under pressure from ADB, made promises about such 'excess' land that are not in line with the law, which stipulates that land no longer needed has to be first offered back to the original landowner. The chance that WMOs will get access to such land appears slim. BWDB officials however point out that WMOs could get access to at least part of the resources promised because they are not classified as 'excess' but are periodically used, such as borrow-pits.

¹⁰⁷ BWDB officials note that they are reluctant to reveal the budget figures to the public because Bangladesh does not have a legal provision, such as a "Public Communication and Information Disclosure" to do so.

Union Parishad member¹⁰⁸. At the same time some of the elected representatives of LGI put pressure on WMO members to fulfil their obligation to operate and maintain the project infrastructure. Occasionally, such as during the field work, this results in heated debates between the various parties.

Finally WMO members expressed frustration about the lack of moral and practical support from the side of the government, such as training, exchange visits and allowances to attend meetings. All of them do their work for the WMOs on a voluntary basis, but with no funds to do O&M and no support, many express doubts about the sustainability of the WMOs.

In Polder 22, members of the WMO expressed appreciation at the participatory approach followed by IPSWAM that involves all inhabitants of the Polder. Members of the Polder 22 WMO are hopeful that their WMOs will continue to receive the necessary support from not only BWDB but also from other relevant line agencies once the IPSWAM interventions are completed.

To which extent initiatives are known, undertaken or planned to come to a better integration and harmonisation of donor activities at the mid-level?

In IPSWAM the contract of the Technical Assistance is not between the consultancy firm concerned and the GoB, but between the firm and the RNE Dhaka. This is a discrepancy between the policy pursued by RNE and practice. It is partly explained by the fact that IPSWAM was originally designed in the late 1990s, when TA was usually contracted directly by the donor. Since the project was delayed for a number of years, this arrangement has not been corrected. In day-to-day work the IPSWAM TA operates very much under the guidance of the Project Director of BWDB.

The IPSWAM documents indicate little about the involvement of other departments in the various polders to be rehabilitated. IPSWAM has however conducted a study to learn lessons in strengthening WMOs/LGIs by visiting five water management projects funded by the GoB, RNE Dhaka, Canadian CIDA and ADB. These lessons will be applied in the training, strengthening and follow up of WMOs.

Members of the KJDRP WMO expressed a need for access to the services and facilities of a number of line agencies such as LGED, the Agricultural Department and the Department of Fisheries. So far, the actual involvement of these departments has been minimal. Apparently part of the 500 million Taka project fund remained unspent and was returned to ADB, probable

¹⁰⁸ BWDB officials point out that WMO members are confused about the various GoB policies. While the NWPo does stipulate that 25% of earthwork is to be done through LCS, the latest "Cash for Work" programme of the government does not have such a provision. Instead, 100% of that money is to be spent via PICs.

meant for these departments. Members of the Polder 22 WMO expressed a need to be linked up with various departments so as to make optimal use of the improved water management to be provided through IPSWAM. The IPSWAM staff mentioned that under the 'Sustainable Environmental Management Plan' of IPSWAM there are arrangements to make such linkages.

At the sub-national level, what are the conditions and capacities to formulate sector policies and activities as far as it concerns:

a) knowledge and management;

According to the National Water Policy (NWPo) water sector schemes over 1,000 ha are partly the responsibility of Local Government Institutions (LGI), partly of BWDB. Bangladesh has legal provisions for elected LGIs at four levels; the village, the Union, the Sub-district and the District. However, as of November 2004 only the Union Parishads (Councils) are functional.

Management of local water resources comes under the mandate of all LGIs, including that of the Union Parishads. However, since its inception BWDB has looked after all surface water management interventions in Bangladesh. Until the 70s LGIs had a major role in various Union and District level water interventions. The last major involvement of the Union Parishads was in the 1970s in the so-called "Thana Irrigation Project". After this project was phased out the involvement of LGIs in the water sector all but disappeared. As a result LGIs currently have little knowledge or management capacity for policy formulation in the water sector.

Within BWDB the capacity to formulate sector policy, particularly when it comes to a broad-based approach going beyond engineering interventions, is mainly concentrated at national level. At sub-national level there is some capacity at all levels and in most disciplines for broad-based policy formulation, mainly in the Water Management Directorate (WMD). However, very little systematic use of this capacity is made.

At grassroots level, amongst the WMOs, there is a rapidly growing level of knowledge and to some extent management capacity to formulate sector policies. Some outside observers have expressed surprise at the level of knowledge and insight in water related issues of WMO leaders, not only about their own area but about the sector as a whole. Some WMO leaders are in fact used by IPSWAM to conduct training of others and given the opportunity they may well be able to contribute to water policy formulation.

In the Board of the BWDB two seats have been reserved for and filled by representatives from the grassroots. However, some WMO members point out that BWDB is only interested in working with WMO leaders whom they feel they can control. According to them, some local leaders who are more outspoken are ignored and side-lined.

b) manpower and civil service conditions;

LGIs have no manpower nor civil service conditions to match their official mandate in the water sector let alone assist in policy formulation.

As mentioned above at sub-national level there are some BWDB staff, amongst them from the WMD, who can contribute to policy formulation. However, in the engineering set-up of BWDB these non-engineers do not have the same status nor service conditions as their engineering colleagues. BWDB engineers point out that this is commonly found in government departments. For instance, an engineer in the Department of Agriculture would 'feel' the same as an agriculturist in BWDB and there is little that can be done about that.

Amongst the WMOs there are individuals who have the know-how and overview needed to contribute to policy formulation. However, all of them work as volunteers for their respective WMOs. Some of these leaders, because of their favourable personal financial situation, could temporarily be involved in policy formulation on a voluntary basis. Because of the lack of transparent financial support, few would be able to contribute on a long term or intensive basis.

c) organisational and institutional infrastructure;

At the national level the National Water Resources Council (NWRC) is the institution that coordinates the input of the key stakeholders in water policy formulation. There are no specific arrangements for inputs from LGIs in this process.

The key stakeholders that are involved in the water sector are BWDB, the Local Government Engineering Department (LGED), the Department of Public Health Engineering (DPHE), the Department of Agriculture Extension (DAE) and the Bangladesh Inland Water Transport Authority (BIWTA) as well as some international agencies such as UNICEF and IUCN, and NGOs like WaterAid. As of November 2004 there is no clear sub-national structure amongst government or international agencies or NGOs to contribute to policy formulation.

At grassroots level there are as yet no bottom-up, organizational or institutional arrangements for WMOs to contribute to Policy Formulation, apart from the two people in the Board of the BWDB.

d) participatory structures;

In principle LGIs as bodies elected by the people, would be a logical partner in any participatory structure. As of November 2004 there were no clear structures for them to influence water policy formulation. There were informal national level gatherings of Union Parishad Chairpersons but they have not been involved in water policy formulation.

Over the last decade or so there have been several sub-national project, programme or activity based ad-hoc participatory arrangements. Examples are the participatory way in which the National Environmental Management Plan (NEMP) was developed, the Participatory Action Plan Development (PAPD) of the Centre for Natural Resources Study and the Bangladesh Interim Poverty Reduction Strategy Paper (I-PRSP).

There are currently no structures for WMOs to participate in water policy formulation.

e) check and balances;

In the absence of involvement of LGIs, there are no clear sub-national checks and balances in policy formulation. In the early 1990s during the Flood Action Plan, there were some NGOs and civil society groups that raised their voice against elements of the FAP, providing a level of checks and balances unheard of before. Since the mid 1990s some NGOs have been very vocal in KJDRP and amongst others their interventions have led to the Gangral regulator being dropped and the system of Tidal River Management (TRM) being introduced.

f) and financing arrangements;

There are no sub-national financial arrangements to facilitate policy formulation.

At the sub-national level, what are the conditions and capacities to implement sector policies and activities as far as it concerns:

a) knowledge and management;

LGIs have lost most of whatever capacity they had to implement water sector policies. As such they are unable to fulfil their own mandate in this area as well as the responsibilities allocated to them in the NWPO.

In contrast, within BWDB the knowledge and management capacity to implement sector policy at sub-national is slowly growing. One of the main factors limiting the speed of the growth to date is

that until now the support of BWDB from the Netherlands has been in the form of projects. These often had a positive impact on the capacity at sub-national level to implement sector policies and activities, but upon project completion the staff were dispersed and the synergy of working together along the same lines was lost.

IPSWAM in theory runs the same risk of localized impact only as it deals with only 9 schemes. However, the project follows a three-pronged approach to spread and institutionalise the capacity to implement a sector-wide approach. First of all IPSWAM has a clear strategy to disseminate and mainstream its approach within BWDB (see chapter 3 of the inception report for details). Secondly IPSWAM has been designed as a forerunner or pathfinder for the much larger WMIP. Thirdly, at the suggestion of the BWDB and RNE Dhaka, IPSWAM has engaged a senior consultant for the second half of 2004 to be a liaison person with WMIP to ensure that the lessons learned and methods developed in IPSWAM are made use of in the preparation of WMIP.

At grassroots level, the WMOs are the focus of the capacity to implement water sector policies. Such organisations, all be it under a variety of names (sluice committees, inlet committees, outlet committees, branch committees, irrigation committees etc) have been formed in most BWDB projects for the last four decades. However, although hard evidence is missing, it is generally agreed that relatively few of these committees are still active. The highest number tossed about is 9,000 but well informed people say 2,000 is a more realistic figure.

WMOs that are still actively involved in water management are those in projects that are ongoing (Char Development and Settlement Project, IPSWAM, Chandpur Irrigation Project, Pabna Irrigation Project etc) and those recently completed (Compartmentalization Pilot Project). One thing is clear however; until now very few BWDB related WMOs have been sustainable. Given all the efforts that have gone into establishing WMO over the years, the capacity to implement sector policies at grassroots level is low.

b) manpower and civil service conditions;

LGIs have neither manpower nor civil service conditions to implement water sector policies.

BWDB has a considerable number of staff at sub-national level. However, since the late 1990s BWDB has been undergoing a reform that includes a considerable downsizing from around 18,000 staff in the mid 1990s to about 9,000 in 2007. Most of the BWDB staff has either an engineering background or they fulfil support positions (clerks, drivers, night-guards etc). There is relatively few non-engineering staff in the BWDB revenue budget set-up and this was compensated by hiring local and international consultants. At the moment two parts of BWDB house most of the non-engineering staff, the Directorate of Planning and the Directorate of Water Management. Some non-engineering staff in these Directorates feels that they are not being treated as 'equals' with the engineers of the same ranks, either in status or in service

conditions. The GoB/RNE 'Twinning Missions' are looking into the manpower and service conditions of BWDB and IPSWAM maintains a close link with them.

At grassroots level the WMGs, made up of about 40 percent women and 60 percent men, form WMAs made up of the leadership of the WMGs (50 percent men, 50 percent women). Apart from the general WMGs, IPSWAM stimulates the formation of functional groups such as landless and fishermen groups. The field work in KJDRP revealed considerable dissatisfaction between some WMF and WMA leaders about the fact that they have to do all their work as volunteers. While many are willing to invest their time and even some of their own money in the WMOs, they are not sure how much longer they can continue to do so. Their frustrations must however be seen in the light of their over dissatisfaction with the support for their work received from BWDB. If that support were up to the mark, the WMO members would probably be more willing to continue as volunteers.

c) organisational and institutional infrastructure;

LGIs lack the organizational and institutional infrastructure to implement water sector policies.

BWDB is currently undergoing a reform that aims to make the organization more responsive to the needs and people at grassroots level. Amongst other this involves decentralizing BWDB in four more or less autonomous zones. Since this has not yet been implemented it is too early to judge whether this will increase the capacity to implement the sector approach at sub-national level, but that is certainly one of the aims.

Under KJDRP WMAs were registered as cooperative societies. This constitutes them as "bodies corporate having perpetual succession and a common seal, the right to sue and be sued in their own names and the right to enter into contracts in their own names". Registration as cooperatives also gives them an organizational structure, with by-laws, rules and regulations in which to operate. These arrangements give members clear rights and duties and also provide a level of transparency and redress in case of grievances that is absent in informal/unregistered groups. The GPWM suggest registration of WMOs as cooperatives until the GoB promulgates a more appropriate legal framework for registering WMO. It is understood that the BWDB is currently looking at alternatives to the cooperative framework. IPSWAM is eager to register the WMOs but has not quite got to that point yet. Pending a decision about registration IPSWAM is also not likely to rush ahead.

d) participatory structures;

Currently LGIs do not have the participatory structures necessary to implement the water sector policies.

BWDB as a line agency is organized in a fairly hierarchical way. It is expected that the reform of BWDB, and its decentralization, will result in a more participatory structure at sub-national level.

WMOs operate in the legal framework of cooperatives, with the participatory structures that come with it. While members of WMO realize the limitation of the cooperative structure for water management, they are however well aware of the need for a legal, democratic and transparent structure.

e) check and balances;

The current weakness of LGIs prevents them from providing checks and balances in relation to the two major actors in water sector implementation; BWDB and LGED.

When it concerns their own sub-project area, well-organized WMOs are able to provide a limited level of checks and balances in relation to BWDB. For instance, together with BWDB they drafted a joint O&M plan for KJDRP. However, members of the KJDRP were frustrated at the lack of openness of BWDB about the O&M budget for their area and its use. Whatever checks and balances WMOs can provide at project/micro level, they are currently unorganised and therefore unable to provide checks and balances in water sector implementation beyond their own area say at Union, Sub-district or District level. However, a number of members of WMOs voiced the need for WMOs to work together at the level above a polder so as to voice their demands in relation to BWDB.

f) financing arrangements.

The NWPo is not 100 percent clear on whether beneficiaries of projects other than irrigation schemes at sub-national level should contribute financially to the operation and maintenance of the infrastructure. LGED, in SSWRDSP, has interpreted the policy as requiring people to pay 100 percent of regular O&M expenditure, but nothing towards recovery of the investment. Until now, BWDB's interpretation is that beneficiaries need not contribute from their own income but that the government will provide the WMOs with access to productive resources (such as government land and water-bodies) so that they can locally generate resources to cover at least part of the regular O&M. At the same time the GoB would then provide part of the necessary funds from the revenue budget mainly because the local resources to generate revenue are not the same everywhere. However, under the soon to be started WMIP, the beneficiaries will apparently be charged for the regular O&M.

One of the major bottlenecks in LGIs fulfilling their mandates is their lack of finances. There are signs that the government is going to increase their budget.

According to the members of the KJDRP WMOs, BWDB has not lived up to the promises of access to income generating resources nor to funding for O&M. As a result very little if any maintenance is done. Members even claim that while poverty declined remarkably upon completion of the projects infrastructural works, two years without maintenance has already resulted in an increase in poverty. This observation by the people has been confirmed by BWDB officials who however also point out that the deterioration will not necessarily continue in a linear fashion¹⁰⁹.

After completion of the KJDRP, the BWDB apparently lacks the financial arrangements that would allow the WMOs formed under the project to continue receiving training and other support. The WMOs are in fact keen to get moral and practical support such as follow-up and further training. As WMOs already find it next to impossible to continue to function in their own area, it is clear that they totally lack the funds needed to get organized to influence water sector implementation beyond their own area.

Ownership

Ownership is a continuous process. In the water sector this may imply both a change from donors to the public sector and –simultaneously- a shift from central government to the local water management organizations.

IPSWAM has outlined processes and procedures for social dialogue concerning specific projects (see chapter 4 of the inception report for details). In fact before IPSWAM was designed KJDRP had such procedures all be it less sophisticated. The brief field work in Polder 22 indicates that people are quite happy with the level and quality of the dialogue between their WMOs and BWDB about the necessary activities in the Polder.

However, even in the case of IPSWAM there is as yet little dialogue outside the structure of the projects for instance at a regional or zonal level. BWDB officials say this will happen in due course but they believe the scope is actually limited.

How is the dialogue organized?

The organization of the dialogue in IPSWAM between BWDB and the people of water management schemes is elaborated the inception report, chapter 4 and will be worked out in more detail in the next 12 months.

¹⁰⁹ In a related point BWDB officials say that the real test of the strength of the KJDRP WMOs will come in a few years when, in close consultation and cooperation with BWDB, they have to shift tidal basins.

If no sound social dialogue exists, what have been (or still are) the bottlenecks?

According to the WMOs in KJDRP they experienced the following bottlenecks in the dialogue between the people in the Project area and the concerned BWDB officials:

- BWDB staff assuming people knew nothing and they themselves knew everything
- BWDB staff maintaining their traditional distance from grassroots people and also from the WMOs, apart from a brief period in 2001 when there was a good relationship
- BWDB not living up to tasks and responsibilities agreed with WMOs

KJDRP members mentioned that BWDB apparent is unable to maintain social dialogue outside the purview of donor funded projects¹¹⁰.

Are there any indications of social inclusion / exclusion process (for example based on resource endowment, social status, ethnicity or political affiliation) in the local water management structures?

Because of the wide variety of circumstances it is difficult to make an overall statement on social inclusion/exclusion in WMOs. What can be said is the following:

- The approach followed by IPSWAM (and for that matter KJDRP) is much broader than it was in any of the previous projects of BWDB, and this is locally much appreciated particularly by the weaker socio-economic and minority groups
- In KJDRP representation of the various interest groups was quite good though there are some indications that the larger landowners do not become a member of a WMO
- In both KJDRP and under IPSWAM the participation of women is around one third with WMA and WMF have a fifty-fifty male-female membership. It is unclear how high the actual level of women's involvement is less than their numerical presence.

Efficiency

What have been the major changes in the efficiency of aid delivery from the Bangladeshi perspective at mid level (if any)?

It is too early to say whether the implementation of the sector approach via BWDB has resulted in a major change in the efficiency of the aid delivery. The field work indicated that local people see the high level of corruption in Bangladesh in general and in government departments in particular, as a major limiting factor.

IPSWAM and apparently the propose WMIP both involve a relatively high level of TA in relation to the actual investments in the hard and software of water management schemes. This seems

¹¹⁰ BWDB officials noted that this feedback is KJDRP-specific and cannot be generalized for all of BWDB.

to indicate that the intended increased efficiency in the delivery mechanisms of Dutch bilateral aid in the water sector in Bangladesh has not yet been achieved. Project staff however point out that both projects aim at building the institutional capacity of BWDB that in due course will result in a reduced need for TA. They see IPSWAM and WMIP therefore contributing to increased aid efficiency.

Although it is now difficult to quantify changes in the efficiency of aid delivery, or even the direction of the change, an increased efficiency might result from WMOs taking over tasks and responsibilities earlier taken care of by BWDB.

The capacity of WMOs to handle local water resources may lead to increased efficiency, and the related effectiveness, mainly for three reasons;

- Water users now have a major say in the water infrastructure constructed and are therefore better able than in the past to get what they need, reducing wastage
- Through the participatory process stakeholders are now much more aware of the potential positive impact of improve water management on their livelihood opportunities and therefore better able to adjust their activities to make the most of the new circumstances
- By becoming organized in WMO their members are better placed to link up with the relevant line agencies so that water users might get better access to the complementary services that are needed to reap the full benefit of better water management.

Have there been any changes in transaction costs to local water management organisations as a result of donor procedural harmonisation?

It is difficult to say whether harmonisation of donor procedures has lead to a change in institutional transaction costs at grassroots level. Two things can however be said:

- People at grassroots level are confused about the different criteria and procedures followed by BWDB and LGED, particularly if their projects are side by side. This is the most visible in relation to whether or not local beneficiaries have to pay for the O&M (LGED) or not (BWDB).
- Members of the WMOs in KJDRP have found it slightly easier to access the various GoB services because they can now voice their needs and offer an easy entry point for service delivery.

B4b.4 Summary and Conclusions

The GoB issued its first 'Guidelines for Participation in Projects' in 1990. Since then various projects like KJDRP have continued and contributed to this process as IPSWAM is doing right now.

From a sub-national level the KJDRP and IPSWAM contribution to developments in the water sector can be summarized as follows:

- KJDRP and IPSWAM are further operationalised a bottom-up and participatory approach to water resources management;
- KJDRP and IPSWAM are contributing to shifting rights and responsibilities that used to belong to line agencies to WMOs;
- KJDRP and IPSWAM are ensuring a much broader participation of interest groups in the WMOs than previous projects;
- Women are members of KJDRP and IPSWAM related WMOs and their various committees in large numbers but their actual voice in decision-making seems less than the numbers suggest;
- Members of WMOs formed under KJDRP and to a lesser extent under IPSWAM (because they have only recently been organized) have a growing sense of ownership and pride in their organization;
- Water management projects can have a major impact reducing poverty alleviation;
- Lack of O&M may quickly result in gains in poverty alleviation being lost again;
- Sustainable poverty alleviation requires ongoing O&M which depends heavily on active and sustainable WMOs, equipped to implement and pay for regular O&M.

Overall the following conclusions can be drawn:

- IPSWAM, as a project, only makes sense as a pathfinder¹¹¹ for much large projects such as WMIP, is well placed to make a contribution to development of the water sector in Bangladesh.
- Through the WMOs formed under KJDRP and now under IPSWAM, the involvement of grassroots people in water resources management has been given a major boost and has been institutionalised, but their apparent lack of sustainability is a concern.
- LGIs, though on paper mandated with a considerable role in local water resources management, have been side-lined.
- While the reform of BWDB is ongoing, the organisation has yet to make decisive steps to internalise and institutionalise a (sector) programme approach, and particularly people's participation, in all facets of water resources development.

¹¹¹ Given its pathfinder role for the countrywide WMIP it is unclear why IPSWAM only works in polders and in the coastal zone.

PART C: APPENDICES

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
ADP	Annual Development Programme
AL	Awami League (Party)
BNP	Bangladesh Nationalist Party
BRAC	Bangladesh Rural Advancement Committee
BWDB	Bangladesh Water Development Board
BWHC	Bangladesh Women's Health Coalition
CAS	Country Assistance Strategy (World Bank)
CDSP	Char Development and Settlement Project
CAMPE	Campaign for Popular Education
CBO	Community Based Organisation
CIDA	Canadian International Development Agency
CPIA	Country Performance Institutional Assessment
CPP	Compartmentalisation Pilot Project
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DfID	Department for International Development (UK)
DP	Development Partner
DTP	District Town Water Supply Project
DPHE	Department of Public Health Engineering
EC	European Commission
EDP	Estuary Development Project
EFA	Education for All
EGIS	Environment Geographic Information System
EIP	Early Implementation Project
ERD	External Resources Division
ESAF	Enhanced Structural Adjustment Facility
FAP	Flood Action Plan
FCDI	Flood Control, Drainage and Irrigation
FDI	Foreign Direct Investment
FMRP	Financial Management Reform Programme
GDA	Ganges Dependent Area
GDP	Gross Domestic Product
GNP	Gross National Product
GoB	Government of Bangladesh
GRP	Gorai River Project
HDI	Human Development Index
ICDDRБ	International Centre for Health and Population Research
ICZMP	Integrated Coastal Zone Management Plan
IPSWAM	Integrated Project Sector Water Management
IDA	International Development Association (World Bank)
IFI	International Financing Institutions (World Bank, IMF and regional banks)
IMF	International Monetary Fund
IOB	Policy and Operations Evaluation Department, Ministry of Foreign Affairs
JICA	Japanese International Cooperation Agency

LCG	Local Consultative Group
LGED	Local Government Engineering Department
MDG	Millenium Development Goal
MES	Meghna Estuary Study
MTEF	Medium Term Expenditure Framework
MTEF	Medium Term Fiscal Framework
MTMF	Medium Term Macroeconomic Framework
NFPE	Non Formal Primary Education
NGO	Non Governmental Organisation
NWMP	National Water Management Plan
NWP	National Water Policy
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PEDP	Primary Education Development Programme
PER	Public Expenditure Review
PRGF	Poverty Reduction Growth Facility
(I-) PRS(P)	(Interim-) Poverty Reduction Strategy (Paper)
RADP	Revised Annual Development Programme
RNE	Royal Netherlands Embassy
SAF	Structural Adjustment Facility
SIDA	Swedish International Development Agency
SRP	Systems Rehabilitation Project
SSWRDP	Small Scale Water Resources Development Project
SWAp	Sector-wide approach
SWOT	Strengths, Weaknesses, Opportunities and Threats
TI	Transparency International
TP	Twinning Project
USD	United States dollar
WARPO	Water Resources Planning Office
WB	World Bank
WMCA	Management Cooperative Associations
WMIP	Water Management Improvement Project

Exchange rate: April 1994 1 NLG = Taka 40
January 2004 1 Euro = USD 0.85 = Taka 70

C1 CONTEXT FOR THE INTRODUCTION OF THE SECTOR-WIDE APPROACH IN BANGLADESH

C1.1 Class, kinship and power structure in Bangladesh¹¹²

Bangladesh, with a population of 135 million people and a per capita GNP of only \$350, is one of the poorest countries in the world. Eighty percent of the population lives in rural areas. Bangladesh is a parliamentary democracy, although it's functioning in practice merits further improvement. The establishment of political parties is free, as is freedom of press, but Parliament is hardly operative, while political parties are more power groups than real 'political' streams and the press might be free, it is rather vulnerable to political and economic pressure and influence. Political elections take place according to the district delegated system, that implies a geographic relation between delegates in parliament and the constituency. It also implies clientalism. The legal system is relatively independent, at least in the higher levels of the hierarchy. On the other hand, all kind of laws and regulations are being violated persistently. One example is the violation of human rights, in particular those of women and political adversaries. The Chamber of Audit has restricted capacities and its reports do not have political clout. The fight against corruption is politicised and has been hardly effective. In 2005, Bangladesh occupied –together with Haiti- for the fourth consecutive year the lowest rank in the Transparency International Corruption Perception Index.

The governance deficiencies have their roots in the power structure Bangladesh¹¹³. In the aftermath of Independence (1971), many scholars believed that the Bangladesh's ruling class was not hegemonic, since the power base of the ruling Awami League rested predominantly on the petit bourgeois and the rural rich. This class did not have influence over the military-bureaucratic oligarchy that had traditionally controlled the Pakistan state. During the first years of government, plundering and extortion of nationalized state resources was combined with sales of distribution licenses through political connections. Although industries were nationalized the distribution of products remained in the hands of the private sector. A group of businessmen with close links with the regime obtained distribution licenses and then sold them to private distributors. In this way the class that received state patronage procured jobs in the nationalized industries, grew rich by appropriating abandoned property and by selling off government permits and licenses to the highest bidders.

The military coup d'etat which toppled the Awami League government in 1975 represented a section of the military-bureaucratic oligarchy that had inherited notions of a divine right to rule from the Pakistan era. In Bangladesh, they felt their power threatened by the attempted control over the state apparatus by the Awami League power base. It must be mentioned that the class base of the newly established Bangladesh Nationalist Party (BNP) was no different than the

¹¹² This annex is largely based on contributions by Mrs. Meghna Guharthakurta, 2004.

¹¹³ Various sections of this background note are based on Meghna Guharthakurta: *The Elusive Sonar Bangla: Political Economy and Participatory Democracy in Bangladesh*. In: *Nepali Journal of Contemporary Studies*. Vol IV.no1, March 2004.

previous regime, but it represented a section, which, throughout the Pakistan era, had enjoyed political privileges and patronage of the state and felt deprived in the newly independent Bangladesh.

The military in post-independent Bangladesh found its corporate interests threatened by the new government. The change in regime in 1975 did not witness a change in the extortionist tendencies inherent in the previous regime. In many cases it only meant a change of sides by the same 'beneficiaries', viz. businessmen and subcontractors. This meant the restoration of the power and privileges of the bureaucracy, expansion of the military, and centralisation of power. Under Ziaur Rahman, the 'militarisation' of the bureaucracy started with senior military officers being inducted at all levels of the administration. The floating of the BNP itself a conglomerate of diverse interests, was held together by Ziaur Rahman's patronage in the form of jobs, bank loans, licenses and permits. The support base of the BNP was drawn from sections of the military, the bureaucracy, the business community, pro-China radicals, pro-Islamic elements and former members of the Awami League who had opposed Shaikh Mujib's authoritarianism. Under Ziaur Rahman corruption became institutionalised. The military coup by General Ershad in March 1982 led to the creation of an authoritarian military bureaucratic state. Ershad created his Jatiyo Party to legitimize himself and (even more than the BNP) it was held together by generous political patronage. Since his party lacked any overarching ideology that could have attracted popular support and legitimacy, he attempted to use religion, making Islam the state religion.

The end of Ershad's rule coinciding with the collapse of the Soviet Union and the worldwide movement for democracy witnessed the end of direct military rule in Bangladesh politics. At the same time, it heralded in a polarisation of party politics between the BNP and the Awami League to a level which even involved public and professional institutions such as the University, Bar Associations, Medical associations and other civil society forums. The polarisation did not reflect class differences. Conflicts between Awami League and BNP were more about power-sharing than anything else- share in jobs, acquired property, and business licenses. The disputes between the two camps were 'resolved' in a crude and violent manner and not through consensus-building or problem-solving in democratic institutions such as Parliament. The take-over of power (whether by Awami League or BNP) resembles the politics of '*char dokhol*' (occupation of char lands).

Kinship and Power Structure

Since most of the political leadership in Bangladesh emerges from the expanding middle-class, it is not uncommon to find blood relatives among political personalities belonging to diverse ideological camps. Thus although, on one hand, competition at party level can become very violent and intolerant, the kinship factor provides a buffer zone where extreme views or positions are often negotiated. This has been an entry point used by Islamist parties who wanted to gain credibility in society. For example, in Rajshahi University, members of Jamat i Islami have been encouraged to marry into families in university administration so as to enhance their status within the campus. This is also the reason why even though there be political intransigence at the party

level, members of rival parties are quite commonly seen together at social events and may at times purport to have common business interests.

The kinship factor also brings into play a particular pattern of gendered politics, which is often invisibilised at the level of a political system. Since family and kinship ties are important in power configurations, women have become the means through which dominant power configurations may be made manifest. Hence abductions, forced marriages, even rape of women belonging to marginalized groups, such as opposition party cadres are resorted to in the politics of domination. A less violent but nevertheless effective method of inscribing women into the politics of hegemony is through encouraging 'political marriages' where an Member of Parliament, or better still a Minister, as a father-in-law can help smooth out processes of obtaining licenses, securing jobs or ordering transfers of lucrative government posts. It is also this kinship factor which serves to exclude to a large extent religious and ethnic minorities from the centres of power. Technically speaking there is nothing to prevent minorities to participate in mainstream politics in Bangladesh and hence bring in their own kinship structures into play. But practice is different and works along well-defined 'in-crowd' power groups.

C1.2 Political and economic stability

Towards political stability

In the post-independent period reconstructing and rebuilding a war devastated nation was no doubt topmost in the national agenda. Developing democracy in Bangladesh was made subordinate to that goal. Since power over the state was restricted to relative small sections of society, as described above, broad participatory democracy has taken the form of popular movements and mass uprisings, which have contested military rule on the one hand and sought to bring economic emancipation to the common people.

In 1972, the newly independent state of Bangladesh was based on four state principles embodied in its Constitution: Nationalism (i.e. Bengali nationalism), Democracy, Secularism and Socialism. In the course of its evolving politics, secularism and socialism got struck off the Constitution and were substituted by a premise, which stated an 'absolute faith in Allah'. Bengali nationalism came to be contested by Bangladeshi nationalism, which contained an element of the religious. The principle of democracy was left intact, but the actual democratisation process was hampered by the intermittent coup d'états, that frequently suspended the Constitution. The democratisation processes took place more effectively through extra-constitutional means. Under military regimes, the Parliament often became a rubber stamp entity, which could only be rectified through demands channelled through popular movements.

As indicated above, the state had managed to create a certain class of ruling elite who has been able to retain their hold in policy-making. This has also been manifest in most electioneering tactics through which the democratic practice in Bangladesh has been validated. Nomination tickets of most mainstream party candidates have therefore been given to those who could

contribute most to the party campaign. This has resulted in a majority of elected candidates coming from business background. No doubt this in turn has affected policy-making decisions and trends, from where the voices of poor farmers or labourers or even common citizens find themselves excluded.

And this crosses the debate on the role of the state in society. After Bangladesh's socialist start with a large public sector, the Washington consensus, financially underpinned by the numerous Structural Adjustment loans insisted on "rolling back the state", whereby the role of the state was envisaged to be mainly 'enabling' economic development through liberalisation of the market forces. This market-friendly governance in combination with the population's and donor's demand for combating poverty effectively in a sustainable and a participatory democratic manner was 'too much asked' in a country with a power structure resting in the hand of elites in society that had appropriated the public sector and basically 'distributed' the interest and power among their affiliates.

Since the state was not open to participation, participatory democracy took the form of mass movements, street action and large and strong non governmental organisations, that either oppose or collaborate with government, and that fulfil watchdog functions next to service delivery. Social movements in Bangladesh, be they local or national enable –in part- the participation of those sections of the population who have far been excluded from the formal system. The challenge is whether the middle-class leadership, which often lead such movements are adequately aware (or willing) to create the necessary platforms for that participation in society.

Fundamentalism has been on the rise in Bangladesh ever since the Bangladesh state veered away from the post independent ideology of socialism and secularism and underwent an Islamicisation process (Guhathakurta, 1994:109). The movement against fundamentalism has had its ups and down as both the establishment and the opposition parties decided to use it as a third force in their fight against each other. This 'fight' has been shaped by the then party in power (the BNP) resorting to autocratic handling of power on the one hand and the opposition using alliance with the fundamentalist party to contest such power on the other.

Successive governments have failed to address the questions of economic emancipation for the common citizen. It is not likely that the principles of secularism and socialism, which got struck off the Constitution is likely to make its way back again, particularly not in a region with strong power of religious fundamentalism.

After a temporary caretaker government in 1996, the June 1996 elections brought the Awami League (AL) into power, replacing the Bangladesh Nationalist Party Government of Prime Minister Khaleda Begum Zia, widow of the assassinated former president Ziaur Rahman. The government of the new Prime minister, Sheikh Hasina Wazed was the first one of completing the Constitutional five-year term in Bangladesh. New elections in 2001 were won by a coalition of the BNP and three islamic parties, led by Khaleda Begum Zia. Political stability is remote, since the Awami League party continues to deny the legitimacy of the ruling coalition government and

stays away from parliament. Bomb attacks on an Awami League mass rally in August 2004 (of which the perpetrators are still at large) stirred the political tension. The two main political parties are blaming each other for the deterioration in the security situation.

The Economist Intelligence Unit¹¹⁴ reported late 2004: “Bangladesh’s political scene will remain highly volatile over the near future. [..]. The law-and-order situation remains a serious concern, and poor governance will act as a brake on the implementation of economic reform”.

Towards economic stability

Bangladesh has made great strides in improving the lives of its people since gaining Independence in 1971. Since the early 1990s, Bangladesh (supported by the IMF) pursued a relatively fruitful stabilisation and structural reform programme, heavily resting on SAF and ESAF-funds. The strong external funding of the reforms made some scholars argue that the reforms have never been internalised, as probably evidenced by continuous political unrest and stagnation in the implementation of the various reforms. Nevertheless, the reforms introduced by the Awami League were not turned down by BNP and the latest BNP government achieved to control the fiscal deficit. There are currently opportunities to come to a Poverty Reduction Growth Facility, based on the (I-) PRSP.

Whatever the ‘internalisation’ of the economic changes might have been, the economic performance has been relatively strong over the past decade, with annual GDP growth averaging 5 percent. Inflation remained low (less than 3 percent), while the BNP government achieved reducing the fiscal deficit to approximately 4 percent of GDP. The debt service is relatively stable at a level of less than 10 percent of export earnings and a total stock of debt equal to 50 percent of GNP. These external debt levels are generally considered as sustainable in the long term. The percentage of the population living below the poverty line has been reduced from 43 percent to 34 percent between 1995 and 2002.

The country has seen an emergence of progressive entrepreneurs. Recent reform actions in fiscal management, governance, state-owned enterprises, banking, telecommunications, and energy have also shown encouraging results. Increasing foreign direct investment flows have supported infrastructure, energy, and export-oriented manufacturing. Inflows of private foreign direct investment rose from the average of USD 400 million during the 1990s to nearly USD 780 million a year. The inflows of remittances from abroad (well over 4 percent of GDP) have helped government to accumulate a comfortable stock of foreign-exchange reserves.

Health and education levels in Bangladesh have improved remarkably, and poverty has been declining. Reducing population growth and attaining gender parity in school enrolment rates are notable achievements of recent years. In the past decade, Bangladesh has reduced infant mortality by half, a faster rate than any other country, and it has increased adult literacy rates by

¹¹⁴ The Economist Intelligence Unit. Country Report, October 2004

8 percent for women and 6 percent for men. Bangladesh has also achieved near self-sufficiency in food production and made good progress in improving disaster management capacity and social safety nets.

Although data show that even among the very poor there has been significant income growth and improved nutrition, Bangladesh's poverty rate remains high. Bangladesh still has the highest incidence of poverty in South Asia and the third highest number of poor people living in a single country after India and China. The challenges are magnified by a population density of roughly 800 people per square kilometre, one of the highest in the world.

Improvement in the nutritional status of women and children has been substantial, but further progress is needed, given that the incidence of malnutrition is still among the highest in the world. Relatively new challenges include arsenic in the country's groundwater, which is toxic with long-term consumption, and HIV/AIDS. Although the country has achieved nearly 100 percent primary school enrolment rates, the dropout rate is 40 percent. Literacy rates for both adult men and women have improved, but given the magnitude of the initial challenge, these are still below the regional average for South Asia.

With the growing global focus on the Millennium Development Goals (MDGs) (including halving the proportion of people living on less than one dollar a day and achieving universal primary education by 2015), success in Bangladesh is critical to the achievement of these goals. According to data on current trends, Bangladesh is expected to meet most of the MDG targets.

The National Strategy for Economic Growth, Poverty Reduction and Social Development, which is Bangladesh's Interim Poverty Reduction Strategy Paper (I-PRSP), aims to substantially reduce chronic poverty and invigorate social development. It focuses on five key areas: (i) pro-poor economic growth for increasing income and employment of the poor; (ii) human development of the poor through education, health, nutrition, and social interventions; (iii) women's advancement and closing of gender gaps in development; (iv) social safety nets for the poor; and (v) participatory governance for enhancing the voice of the poor and improving well being in areas such as security and social inclusion and removing institutional hurdles to social mobility.

The Economic Intelligence Units (2004) stated that relative economic stability prevails, but that the country still depends on both foreign aid and remittance inflows from Bangladeshis abroad. The current account is expected to deteriorate slightly as a result of higher oil prices and adjustments to a new quota-free trading regime for Bangladesh prime exports, garments, which moderate demand from abroad. Bangladesh's economy is highly vulnerable to this phasing out of the Multi-Fibre Arrangement (MFA, a quota system governing trade in textiles) at the end of 2004. The country depends heavily on exports of ready-made garments, which account for around 75 percent of merchandise exports; over 90 percent of the garments exports are bound

for quota – restrained markets. The MFA's ending is likely to dampen the prospects of the garment sector, Bangladesh's main export engine, but the impact might be temporary only, since Bangladesh remains competitive in the highly labour-intensive garment trade, with labour costs are below those of China (where the labour costs are on the increase).

Whether the economic progress will persist will largely depend on the attractiveness of Bangladesh as a trade partner. From that perspective the future of Bangladesh is rather hazy. The World Bank¹¹⁵ (2004) described Bangladesh as one of the most difficult places in the world to do business and corruption and bad corporate governance are devastating. Foreign investors happen to be mainly Bangladeshi firms abroad. Trading arrangements are frequently of short term only and not covered by export guarantees.

C1.3 Trends in Development Thinking in Bangladesh

Since independence Bangladesh has been the site of many developmental debates. Bangladesh's virtue is that it has been able to convert its perceived disadvantages (population density, poor resource endowment) into assets for economic growth. Throughout the years it has adopted various paradigms to help meet the challenge of development. The shifts in development goals and priorities have followed some broad trends: (a) the shift from a self-reliant autarchic goal to integration with the world economy; (b) the shift from public sector to privatisation; (c) from a basic needs focus to efficiency oriented development growth; (d) governance, gender and human rights, and (e) modernization and growth versus indigenous development. Most of these shifts are clearly described in the various Five Year Plans of Bangladesh (see Sobhan, R.1982; van Schendel 1988:64). Only some of those trends are illustrated here:

- the shift from basic needs to economic growth

From the seventies into the nineties, a global shift in development orientation can be witnessed from a basic-needs and poverty-focused approach to a more efficiency and market-oriented one. Parallel to these patterns of change, successive Bangladesh governments too revised their development strategies to the extent that more recent policies differ radically from earlier visions. The main shift has been from a socialist vision, even with some autarchic characteristics (import substitution) under economic arrangements dominated by the public sector to an economy driven by export orientation, private sector and market liberalisation.

The linkage between the donors' direction in aid policies, emphasizing that development aid should be invested directly into the poor, instead of 'waiting' for the trickle-down effect of growth theories. In Bangladesh, donors stressed the need to target on the poorest strata in society in areas such as primary education, family planning, urban service delivery and credit provision. A dichotomy emerged: on the one hand, the macro-economic policies pursued more and more the

¹¹⁵ The World Bank (2004). Doing business in 2005

market forces, liberalisation and privatisation and hence a withdrawal of the state in the economy, on the other hand donors expected government to do more in combating poverty directly.

Since GoB found it hard to combine both avenues, it opened up new opportunities for the non governmental organisations in Bangladesh. After Independence NGOs had been mainly advocacy and lobbying groups, but now they moved strongly into the areas left open by government's withdrawal, such as in credit provision to poor population strata.

- the increasing dominance of governance, gender and human rights in the development discourse

In Bangladesh, the democratisation process emerged as a strong movement against the military-backed regimes in the early 1990s. Politically, Bangladesh has followed a course, which has taken it from a parliamentary democracy to presidential rule to the successive coup d'états followed by martial law interspersed by elections, which voted into power autocratic regimes with entrenched military interests. But the resistance and the contestation of authorities have always been part of the political culture of Bangladesh and time and again people both within and outside political parties have demonstrated this power through various protest movements. Related to the issue of governance (but historically preceding it) gender and human rights issues infiltrated the development discourse in Bangladesh.

Through this approach, women along with the landless and target groups, were selected as the beneficiaries of development process, the emphasis of which has shifted from large-scale infrastructural development to small-scale project oriented development. This was also the point where many local level NGOs with close contacts with grassroots organisations entered the development scene.

The government of Bangladesh had accepted the WID programme more because of political expediency and pressure from donors rather than by genuine concern for women's development. Government had been happy to design separate programmes for women as long as it did not disturb the main policies. The 'mainstream discourse', also introduced by the donor community (and reflected in the Fourth Five Year Plan) did recognize that a certain amount of state intervention and affirmative state action would be needed for gender-based development, mainly in decision-making processes at both micro and macro levels, at the same time it relieved GoB from 'developing WID programmes'. Donors had opened up their thinking towards 'good governance' and as component of that human rights. While the human rights issue was not new in the bilateral relation, it got a new, and more pronounced place and was no longer restricted to issues like political prisoners, but comprised themes as child labour as well. Gradually, donors themselves 'translated' the governance issues more and more to 'public finance management' (mainly the World Bank focuses strongly on that), reason why there is a certain discrepancy in opinion about the 'governance situation' in Bangladesh. While TI continues to classify Bangladesh among the worst ranking countries in world on governance issues, various donors

reports (i.e. World Bank CAS) are more positive (but the reference is mainly of the fiduciary risk assessment of the public finance system).

- modernization and growth vs. indigenous perspectives

The dominance of the donors' agenda and the growth-oriented model of development has exacerbated the modernization paradigm in the development discourse of Bangladesh. The dominant development discourse has moved towards the creation of a modern nation-state as opposed to the sustenance of a peasant society. This thinking has permeated all levels of society so much that an alternative thinking would verge on the insane. This also applies to areas and circumstances where the modernisation tendency should be taken cautiously from a perspective of cultural heritage. That means that the current dominant thinking is of modernising the Chittagong Hill Tracts as opposed to readapting indigenous technology as a solution to many of the development problems of the region. Or, in Bangladesh it has become more common to think that real estate agencies and shopping complexes will solve the housing needs of millions, rather than any public activity in that field or by enabling own solutions by population groups in desperate need of housing.

This makes the discussion with the donor community on 'pro poor policies' rather ambiguous. The introduction of sector wide policies in Bangladesh occurred amidst the adoption of the Interim Poverty Reduction Strategy paper and the National Development Plan of the Bangladesh Government (2004-2005) that may present 'pro poor policies', but within a dominant and general political mainstream 'belief' in problem-solving capacity of the market forces.

The agenda for government is large and complex. Access to markets and services calls for improvements in the quality and pro-poor orientation of publicly funded services (whether delivered by the public, private or NGO sectors), for changes to public funding priorities and modalities, and for more effective provision of public goods, including infrastructure and regulation. Improved security demands building on existing initiatives for social protection, and for more effectively safeguarding human rights.

Civil society (here broadly defined to include NGOs, CBOs, the media, independent research centres, professional associations and the Bangladeshi diaspora) will play two decisive roles in Bangladesh's development: as advocates of reform; and as service providers. The latter is a pragmatic question, based on who can deliver services most cost-effectively. NGOs and some community-based organisations have shown that they have or have had a comparative advantage in Bangladesh in delivering a range of services, especially in rural areas. Certainly the response of several external agencies, based on years of involvement, has been a progressive shift of funding for service delivery from government towards NGOs. In certain other areas, however, including micro-finance and some agricultural services, a further shift may be taking place from NGOs towards private for-profit providers. In part this is because the private sector is growing, and is increasingly capable of taking on new functions. In part it is due to a changing pattern of market failures.

CI.4 International Development Assistance

International development assistance has been extremely important to Bangladesh since Independence. Frequently, Bangladesh has been described as an aid dependent country. But this dependency has declined over the years. The relative weight of external funding over the period 1998-2003 declined from 18.7 to 12.0 percent of all public expenditures, while Official Development Aid funded from 45 to 31 of the Annual Development Programme over the same period (see table C1.2). There are two reasons for this decline: first, in absolute terms ODA has diminished from USD 1,158 million in 1998 to USD 912.8 million in 2002 (see table C1.1); secondly, the tax revenues have increased by USD 1,200 million over the same period and that implies a relative lower share in the total resource envelope of external aid.

Table C1.1 Net Official Development Assistance

USD million	1998	1999	2000	2001	2002
Bilateral	623.9	607.3	616.5	578.4	520.8
Japan	189.1	123.7	201.6	125.6	122.7
UK	99.0	114.9	103.4	124.5	101.8
US	4.0	113.6	62.5	87.1	72.1
Germany	65.1	46.6	36.7	30.1	30.0
The Netherlands	57.9	36.1	32.6	43.2	44.3
Multilateral	524.8	588.2	519.5	437.5	379.8
IDA (World Bank)	290.8	339.6	275.2	217.9	195.1
ADB	183.1	214.1	198.0	126.6	93.2
UNDP	20.8	13.9	18.8	12.2	14.4
Total incl. Others	1,158.1	1,215.2	1,171.3	1,029.9	912.8

Disbursements by OECD and OPEC members and multilateral agencies. Official Development Assistance is defined as grants and loans, with at least a 25 percent grant element, administered with the aim of promoting economic or social development.

Source: OECD, Geographical Distribution of Financial Flows to Aid Recipients (OECD website)

The share of the Netherlands in total ODA has been between 3 and 5 percent (table C1.2).

Table C1.2 Netherlands' contributions in total ODA and relative share of ODA in the Annual Development programme of Bangladesh

	1998	1999	2000	2001	2002
Netherlands as % of total ODA	5.0	3.0	2.8	4.2	4.9
All ODA as % of Total Expenditure	18.69	17.74	16.90	14.51	12.04
Bilateral Aid as % Total Expenditure	10.07	8.87	8.89	8.15	6.87
All ODA as % Annual Developm Progr	45.18	40.17	39.75	39.30	31.27
Bilateral Aid as % of Annual Develop.Pr	24.34	20.07	20.92	22.07	17.84
Netherlands as % of Annual Develop Pr.	2.26	1.19	1.11	1.65	1.52

Source: own calculation

The external aid covers about 12 percent (2002) of Bangladesh's total expenditure and about a third of the Annual Development Programme. Roughly 60 percents are grants, the remainder loans.

C1.5 Assessment

The main purpose of the context description is to assess whether the political and economic environments are conducive to the introduction of the sector-wide approach.

First of all, the governance situation is rather complex. Opinions vary to extent to which this context has improves over the period 1999-2004. While corruption is persistently high, the World Bank reports on improving public finance management. RNE Dhaka is actively involved in many governance activities and human (especially women's') rights issues. The Ministry of Foreign Affairs' Country team reported in 2003: "There is a negative trend in governance, particularly in the area of human rights (minorities) and law and order (security and protection against extortionists) and corruption" and stated "there is serious doubt about the willingness and ability of the Government of Bangladesh to improve the governance situation, in particular on endemic corruption and the human rights situation".

Second, also the political situation is rather unstable. The Economist Intelligence Unit reports "Bangladesh's political scene will remain highly volatile over the near future. The main opposition Awami League continues to deny the legitimacy of the ruling coalition government led by the Bangladesh Nationalist Party (BNP). The law-and-order situation remains a serious concern, and poor governance will act as a brake on the implementation of economic reform". For a more long-term perspective, the future political stability may depend on the effective resolution of the socio-economic problems, as well as on how those problems are being discussed in the country: through a functioning parliamentary system or by the politics of confrontation and power play.

Third, beyond doubt Bangladesh has been performing economically well over the past decade, despite the endemic corruption, the increasing law and order problems and a practically defunct political democracy. This is true for macro-economic indicators as well as the reduction of the population living below the lower poverty line (now about one third of the population). The per capita income is growing with about 3 percent per year.

But, the economy is still vulnerable, being based on the garment industry (75 percent of exports) and on remittances from workers abroad (4 percent of foreign exchange earnings). The garment industry is likely to come (temporarily?) down as the Multi-Fibre Accord ends. Direct Foreign Investment remains low, is highly linked to Bangladeshi living abroad and has shown to be short-term investment mainly.

Fourthly, the dependency on foreign aid is gradually reducing. Although a substantial part of the development discourse seems to have been impulsed by the donor community, the autonomous

decision-making in Bangladesh is high. GoB is committed to the MDG and in fact, MDG performance is good on a number of indicators, with mixed results on others. Gross enrolment in education has increased from 59% to 96% in 2000, but quality improvement remains necessary. Gender equality in primary education is achieved, but the number of girl-drop outs is still high. Reductions in infant mortality rate from 87% in 1993 to 66 % in 1999. Modest improvement in maternal mortality, progress in reducing malnutrition and diarrhoea. Gender equality is a key constraint in meeting the MDG's. The success in social sectors can be attributed for an important part to involvement of NGO's (Education) and private sector (Health).

Overall, the political and economic environment has not been –and still not is- very conducive for the application of the sector-wide approach. In particular, the political instability and the poor governance levels are serious impediments. On the other hand, both the Awami League and the Bangladesh Nationalist Party have shown commitment to improving social services and in particular in achieving the Millennium Development Goals.

C2 LOCAL CONSULTATIVE GROUPS AND PARTICIPATION BY THE NETHERLANDS

Local Consultative groups and participation by the Netherlands

Subgroup	Number of Development Partners Active in subgroups	The Netherlands
Agriculture	16	√
CHT	16	
DER	19	√
Education	21	√
Energy	10	√
Environment	11	
Finance	16	
Fisheries	11	√
Food security	17	√
Governance	20	√
Health and Population	16	√
HIV/AIDS	8	
MDTA	23	
NGOs	20	√
Poverty Issues	20	√
Private Sector	13	√
Project Implementation	11	
Rural Infrastructure	15	
Transport	11	√
Urban Sector	14	√
WAGE	21	
Water Management	9	√
Water Supply	19	

Membership list as by June 2004. Members may only be on the distribution list and not attend meetings.

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C4 PROGRAMME AND PERSONS MET

Date	Programme
	The Netherlands
March,4, 2004	Interview J.Maas, ex Head Development Co-operation RNE
June, 29, 2004	Interview P.C.F.Zwetsloot, ex TD RNE
July, 5, 2004	Interview Mrs D.Methorst, country team Bangladesh
July, 13, 2004	Interview Mrs M.Kroon, ex gender and social sectors specialist RNE
Sept. 17, 2004	Interview C.Hacking, ex TD Education, RNE
Sept 29, 2004	Interview S.Ijzermans, ex CdP RNE Dhaka
	Bangladesh
Friday 19 November	Flight Amsterdam – Dhaka (Rodts, Cornelissen)
Saturday 20	Arrival Dhaka, meeting Mrs Meghna Guhartakurta and Ronald Rodts, mission members
Sunday 21	Meeting RNE, HOS Meeting UNICEF, Education Briefing OS staff RNE Coordination field work Dirk Frans Evening: meeting Research Initiatives Bangladesh
Monday 22	Meeting Programme Liaison Office Asian Development Bank, Primary Education Development Programme (PEDP) Meeting Campaign for Popular Education (CAMPE) Meeting Danish Embassy Desk research (Rodts)
Tuesday 23	Preparation Field work Dirk Frans Meeting Director General WARPO (Rodts) Meeting CIDA (Canada); chair of the Educational Local Consultative Group (CIDA) Documentation
Wednesday 24	Meeting Delegation of the European Commission Meeting Advisor Women in Development Meeting Ambassador Sweden Desk research Field Work Water Sector (D.Frans)
Thursday 25	Meeting Deputy Head DfID Meeting Administrative Officer Development Co-operation RNE Meeting Assistant Director General BWDB (Rodts) Meeting Project Officer Water and Sanitation ADB (Rodts) Field Work Water Sector (D.Frans)
Friday 26	Documentation and reporting Meeting Water Specialist RNE (Rodts, Cornelissen) Field Work Water Sector (D.Frans)
Saturday 27	Documentation and reporting Meeting Assistant Water Specialist RNE Field Work Water Sector (D.Frans)
Sunday 28	Meeting World Bank; Lead Human Development Specialist Meeting Asian Development Bank Meeting Economic Advisor, responsible Rural Electrification RNE Meeting Project Officer and Economic Advisor World Bank (Rodts) Field Work Water Sector (D.Frans)
Monday 29	Documentation and desk research Meeting former secr. External Relations Dept.; former minister Meeting second secr. Gender RNE Reporting D.Frans
Tuesday 30 November	Debriefing field work D. Frans Informing RNE Development Co-operation staff on progress IOB evaluation Meeting ex minister Water Resources Management Meeting Governance Advisor Meeting specialist Natural Resources DfID (Rodts)

Wednesday 1 December	Meeting Ambassador of the Netherlands to Bangladesh Meeting second secretary Water Management RNE Meeting specialist Water Management RNE (Rodts) Meeting Head Operational Management RNE
Thursday 2	Team meeting Meeting BRAC, Programme Head Donor Liaison Office Meeting Head Development Cooperation, RNE Meeting second secretary Water Management RNE (Rodts)
Friday 3	Elaboration debriefing paper Meeting IFAD Liaison Consultant (Rodts)
Saturday 4	Meeting Ministry of Primary and Mass Education Meeting Ministry of Finance, External Relations Department Elaboration debriefing paper
Sunday 5	Elaboration debriefing paper Meeting Non Formal Education, BRAC Debriefing Development staff RNE Meeting Educational sector specialist RNE
Monday 6	Flight Dhaka – Dubai - Amsterdam
Tuesday 7	Arrival Amsterdam

Persons met

Name	Function
Ahmed, Dr. T.	SSWRDSP
Alam, Mrs A.	Specialist Natural Resources, DfID
Beemsterboer, C.S.M.	Ambassador of The Netherlands to Bangladesh
Buursink, A	Economic Advisor; responsible Rural Electrification, RNE
Choudhury, Mrs Rasheda K.	Director Campaign for Popular Education (CAMPE)
Choudury, G.	Assistant Director General BWDB
Chowdhury, G. H.	Deputy Director D.Net
Currey, Mrs M.	Deputy Head DfID Bangladesh
Das, Mrs T.	Advisor Women in Development, RNE
Evers, A	First Secretary Integrated Water Resources Management, RNE
Faruque, M.	Director General WARPO
Frerichs, P.	Senior Administrative Officer (Development Co-operation), RNE
Hacking, C.	Ex First Secretary Education, RNE
Hansen, T. B.	Minister Counsellor, Deputy Head of Mission Royal Danish Embassy
Van der Heijden, Mrs A.	TD Women in Development, RNE
Huda, S.	Ex minister Water Resources, water management expert
Islam, A.	Administrative Officer Development Co-operation RNE
Jaglul Pasha, S.	Joint Programme Director, PEDP II. Ministry of Primary and Mass Education
Jenkins, A.	Team leader IPSWAM
Jennings, J.	Chief Child Development and Education Section, UNICEF
Karim, M	BWDB Deputy Chief Extension Office
Kausher, A.H.M.	PD /Superintending Engineer, Director, Planning-3, Office of Director Planning-III, BWDB
Khan, Mrs Humirah	Deputy Chief External Relations Department, Ministry of Finance
Khan, Qaiser M	Lead Human Development Specialist, World Bank
Kroon, Mrs M.	Ex gender and social sectors specialist RNE
Kumar Saha, A.	Project Officer ADB
Maas, J.	Ex Head Development Co-operation RNE
Mahmood, J	Head Social Infrastructure, Asian Development Bank
Mattson, B.	Ambassador of Sweden to Bangladesh
Methorst – de Bie, Mrs D.	Senior Policy Officer. Asia and Oceania Department Southern Asia Division. Country team Bangladesh
Van der Meulen, A.F.	Head Operational Management, RNE
Mudahar, Mohinder S	Economic Advisor, World Bank

Muhith,	Former secr. External Relations Dep., former minister
Rafiquzzaman, S.A.M	Project Officer World Bank
Rahman, M. Mujibur	Executive Director Gana Gabeshana O Unnaynan Foundation
Ruggles, R	First Secretary development, High Commission of Canada
Smits, mrs B	Governance Advisor RNE
Snels, B.	IFAD Liaison Consultant
Tyrie, G.	Development Advisor. Delegation of the European Commission to Bangladesh
Van der Winden, M.W.J.	Second secretary Water Resource Management, RNE
Ijzermans, S	ex CdP RNE Dhaka
Zahid, F.	Advisor Education RNE
Zahir, A	Advisor Water Management, RNE
Van der Zanden, A.W.H.E.M.	First Secretary Education, RNE
Van der Zeeuw, J.A.M.	Head Development Co-operation RNE
Zwetsloot, P.C.F.	Senior Policy Officer Macroeconomic Co-operation UN and IFIs Department. Ex-economic advisor Royal Netherlands Embassy Dhaka ex TD RNE Dhaka