

BANGLADESH
Evaluation of the Netherlands Development
Programme with Bangladesh, 1972–1996

Policy and Operations Evaluation Department, Ministry of Foreign Affairs

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Preface

This report presents the findings of the evaluation of the Netherlands bilateral development cooperation with Bangladesh.

The main objective of the study was to assess the policy relevance, effectiveness, efficiency and sustainability of the bilateral aid programme for Bangladesh. The study covered some 25 years of development assistance to Bangladesh, i.e. since its Independence in 1971. In this period, a total of Dfl. 2.65 billion has been disbursed to programme and project aid made available through the regular bilateral programme, as well as to aid channelled through co-financing agencies to NGOs. Project aid has been grouped into five sectoral clusters: agriculture, industry, transport, water management and social services, the latter comprising health, education, and drinking water and sanitation. A description of non-aid relations between the Netherlands and Bangladesh is also included in this report. IOB has aimed at the maximum involvement of Bangladeshi aid authorities in the various stages of the evaluation.

The report comprises three volumes. Volume I contains the Summary, Conclusions and Main Findings, and a reaction to the evaluation by the Bangladeshi aid authorities. Volume II constitutes the main report, whilst Volume III contains a detailed description of the evaluation of Netherlands-funded NGOs in Bangladesh on the basis of 15 case studies.

In general it can be concluded that a major part of Netherlands' aid to Bangladesh has contributed to the economic and social development of that country. Activities aimed at social and institutional change were generally less effective; the reasons for that are identified in this study.

IOB constitutes an independent unit within the Ministry of Foreign Affairs, responsible for evaluating the Ministry's policies and operations. A more detailed description of IOB is provided in annex 1. The study was coordinated by Frans Makken (IOB) and Bert van de Putte, whilst an advisory group of external and internal experts advised on

methodology and commented on draft reports. Many individuals, both from the Netherlands and Bangladesh, have contributed to this study; a list of names is provided in annex 2. IOB, however, bears sole responsibility for this report.

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Abbreviations

ADB	– Asian Development Bank
ADP	– Annual Development Plan
ASA	– Association for Social Advancement
BADC	– Bangladesh Agricultural Development Corporation
BCIC	– Bangladesh Chemical Industries Corporation
BDS	– Bangladesh Development Society (former Barisal Development Society)
BHB	– Bangladesh Handloom Board
BIWTC	– Bangladesh Inland Water Transport Corporation
BIWTA	– Bangladesh Inland Water Transport Authority
Bilance	– Catholic Organisation for Development Corporation, former Cebemo/Vasten-actie
BJMC	– Bangladesh Jute Mills Corporation
BOGMC	– Bangladesh Oil, Gas and Mineral Corporation (‘Petrobangla’)
BRAC	– Bangladesh Rural Advancement Committee
BSEC	– Bangladesh Steel and Engineering Corporation
BSFIC	– Bangladesh Sugar and Food Industries Corporation
BTMC	– Bangladesh Textile Mills Corporation
BWDB	– Bangladesh Water Development Board
CARE	– Co-operative American Relief Everywhere
CBI	– Centre for Promotion of Imports from Developing Countries
CCDB	– Christian Commission for Development in Bangladesh
CDA	– Community Development Association
CDSP	– Char Development and Settlement Project
Cebemo	– Catholic Organisation for Development Cooperation
CFA	– Co-Financing Agency (Bilance, ICCO and Novib)
CPP/FAP20	– Compartmentalisation Pilot Project
DDP	– Delta Development Project
DGIS	– Directorate General International Cooperation of the Netherlands Ministry of Foreign Affairs
DPHE	– Department of Public Health Engineering
EGIS	– Environmental Geographical Information System
ERD	– Economic Relations Department of the Ministry of Finance of the Government of Bangladesh
EIP	– Early Implementation Project
EU	– European Union

FAO	– Food and Agriculture Organisation of the United Nations
FAP	– Flood Action Plan
FMO	– Netherlands Development Bank
FPCO	– Flood Plan Coordination Organisation
FSM	– Faridpur Sugar Mill
FY	– Fiscal Year
GDP	– Gross Domestic Product
GEP	– General Education Project
GOB	– Government of the People’s Republic of Bangladesh
GOM	– Consultative Bureau of the Co-Financing Agencies
GSS	– Gono Shahaijo Sangsta
IBO	– Agreement on Encouragement and Reciprocal Protection of Investments
IDA	– International Development Agency
ILO	– International Labour Organisation of the United Nations
IMF	– International Monetary Fund
IOB	– Policy and Operations Evaluation Department (former IOV)
ICCO	– Inter-Church Organisation for Development Corporaton
ICDDRБ	– International Centre for Diarrhoeal Research, Bangladesh
LRP	– Land Reclamation Project
MES	– Meghna Estuary Study
NEMAP	– National Environment Management Action Plan
NFPE	– Non-Formal Primary Education
NGO	– Non-Governmental Organisation
Norad	– Norwegian Agency for International Development
Novib	– Netherlands Organisation for International Development Cooperation
NSP	– New Seed Policy
ODA	– Official Development Assistance
ORET	– Development-related Export Programme
POP	– Population and Health Programme
PFDS	– Public Food Distribution System
RDRS	– Rangpur Dinajpur Rural Service
RNE	– Royal Netherlands Embassy
SAARC	– South Asian Association for Regional Cooperation
SEM	– Secondary Exchange Market
SCA	– Seed Certification Agency
SIDA	– Swedish International Development Agency
SRP	– Systems Rehabilitation Project
TICI	– Training Institute for Chemical Industries
TSP	– Triple Super Phosphate
TSPCL	– TSP Complex Chittagong
UNDP	– United Nations Development Programme
UNICEF	– United Nations Childrens’ Fund
UNFPA	– United Nations Family Planning Agency
WARPO	– Water Resources Planning Organisation
WB	– World Bank

Glossary

Beel	– Shallow depression normally retaining water throughout the year
Char land	– Land newly accreted by silt deposition
Hoar	– Bowl-shaped depression between natural levees of a river
Khas	– Untitled land and ponds, of which Government is assumed to be the owner
Pourashava	– Municipality
T(h)aka	– Bangladesh Currency Unit (about 45 per US\$ at the time of the study)
Thana	– Unit of local government administration, usually formed of 6 to 8 unions
Union	– Smallest administrative unit in the country, about 4,400 in the country
Upazila	– Sub-district (462 in country)

Conclusions and Main Findings

In the period 1972–1996, the Netherlands bilateral aid cooperation with Bangladesh amounted to Dfl. 2.65 billion, an annual average of Dfl. 106 million or approximately one guilder per Bangladeshi per year. Bangladesh ranked in this period among the four largest recipients of the Netherlands aid programme, whilst the Netherlands now ranks fifth on the list of bilateral donors to Bangladesh.

Diplomatic relations between the Netherlands and Bangladesh date from the latter's Independence. The Netherlands was represented by a Chargé d'Affaires from 1972 up to 1980, when the first Ambassador was appointed. Bangladesh opened an embassy in The Hague in 1996. Relations have been dominated by the development cooperation programme, and there have been few political issues between the two countries. Mutual official visits have been limited over time. Commercial relations were negligible in the 1970s and 1980s. In the 1990s, imports from Bangladesh have increased to more than Dfl. 280 million per year, mainly ready-made garments, for which Bangladesh enjoys preferential access to the European market, and shrimps. Over 30 Dutch companies are presently active in Bangladesh. Some 35 private organisations in the Netherlands maintain contacts with Bangladesh, mainly concerning development projects, relief and charity. Cultural relations have been limited.

1 Overall assessment of the aid programme

Evaluation of the Netherlands aid programme indicates that a major part of aid activities has contributed to Bangladesh's economic and social development. Fertiliser deliveries and projects aimed at improving seed production, crop diversification and water management have helped in the structural improvement of food production, which has stabilised both the supply and prices of the staple crop (rice) since the early 1980s. The projects also increased food security in the intervention areas through greater production of non-rice crops and better flood control. Projects in transport and storage have contributed to food security through the integration of (food) markets, improved food logistics, and better access to the main seaports.

In the 1970s, project and programme aid to industry helped to create conditions for economic growth and to provide job opportunities. In the 1980s, however, the substantial levels of this support mainly maintained loss-making state enterprises, whilst the intended aid to private sector development did not materialise. Support given to gas exploitation was effective in enhancing energy supply and increasing economic activity.

Towards the end of the 1980s and in the 1990s, increasing project aid to social sectors and support to Non-Governmental Organisations (NGOs) effectively pursued direct poverty alleviation through the enhanced delivery of basic social services, targeting women and girls in particular. Persistent institutional problems and dependence on external funding restrict chances for the sustainability of project results.

Since the early 1980s, the Netherlands aid authorities have emphasised the need for institutional and social change in order to enhance sustainability of investments and to guarantee more effectively that project benefits would accrue to the poorer sections of society. Such changes have hardly been realised through the aid programme and their pursuance limited project efficiency in that decade.

2 The aid programme 1972–1996

Netherlands development cooperation with Bangladesh started shortly after it became independent in 1971. Annual disbursements amounted to over Dfl. 120 million per year in the 1980s. Subsequently, they decreased to approximately Dfl. 80 million in 1996. An overview of aid disbursements is presented in Table 1.

During the 1970s, emphasis was placed on programme aid and on projects in transport, water management and industry, reflecting the need to re-launch the economy of the war-ravaged country. In the 1980s, increased attention was given to activities that directly addressed poverty through a target group approach. This was first integrated into projects in the above mentioned sectors. During this period, the proportion of assistance provided to the social sectors and aid through NGOs also increased slowly. In the 1990s, programme aid and assistance to the transport sector were phased-out. Infrastructural development was increasingly considered to be more suitable for funding by multilateral development banks. Project support to social sectors and aid through NGOs increased substantially. Until 1996, agriculture and water management were constant components of the aid programme. In 1997, it was decided that the aid programme would further be focused on the social sectors (health, education and drinking water) and water management. Support to agriculture, small industry development and energy will be phased-out.

Table 1 Netherlands bilateral aid programme for Bangladesh, 1972–96, in Dfl. millions

Aid form/sector	1972–76	1977-81	1982-86	1987-91	1992-96	Total
<i>Programme aid:</i>						
Industry	0	57	158	130	0	345
Agriculture	33	130	225	114	0	502
Other	31	98	105	71	71	376
<i>Project aid:</i>						
Agriculture	3	5	6	13	18	45
Industry/energy	6	37	37	35	62 ¹	177
Transport	36	121	58	97	45 ²	357
Water management	4	43	61	58	75	241
Education ³	2	0	4	8	55	69
Health and population	2	21	31	22	46	122
Drinking water	0	6	18	20	23	67
Miscellaneous ⁴	2	3	9	41	51	106
<i>Aid through NGOs⁵</i>	1	9	27	58	152	247
Total	120	530	739	667	598	2654

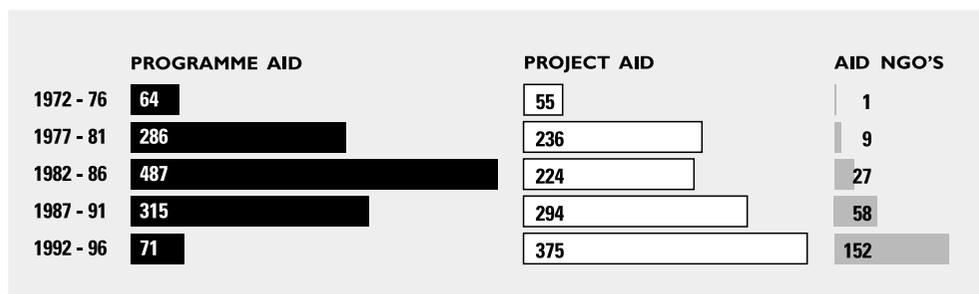
¹This includes a rural electrification project that was started in 1995, but will be phased-out shortly.

²Phased-out in 1995.

³Includes also the support to Non-Formal Primary Education programmes executed by NGOs.

⁴Comprises special programmes, embassy projects, emergency aid, fellowships, studies.

⁵Comprising both funding through the bilateral country programme and the Co-Financing Programme.



3 Policy relevance

The Netherlands’ aid programme has addressed important needs in Bangladeshi society throughout the period reviewed. In the 1970s and early 1980s, it was mainly geared to addressing the needs of a young, war-ravaged nation. Commodity aid was supplied to ease currency constraints as well as to promote Netherlands exports, and project aid was extended to water management, transport and industry in order to establish basic

infrastructures. In the 1980s, the Netherlands' policy attention shifted to social goals, but projects continued to be geared basically to infrastructural improvements for which there was a continuing need. Also, commodity aid found its way to nutrient-hungry soils and textile mills which depended on imported raw materials. Emphasis on the provision of social services in the 1990s equally addressed an obvious need in Bangladesh, as a quarter of the population is classified as extremely poor.

Both the Netherlands and Bangladesh have considered economic growth and self-reliance, as well as poverty alleviation, as their main development objectives. The relative importance given to both objectives and the approach towards their realisation have differed, however. Bangladesh has consistently preferred programme aid and investment projects, as reflected for example in its five-year plans; it considered economic growth to be the main route to sustainable poverty alleviation. The Netherlands increasingly favoured a more direct target group approach to poverty alleviation. In this respect, the policy priorities of Bangladesh and the Netherlands diverged in the 1980s. The strong emphasis that the Netherlands gave to social services in the 1990s coincided with increased attention by Bangladesh for social sectors. It increased social sector allocations and has underwritten several international goals in this connection.

The Netherlands' aid practice has on several occasions differed from its stated aid policy. During the mid-1980s, World Bank-supported structural adjustment measures were introduced to strengthen Bangladesh's own attempts to divest state companies and to emphasise private enterprise development. In the context of structural adjustment, the Netherlands stated its intention to support private enterprise. This priority was not actively pursued, however, since commodity aid to state enterprises was maintained at substantial levels into the early 1990s, and little attention was given to private sector development.

In the bilateral aid programme, attention for strengthening the role of women and environmental issues did not gain momentum until the 1990s. In health, education and NGO programmes, activities were explicitly directed towards women and girls to a considerable extent. In other sectors, the focus on gender remained incidental. Environmental issues were more consistently addressed in water management, particularly since they gained prominence in the debate on the Flood Action Plan.

Programme aid levels were highest in the 1980s, when policy priorities diverged and military regimes were in power. In this period more than half the aid was programme aid. The restoration of democratic rule and the increased momentum of structural adjustment policies in the early 1990s coincided with a reduction of overall aid levels, and specifically with the virtual disappearance of programme aid. This suggests that the evolution of the

aid programme resulted from dynamics in policy making in the Netherlands, and has not been related to the evolution of governance in the recipient country.

No evidence has been found of discussions about policy issues, sector choices and development approaches between Bangladesh and the Netherlands. Changes in aid levels and sectoral composition of the programme were formally announced. The policy priorities of the Netherlands development cooperation programme with Bangladesh, elaborated in Country Policy Papers and annual plans, are presented during high-level bilateral consultations. The initial drafts of these policy papers are prepared by the Netherlands and Bangladeshi involvement in the process of country policy formulation and priority setting has been limited. As a consequence, Country Policy Papers, annual plans and priorities predominantly reflect the Netherlands' perception of developmental needs in Bangladesh.

4 Effectiveness

The primary objective of *programme aid*, i.e. to alleviate pressure on the balance of payments, has been attained. At the sectoral level, fertiliser constituted a vital component of the package necessary to improve agricultural technology, contributing to increased food production and, indirectly, to increased employment in rural areas. Cotton and steel supplies improved the capacity utilisation of state enterprises, but in the case of cotton aid constituted a subsidy to inefficient enterprises that produced low-quality yarn.

Project aid in the different sectors shows mixed results. In the transport sector, vessels and infrastructure were built as planned. Institutional objectives, specifically with regard to improving operation and maintenance, have hardly been achieved. In industry, most projects have achieved their physical objectives (construction, rehabilitation, supply of equipment), the exception being the introduction of new technologies in the steel and jute industries. In water management also, most projects realised their physical objectives; however, the poverty alleviation objectives introduced in a number of projects in the 1980s proved elusive. In early water management projects, the level of operation and maintenance was seen as a constraint on development of the sector. Appropriate activities in water management projects prior to 1990 were not successful, however. From 1990 onwards, a wider sectoral perspective with regard to operation and maintenance has been pursued, which is gradually starting to show more promising results. Projects in health and education were largely successful in delivering their services directly to the poor; health projects were effective with regard to training and improving health infrastructure. The health and education projects, however, were not able effectively to address institutional bottlenecks in the counterpart institutions.

The *NGO programmes* successfully targeted the poorer section of the population, particularly women. Credit that was given regularly and in sufficient amounts has been used for productive investment, provided the recipient possessed relevant skills. Skills training programmes were therefore valued by the poor, particularly by women. In urban areas, small credits were also fruitful because there are more opportunities for petty trading, bringing rapid profits. Social empowerment efforts had limited results, due to the tenacious social structure.

Projects with mainly technical objectives were more often effective than those with multiple objectives (technical, social and institutional). Important priorities of the Netherlands development cooperation, such as poverty alleviation, promotion of gender equality and institutional strengthening seemed complex and sensitive, requiring intimate knowledge of the social and institutional structure. These requirements were often not fully appreciated during project preparation, causing an inadequate aid approach whose results have regularly fallen short of expectations.

In cases where activities did contribute to institutional strengthening, for example in water management (lessons from the Flood Action Plan) and agriculture (seed production), interventions were characterised by a long-term presence, a continuous and consistent message, and low-key high-quality technical assistance resulting in a high degree of ownership on the part of the direct Bangladeshi counterpart organisation.

5 Efficiency

The supply of *programme aid* was efficient in the case of fertiliser aid, for which competing prices have been paid, as well as in cases of debt alleviation and currency supply. The supply of raw cotton and steel was not efficient as the quality of cotton was below standard and import prices of steel were above world-market levels.

Efficiency of *project aid* has been variable. Many projects in the transport sector and industry suffered from inadequate preparation, as well as from limited sectoral knowledge among Netherlands aid authorities. Conflicting views among the Netherlands, Bangladesh and consultants with regard to technical, institutional and social issues, usually caused considerable delays in implementation, project revision and extra budgetary allocations. Tender procedures proved to be particularly time-consuming. In water management, project implementation was frequently delayed by problems regarding land acquisition. Institutional change was slow, and in transport and water management considerable technical assistance was deployed in the effort to accelerate it, often with limited success. In health and education, projects are executed in the context of donor consortia, chaired

by the World Bank. These projects, managed as regular bilateral projects, have achieved a reasonable level of efficiency, with the exception of institutional interventions.

The efficiency of *aid through NGOs* was found to depend on the approach and scale of operations. Specialised programmes proved easier for NGOs to run efficiently than complex programmes which address a broad range of poverty objectives. However, complex programmes were run efficiently by those host organisation that had a fairly high level of managerial capabilities. Programmes of small NGOs often suffered from insufficient funding and lack of access to good management practices. Credit programmes in which only partial management responsibility (i.e. without financial management) is given to member groups are run efficiently by several NGOs. None of those that handed over financial management responsibilities to groups of beneficiaries have attained satisfactory levels of efficiency.

The efficiency of project implementation has been influenced by inadequate sectoral knowledge among Netherlands aid officials, leading to dependency on the consultant's views and to under-estimation of institutional problems. The aid focus was on individual projects:

- broader implications of social and institutional project objectives were not fully appreciated (for example, pilot projects in water management and rehabilitation of a textile mill), and
- opportunities to increase aid efficiency were not always recognised by aid authorities (e.g. linking support to the textile industry with the booming private garment sector). Positive exceptions were the seed projects as well as the Flood Action Plan and Systems Rehabilitation Project in water management.

Because of the project focus, institutional problems have largely been perceived as constraints on achieving the objectives of technical projects, rather than as an integral part of sector development, giving rise to the following limitations:

- the means employed were inadequate in view of the size and tenacity of the problem; project staff with a predominantly technical background were often asked to identify and implement institutional interventions;
- the time allowed for the interventions has generally been too short for sufficient support to be generated from Bangladeshi organisations;
- project interventions usually focused on the main direct counterpart organisation, and left the wider setting of the organisation untouched.

In the co-financed projects in family planning and health, as well as in education, a project approach was also followed in the pursuit of institutional goals.

6 Sustainability

Programme aid has contributed to economic stability and growth through the supply of goods and foreign exchange in times of currency constraints. The supply of foreign exchange not only led to increased imports of raw materials and capital goods, but also helped to establish a realistic exchange rate for the local currency. At the sectoral level, fertiliser supplies contributed to a structural modernisation of agricultural production and to a reduction in food imports. Cotton supplies, however, did not raise export levels as the state companies were not able to improve the quality of their products sufficiently to supply the booming garment industry.

The technical sustainability of *project aid* has generally been good in that the recipients, mainly organisations with a technical mandate and tradition, were capable of handling the technology provided. Verification of investments in agriculture, transport, industry and energy showed that most were still in running order. Investments found to be out of use had suffered from poor planning (e.g. concrete structures for water managements) or had been rendered superfluous as a result of policy changes (e.g. food godowns after market liberalisation).

The maintenance of infrastructure and equipment varied with the financial and managerial capabilities of recipient organisations. In some cases, e.g. gas exploitation and chemical industries, state organisations enjoyed sufficient autonomy in managerial and financial matters to be able to realise adequate levels of maintenance. Support to the transport sector was phased-out without due consideration for the follow-up of a number of activities. This had a negative effect on the sustainability of earlier achievements. In water management, attempts to improve operation and maintenance within individual projects failed. Operation and management have now been institutionalised for the entire sector, and is beginning to show results. Attempts to recover costs directly from users have not been successful. Maintaining current levels of expenditure in the health and education sectors will remain dependent on foreign funding in the foreseeable future. The training of Medical Assistants proved to be a sustainable achievement, and is now fully run by the health authorities. The distribution of responsibilities over various departments in health, family planning and education limits the institutional sustainability of more recent projects. The financial and institutional sustainability of assistance to drinking water systems has so far been limited, but the recent reorientation of institutional support to local-level organisations is expected to improve service delivery and the collection of fees.

Most credit programmes of *NGOs* still depend on international funding. Some large *NGOs* with professionally-managed credit programmes are likely to become independent

of donor grants. Beneficiaries who have had access to sufficient credit at regular intervals have often improved their financial position sustainably. Credit programmes of NGOs that are less professionally run are frequently not sustainable and serve as a temporary safety net for the poor. Skills training programmes, primary basic education and awareness raising programmes will require continuing financial support.

The sustainability of aid effort results depends on factors that play a role at both the project and the sectoral level. At the project level, financial autonomy of the counterpart is a decisive factor for maintaining project achievements. Compatibility of project objectives with the priorities of the counterpart also contributed towards the technical and institutional sustainability of project results.

At the sectoral level, long-term presence and thorough analysis of the technical and institutional aspects of the sector, enhanced the sustainability of results. In the case of water management, for example, the presence of specific sectoral knowledge among Netherlands Embassy staff contributed substantially to a consistent development approach. In health and education, in which the Netherlands has also had a long-term involvement, no such specialisation has been recruited. Finally, the sectoral policies of the Bangladeshi government have been decisive for the chances of sustainable aid results. Non-conducive price policies, regulations, import restrictions, subsidies, etc. have regularly weakened institutions and affected sustainability of project results.

Minutes of the Bangladesh–Netherlands (IOB) Evaluation Conference, December 4, 1997; Dhaka

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The Bangladesh–Netherlands Evaluation Conference was held on December 4, 1997 at Hotel Purbani International, Dhaka. The Conference was organised under the auspices of the Economic Relations Division (ERD), Ministry of Finance, Government of Bangladesh with logistical support of the Royal Netherlands Embassy in Bangladesh. The Conference was convened to consider the report prepared by the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs which evaluated the Netherlands’ bilateral cooperation programme with Bangladesh covering the period 1972–96. Professor Wahiduddin Mahmud, former Adviser (in charge of Finance) to the President of Bangladesh chaired the Conference. The Conference was addressed by Dr Mashiur Rahman, Secretary, ERD. A large number of high-level officials representing various Agencies participated in the Conference (see Annex 1 for the list of Bangladeshi participants). The Conference was also attended by representatives of the IOB and the Netherlands Embassy (see Annex 2 for the list of Dutch participants). Divided in two parts, the conference continued from 12:30 hrs to 17:00 hrs.

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The participants of the Conference appreciated the evaluation document prepared by the IOB and termed it ‘comprehensive’ and ‘objective’. In this connection the participants lauded the positive contribution which the Dutch aid has made to the development of Bangladesh. It was, however, noted that as the scope of evaluation was defined by the cut-off year 1996, it did not have the opportunity to capture the developments which took place in the relevant areas subsequently. The Bangladeshi officials, by and large, agreed with the major conclusions of the evaluation. Some of their specific observations have been recorded below.

3 Evolution of the aid programme and policy relevance

- It was observed that the Netherlands’ bilateral aid programme has overtime shifted focus from physical rehabilitation and investment to direct poverty alleviation. Thus, in late 1980s and 1990s this led to reorientation in favour of education, health and NGOs, to the detriment of transport, energy, industry projects and programme aid. Bangladesh’s preference, however, remained with programme aid and investment projects. Such a mismatch between the Netherlands’ and Bangladesh’s priorities got accentuated as most of the donors followed similar reorientation in their aid strategy leading to ‘crowding in’ the social sector, while a large number of economic sectors remained resource starved. This process also gave rise to a sectoral and aggregate mismatch between availability and demand for foreign aid in Bangladesh.
- It was reckoned that such a situation emerged due to inability of the Netherlands’ aid policy to adequately appreciate the poverty alleviating consequences of physical infrastructural and other economic sector projects. Withdrawal from sectors where Dutch support was instrumental in developing the sector, e.g. petrochemical industry was considered not well advised, particularly given the comparative advantage of the Netherlands in these areas. Moreover, due to rigid adherence to poverty alleviation objective, support was denied to projects having full potential to deliver benefits to the poor (e.g. country boat project). The overwhelming preoccupation to reach the poor directly was considered to be ‘populist’.
- The cut-back on Dutch programme aid took place when (in early 1990s), incidentally, Bangladesh enjoyed a comfortable foreign exchange reserve position. However, given the fragility of overall resource balance position of the country, balance of payment problem is a perennial issue for the economy. Moreover, the commodities (e.g. fertiliser and cotton) usually supplied through Dutch programme aid to Bangladesh had been instrumental in generating employment and income for disadvantaged sections of the society and, possibly, retain relevance till date. The absence of Dutch balance of payments support was particularly felt as the country is currently confronting an adverse trend in the forex reserve position. Thus, it was reckoned the discontinuation of programme aid was premature.
- The reorientation of the Dutch aid package came at a time when Bangladesh was increasingly focusing on private sector as the major vehicle for economic development. It was observed, while the Dutch government supported the pro-market policy stance of the Government, it failed to develop any mechanism to channel resources to Bangladesh’s incipient private sector. In fact, absence of commercial links promoting

measures in the Dutch aid policy may have deprived the Bangladeshi entrepreneurs to take advantage of market intelligence and advanced technology available with their Dutch counterparts.

4 Complex project objectives

The participants of the Conference pointed out that the technical as well as institutional and social objectives of the Dutch supported projects were often not attained as the targets were quite ambitious as they were formulated to cater to the Netherlands policy objectives and were devoid of contextual relatives (e.g. tenacity of social problems and entrenched institutional structures) of the recipient country.

- It was further highlighted that unlike turnkey projects in economic areas, in case of social sector projects it is difficult to assess the achievement as the impacts are manifested with considerable time lags. Even if some intermediate indicators are worked out, there will be still questions about the quality of the project output.
- It seems that most of the social sector support has been designed as a short-term intervention. It was reminded that, unlike discrete economic projects, social sector programmes demand continuous support—if not for anything, but for retention of effect in the face of population growth in Bangladesh.
- In this context, the need to have regular post-project evaluations was underscored as they are seldom done. It was opined that such careful scrutiny of post-project situations is becoming increasingly important for reasons of taking adequate measures for operation and maintenance of the project outputs.
- While pointing out that many of the project objectives were ‘over ambitious’ and ‘before time’ (e.g. in case of Delta Development Project), it was acknowledged that inclusion of such project objectives (e.g. consulting the project beneficiaries) in many cases precipitated positive attitudinal change within the administration and paved the way for emergence of a multi-disciplinary approach towards the project cycle.
- It was mentioned that in a number of cases, project sustainability conditions came as an after-thought—usually during project evaluation stage. The issue of ‘cost recovery’ was cited as an example.

5 Limited treatment of institutional aspects

The Conference maintained that the institutional aspects have been dealt with in project designs only in the project context, without keeping the systemic structural problems in view. Moreover, the project designs were handicapped in understanding the limited efficacy of the means deployed to trigger institutional changes within short time horizon. Concrete sectoral analysis revealed that factors contributing to success of some projects (e.g. Seed Projects and Early Implementation Projects) included long-term presence, effective feedback mechanism, low-key technical assistance.

- The participants drew attention to the fact that while various Dutch aid projects envisaged institutional changes, during the period of institutional transition support was discontinued. Whereas, it is well known structural reforms take time and ‘transition process’ and/or institutional restructuring’ should have been identified as a concrete task eligible for sustained support.
- A number of participants disagreed with the labelling of Bangladeshi institutions as ‘inefficient’. They opined that the institutions as such are not inefficient, it is the policy environment and governance structure which render them inefficient.

6 Lack of sectoral perspectives of the Netherlands’ aid staff

Apart from few honourable exceptions (e.g. water management and seed development), the Netherlands’ side was constrained by insufficient sectoral knowledge to react effectively. In many cases, the Dutch consultants emerged as the go-between the Netherlands’ side and Bangladeshi counterparts in accommodating their wishes during project implementation. Given the limited sectoral knowledge, the Dutch aid authority had to depend on the consultants’ views and fall back on the World Bank’s analyses.

- The imperative and scope to generate an autonomous view on various issues on the part of the Netherlands’ aid authority seems to have been totally relinquished in cases where the Netherlands has become party to co-financing arrangements/consortia (e.g. health and education).
- It was maintained that in most cases (exception being Flood Action Plan), the Netherlands did request Bangladeshi counterparts for national policy or sectoral plans. While it is true that many recipient agencies did not have always a comprehensive sectoral policy, in most cases documents providing programmatic approach of the Government were available. In fact, in some cases there were sectoral Master Plans (e.g. health).

- It was opined that lack of sectoral perspective on behalf of the Dutch aid authority contributed to time and cost overrun during project implementation.

7 Ownership of the cooperation

Views were expressed regarding marginal involvement of the Bangladeshi counterparts in the course of designing specific projects. This undercut the ‘ownership’ of the aid programme and major problems surfaced during project implementation. The participants highlighted the need to accommodate the priorities of both sides within a dynamic framework reflecting the aspirations of their respective constituencies.

- The participants urged for development of a dialogue mechanism at both sectoral and project levels. Such a mechanism would allow ‘sharing of mistakes’ along with ‘sharing of successes’ and give rise to a learning process based on cooperative experience.
- It was informed that while the Government is doing its best to create a facilitatory regulatory environment for the NGOs in Bangladesh, it expects that the development partners (including the Netherlands) while channelling their resources to the NGOs would take into cognisance such rules and procedures.
- For strengthening the ownership aspect and identification of priority areas of the bilateral cooperation programme, it was urged that the Annual Consultation Meeting needs to continue.
- With a view to broadening the ownership base of the Dutch supported projects, it was suggested that the representatives of the civil society may be included in the policy/project review process.

8 On future Dutch aid

While recognising that the outcome of the present Conference has no bearing on the nature and quantum of future Dutch aid to Bangladesh, a number of participants ventured to give their views on the matter. Apart from arguing for restoration of programme aid (e.g. cotton for the modern textile mills and export oriented handloom sector), the participants opined that the economic sectors should be brought back into focus. In this context, the importance of such ‘mega-projects’ as Ganges Barrage and Bramhaputra Barrage was underscored and their relevance for protecting benefit flows from other project was highlighted. Continuation of support for successful projects (e.g. Seed Projects) was also

advocated. In order to ensure sustainability and more efficient utilization of the created capacities, it was suggested that the completed projects need to be revisited for necessary follow up.

9 Bangladesh country background

Chapter 2 of the report, according to most participants, was redundant and also contained a number of wrong information/data, which might lead to serious misunderstandings. They recommended deletion of this portion.

10 Updating of data

During the discussions, it appeared that some of the data used were outdated or erroneous. It was recommended that all data used in this report needed verification/updating.

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The Conference was concluded by thanking the organisers and participants for their efforts and contributions.

Annex 1 List of Participants Bangladesh–Netherlands (IOB) Evaluation Conference

NAME	POSITION	INSTITUTE
1. Imtiaz Ahmed	Director (MEA & TIP)	Ministry of Foreign Affairs
2. Ziaul Islam Choudhury	Joint Secretary Ministry of Commerce	Ministry of Commerce
3. A.K.M. Halimar Rahman	Director General Water Resource Planning Organization	Ministry of Water Resources
4. Masroor-ul Haq Siddiqi, BU	Member, BWDB	Ministry of Water Resources
5. Gopal Chandra Sen	Chief (Planning)	Ministry of Education
6. Luqueman Ahmed	Joint Chief (Planning)	Ministry of Health & Family Welfare
7. Abdur Razzak	Deputy Chief	Ministry of Shipping
8. Md. Giash Uddin Pathan	Director General	NGO Affairs Bureau
9. Syed Anwarul Islam	Joint Secretary	Local Government Division Ministry of LGRD & Cooperatives
10. A.N.M. Serajul Islam	Joint Chief	Roads & Railway Division
11. AFM Mustafizur Rahman	Chief Planning Officer	Bangladesh Railway
12. Mokbul Ahmed Khan	Textile Adviser	Ministry of Textiles
13. AKM Khairul Alam	Joint Chief	Ministry of Industries
14. GM Mayeenuddin	Member Director (Seed)	BADC
15. Kh. Arif Ahmed	Deputy Chief	Ministry of Agriculture
16. Faruquddin Ahmed	Economic Adviser	Bangladesh Bank
17. ABM Golam Moula Bhuiyan	Deputy Secretary	Economic Relations Division
18. Dr. ATM Shamsul Huda	Secretary	Ministry of Water Resources
19. Dr. Mashiur Rahman	Secretary	Ministry of Finance, ERD
20. Dr. M.E. Talukder	Divisional Chief	Planning Commission
21. Md. Quadiruzzaman	Addl. Chief Engineer (W)	DPHE, Ministry of LGRD
22. Prof Wahiduddin Mahmud	Professor	Dhaka University
23. Dr. D. Bhattacharya	Senior Research Fellow	BIDS
24. Abu Saleh	Joint Secretary	Economic Relations Division, Ministry of Finance

Annex 2 List of Participants Bangladesh–Netherlands (IOB) Evaluation Conference

NAME	POSITION	INSTITUTE
1. Dick den Haas	Ambassador	Netherlands Embassy
2. Jan Waltmans	First Secretary	-do-
3. Desiree Ooft	First Secretary	-do-
4. Arthur Den Hartog	Second Secretary	-do-
5. Joris Beerda	Third Secretary	-do-
6. Tapati Das	Programme Officer	-do-
7. Zahir Ahmad	Programme Officer	-do-
8. Marjan Kroon	First Secretary	-do-
9. Hedy von Metzsch	Director	IOB
10. Frans Makken	Inspector	IOB
11. Bert van de Putte	Consultant	IOB

Chapter 1 Design and scope of the study

1.1 Background

In 1991, the Policy and Operations Evaluation Department (IOB, then IOV) of the Netherlands' Ministry of Foreign Affairs undertook evaluation studies of Netherlands bilateral cooperation programmes with India, Tanzania and Mali, the major part of which was channelled through country programmes. Country programme evaluations would provide an opportunity to look into the various types of aid which, in combination, seek to realise the Netherlands' development objectives. The evaluations paid particular attention to the organisation and management of the Netherlands' development assistance.

After publication in 1994, the country studies were found to serve their intended purpose, as they provided insights into the effectiveness of various aid forms and of combinations among them. They also promoted policy discussions, focusing particularly on organisation and management issues. In 1994, it was decided to embark upon another series of country studies, to cover Bangladesh, Bolivia and Egypt.

In the current series, efforts have been made to involve as many national consultants as possible in fieldwork in the recipient countries and to allow stakeholders to give their reaction to draft evaluation reports. These efforts have aimed at involving the countries concerned more closely than has previously been the case, in evaluations that are essentially unilateral, since they seek to establish the effectiveness of the aid programme in realising aid objectives of the Netherlands. Moreover, the non-aid relationship between the Netherlands and each recipient country is described to provide an indication of the role of aid in the broad bilateral relation.

The three countries currently selected show a wide geographical, social and political variation. However, common terms of reference have been drawn up to ensure uniformity in approach and definitions. This report presents the evaluation of bilateral development cooperation between the Netherlands and Bangladesh in the period 1972–96 and also describes the broader relationship between the two countries.

1.2 Objective and main questions

The main objective of this evaluation is to assess the policy relevance, effectiveness, efficiency and sustainability of the Netherlands' bilateral development cooperation programme with Bangladesh. This is elaborated in the following specific questions:

- How does the Netherlands' aid programme relate to Bangladesh's principal development problems and the main development policies of the Netherlands and Bangladesh?
- What are the results of the Netherlands' development programme activities and how effective are they in helping to realise the main objectives and priorities of the Netherlands' development cooperation?
- How efficiently are the programme activities organised and carried out?
- To what extent are the results of Netherlands development assistance in Bangladesh sustainable?

Policy relevance refers to the degree to which the aid programme reflects the priorities of both donor and recipient country and the extent to which the programme addresses the development problems in the country concerned. This study will particularly focus on the main objectives of the Netherlands' development cooperation: namely, economic self-reliance, poverty alleviation, improving the position of women, preventing environmental damage and promoting environmental sustainability.

Effectiveness concerns the extent to which project and policy objectives have been realised.

Efficiency considers the choice of instruments and the way in which resources have been used.

Sustainability refers to the potential to retain the achievements of development aid after major financial, managerial and technical assistance from an external donor has ended.

The evaluation covers a period of more than 20 years, during which development policy changes occurred in both the Netherlands and Bangladesh. The evaluation of activities in the various sectors therefore considers objectives and priorities which were current at the time of decision making.

1.3 Methodological approach

The evaluation of the Netherlands' bilateral aid programme for Bangladesh comprises three components, each requiring its own approach. These are: the programme and project aid provided by the Directorate for International Cooperation (DGIS) to the

Government of Bangladesh (GOB); aid provided to Bangladeshi NGOs through bilateral channels and three Netherlands co-financing agencies (CFAs); and relationships between the Netherlands and Bangladesh outside development cooperation.

Project and programme aid

An extensive desk study was conducted to obtain a list of all bilateral government-to-government activities in the period 1972–96. This yielded almost 1300 items. Analysis produced a smaller set of projects on which substantial resources had been expended. Project files, progress reports and evaluation studies for the entire reference period were studied and summarised. The various projects were found to fall into seven sectors, broadly corresponding to the sectors identified in the Netherlands' country policy documents for Bangladesh. These are Agriculture, Industry, Transport and Distribution, Water Management, Health, Drinking Water, and Education. Programme aid was provided in the form of financial programme aid: commodity import support, supply of foreign exchange and debt alleviation. The main commodities supplied were fertiliser and raw cotton, which benefited the agricultural and industrial sectors.

Two approaches were followed with regard to fieldwork for sectoral evaluations. For programme aid and the large sectors (in terms of funds and number of activities), fieldwork was carried out by teams comprising expatriate and national evaluators. These sectors are transport and water management. Taking project summaries as a starting point, the teams visited project sites for physical verification and conducted structured and semi-structured interviews with relevant GOB officials, project staff and Royal Netherlands Embassy (RNE) staff. In the case of water management, a more elaborate field phase was undertaken than under transport and distribution and programme aid. Six of the 17 projects supported by the Netherlands involved field-level activities. One of these began very recently and was therefore not studied in detail, while the remaining five were examined at field level. A sample of 27 sites was drawn from the 117 polders covered by the Netherlands-assisted projects which began before 1995, taking into account their relative size; at the same time, the four divisions of the country, each of which has its own geophysical and climatological characteristics, were covered. A team of Bangladeshi and Netherlands experts visited selected sites to collect the necessary data in a structured manner. In some cases rapid rural appraisal techniques were used, including participatory research methods involving the intended beneficiaries.

For programme aid and project aid to transport and water management, preliminary fieldwork findings were discussed with relevant stakeholders during workshops. The Economic Relations Division of the Ministry of Finance circulated drafts of the consultants'

reports to stakeholders for written comments. The Economic Relations Division is the formal counterpart of RNE as it deals with the Netherlands' aid programme on behalf of the Government of Bangladesh.

Fieldwork in smaller sectors such as industry, health and drinking water was carried out by Bangladeshi consultants in close cooperation with the IOB coordination team. Reports on industry and health were circulated among stakeholders for comment, again through the Economic Relations Division. In the case of drinking water, the consultant's notes were used by the IOB evaluation team for further desk research and interviews. The remaining sectors of agriculture and education were evaluated by the IOB evaluation team, largely on the basis of secondary materials, interviews and several field visits.

The final drafts of all programme and project aid evaluations, including summary findings and conclusions, were finally discussed in a meeting convened by the Economic Relations Division among Bangladeshi government officials, stakeholders and independent scientists, in Dhaka on 4 December 1997. Chairman and secretary of the meeting were both Bangladeshi nationals; the IOB coordination team and RNE staff were present in the capacity of observers. The minutes of this meeting are included in this report.

Aid provided to Bangladeshi NGOs

Since the 1970s, the Netherlands has used Bangladeshi NGOs to pursue the objective of poverty alleviation. Disbursements to them have increased markedly since the mid-1980s. The funding of NGOs is somewhat complicated, as they receive funds through different modalities. Some are obtained through CFAs in the Netherlands which receive annual contributions from DGIS but generate additional resources in Dutch society. DGIS also provides funds to NGOs from the annual allocation for Bangladesh, whilst additional funds are sometimes allocated for special purposes such as emergency aid. DGIS channels these bilateral funds either through Netherlands CFAs or through RNE in Dhaka. Funding can be made on the basis of projects but is more often programme-based; hence, the donated Netherlands guilder may not be related to any specific activity as the NGO may have several donors. To complicate the picture further, recipient NGOs are very diverse in size and scope. They can be categorised in several ways: big, medium or small in size; urban or rural; having a specialised or a comprehensive programme.

For this evaluation, several choices had to be made to deal with these complications. First of all, emergency aid is excluded as this has been *ad hoc* and is difficult to evaluate after a long period of time. Secondly, large contributions to non-formal education programmes are discussed in the context of aid to the education sector in Bangladesh; hence, education

remains largely outside the scope of this NGO evaluation. Likewise, the delivery of health and sanitation services by NGOs is discussed in the relevant chapters. This limits the evaluation of bilateral support through Bangladeshi NGOs largely to their activities in the fields of credit and training, and other activities such as conscientisation. Fifteen big, medium and small NGOs have been selected for the evaluation of activities that received exclusive or partial funding from the Netherlands. A distinction has been made between rural and urban NGOs, and between those that received funding directly from the Netherlands or through CFAs.

In terms of methodological limitations, the main constraint anticipated was the relatively limited amount of fieldwork that could be undertaken in comparison with the enormous scale of NGO operations in Bangladesh. These directly reach more than four million members, representing total beneficiaries in excess of 25 million (based on household size in rural areas). In this respect, it is important to emphasise that the role of the case studies undertaken of 15 NGOs is to provide insight into NGO achievements in the rural development sector in Bangladesh *as a whole*, and into the overall contribution of Netherlands assistance to those achievements. Most NGOs, particularly the larger ones, have several donors and a range of activities. Fieldwork in any individual organisation concentrated only on a programme receiving Netherlands assistance and did not attempt to assess the NGO's overall range of activities. Assuming that the Netherlands' share of total international funding received by NGOs for their programmes is translated into benefits for group members on a *pro rata* basis, it is estimated that there are no less than 400,000 direct beneficiaries of Netherlands assistance, representing some 2.5 million household members.

To provide a sufficient basis of evidence upon which to assess the NGO contribution to poverty alleviation, the 15 fieldwork-based assessments were placed in the context of, and supported by, the files of three relevant CFAs and of the Netherlands government; a considerable body of detailed studies of programmes of individual NGOs; executive interviews with key stakeholders, and reference to numerous studies of the Bangladeshi NGO sector already undertaken for academic purposes or commissioned by other donors. It is considered that the combination of original fieldwork and secondary sources provides sufficient information for the specific purposes of the evaluation.

As a check on the reliability of data and interpretations, draft versions of relevant components of the report, including the detailed case studies, were discussed with participating NGOs and with CFAs, and modified appropriately before the final report was prepared.

Non-aid bilateral relationships

The broad bilateral relationship with Bangladesh has not been evaluated in great detail, but key aspects are examined. For this component of the evaluation, files were studied at the Netherlands' Ministry of Foreign Affairs, interviews were held with a range of relevant Bangladeshis, including government officials, industrialists and (ex-) diplomats. Trade and investment data from various sources, as well as recent literature, were studied to gain insight into the development of Bangladeshi society, both historically and recently. Finally, a large selection of private organisations in the Netherlands were approached by mail in order to gain an understanding of their activities in Bangladesh.

1.4 Organisation of the report

This report is divided into three sections. In Part One, the context of the country evaluation is outlined in three chapters. The design and scope of the study are described in the present chapter. Chapter 2 gives a general background on Bangladesh, describing population, social and environmental issues, and providing a political and economic history of Bangladesh in pre- and post-Independence times. Chapter 3 covers the broad bilateral relationship between the Netherlands and Bangladesh.

Part Two comprises a chapter on the Netherlands' aid policy and programme for Bangladesh (Chapter 4) and seven evaluative chapters. Chapter 5 deals with programme aid, whilst Chapters 6 to 10 are concerned with project aid to Industry, Agriculture, Transport, Water Management and the Social Sectors (Health, Education and Drinking Water). Chapter 11 discusses aid to Bangladeshi NGOs. The evaluation of Bangladeshi NGOs receiving Netherlands assistance is also published separately (Volume III of the report: *Evaluation of Netherlands-funded NGOs in Bangladesh*).

Chapter 2 Bangladesh: Country background

The geographic and socio-economic context in which the various projects and programmes of the Netherlands bilateral aid programme in Bangladesh have been carried out are first described before an evaluation is undertaken. To understand contemporary Bangladesh it is important to examine its past, since many social and political features of Bangladeshi society are deeply rooted in age-old structures and events and several centuries of deprivation.

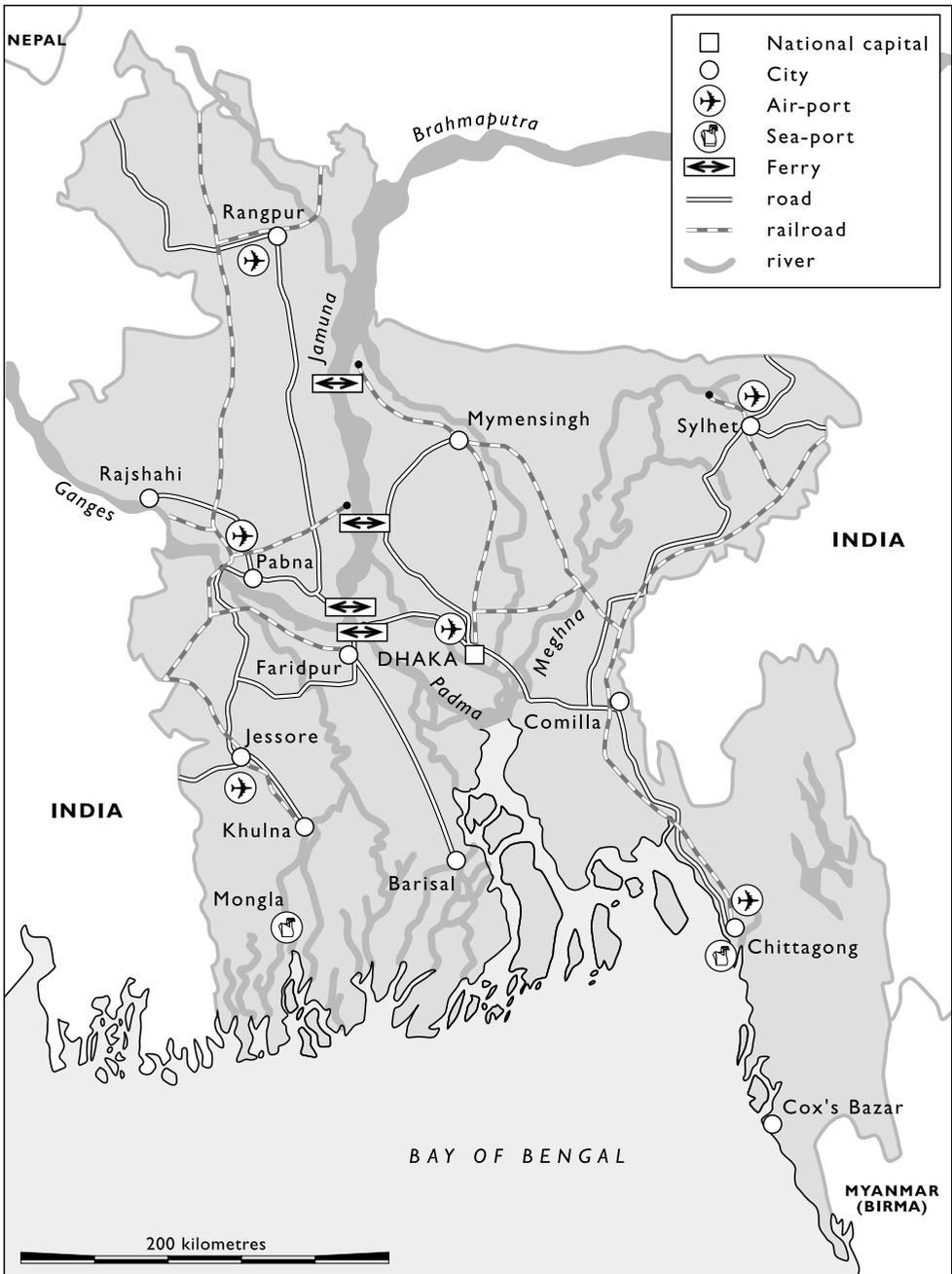
The country's geography and population will first be described. The conspicuous and often extreme poverty of the population will be highlighted, with particular emphasis on the plight of women. The combination of poverty and overpopulation exerts extreme pressure on the environment, hence a short profile is included to highlight the most important environmental problems in Bangladesh. Harsh living conditions, however, have also given inventiveness and flexibility to its people, who constantly search for opportunities, at home and abroad. The dynamics in Bangladeshi society over the past 25 years have been such that they are likely to affect that society in the near future; a short overview of important social dynamics in this period is therefore included. This section describes the emergence of a new middle class and elite, the unprecedented growth of NGOs, and the position of Bangladesh in South Asia.

Second, the socio-economic developments in four historic periods are described, namely: the Mughal empire, the colonial period, the period under Pakistani rule and the period since Independence in 1971. With regard to the latter, some observations are made concerning problems with governance and development.

2.1 Bangladesh's poverty and dynamics

2.1.1 Geography and population

Bangladesh is a South Asian country, virtually surrounded by India. Its south-eastern tip borders Myanmar (Burma) whilst the southern border is formed by the Bay of Bengal.



Map 1 General topography of Bangladesh

The country covers an area of 147,960 square kilometres, i.e. approximately four times the Netherlands. In mid-1996 its population was officially estimated at 120 million, more than seven times the Netherlands population. The people are predominantly Bengali, speaking the Bengali language. Approximately 88 per cent are Muslim, 11 per cent Hindu, whilst the remainder is made up of Buddhists and Christians.

Bangladesh is a low-lying, deltaic country at the confluence of three major international rivers: the Ganges, Brahmaputra and Meghna, which flow into the Bay of Bengal through an intricate maze of big and small rivers. The coastal area is relatively unprotected against the tidal surges and cyclones that are regular features of the tropical monsoon climate of Bangladesh. The average annual rainfall in excess of 2.5 metres is among the highest in the world. Most rain falls during the monsoon period, from June to November, causing the rivers to expand considerably and in normal years to flood some 20 per cent of the country's surface; in years of extreme flooding as much as 40 per cent of the country can be inundated.

The natural resources of Bangladesh are limited: arable land and natural gas are the most important. The substantial population pressure and limited natural resources have induced more than one million Bangladeshis to seek job opportunities abroad, particularly in the Middle East. Their remittances now constitute the main source of foreign currency earnings. The large and cheap labour force in Bangladesh has also attracted labour-intensive industries from abroad.

The population of Bangladesh ranks among the poorest in the world, with an estimated Gross Domestic Product (GDP) of some US\$ 220 per capita in 1995/96. Bangladesh ranks No. 144 (out of 175) on UNDP's Human Development Index list (Human Development Report 1997). This is similar to its ranking based on GDP per Capita; Bangladesh's human development level therefore reflects its level of economic development. Pervasive poverty and enormous population pressure have caused marked negative social and environmental effects on the one hand; on the other hand, the fierce competition for survival has created a dynamism amongst part of society.

2.1.2 Poverty in Bangladesh

Poverty incidence

In 1963/64, some 40.2 per cent of the then East Pakistan rural population was considered poor, while 5.2 per cent was extremely poor. The former figure was adjusted to 52 per cent in a FAO study in 1977, which calculated that the incidence of poverty had by then increased to 61.1 per cent of the rural population. A subsequent study by the World Bank in

1987 suggested a decrease in the incidence of poverty between 1973/74 and 1981/82, but an increase in that of extreme poverty in the same period. Data sets for the period 1982–86 seem to be particularly unreliable. The general contention, however, is that the incidence of poverty increased between 1982 and 1984, followed by a period of good harvests and a general improvement in living conditions in the period between 1984 and 1986.

For the period 1987–89, it is reported that the incidence of poverty did not change (around 57 per cent), but that many of the moderately poor crossed the line to extreme poverty. Hence, it can be said that overall the poverty situation deteriorated in this period.

The subsequent period, 1989–94, showed improvements in both measures of poverty. The proportion of poor declined from 57 per cent in 1989 to 48 per cent in 1994 and that of the extreme poor from 29.4 per cent to 23.1 per cent. Looking at the absolute numbers involved, these improved proportions still represent an immense social problem in Bangladesh. In 1994, according to conservative estimates, Bangladesh was inhabited by some 115 million people, 55 million of whom were poor and of those, 26 million were extremely poor. When the figures are analysed by gender, women are consistently worse off than their men. The positive developments of the 1990–95 period are reflected in the perceptions of the poor. In 1990, 50 per cent of respondents considered themselves poor, while in 1995 this percentage had declined to 32.2. Similarly, 24 per cent considered themselves to be extremely poor in 1990, compared with 18 per cent in 1995.

Why are they poor?

The pervasive poverty in rural Bangladesh is basically a result of a combination of low labour productivity, concentration of assets such as arable land, and an enormous and fast growing labour force. Most assets are in the hands of a relatively small group of *jotedars* (landowners, money lenders, village leaders, merchants), whose economic position is sustained by the fact that they also hold important positions in local politics and government. Large landowners make (part of) their lands available to sharecroppers who have to supply half of the crop output to the owner by way of rent. All production costs have to be paid out of the half that is retained by the tenant, hence, sharecroppers have to pursue high levels of productivity to earn a living. In some cases, landowners share production costs in order to entice the tenant into using high-yielding plant varieties. Small landowners usually rent extra land to make ends meet. For large landowners they constitute attractive tenants, since they already dispose of some assets, agricultural implements and skills, which reduces performance risks. The landless thus experience great difficulty in leasing land and have to earn a living as wage labourers; some 75 per cent of the hard core poor are wage labourers.

Landowners and their tenants maintain a patron–client relationship in that the owner will support the tenant in the event of misfortune such as crop failure, illness, natural calamities, etc. In turn, the tenant provides a sure source of cheap labour supply to the owner. Such a safety net comes at a high price for the tenant, but under the circumstances he may have little choice. The landless have little to offer as clients, only their labour, the over-supply of which is already leading to falling real wages in agriculture (agricultural wages have declined by 0.9 per cent per year since 1980). They can thus not dispose of sufficient funds or assets to form any safety net constructions, including an extended family. The landless are increasingly drawn to urban areas since, outside agriculture, there are few opportunities in rural areas. In the cities they then form a large impoverished group whose dignity, food and job security are under constant threat as their plight makes them vulnerable to exploitation (GOM 1995 pp. 16–20). The rate of urbanisation by far exceeds the growth in job opportunities in urban areas, notwithstanding the recent surge in employment in the ready-made garments sector. Despite urban growth, more than 80 per cent of the population depends on rural-based employment; hence, the poverty problem is still predominantly rural. The most seriously deprived are some 2.5 million people who are either chronically ill or disabled, very many of whom can be regarded as totally destitute.

High poverty incidence among women

Women play a subordinate role to Bangladeshi males, particularly in rural areas. Indicators confirm their disadvantaged situation.

Table 2.1 Overview of indicators of men and women in Bangladesh in 1994

Indicator	Men	Women
Average life expectancy at birth (years)	56.3	56.5
Adult literacy rate (%)	48.4	24.3
Gross school enrolment ratio (%)	45.0	34.0
Earned income share (%)	76.9	23.1

Source: UNDP Human Development Report 1997.

Among poor women, female heads of household, constituting 15 per cent of all households, are the poorest. Some 96 per cent of female-headed households live below the poverty line, while 33 per cent are among the hard-core poor who experience chronic food shortages. Traditionally, women's activities are restricted to the homestead. Activities include collecting wood, cow dung, waste and ash, preparing meals, cleaning the house, collecting water and caring for children. In addition, women are involved in kitchen gardening, livestock and poultry raising, processing and storage of grains and pulses, and various cottage industries. However, poverty increasingly forces women to

seek wage employment in order to survive. Since the 1980s, married women with children have begun to enter the rural labour market and a growing number are seeking wage employment outside the village. The constraints that previously restricted mobility have begun to reduce as households seek economic survival.

About half of the married women in landless male-headed households work as agricultural labourers. Among male-headed farming families with marginal landholdings, one-fifth of women work in agriculture. As many as two-thirds of those from female-headed households participate in the labour market. The visibility of middle-class women in rural society has also increased. This category is taking work in local government and non-governmental organisations. Their participation in the service sector is an important factor, legitimising women's work outside the home in the middle-class value system.

The workforce of public sector industries is predominantly male, and in some industries (tea, sugar, jute and food) the number of women employed is actually falling (World Bank 1990). It is in formal manufacturing industries of the private sector that women's participation has increased sharply. The most significant increase took place in the garments sector, where some 90 per cent of the 800,000 workers are female. Other newly-emerging private sector industries also have a predominantly female labour force. Seventy per cent of the workforce of industries located in various export-processing zones (pharmaceutical, electronic, software, frozen food and fish processing) are women.

2.1.3 Population pressure and the environment

With a population growth rate of over three per cent at Independence, it was estimated that by the 21st century Bangladesh would have several hundred million inhabitants. The enormous population pressure makes family planning an obvious priority. Even before Independence some attempts had been made to introduce family planning practices, but with little success. The liberation war, subsequent famines, and a government fully occupied with reconstruction, left little opportunity to promote large family planning programmes. Nevertheless, fertility rates started to fall after 1975, when the first signs of economic stability became apparent, although a World Bank study (Cleland et al. 1994) found no clear economic reasons for such a phenomenon.

Contrary to experience elsewhere, fertility rates declined in the face of low economic growth, severe poverty, and generally poor access to health and social services. Between 1975 and 1990 the number of live births per woman declined from seven to five; a fall unequalled anywhere else in the world. The World Bank study concludes that although family planning programmes, the widespread availability of contraceptives, and

the activities of NGOs contributed to the decline, socio-cultural factors must have been the determining factor. Several studies indicate that there has never been a pronounced preference in Bangladesh for large families (beyond reproductive needs), nor has there been a deeply rooted bias against birth control. Government and NGO family planning programmes have therefore had to overcome only the normal hesitance of members of a traditional society against anything new or alien. The study's best argument comes from a comparison between the Chittagong division and the rest of country: Chittagong is relatively affluent and women are generally better educated, but the area is more conservative. Here, there is culturally induced resistance to birth control, and birth rates are still higher than in the rest of the country. Other important social factors for accepting birth control practices are the status of the Family Planning worker (members of influential families achieve higher acceptance rates) and the progressiveness of family and clan heads.

As can be expected in a country with a population density of more than 800 people per square kilometre, the environment is under severe pressure. In rural areas, the poor extract important quantities of biomass from their surroundings (wood, harvest residues, dung) in the absence of alternatives for fuel and construction materials. As a result, the forest area has declined rapidly over the past decades. Officially, forests cover about 15 per cent of the total land area, but the real figure is widely acknowledged to be closer to 5 per cent. At present there is an acute crisis of biomass fuel; the per capita supply is declining. Alternatives such as fossil fuels are beyond the means of a large part of the population.

Because much biomass is used for fuel, the organic matter in soils is low, which in turn leads to soil degradation. Soil erosion is a serious problem, particularly in the terraced and hilly areas. In the flood plains, the activity of rivers generally promotes fertility, but in some eroded areas, it may wash away fertile fields, or deposit layers of sand on otherwise fertile soils. Soil fertility in coastal areas has suffered from shrimp cultivation: approximately 870,000 hectares of land are affected by salinity.

The large population further necessitates intensive farming practices, even in the dry season, which require much water. The rapid growth of dry-season rice cultivation is causing groundwater levels to decrease, since their replenishment does not keep pace with utilisation. The shortage of groundwater is often aggravated by the occurrence of droughts in Bangladesh and neighbouring India. The availability of water in the dry season depends to a considerable extent on the utilisation and management of water resources in India. Modern farming also affects biodiversity in that the cultivation of local varieties is continually reduced in favour of a few selected (high-yielding) varieties. Domestic animals and fish species are also declining: fish resources, an important source of protein for the poor, have been steadily falling over recent decades. Infrastructure for

water management has affected the aquatic environment and resulted in the quantitative and qualitative decline of fish habitats. Pollution adds to this problem.

Industrial and domestic pollution is increasing rapidly, although most industry in Bangladesh is primary industry, producing wastes that are generally biodegradable. More serious forms of pollution through chemicals occur in some areas. Urban centres such as Dhaka and Chittagong generate pollution through wastes and the absence of sanitation.

Population pressure will increase further in the foreseeable future, and the economy is expected to develop rapidly, putting even greater pressure on the fragile environment. Awareness of environmental issues is increasing and protection measures have been initiated to manage the environment in a more sustainable manner. In 1989, the Department of Environment and Forests formulated objectives for government intervention. The policy was presented in 1992 in a National Environment Management and Action Plan (NEMAP). In the context of the Flood Action Plan (FAP), progress has been made with regard towards incorporating environmental aspects in planning and decision-making processes at the national level.

2.1.4 Bangladesh today: a dynamic society

Abroad, the extreme poverty in Bangladesh has given it the image of a static, non-dynamic society. To a certain extent this is misleading: Bangladeshis, rich or poor, have always placed a high premium on inventiveness, pro-active behaviour and self-help. The population as a whole is mobile, and has always been so because of the unsettled deltaic environment in which they live. Important changes are taking place in a society that is unusually fluid and dynamic. Unlike India, Bangladesh does not have a caste system and, unlike Pakistan, it has no entrenched class of big landowners who dominate national politics. National political parties, Parliament, the armed forces, and other state institutions are dominated by shifting alliances of urban interest groups which relate to, but are not dominated by, rural powerholders. Among business groups in Bangladesh, wealth is much less concentrated than in India or Pakistan (Kochanek, July 1996 p. 714). What characterises the Bangladeshi elite is its youth and growth, the dynamics of its rapidly-changing alliances, its remarkable openness to newcomers, and its vigorous search for opportunities.

Since Bangladesh gained statehood in 1971, several transformations have taken place that are important for its future development. A major factor has been the very rapid globalisation of Bangladesh's society since the 1970s, not only in terms of economic and political linkages but also in terms of a greatly expanded Bengali diaspora. Bangladeshis have moved to other Asian countries (Southeast Asia, Japan, the Gulf), but also much further



Bangladeshi women producing quality silk in Koitta (Photo by Ron Giling/Lineair)

afield: there are now quite large and relatively well-to-do communities in Australia, Europe and the United States. These communities, increasingly consisting of entrepreneurs and professionals, are growing rapidly, and new media and transport technologies allow them to keep in constant touch with Bangladesh.

The state sector, which lost its attraction for educated youngsters in the 1980s, led many graduates to choose a career in the private sector. With the onset of the still fragile democratisation process in the 1990s, the younger, often foreign-trained, professionals who embrace modern management practices are showing renewed interest in politics and the civil service. Together with an upcoming middle class, they are expected to make a difference by taking important positions in business and government, introducing new styles of government, policy making and economic management.¹ Already, the present business community holds the political elite responsible for the economic effects of its actions (Kochanek, December 1996). Donors also play a role in that they increasingly employ national consultants, thus exposing them to outside management principles.

¹ Blair (1996 pp. 14–17) and Alam (1995 pp. 28–42) phrase this in terms of a growing ‘civil society’ and ‘politics of protest’ from within the elite (professional and business groups in particular). In addition, H.Z. Rahman (1996) points to the ‘rise of the electorate’ as a factor contributing to a new political style.

Considerable investments are being made in Bangladesh by its overseas communities; with the changing styles of managing the country, these investments are likely to snowball (for a case study of Sylhet see Gardner 1995). Investors with local networks and local knowledge face many opportunities with an internal market of 125 million people and a cheap and eager labour force. Another important development in civil society that runs contrary to the perceived image of Bangladesh as a static, non-dynamic society is the unprecedented growth of NGOs.

The emergence and growth of NGOs in Bangladesh

The dynamics of Bangladeshi society are reflected in the emergence and growth of non-governmental organisations (NGOs), which have multiplied and diversified as nowhere else. A handful have now become huge 'development conglomerates', increasingly providing their own incomes and taking on 'state' tasks such as primary education and primary health care. Apart from these conglomerates, which are outgrowing their erstwhile donors in the North, there are literally thousands of smaller NGOs, some of which are highly specialised. Unique to the Bangladeshi case, the 'development conglomerates' play a major role in transforming society. That role goes well beyond standard concepts of 'development' as it includes major political activity, large-scale economic ventures, educational institution-building and the export of organisational models (e.g. the Grameen Bank) to Northern societies. NGOs in Bangladesh may provide a major springboard for entrepreneurial activity in the 21st century. Trade (already well up from figures at Independence) may become increasingly central in Bdeshe's links with the outside world, as aid levels are now decreasing.²

Immediately after Independence many NGOs were founded by Bangladeshis. Their aim, with government and donor funding, was to help the millions of people who had been affected by the liberation war. Food, medicines, shelters and agricultural inputs were distributed to the victims, many of whom were displaced. In the mid-1970s, when the most immediate individual needs had been addressed, the NGOs changed tack to community development, i.e. uplifting the (mainly rural) poor through general development of their community. However, the pervasive socio-economic power structures prevented benefits accruing to the community from trickling down to its poorest members. This prompted NGOs increasingly to follow a target group approach, aimed at the organisation, education

² One of Bangladesh's most renowned economists, Rehman Sobhan, envisages a social coalition for a self-reliant strategy which 'excludes this aid-dependent parasitic class' and seeks to break out of the 'excessive dependence on donors, . . . which has given some donors a significant leverage in influencing the direction of development policy to the point where national sovereignty is being eroded.' Thus the social coalition, in which giant NGOs, small industrialists and *haute bourgeois* investors may play a significant role, is likely to evoke nationalist and anti-donor feelings in its search for self-reliance (Sobhan, R. (ed.) 1990 pp. 293–94).

and conscientisation of groups of rural poor. These groups were to be empowered to reduce their dependency and to undertake collective social action with which to ameliorate their plight, e.g. legal rights, access to government lands, bargaining for higher wages or conditions for share cropping, as well as protection against abusive dowry practices, random divorce, rape and (domestic) violence. The power structures and deeply-rooted social and religious customs meant that these actions take time to gain effect. NGOs state that, without a process of sustained democratisation particularly at grassroots level, the effectiveness of collective action will remain limited. Hence, they increasingly promote democratic principles, such as the participation of target groups in development processes, and monitoring social components of government policies and budgets.

The main thrust of Bangladeshi NGOs can be characterised by the following key words: establishment of effective democratic processes at the grassroots, poverty alleviation, women's rights, education, health and family planning, environment and community development (Task Forces 1991, Volume 2 pp. 375–78). These objectives have increasingly appealed to the donor community and NGOs are now funded on a large scale by donors to pursue poverty alleviation and to improve service delivery in health and education. These funds are partly additional to the country allocation, partly a diversion of the bilateral aid flow from government to NGOs. This led to a rather ambivalent situation in which GOB actively supported the NGOs on the one hand, and tried to keep some control over funds reaching NGOs on the other hand. The Five-Year Plans of the Bangladeshi Government emphasise the complementary role that NGOs can play in GOB's development efforts; in the case of education, Government has even adopted an NGO concept in primary education. However, Government has always maintained the wish that funds for NGOs be additional to the bilaterally-negotiated aid allocations, hence several rules and regulations have been devised to keep some control over financial flows from donors to NGOs. These measures involve substantial bureaucracy and cause delays in approval procedures, a situation that improved somewhat with the establishment³ of an NGO affairs bureau in 1989, intended to streamline procedures.

The economic position of Bangladesh in South-Asia

The countries of the Indian sub-continent: India, Bangladesh, Bhutan, Nepal, Pakistan, the Maldives and Sri Lanka, are members of the South Asian Association for Regional Cooperation (SAARC), formed on the instigation of Bangladesh in 1985. This association, which aims to strengthen the collective self-reliance of its members, has so far not been very effective, as India's interests in regional matters are often not compatible with those of smaller SAARC members. Yet, Bangladesh remains a very active member and has regularly sought to strengthen the organisation.

Within SAARC, Bangladesh's economic relations are concentrated on India and Pakistan and official figures indicate a substantial trade deficit with both countries. Trade flows between Bangladesh and other SAARC members are comparatively small; those to and from Europe, Japan, USA and Singapore are much more important. Bangladesh has actively sought to improve trade among SAARC members, by pressing for implementation of the South Asian Preferential Trading Agreement (SAPTA 1993), which should eventually culminate in a South Asian Free Trade Arrangement (SAFTA). Bangladesh has even suggested limiting the free trade area to the north-eastern States of India, Bangladesh, Nepal and Bhutan, if full implementation of SAFTA proves too difficult. Such cooperation would benefit the landlocked states and boost Bangladesh's port function for a large and so far under-developed hinterland.

2.2 Historical context

2.2.1 The Mughal Empire

The area that is currently Bangladesh was part of Bengal, a province of the Mughal Empire, whose Princes reigned from early 16th century until the arrival of the British in 1775. Bengal had a thriving textile industry and Calcutta was the main port for the world famous muslin and silk products of Bengali handlooms, which had long found a ready market in the courts of the Indian aristocracy and abroad.

The Mughal Empire established a rural tax collecting system in Bengal that was later perpetuated under British rule. It was based on a small, Hindu-dominated class of tax collectors who had permanent landholding rights. They were called Zamindar (Wood, 1994 pp. 101, 111). Their privileged position, which was hereditary, allowed them to rent out the land to sharecroppers (Bargadars). An intermediary class of Hindu money lenders and traders also emerged who, together with the Zamindars, established Hindu dominance in Bengal,

2.2.2 The colonial period

Colonisation of Bengal by the British started in 1775. Calcutta was declared capital of the Indian empire and commercial base for the British, to the detriment of Bengali bankers and business men. During the last decades of the 18th century the effects of the industrial revolution and British colonial policy had a major impact on East Bengal. Cheap cotton fabrics from English powerlooms were promoted at the expense of finer Bengali products. Only those Bengali weavers who produced the highest-quality products

managed to preserve their skill through the 19th century, by the end of which the handloom sector had been virtually wiped out (Jensen 1987 pp. 44, 45). The British set up jute mills in the Calcutta area to facilitate jute exports. Bengal was at that time already a major jute producer but exported only the raw material, which was processed abroad.

The marginalisation of East Bengal continued during the 19th century. The British Government determined that India, a predominantly agrarian country, should concentrate on the export of raw materials. Accordingly, India lagged behind Europe's development level and within India, Bengal was one of the most deprived areas. Within West Bengal, spill-over effects of economic activity in Calcutta brought some prosperity, but East Bengal (the later Bangladesh) was consistently under developed by its rulers.

Towards the end of the 19th century, the call for India's industrialisation became stronger, as earnings from raw material exports remained low. The Indian authorities were allowed to facilitate industrialisation. The first step in this process was import substitution and the banning of foreign cotton goods, together with the revival of cottage industries producing for the local market (Iftikhar-ul-Awwal 1982 p. 9; Etienne 1990 p. 239).

At the beginning of the 20th century, Bengal was impoverished, but with potential for improvement. Its exports of jute, hides and skins were substantial and there were possibilities to expand the overseas markets for paddy, tobacco and silk, as well as the products of its coal mines and of a small steel mill. The handloom sector had all but perished, but renewed interest in its products offered some hope of revival (Iftikhar-ul-Awwal 1982 p. 9). Industrial development in India started modestly towards the end of the 19th century, but gained momentum after 1900. This growth was regionally uneven; large-scale industry was mainly developed in 'India proper' rather than in Bengal, or in the provinces now known as Pakistan (Etienne 1990 p. 239). In Hindu-dominated West Bengal the coal and steel industry experienced some growth, leaving Muslim-dominated East Bengal further behind.

When the British granted India freedom in matters of fiscal policy (1921), it was able to impose import restrictions to protect its own (infant) industries. This led in some sectors to booming development. In Bengal, cotton, steel and sugar factories thrived under protection in the 1920s and 1930s. In the case of cotton, output virtually tripled in a period of five years. The iron and steel industries boosted ship building in Bengal (Iftikhar-ul-Awwal 1982 pp. 20–23).

Relaxation of rules concerning the procurement of raw material further enhanced market opportunities for local workshops and industries. Bengal became a major supplier of textile, leather and other goods. The benefits of this development, however, did not accrue

fully to Bengal province. Iftikhar-ul-Awwal shows that Bengal had to pay 72.7 per cent of its income to the Imperial Treasury compared, for example, to Madras (57.5 per cent) and Bombay (65 per cent). Taking the size of the population of Bengal into consideration, this meant that the local government could spend only one Rupiah per capita on development, compared, for example, to five Rupiahs per inhabitant of Bombay and three Rupiahs per Punjabi. There was little interest in the plight of Bengal among decision makers in Delhi and London, and during the 1920s and 1930s the financial pressure on the province actually increased (Iftikhar-ul-Awwal 1982 p. 35).

2.2.3 East Pakistan

With the partition of India in 1947, the Muslim areas were united into a new country, Pakistan, comprising the former provinces of North-West India and East Bengal. Although East Bengal was the most populated part of Pakistan, Karachi in West Pakistan became capital and residence of central government. Muslim businessmen and industrialists from Bombay and Delhi moved to Karachi rather than to Dhaka, mainly due to the better infrastructure and business opportunities there (Etienne 1990 p. 239). Senior positions in the army and administration in East Pakistan were held by officers from the West. Returns from the major industries and exports, such as jute, sugar, cotton and steel were used for investment in West Pakistan. Hardly any investment took place in rural East Pakistan, allowing significant declines in the per capita production of food and cash crops.

2.2.4 Independent Bangladesh

The war severely disrupted the area. A vast number of people lost their lives, infrastructure was damaged, administration collapsed, and 10 per cent of the population (then 75 million) was displaced (Ziring 1992 p. 77). The young state lacked an entrepreneurial and administrative group to run government, private industry, commerce, banking, insurance, shipping, waterways and (international) trade (Sobhan 1993 p. 13). The new socialist Government nationalised key sectors of the economy, partly as a gesture towards the rural and urban working classes, whose support had only recently been secured.

Growth of Gross Domestic Product was erratic in the first years after Independence, reflecting vulnerability to such external shocks as oil crises and natural calamities. Rapid growth rates were followed by substantial declines. After 1975, fluctuations decreased, but average growth during the second half of the 1970s did not exceed 5.1 per cent per annum, remaining under the targets set in the First Five-Year Plan (1973/74–1977/78) and the Interim Two-Year Plan (1978/79–1979/80). In the early 1980s, the GDP growth

rate stabilised at slightly under five per cent, a level that has been maintained until today, with the exception of 1990.

In the early 1980s, the Bangladeshi Government took measures, albeit on a modest level, to redress the economic imbalances that had occurred in the 1970s. The most notable was that foreign debt increased from US\$ 15 million in 1971 to US\$ 4,053 million in 1980. In 1985, the Bretton Woods institutions started to support the Government's adjustment programme. There followed clear improvements in the (private) savings and investment balance, but investment rates remained relatively low at 12 per cent of GDP.

By 1982, Bangladesh had become dependent on foreign aid flows, its economy was growing only very modestly, and state enterprises were making losses. Aid money was channelled to the private sector through Development Finance Institutions to which only privileged citizens had access and the recovery rate of which amounted to only 14 per cent in 1981 (Sobhan 1993 p. 14).

Economically, the country gained little under the military regimes of the 1980s, despite some liberalisation and privatisation efforts. Dependence on donor funds increased and domestic savings decreased to a record low. By the end of the decade, GOB recurrent expenditure exceeded the development budget, and economic growth declined to an average of 3.1 per cent, from 4.4 per cent in the 1970s.

The early 1990s saw some improvement. Manufacturing expanded by 8.6 per cent in 1993/94 and exports increased. Inflation was modest, at times low and increasing remittances from Bangladeshis abroad helped support the balance of payments. Reduced imports combined with rising exports enabled an increasing foreign exchange reserve. Agriculture, however, was hindered by droughts, floods and problems in fertiliser distribution, causing a contraction in its relative share in GDP (World Bank 1996 p. 2). Particularly striking was the booming garment industry, which became the major export sector (40 per cent). Donor dependence declined to 60 per cent of the development budget, as compared to 90 per cent in 1991. In 1994 and 1995, GDP growth stagnated at 4.5 per cent, consumer prices rose and the trade deficit increased from less than two billion US\$ in 1994, to six billion in 1995.

The current growth rate of five per cent is insufficient to reduce poverty in the foreseeable future. With a population growth rate of 2.5 per cent, it will take 30 years to double per capita income, which now averages US\$ 220 per year.

The relative importance of agriculture and industry to GDP growth has shown important shifts since the early 1970s. At Independence, agriculture constituted more than half of GDP, employing well over half of the available labour force. The sector's share in

total GDP decreased to some 30 per cent in the 1990s, only slightly offset by industrial performance. The major growth was in the services sector, the share of which increased from one quarter of GDP in the 1970s to more than half in the 1990s (see Table 2.2).

Table 2.2 Sectoral composition of GDP (%)

	1975	1985	1994	1995
Agriculture	62.0	41.8	29.7	30.9
Industry	11.6	16.0	17.7	17.6
Services	26.4	42.2	52.6	51.5

Source: World Bank, Bangladesh Public Expenditure Review, 1996.

The services sector includes informal sector activities, the statistics of which are not reliable. The IRBD (Independent Review of Bangladesh's Development 1994/95) questions whether the services sector has genuinely embarked on a dynamic growth of its own or whether it is simply a refuge for those who fail to find work in the formal sectors. The rise of the garment sector compensated for the declining share of other industrial sub-sectors, which are dominated by state-owned enterprises.

2.3 Bangladesh: governance and development³

Before Independence, the Bengalis were virtually excluded from the upper echelons of the bureaucracy, army and business community. Under Pakistani rule, no Bengali ever became minister or secretary in any key ministry of central government; only one Bengali made it to army general; and less than five per cent of fixed assets were in Bengali hands. After the war, a new but totally inexperienced indigenous cadre had to take over positions in government, banking, insurance and trade. It also had to start negotiations with the donor community, something that had thus far been arranged by central government in West Pakistan. The new government did not want to confront its broad popular constituency with the emergence of a new, albeit Bangladeshi, political and entrepreneurial elite. It embraced some socialist principles such as: nationalisation of private enterprises, including those owned by Bengalis; limits on the size of private holdings and collaboration with foreign capital. However, this policy soon led to a large public sector that lacked the dynamism of a private sector, and economic development made a sluggish start in the period 1972–75.

The subsequent governments in 1975 and 1982 were military regimes that gained power through *coups d'état* and hence were less inclined to look for popular support for their

³ This section is based on: Sobhan, R., *Bangladesh: Problems of governance*. University Press Limited, Dhaka, 1993; and Sobhan, R., *The crisis of external dependence*, University Press Limited, Dhaka 1982.

economic policies. These regimes were characterised by the pursuance of disinvestment of public enterprises and particularly by the channelling of aid resources through Development Finance Institutions owned by the state. These financial institutions, some of which were also divested, provided loans and equity finance to private entrepreneurs, supported by new industrial policies after 1982. The rationale for the extension of public funds to private entrepreneurs was the desire to build a Bangladeshi entrepreneurial class, since the Bengalis had had little chance to accumulate capital in pre-independence days.

This created a system in which public development funds could be extended to private entities at different interest rates, with varying repayment periods and regulations in case of default. In fact, debt default became a rule rather than exception, as many loans were rescheduled or written off, which benefited larger defaulters rather than smaller ones. Moreover, equity of enterprises was often over-valued and capital imports over-invoiced in order to draw a maximum of loans from the financial institutions. Again, the larger enterprises stood to gain more from such practices than the smaller ones. The disinvestment drive also had some unwanted results when Government tried to sell off loss-making enterprises: in practice, only those that had some commercial perspective were sold, and the state was stuck with those that were least viable. A large number of denationalised enterprises, however, did not perform well in private hands, continuing to default on their loans and even seeking public subsidies for their survival (particularly in jute, cotton and steel).

The poor use and allocation of resources did little to transform loans into productive investments in agriculture, industry and transport despite the various industrial policies. In fact, investment and savings ratios remained very low over the years and led to severe dependency on external aid sources. During the 1980s aid money, such as counterpart funds of commodity aid, led to a complete funding of GOB's Annual Development Programme. Bangladesh became one of the biggest aid receivers in the world, and individual donors were often committed to spend particular annual allocations on the country. Similar to the loan practice, this led to big projects rather than small ones: big projects that were often over-designed in order to commit a maximum of funds. For example, investment projects often comprised more foreign experts, administration costs, equipment, travel, etc., than were actually required; in smaller projects for poverty alleviation, each donor usually set up its own delivery structure (offices, vehicles, staff, etc.). In the case of tied aid and occasional waivers for international competitive bidding, the possibilities of over-designing were apparent.

The relatively easy availability of aid money, combined with the practices of over-valuation, over-invoicing and over-designing, provided many opportunities for misappropriation of funds, patronage systems, and mixing of aid and trade interests. By the

mid-1980s, the donor community tried to turn events by increasing aid conditionalities, but to little avail. In 1990 they forced Bangladesh collectively to seriously start policy reforms. This virtually coincided with end of an era of military autocratic rule, and from 1991 onwards, serious efforts were made to reduce donor dependency and to further implement the structural adjustment measures agreed earlier. By the mid-1990s, the percentage of donor funding of the annual development plan had substantially decreased, but not only because of government measures. In various donor countries recession led to important decreases in aid allocations to Bangladesh.

Chapter 3 Bilateral relations

The history of relations between the Netherlands and the People's Republic of Bangladesh dates officially from 1972, when a Chargé d'Affaires was sent to Dhaka to represent the Netherlands. In earlier years, Netherlands' bilateral relations with East Bengal, the present Bangladesh, were included in its relations with India and Pakistan, and are therefore not discussed here.

3.1 Diplomatic and political relations

The Netherlands was represented by a Chargé d'Affaires from 1972 to 1980, when the first Ambassador was appointed. Bangladesh has always figured amongst the main recipients of the Netherlands' development aid programme and Royal Netherlands Embassy (RNE) staff have thus mainly been concerned with development issues. Trade and agricultural relations were formally addressed by the respective Attaché's of RNE New Delhi, but in the 1990s RNE Dhaka has actively pursued improvement of the economic relations between the two countries. Bangladesh was for a long time represented in the Netherlands through its Ambassador in Brussels. In January 1996 an Ambassador was appointed to The Hague.

Bilateral agreements

Between the Netherlands and Bangladesh, two agreements were signed in the 1970s: one concerning air services (1973) and the other concerning technical cooperation (1977). In the 1990s, two treaties were signed, of significance for potential investors. One covers double taxation (1993) and the other is a so-called IBO (Agreement on Encouragement and Reciprocal Protection of Investments, 1994).

Human rights

Allegations of human rights abuse in Bangladesh have centred around five issues: the Chittagong Hill Tracts; the treatment of non-Sunni Muslim religious groups, such as Hindus and Ahmadyas; the position of non-Bengali immigrants, notably Bihari; the treatment of political opponents (Special Powers Act, Anti Terrorism Act, Drama Act, Disturbed Areas Act); and the rights of women (protection from *Fatwa*, religious verdicts). The issue of the Chittagong Hill Tracts has been brought up regularly by organisations such as Amnesty International, the Chittagong Hill Tracts Commission, the Organising Committee Chittagong Hill Tracts Campaign, ILO, Vluchtelingenwerk, and others throughout the period under review. Questions were raised in the Netherlands' parliament and in 1989 a Dutch parliamentary mission concluded that 'pressure can be put on the government by means of aid'. In the view of the Netherlands' government, human rights violations in Bangladesh were incidental rather than systematic.¹ Under the Netherlands' European Community chairmanship in 1991, a regular dialogue between EC (now EU) ambassadors and the Bangladeshi Minister of Foreign Affairs was initiated. This reflected the willingness of the Bangladeshi authorities to discuss such issues openly. A peace agreement has now been signed with regard to the Chittagong Hill Tracts which is strongly supported by the Netherlands. In future, project aid may be extended to promote development of the area to sustain the peace initiative.

Official visits

Since Independence in 1971, one Bangladeshi Head of State visited the Netherlands in 1979, partly in connection with the supply of Fokker airplanes. Netherlands' Ministers of Development Cooperation have paid three visits to the country, in 1985, 1991 (heading a EU delegation) and 1997. In 1989, His Royal Highness Prince Claus of the Netherlands visited Bangladesh in his capacity as Adviser on Development Cooperation.

Requests by high-level Bangladeshi government representatives to visit the Netherlands during the 1980s and 1990s were not successful, despite the active support of Ambassadors in Brussels and Dhaka. The visit of the Standing Committee on Development Cooperation of the Netherlands' Parliament to Bangladesh in 1989 (during the Ershad regime) led, in 1994, to a request from the Speaker of the Bangladesh parliament and the Netherlands

¹ Reply to Questions by Members of Parliament (H. Knol, Tweede Kamer, vergaderjaar 1986–87, Aanhangsel, p. 217; M.B.C. Beckers-de Bruijn et al., Tweede Kamer 1991–92, 10/1/92; J.M. Verspaget, Tweede Kamer 1993–94, 25/02/94. See for the latest report on this issue '*Life Is Not Ours*': *Land and Human Rights in the Chittagong Hill Tracts, Bangladesh—Update 3* (Amsterdam/Copenhagen: The Chittagong Hill Tracts Commission, 1997).

Ambassador to strengthen parliamentary links. However, no follow up was given to this request.

More recently, political attention in the Netherlands for Bangladesh seems to be on the increase, due to several developments. Firstly, Bangladesh is undergoing a process of democratisation. Secondly, within the Organisation for Islamic Cooperation, Bangladesh is playing a moderating role. Thirdly, it also undertakes various UN Peacekeeping missions.

3.2 Economic relations

Several initiatives have been taken in the 1990s to enhance economic relations between Bangladesh and the Netherlands. Regular business lunches were organised by the Ambassador for Netherlands and Bangladeshi representatives of Dutch companies in Bangladesh. The favourable developments in macro-economic indicators, increasing investments by countries such as Japan and Korea, and the various special advantages for foreign investors, were brought to the fore in order to entice more investment and trade from the Netherlands. On the occasion of the first KLM flight to Bangladesh in November 1994, a trade mission of the Netherlands' Ministry of Economic Affairs flew to Dhaka to assess trade and investment opportunities in Bangladesh. A planned return visit by a high-level Bangladeshi trade mission to the Netherlands has not yet materialised, reportedly due to lack of interest on the part of Netherlands' companies. Recently, mutual visits have taken place between the Chambers of Commerce of Dhaka² and Groningen, supported by RNE, with the objective of promoting trade relations. This exchange aims to encourage small and medium sized companies to engage in bilateral trade, which is an explicit desire of Bangladesh. The opening of a Bangladeshi Embassy in The Hague in 1996 was particularly inspired by the wish to improve economic relations with the Netherlands.

The various initiatives have led to the tax and investment agreements mentioned above, and some increased economic activities, particularly by Netherlands Banks, garment traders and the Netherlands Development Bank (FMO). Overall, however, economic relations between Bangladesh and the Netherlands have remained rather modest.

² The Dhaka Chamber of Commerce has several cooperation programmes with donor organisations, for example in Germany and the USA.

Trade with Bangladesh

Netherlands commodity *exports* to Bangladesh have fluctuated over the years between Dfl. 34 and Dfl. 176 million (Table 3.1), without any clear trend. They have comprised mainly powdered and condensed milk, chemical products and machinery. Netherlands exports of dairy products to Bangladesh have been overtaken by those from Denmark, France, New Zealand and Australia. Exported machinery to Bangladesh has concerned mainly specialised equipment for the leather and textile industry, but also here the Netherlands lost its edge in the market to other suppliers, mainly from Japan, Korea and Germany. Recently, chemical products have become the most important commodities exported to Bangladesh.

In the 1970s and early 1980s, a large part of commodity aid (urea) and goods delivered in the context of projects (industry and transport) were *de facto* tied to Netherlands suppliers. Several Netherlands companies also supplied technical assistance in projects (e.g.: cotton, natural gas, fertiliser production). When private sector development gained importance in development policy in the mid-1980s, the Netherlands provided currency aid for several years in support of the Secondary Exchange Market. These hard currencies were made available to private firms for the import of essential commodities, such as agricultural inputs, capital goods and raw materials. The Netherlands ORET programme, which promotes exports from the Netherlands to developing countries, applies to Bangladesh, but so far little use has been made of its facilities.

Imports from Bangladesh increased modestly in the 1970s and 1980s from some Dfl. 20 million to 90 million, but then quickly tripled to Dfl. 280 million in 1996 (Table 3.1). These comprise mainly textiles, jute, leather and frozen fish. The recent increases are mainly due to the booming ready-made garments sector in Bangladesh. Garment exports benefit from preferential access to the European market under the Multi-Fibre Agreement. This Agreement expires in 2005 and Bangladesh is already seeking support for its extension. Bangladesh's major role in the world's jute market is declining due to an inefficient state-run jute industry and the crippling influence of trade unions.

Generally, Bangladeshi companies experience difficulties in obtaining access to the Netherlands markets with their produce, despite the fact that there are few import restrictions. Bangladeshi products are not associated with quality in the Netherlands, hence their high-quality ceramics and textiles are better exported to other markets. Several Bangladeshi manufacturers and Netherlands entrepreneurs in Bangladesh attribute this phenomenon to the fact that the Netherlands public perceives Bangladesh as a poor, disaster ridden and aid-dependent country. This image is largely conjured-up by press coverage of natural disasters and political turmoil, and by development organisations that

Table 3.1 The Netherlands imports from Bangladesh and exports to Bangladesh (in Dfl. million)

Year	Imports	Exports ¹	Year	Imports	Exports
1973	21	47	1985	55	161
1974	17	34	1986	39	107
1975	17	113	1987	40	91
1976	30	40	1988	49	108
1977	46	43	1989	67	127
1978	23	103	1990	90	92
1979	51	95	1991	138	59
1980	41	66	1992	132	57
1981	36	153	1993	150	72
1982	41	124	1994	196	173
1983	50	45	1995	213	76
1984	65	176	1996	282	60

¹Export figures may include commodities delivered under the Netherlands aid programme.

Source: Central Bureau of Statistics, The Hague.

convey images of Bangladeshi poverty to their constituencies to underpin their interventions. Conversely, some Netherlands products, such as milk powder and fertiliser, have a high-quality image in Bangladesh and enjoy some consumer preference.

Several Bangladeshi traders/manufacturers have participated on an ad hoc basis in programmes of the Netherlands Centre for Promotion of Imports from Developing Countries (CBI) (fish, software, artisanal products). Technical cooperation between CBI and the Bangladesh Export Promotion Bureau (Ministry of Commerce) has been contemplated, but not yet implemented. Also, Bangladesh has often expressed the wish to establish a trading house in Rotterdam. CBI provided a subsidy for this purpose from 1979 to 1982. Funding was discontinued when it appeared that sustainability could not be guaranteed because the trading house could not generate sufficient exports to the Netherlands. Quite recently, the Export Promotion Bureau has expressed renewed interest in such a venture to CBI.

Services

Services play an insignificant role in the bilateral trade relationship, since tourism is negligible and there are no regular direct sea freight services between the two countries. Air links are of some importance, since Bangladesh's national airline maintained a regular

service to Amsterdam *en route* to the USA. On the basis of a previous agreement, this was reciprocated in 1994 by a regular KLM service to Dhaka. Contentious issues arose around landing rights, however, leading to complete cessation of KLM flights to Bangladesh in December 1996.

Investment

Many Bangladeshis have emigrated to countries in South East Asia, Japan and the Gulf and there are also substantial Bangladeshi communities in Europe, United States and Australia. These rapidly growing communities include many professionals and entrepreneurs, who are in regular contact with Bangladesh through electronic media and by air. Investments by these overseas communities in Bangladesh are already substantial, making use of local networks.

Netherlands investments in Bangladesh are so far very modest, although substantial improvements have been introduced in the Bangladeshi investment climate since 1991 (for example, tax holidays, Export Processing Zones and full company ownership by foreigners). These formal incentives are difficult to access, due to the sluggishness of customs, port and tax authorities and other bureaucratic problems. At present, the main investors in Bangladesh are from Japan and South Korea.

Six Netherlands companies/multinationals have invested in Bangladesh and FMO participates in several Bangladeshi companies.³ One Netherlands company is part of a joint venture in the Export Processing Zone of Chittagong. Approximately 30 others are now active in Bangladesh. Half of them have their own representation, others use local agents. Among those with their own representation, six are also active in projects funded by the Netherlands' development cooperation programme.

3.3 Cultural relations

There is no cultural agreement between Bangladesh and the Netherlands and, despite 25 years of development cooperation, there is only a very limited cultural relationship. Attempts by Bangladeshi and Netherlands officials in 1993 and 1994 to improve cultural relations ultimately led to some attention being shown by the Royal Tropical Institute in Amsterdam for Bangladesh. Other initiatives have not been positively received by the Ministry or by relevant institutes. The latest country policy document for Bangladesh

³ Various companies have received FMO funding through the Bangladesh Shilpa Bank. Direct participation took place in companies in the chemical, textile and ceramics sectors, for example.

does not emphasise any expansion of cultural relationships. There are few provisions for Netherlands students, scholars, policy makers, investors or the general public to acquire knowledge of the cultural, historical or social aspects of Bangladesh. No university in the Netherlands has any specific provision for the study of Bangladesh or the Bengali language, and there do not appear to be any journalists or correspondents specialising in the country.

3.4 Civil relations⁴

Comprehensive information on civil society relations between the Netherlands and Bangladesh is not available. For the purpose of this evaluation, some 58 private organisations were asked whether they maintain any contacts with Bangladesh, and if so, what kind of activities have been developed. Response was very high (90 per cent) and 35 of the organisations indicated some relationship with Bangladesh. Although the list cannot be regarded as exhaustive, it gives a fair reflection of civil society relations between the two countries. The organisations operate in the following areas: business/commercial (4), religious (6), political/human rights (8), social (11), cultural (1) and educational/research (5).

The list reveals that, much like formal bilateral relations, civil society contacts are overwhelmingly concerned with development projects, relief and charity. Political, cultural and commercial contacts are weak. Political relations are restricted to support by Netherlands federations of labour unions to two counterpart unions in Bangladesh, some small solidarity groups (e.g. Bangladesh Groep Nederland, Bangladesh People's Solidarity Centre, Organizing Committee Chittagong Hill Tracts Campaign and the solidarity fund XminY). Netherlands human rights organisations are not very active with regard to Bangladesh. Cultural relations are even weaker. The only institutes whose contacts with Bangladesh are focused exclusively on culture, education and research are the Bangladesh Instituut (a small voluntary language institute) and the International Institute of Social History (IISG) which has Bangladesh as a focus of its activities.

Economic relations are very modest. For example, the Federatie voor de Nederlandse Export (Fenedex) reported that 66 of its members deal with Bangladesh. Of these, 21 work directly in the country and only four maintain an office there. The Federation of Netherlands Chambers of Commerce reported no relations with Bangladesh (but, as stated above, the Groningen Chamber of Commerce did establish such contacts.

⁴ The relations between Netherlands CFAs and NGOs in Bangladesh are excluded since they have been evaluated separately in the context of this study.

Concluding remarks

Bilateral relations between the Netherlands and Bangladesh are strongly dominated by the aid programme. Little apparent interest is shown by the Netherlands for Bangladesh beyond the aid relationship, e.g. Bangladeshi culture and society, its dynamics, and the importance of non-aid issues.

Bilateral contacts have mainly taken place on Bangladeshi territory, with an agenda mostly set by the Netherlands and concentrating on development issues. The lack of broader contacts has reinforced the negative image of Bangladesh in the Netherlands. Conversely, the Netherlands is seen in Bangladesh as a relatively generous donor, with little interest in commercial trade or investment in the country.

A few Netherlands companies now active in Bangladesh are, or have been, involved in development projects. Their presence for that purposes gave them the opportunity to engage in commercial activities. The modest Netherlands investments in Bangladesh are mostly by large companies which have linked-up with established Bangladeshi business interests.

Chapter 4 Policy and programme characteristics

4.1 Development aid to Bangladesh

Since Independence in 1971, Bangladesh has been a major recipient of foreign aid. In the period 1972–94 this totalled US\$ 23.5 billion, or approximately US\$ one billion per annum. Major aid providers have been such multilateral financial institutions as the World Bank and the Asian Development Bank, and a series of bilateral donors.

In the period 1971–91, the Netherlands ranked as the sixth most substantial bilateral donor, providing 3.8 per cent of total net overseas development aid (ODA) to Bangladesh. The ranking of bilateral donors by funds disbursed was headed by Japan and the USA, each supplying some 14 per cent of total net ODA. The World Bank (IDA) and the Asian Development Bank were the most important multilateral donors, providing 17 and 10 per cent respectively of total ODA between 1971 and 1995.

Since 1991, the Netherlands has become the fourth bilateral donor due to a drastic reduction of United States and Canadian aid to Bangladesh. Other donors, including the Netherlands, also reduced their annual aid disbursements to Bangladesh, while Germany substantially increased them. Table 4.1 provides an overview for the period 1971–95.

Unlike most bilateral donors, IDA and the Asian Development Bank have more or less maintained their level of loan disbursements to Bangladesh, although substantial fluctuations occur from one year to the other. ADB loans have grown to match those of IDA, and have occasionally been higher. Overall, the average total ODA disbursements to Bangladesh shows a declining trend.

Table 4.1 Bangladesh: total net ODA 1971–95 (US\$ million)

Donor	1971–79	1980–89	1990	1991	1992	1993	1994	1995
Japan	538	2,220	374	115	163	185	228	255
USA	1,174	1,598	169	129	130	94	152	56
Germany	451	683	77	97	79	75	105	62
UK	279	609	97	98	102	72	66	76
Netherlands	204	559	72	57	72	53	55	58
Canada	420	817	102	95	109	41	54	38
ADB	111	1,258	304	268	320	218	358	249
IDA	755	2,458	449	239	307	278	380	155
Others	1,752	3,432	467	652	541	362	354	340
Total	5,648	13,634	2,111	1,750	1,823	1,378	1,752	1,289

Source: OECD, Geographical distribution of financial flows to developing countries.

4.2 Netherlands aid policy

Poverty alleviation and economic growth

In the 1960s, the Netherlands development aid policy focused on the transfer of know-how. Technical assistance was the main component of the aid programme. Later, until the mid-1970s, the Netherlands' assistance mainly comprised capital or financial assistance, heavily concentrated on its (former) colonies: Indonesia, Surinam and the Netherlands Antilles as well as on India. Initially, most development aid was channelled through multilateral institutions, but bilateral aid gained importance in the 1970s, increasing from 10 per cent of the total aid budget in 1966 to about 30 per cent in 1972.

Until the early 1970s, the main policy priority of the Netherlands aid programme was the economic development of the poorer countries, based on the modernisation theory, emphasising growth through investment in infrastructure and industrialisation. The role of the donor's commercial and industrial interests in development assistance was thus considerable. Gradually it became clear that the expected trickle-down of benefits to the poorer segments of the population did not occur to the extent expected. The Netherlands' development cooperation policy was therefore focused more and more on poverty alleviation. In 1979 this was combined with the objective of promoting economic self-reliance in the so-called two-track policy. The type of aid to be given would depend on the policy of the recipient country: if the benefits of economic growth in the recipient country would not benefit the poor, aid should be targeted directly towards the poorer segment through projects or NGOs. Macro-economic aid instruments would only be used if the

recipient country adopted sound macro-economic policies that were not detrimental to the poor.

In 1984 the two policy priorities were integrated into one ‘track’: structural poverty alleviation.¹ This was based on the assumption that poverty could only be successfully reduced in a growing economy. The possibilities for an external donor to alleviate poverty effectively in developing countries were considered limited. The main contribution a donor could make was to promote a sound economic basis for poverty alleviation by the governments of the recipient countries. In this connection, new priorities were introduced in the 1990s: good governance and promotion of civil society. This was based on a growing awareness that the quality of government administration and adherence to democratic principles strongly influenced the development process.

Environment

In 1979, sustainability of the natural resource base was introduced as a precondition for successful development assistance. Analysis of the environmental consequences of development activities was advocated. In 1982 the international aspects of environmental problems were recognised, and policy emphasised an active approach to the identification and reduction of environmentally detrimental activities.² In reaction to the report ‘Our common future’ (1987), a government policy was formulated that included the following elements:

- promoting a consistent foreign policy that aimed at sustainable development;
- strengthening the environmental infrastructure in developing countries;
- integrating environmental conditions into the Netherlands development cooperation.

Gender

In 1980 the Netherlands Government published a policy paper that focused specifically on the position of women in the development process,³ and advocated a policy aimed at strengthening that position. Since then, the issue of women in development has played an increasingly important role in the Netherlands development policy. In 1987 a ‘programme of action’ was published, aiming at promoting the economic independence of women. Gender issues were to be integrated into ‘mainstream’ programmes and projects. A special programme on Women in Development was established in 1991; in the following year a policy paper emphasising the autonomy of women was published.

¹ Nota Herijking Bilateraal Beleid (1984).

² Notitie Ontwikkelingssamenwerking en ecologie (1982).

³ Notitie Vrouwen in ontwikkelingssamenwerking (1980).

Integration

A review of its foreign policy in 1995, led the Netherlands Government to respond to changes that had occurred in the international environment since 1989 and to the growing interdependency in the world. The main objectives of its development cooperation were continued, but were conceptionally and organisationally more closely integrated in the Ministry of Foreign Affairs. Development cooperation is regarded as an integral component of the Netherlands presence in many parts of the world.

4.3 Development cooperation policy for Bangladesh

Widespread extreme poverty was the main justification and motivation to include Bangladesh as a concentration country for Netherlands aid. Poverty alleviation, therefore, has been the main objective of Netherlands assistance in Bangladesh throughout the years. Since the start of development cooperation, a number of periods can be distinguished.

Reconstruction and rehabilitation: 1972–78

Development cooperation started soon after Independence, in a situation characterised by extensive war damage. In this period natural calamities caused extensive famine and distress, hence emphasis was put on humanitarian assistance, rehabilitation of the infrastructure, and the provision of food and fertiliser as well as raw material for industrial production. Rehabilitation of the infrastructure focused on transport and distribution (construction and equipment of food storage, rehabilitation of infrastructure and construction of vessels, establishment of the national airline), as well as on the rehabilitation and expansion of the water management infrastructure (polders and irrigation schemes to increase agricultural production). During this period the annual aid volume increased to Dfl. 84 million in 1978.

Consolidation: 1979–84

In 1979, Annual Policy Plans were introduced, which were subject to agreement between the two countries. The Netherlands policy priorities were thus made more explicit, and aid activities were deliberately focused on particular sectors: transport and distribution, agriculture, water management, social infrastructure, industry and energy.



The face of poverty and population pressure (Photo by Heldur Netocny/Lineair)

The policy plans: 1985–95

After 1985, policy plans were prepared for three-years periods; three such plans have been formulated: 1985–88, 1989–92 and 1992–95.

Country policy plan 1985–88

In the 1985–88 policy plan, Netherlands aid was to be concentrated on two priority sectors: rural development and industrial development. The former included a wide variety of activities: food production and food security (provision of fertiliser and construction of storage capacity), water management and social infrastructure (population and health, drinking water). Industrial development activities included support to natural gas exploitation as well as to various industries (textiles, chemicals). Support to inland water transport was included as part of industrial development.

According to the plan, 60 per cent of project aid would be directed towards rural development activities as defined above, whilst the remainder would go to industrial development. Programme aid (mainly commodity import support) would be limited to 50 per cent of the total aid flow.

The plan further mentions that attention will be given to the position of women in the development process. This includes expansion of activities specifically aimed towards women, as well as the mainstreaming of gender aspects in priority sectors in the Netherlands cooperation programme.

Country policy plan 1989–92

In the 1989–92 policy plan the sectors selected for development cooperation were largely maintained but re-grouped. Priority sectors mentioned are food production, physical infrastructure, social infrastructure, industry and energy. Physical infrastructure comprises infrastructure for water management as well as water transport, while the latter also includes such projects as construction of the Karnaphuli bridge and the utility ferry project. Under the heading of social infrastructure, particular attention is drawn to primary education.

According to the policy plan, programme aid is to be reduced further to one third of the annual aid disbursement. Support to NGOs would be increased, mainly for rural credit programmes. Still greater attention would be devoted to creating opportunities for women. In the appraisal of future activities, particular attention would have to be paid to the employment of women, and possible detrimental effects on women should be avoided. Ecological aspects were to be emphasised in all projects and, if necessary, specific environmental components should be integrated. Furthermore, specialised ecological projects would be increased in number.

Country policy plan 1992–95

This policy plan focused explicitly on the Netherlands policy priorities: poverty alleviation, women in development and the environment. Priority sectors identified were: rural development (including integrated rural development through NGOs, support to agriculture and water management) and social infrastructure (population and health, education and drinking water and sanitation). Substantial attention was given to gender issues and environmental considerations; both were to be integrated into activities in the priority sectors. Urban poverty alleviation was to be achieved through the provision of social services and support to NGO activities. Attention for physical infrastructure activities was to be reduced, whilst transport activities would be limited to the country boats and utility ferries. Support to the energy sector would be terminated. In the cadre of private sector development, it was suggested that the development of small industries be supported.

4.4 Main programme characteristics

In the period 1972–96 total Netherlands aid disbursements to Bangladesh amounted to Dfl. 2.65 billion. Among recipients, Bangladesh has always ranked amongst the top four (the others being Indonesia, India and Tanzania).

Three major aid forms can be identified (see Table 4.2 and Figures 4.1–2). The most important is programme aid, including commodity import support (mainly fertiliser and raw materials for industry), debt relief and foreign exchange supply. In total, programme aid constituted 46 per cent of all aid given to Bangladesh. The other main category is the project aid to different sectors, constituting 45 per cent of total aid volume. Most of this is regular bilateral aid, but it includes recent co-financing arrangements with multilateral financial institutions. Most of the remainder of the aid (9 per cent) is provided to Bangladeshi NGOs.

Table 4.2 Netherlands bilateral aid programme for Bangladesh, 1972–96, in Dfl. millions

Aid form/sector	1972–76	1977–81	1982–86	1987–91	1992–96	Total
<i>Programme aid:</i>						
Industry	0	57	158	130	0	345
Agriculture	33	130	225	114	0	502
Other	31	98	105	71	71	376
<i>Project aid:</i>						
Agriculture	3	5	6	13	18	45
Industry/energy	6	37	37	35	62 ¹	177
Transport	36	121	58	97	45 ²	357
Water management	4	43	61	58	75	241
Education ³	2	0	4	8	55	69
Health and population	2	21	31	22	46	122
Drinking water	0	6	18	20	23	67
Miscellaneous ⁴	2	3	9	41	51	106
<i>Aid through NGOs⁵</i>	1	9	27	58	152	247
Total	120	530	739	667	598	2654

¹This includes a rural electrification project that was started in 1995, but will be phased-out shortly.

²Phased-out in 1995.

³Includes also the support to Non-Formal Primary Education programmes executed by NGOs.

⁴Comprises special programmes, embassy projects, emergency aid, fellowships, studies.

⁵Comprising both funding through the bilateral country programme and the Co-Financing Programme.

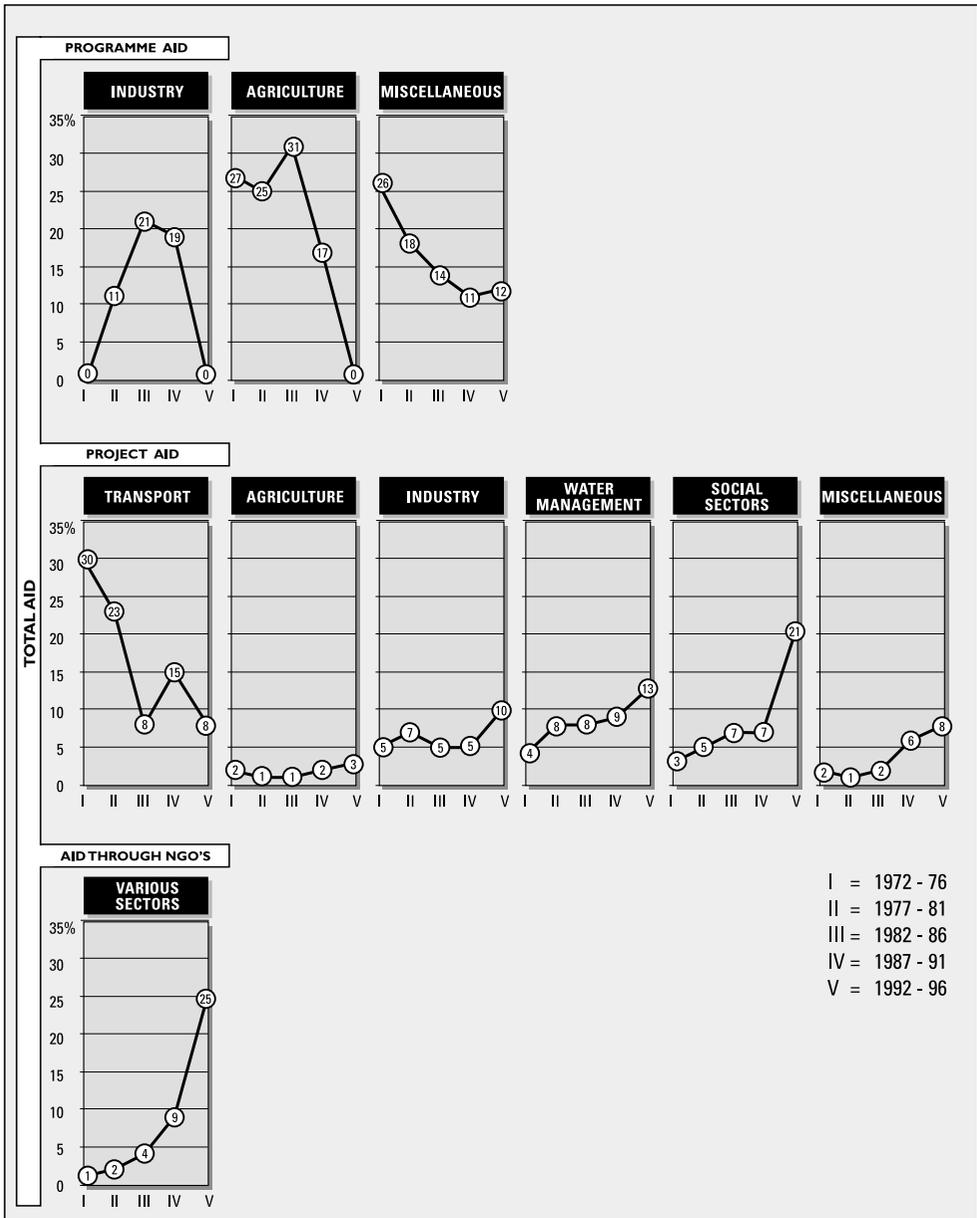


Figure 4.1 Netherlands bilateral aid programme for Bangladesh 1972–1996 (in percentages)

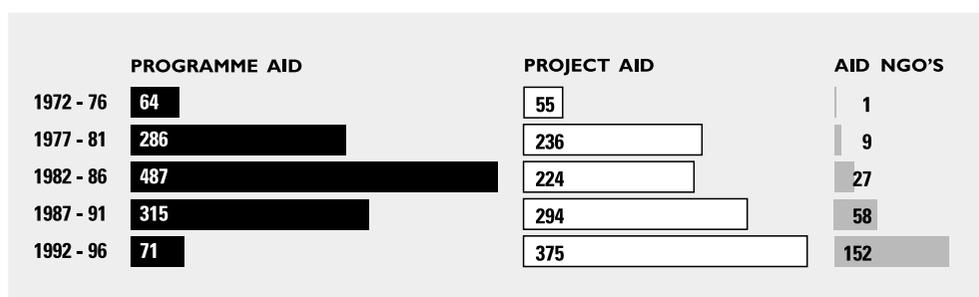


Figure 4.2 Netherlands bilateral aid programme for Bangladesh 1972–1996
(in Dfl. millions)

Programme aid

Overall, annual aid disbursements peaked in the early 1980s, mainly as a result of high levels of programme aid. Subsequently, average annual disbursement levels declined, particularly after 1992. Commodity aid was progressively phased-out in the early 1990s, and replaced by the occasional alleviation of debts. The proportion of programme aid in the annual allocation has played an important role in policy discussions with the Bangladesh Government. In general, the recipient preferred programme aid to project aid because of the greater flexibility that it offers. Table 4.2, however, shows that since the mid-1980s the relative importance of project aid has progressively increased. In the policy documents, project aid was preferred because it was expected to alleviate poverty more directly than the indirect effects that could be expected from macro-economic aid.

Project aid

For this evaluation, project aid has been grouped under five main economic sectors: industry/energy, agriculture, transport, water management, and the social sector. The latter includes interventions in population and health, primary education, and drinking water and sanitation. The composition of project aid changed from an initial emphasis on transport and industry to a focus on the social sectors, although industry picked up again in 1995 because of new support to the energy sector (rural electrification). Activities in water management and agriculture (mainly seed-related projects) showed a steady increase over the years. The relative continuity of the sectoral composition of the programme masks important changes in the nature of the projects. Initially, projects were characterised by a technical orientation, mainly focusing on the construction of infrastructure and the supply of equipment. Even in the late 1970s, however, greater attention was given to addressing poverty more directly through project interventions, and

institutional issues were recognised as being major bottlenecks hindering the achievement of project objectives and sustainability of results.

Aid through NGOs

Over the cooperation period, aid to Bangladeshi NGOs has increased steadily, partly as a result of their development, partly also due to the growing disenchantment among donors (including the Netherlands) with the performance of GOB in poverty alleviation. The assistance to NGOs focused particularly on the rural poor, but recently urban poverty alleviation programmes have also been supported. The aid supports interventions in primary education, rural and small-scale industrial credit, empowerment and consciousness-raising, health care, population activities and ecology. The support to NGO activities is financed through co-financing agencies in the Netherlands and directly from bilateral programme allocations. The co-financing agencies receive annual allocations from the Netherlands Government but also generate their own resources from private contributions.

Donor coordination

Donor-coordination formally takes place under the leadership of the World Bank in the annual consortium meetings in Paris and in the talks that precede them in Dhaka. The 'Like Minded Group' in Dhaka, a platform of bilateral donors (Norway, Sweden, Canada, Denmark and the Netherlands), endeavours to draw attention to poverty alleviation, good governance and other crucial needs.

A specific form of donor coordination is the increasing tendency to group aid activities in consortia. The Netherlands has actively promoted this form of co-financing with multilateral (WB, EU, ADB) and other bilateral donors (SIDA, NORAD). The Bangladeshi Government is in principle opposed to co-financing through multilateral organisations, because of their complicated procedures and the overhead they charge. In the energy sector, Bangladesh was able to show that bilateral projects started much faster than those under multilateral funding. Despite these objections from the Bangladeshi Government, however, the Netherlands indicated that it would continue to promote co-financing in order to achieve stronger coordination, planning and conditionality of aid. Bangladesh also acknowledged that consortia generate important levels of financial support that would otherwise not be attained. In future, some 20 to 30 per cent of the Netherlands aid disbursements will use this international co-financing route.

Chapter 5 Balance of payments support

5.1 Introduction

After Independence in 1971, the first concern of the new government of Bangladesh was to boost food production and to revitalise the damaged industrial sector. Agricultural input subsidies were introduced and foreign currency was rationed to support the import of essential raw materials. Most industries, which urgently needed rehabilitation and whose managements had left the country, were nationalised. The difficulties facing the nation soon encouraged a substantial aid flow, which was further boosted by emergency aid shipments in the wake of devastating floods and famines in 1974–75. During the first ten years after Independence (1972/73–1982/83), more than half of total Bangladeshi imports were financed through loans and grants. In the following ten-year period (1982/83–1992/93), this percentage gradually decreased to one third.

Programme aid comprises programme food aid and financial programme aid. The latter can be provided in the form of balance of payments support at the national level or as sectoral budget or import support. Financial programme aid by the Netherlands has been provided as balance of payments support (commodity import support, debt relief and foreign exchange), based on macro-economic considerations. Through the choice of commodities and the relative size of the donations, however, this aid form often takes the character of sectoral import support. Commodity import support is aid in kind, for which the recipient country executes the tender procedures; the donor pays the supplier directly after the procurement contract has been signed (financial aid procedure). Debt alleviation cancels international debts of the recipient country, whilst foreign exchange aid is a direct means to relieve currency constraints; the foreign exchange is usually auctioned by the Central Bank of the recipient country.



Demonstration of female garment workers in Dhaka (Photo by Ron Giling/Lineair)

5.2 Macro-economic context

5.2.1 Impediments to economic growth in Bangladesh

In the early years, shortage of *foreign exchange* was a major stumbling block in the financing of necessary imports. Exports and workers' remittances generated less than 50 per cent of the import bill in the 1970s. This slowly improved to 65 per cent in the 1980s and to 80 per cent in the early 1990s. The remaining gap was mostly covered by official transfers, such as foreign grant aid and soft loans.

Table 5.1 Bangladesh: Current Account of the Balance of Payments (percentage of total imports, period averages), 1970–93

	1970–79	1980–84	1985–89	1990–93
<i>Imports</i>	100.0	100.0	100.0	100.0
Exports	45.4	35.6	42.3	57.3
Private current transfers	3.7	16.7	21.1	21.8
<i>Deficit</i>	50.9	47.7	36.6	20.9
Official transfers	26.5	24.4	21.2	18.3
<i>Deficit after official transfers</i>	24.4	23.3	15.4	2.6

Source: World Bank, World Tables, 1994.

Levels of *public and private investment* have always been low, due to a non-conducive policy environment. In the 1970s, the increasing aid flow was used by Government to extend cheap credit to public and private enterprises which operated in a highly regulated and protected market. Cheap credits were not always invested wisely and their recovery was difficult, because there were few sanctions against defaulters. Stagnation in the 1980s, coupled with internal and external imbalances, led to the adoption of an IMF/World Bank structural adjustment programme in 1986. Table 5.2 shows investment and saving levels in Bangladesh compared with those of its neighbours and the average for developing countries in 1991. Recently, there has been an increase in gross investment: from the all time low of around 10 per cent of GDP in 1991 to 16.6 per cent in 1995.¹

At the end of the 1970s the *budget deficit* reached 10 per cent of GDP, leading to inflationary pressure. Since then, the overall deficit has been reduced to around 6.8 per cent in 1995, through a broadening of the tax base (introduction of VAT) and a fall in expenditures up to 1993. The latter was caused mainly by cuts in the Annual Development Plan (ADP), while recurrent expenditures increased. ADP cuts are less sensitive than those

¹ World Bank 1996, *Bangladesh Public Expenditure Review*, Dhaka/Washington. Figures for 1995 are provisional.

Table 5.2 Comparison of investment and savings in 1991 in a number of countries (as percentage of GDP)

	Gross domestic investment	Gross domestic savings
Bangladesh	10	3
India	24	23
Pakistan	19	12
All developing countries	26	25

Source: UNDP, Human Development Report, 1994.

in recurrent expenditures, as the latter cover payment of wages, subsidies, etc. Overall, the improvements have resulted in decreases in the overall deficit, lower levels of foreign financing, low inflation and less aid dependency with regard to ADP-funding. In the years since 1994, expenditure levels have increased as a result of higher expenditures under the ADP. They have been covered by increases in net domestic financing rather than by foreign financing.

Table 5.3 Actual income and expenditure of Central Government (as percentage of GDP)

	FY80-84	FY85-89	FY90	FY91	FY92	FY93	FY94	FY95
Total revenue	8.9	9.0	9.3	9.6	10.9	12.0	12.2	12.1
Total expenditure	18.4	16.6	17.2	16.8	16.8	17.8	18.1	18.9
– (Current exp.)	(6.4)	(7.7)	(8.8)	(8.7)	(8.3)	(8.9)	(8.9)	(8.8)
– (ADP)	(12.0)	(8.9)	(6.4)	(6.2)	(6.3)	(7.1)	(8.4)	(8.6)
<i>Overall Deficit</i>	–9.5	–7.6	–7.9	–7.2	–5.9	–5.8	–5.9	–6.8
Net foreign financing	7.9	7.1	6.6	6.2	4.9	5.6	4.9	4.9
Net domestic financing	1.6	0.5	1.3	1.0	1.0	0.2	1.0	1.9

Source: World Bank, Country Study Bangladesh, 1995.

One source of foreign financing was constituted by commodity import support, the sales of which generated counterpart funds that accrued in principle to the government budget.

5.2.2 *GOB macro-economic and sector policy*

Macro-economic policy in the 1970s concentrated on short-term stabilisation, because the recovery process was several times upset by natural and political calamities. In the early 1980s, the substantial internal and external deficits required an overhaul of the economy. Some initial steps were made on Government's own account, but the Bretton Woods institutions soon imposed a major programme to encourage macro-economic adjustment. From this time on, Bangladesh's macro-economic policies have been dominated by the

main characteristics of structural adjustment, such as market liberalisation, privatisation, fiscal discipline, flexible exchange rates, import liberalisation and export promotion.

The *industrial policy* of the 1970s, marked by large-scale nationalisation, was soon relaxed because it discouraged both private and foreign investment. In the second half of the 1970s, private entrepreneurs were enticed to invest, *inter alia* through the provision of cheap credit. In 1982, when the pace of divestiture of state-owned enterprises was still disappointing, the *New Industrial Policy* was launched, proclaiming that the private sector should become the engine for industrial development. The policy promoted further divestment of state enterprises by Government, and a shift from import substitution towards export promotion, since market protection was found to have benefited the production of consumer rather than capital goods. These objectives were to be pursued through the introduction of structural adjustment measures.

Over the years, no comprehensive *agricultural policy* has been formulated in Bangladesh. From Independence onwards, governments have tried to reduce the variability of food supply through public food grain stocks. In 1977–78, a post-harvest floor price was introduced for government procurement; shortfalls were to be met by imports. Also, the promotion of modern inputs, initially through subsidies and state distribution, was actively pursued in order to boost irrigated dry-season production (Boro) and to reduce dependency on one major rain-and-flood-dependent crop (Aman). Private traders were discouraged from speculating with food by anti-hoarding laws and credit restraints for food purchases. A liberal policy for the establishment of rice mills, both small and large, throughout the country aimed at promoting competition so as to keep marketing costs low.² During the 1980s, the distribution of inputs such as fertiliser and pumps was liberalised and in the 1990s a *New Seed Policy* was oriented towards the gradual privatisation and liberalisation of the seed system. In 1993 the state ended its monopoly on food imports.

5.2.3 Netherlands balance of payments aid policy and programme for Bangladesh

In the early 1970s, commodity aid to Bangladesh was handled by the Ministry of Economic affairs, which aimed at promoting exports of Netherlands products and know-how. In 1974, development cooperation became the responsibility of a special directorate in the Ministry of Foreign Affairs. A policy document in 1977 stated the need for commodity aid to ensure the economic self-reliance of the recipient, notably the provision of inputs for food production and for industries operating below available capacity.

² Report on the Task Forces: Volume 2, Food Policy Chapter (p. 151)

In the mid-1980s, the adoption of sound macro-economic policies became a general condition to the provision of programme aid. For Bangladesh this led first to a gradual shift from commodity aid to the supply of foreign exchange and debt alleviation, and subsequently to a phasing out of the programme aid instrument in the 1990s. This caused some difference between Netherlands and Bangladeshi policies, since Bangladesh preferred programme aid to project aid. In the 1995 explanatory notes to the Netherlands development budget it was stressed that in the aid programme for Bangladesh less priority would in future be given to balance of payments support, since the country's dependence on import support had decreased. Moreover, project aid would provide better guarantees that the funds would be used for structural poverty alleviation.

Programme aid to Bangladesh comprised commodity import support to the industrial and agricultural sectors, and currency aid in the form of support to the Secondary Exchange Market and debt alleviation. Commodity import support to industry comprised raw cotton, raw materials for Triple Super Phosphate (TSP) production and black plain sheets for steel production, whilst commodity support to agriculture comprised seeds, seed potatoes and fertiliser.

In 1972 the Netherlands started its aid programme to Bangladesh with the provision of seed potatoes, which was largely a continuation of the support given earlier to East Pakistan. In 1974, food aid in the form of edible oils was added to the import support programme, followed in 1977/78 by fertiliser and raw cotton. The Netherlands' programme aid to Bangladesh peaked in 1980–81, after which it stabilised at a somewhat lower level for the remainder of the decade. Only some food aid in 1984 and black plain steel sheets from 1985 to 1988 have been added since. In the early 1990s, raw cotton and fertiliser import support was phased-out. By 1992, only foreign exchange aid remained, but realistic exchange rates and a substantial foreign exchange reserve reduced the need for this aid form. Between 1991 and 1994, the Netherlands cancelled earlier loans to Bangladesh, and in 1995 programme aid was phased-out completely. A summary of the programme aid to Bangladesh is presented in Table 5.4.

Between 1972 and 1995, the Netherlands provided a total of approximately Dfl. 1.2 billion in the form of programme aid to Bangladesh, (i.e. above mentioned totals and miscellaneous disbursements). Programme aid, the bulk of which was provided before 1991, constituted 46 per cent of all bilateral aid provided in this period. Some 85 per cent of it was taken up by commodity import support (around Dfl. one billion). Deliveries of fertiliser (Dfl. 447 million) and raw cotton (Dfl. 304 million) constitute the largest single items in the Netherlands aid programme. Food aid was provided in the form of edible oils and wheat in the period 1974–84. Since little is known about the use and effects of these donations, they will not be evaluated in detail below.

Table 5.4 Netherlands programme aid to Bangladesh in the period 1972–95 (Dfl. million)

	1972–76	1977–81	1982–86	1987–91	1992–96	Total
Food Aid	20.0	19.5	17.0	0	0	56.5
Commodity aid:						
Fertiliser, seeds	32.7	130.4	224.4	114.1	0	501.6
Raw cotton	0	56.3	150.8	97.2	0	304.3
Steel	0	0	4.1	12.7	0	16.8
Chemicals	0	0.7	3.0	20.5	0	24.2
Debt relief and foreign exchange	1.8	46.5	78.6	39.1	34.8	200.8
Miscellaneous	9.6	32.3	9.5	31.6	36.6	119.6
Total	64.1	285.7	487.4	315.2	71.4	1,223.8

The share of Netherlands programme aid in total import financing has been modest. Between 1971 and 1991, it covered one per cent of total import value (see Table 5.1). However, the share in total grant commodity aid was substantial and generally above 10 per cent. In 1987/88 it was as high as 22 per cent.

Table 5.5 Imports and commodity aid for the period 1971–91

	Imports	Commodity aid					
		Total			Netherlands		
		Grant	Loan	Total	Grant	Loan	Total
In US\$ million	42,206	3,437	4,174	7,611	415	24	439
As % of imports		8.1	9.9	18.0	0.9	0.1	1.0

Source: World Bank, World Tables 1994, and Ministry of Finance, Economic Relations Division, Flow of External Resources into Bangladesh, 1992.

5.3 Implementation and results

The Netherlands programme aid was provided primarily to support Bangladesh's balance of payments. The current account showed structural deficits over time, which put a heavy strain on available foreign exchange reserves required for the import of food grains, agricultural inputs and raw materials for industry. In this situation, the Netherlands generally preferred commodity import support over general currency or budget support in order that the donations might be targeted towards the sectors most strategic for economic growth: agriculture and industry. Commodity aid thus had secondary targets beyond balance of payments support: boosting food production and improving capacity

utilisation of state industries. When the foreign exchange constraint abated somewhat and GOB privatised state enterprises, the Netherlands shifted to general foreign exchange support in the form of donations to the secondary exchange market and debt alleviation.

5.3.1 Commodity aid to agriculture

The relative share of the agricultural sector in GDP is decreasing; in the 1970s, it contributed some 55 per cent to GDP, whilst in the 1990s its share has decreased to 35 per cent. However, agriculture is still of predominant importance for the economy of Bangladesh as it employs more than 70 per cent of the labour force. Three-quarters of total crop production consists of the country's staple crop, rice. Natural calamities, output price fluctuations and input problems affecting rice production and rural employment thus have an impact on the entire economy. Due to population growth and other factors, farm sizes are declining and landlessness is increasing.

Netherlands programme aid to agriculture in Bangladesh has concentrated on the supply of seeds and seed potatoes, pesticides and fertiliser.

Table 5.6 Netherlands programme aid assistance to agriculture in Bangladesh in the period 1972–92

Commodity	Period	Amount (mln Dfl.)
Seed potatoes	1972–85	39.2
Oil seeds	1981–88	9.3
Pesticides	1975–78	5.7
Fertiliser	1977–92	447.5
Chemicals for phosphate production	1986–90	24.2

Pesticides were supplied in the 1970s but have since then been excluded from the Netherlands aid programme due to their negative environmental effects. Too little is known about those shipments for them to be included in this evaluation. Seeds and seed potatoes have been provided as an input to seed and seed potato projects, and hence will be discussed in the context of those projects in Chapter 6. The delivery of fertilisers, including raw materials for local phosphate production, constituted the largest single aid item in the Netherlands' aid programme.

Fertiliser (1977–92)

Fertiliser assistance, provided as commodity import support, comprised Nitrogen (urea) and Phosphate (TSP), as well as raw materials for the production of TSP. The total cost was Dfl. 471 million in the period 1977–92, constituting some 20 per cent of Bangladesh's annual fertiliser imports. The fertilisers were imported by the Bangladesh Agricultural Development Corporation (BADC), which also took care of international competitive bidding procedures. Raw materials for TSP production were imported by the Bangladesh Chemical Industries Corporation (BCIC) following the same procedures.

In 1977 the need for fertilisers in Bangladesh, particularly Nitrogen, was considerable. The Green Revolution was strongly promoted, in anticipation of a replication of Indian successes in Bangladesh. The Netherlands, a major exporter of nitrogenous fertilisers, could thus promote its own exports while alleviating a serious input supply constraint in Bangladesh. Over the years, Bangladesh had been revitalising and expanding its own Nitrogen production to such an extent that it was able to cover domestic Nitrogen requirements in 1985. The need for Phosphate had meanwhile become substantial, however, due to the prolonged unbalanced application of Nitrogen. Among fertiliser factories in Bangladesh, only one produces TSP (using imported materials). From 1985, therefore, aid deliveries shifted from urea to TSP and phosphoric acid (the raw material for TSP).

In the 1990s, continuing liberalisation (e.g. private imports), growing currency reserves and the persistent losses of most state corporations, reduced the scope for commodity aid. Other important donors aided fertiliser production through private channels after 1991, but the Netherlands continued to work through the public sector. From 1989 onwards, the aid was justified by stressing the wishes of the recipient, the need to support the balance of payments and to contribute to the government budget.

Gradual deregulation of the fertiliser market started in 1979 at the retail level and included the liberalisation of imports in 1991. Subsidies were eliminated in 1985 and in 1989 factories were allowed to deliver direct to wholesalers. Production of urea and TSP is still in the hands of the BCIC, with prices set by Government. Generally, the fertiliser market liberalisation has been successful, because retail prices have decreased steadily and availability increased. In the 1990s, however, some drawbacks appeared: farmers were cheated by traders who sold the cheaper and less effective Single Super Phosphate under the TSP label. The use of phosphates thus decreased substantially. In 1994–95 price increases led to violent protests.

5.3.2 Commodity aid to industry

The share of industry in GDP increased from 12 per cent in the 1970s to almost 17 per cent in the early 1980s. Thereafter, however, industry's contribution to GDP stabilised around 16 per cent despite the recent boom in the ready-made garments sector. This indicates that the increased performance of the private textiles and garment sector merely compensates for the declining performance of state-owned industries.

The Netherlands programme aid contributions to industry comprised commodity support to state-owned enterprises, as is shown in Table 5.7.

Table 5.7 Netherlands programme aid assistance to industry in Bangladesh in the period 1978–91

Commodity	Period	Amount (mln Dfl.)
Raw cotton	1978–91	304.3
Steel	1985–88	16.9

Raw cotton (1978–91)

Bangladesh produces only 15 per cent of its total raw cotton needs. The Bangladesh Cotton Development Board (BCDB) was established in 1972/73, but has not managed to boost local production. The need to import 85 per cent of cotton requirements remains. The Netherlands supplied the Bangladesh Textile Mills Corporation (BTMC) with raw cotton from 1978 until 1991, to a total value of Dfl. 304 million.

The donated cotton originated mostly from Pakistan and India, but occasionally also from China and Sudan (see Table 5.8).

Table 5.8 Supply of raw cotton, 1978–91

Period	Disbursement (mln Dfl.)	Suppliers
1978–80	20.1	India, Pakistan
1981–84	154.5	Pakistan, India, China and the Sudan
1985–90	116.6	Pakistan, India, China and the Sudan
1991	13.1	Pakistan
Total	304.3	

Source: Policy and Operations Evaluation Department, Ministry of Foreign Affairs.

The state-owned textile industry made a profit until 1976, but this turned into losses in subsequent years. By 1981, about half of the 52 working public sector mills had negative equity/working capital balances; some of them had defaulted on debt repayments and/

or borrowed large amounts of working capital from the banks. Nevertheless, the textile industry remained the most important manufacturing sub-sector in the 1980s, contributing around 40 per cent of value added and around 50 per cent of employment.

The New Industrial Policy of 1981 aimed at the state's divestment of 26 mills in 1983, financial restructuring of state mills to make them competitive with private mills, and the rehabilitation by Government of two spinning mills. On the basis of these plans, the Netherlands continued its raw cotton aid in the first half of the 1980s. After 1985, however, it became clear that the public sector textile industry could not become efficient. Output and quality remained far below international standards and Government decided to accelerate the privatisation process and to cut its investments in the sector. The Netherlands continued to support the sector until 1992.

Performance in the textile sector has consistently lagged behind the targets set in Five-Year Plans, as can be seen in Table 5.9. The reasons for that shortfall were managerial inefficiency, shortage of raw materials and spare parts, frequent power failures and outdated machinery.

Table 5.9 Targets and actual production in the textile sector

Five-Year Plans	Period	Target		Actual production	
		Yarn (mln kgs)	Fabrics (mln metres)	Yarn (mln kg)	Fabrics (mln metres)
First FYP	1973–78	99.7	78.5	79.9 (79%)	58.1 (74%)
Two-Year Plan	1978–80	74.4	106.2	71.4 (96%)	85.0 (80%)
Second FYP	1980–85	83.2	135.9	59.4 (71%)	87.0 (64%)
Third FYP	1985–90	95.0	121.5	65.0 (68%)	114.0 (94%)
Fourth FYP	1990–95	204.0	194.5	63.2 (31%)*	80.0 (42%)*

*By the end of 1993/94.

Source: Government of Bangladesh, Five-Year Plans.

The volatility of the international cotton market often presented procurement problems for BTMC, such as import price fluctuations. In 1980, a long-term agreement was entered into with Pakistan to avoid annual international tendering for raw cotton. After 1984, Pakistan repeatedly experienced difficulty in honouring the agreement, leading to budget pressure and emergency procurement.

Black plain sheets (1985–88)

The Netherlands has provided black plain sheets to support the supply of raw materials to the public steel industry in Bangladesh through the Bangladesh Steel and Engineering

Corporation (BSEC). These sheets were for the production of corrugated iron sheets in the only public mill, Chittagong Steel Mills Ltd. Support was stopped in 1988 due to the mill's inefficiency. Actual production of sheets decreased from 45,202 MT in 1985/86 to 2440 MT in 1994/95, due to growing competition from the private sector and declining support from Government.

5.3.3 Debt relief and supply of foreign exchange

Apart from commodity import support, the balance of payments was also supported through debt relief and the supply of foreign exchange.

Table 5.10 Netherlands financial programme aid to Bangladesh in the form of debt relief and foreign exchange supply in the period 1975–95

	Period	Amount (million Dfl.)
Foreign exchange support	1977–91	103.4
Debt relief	1975–78	48.3
	1991–95	53.4

The supply of foreign exchange took different forms over time: in the 1970s and early 1980s, it was supplied in the cadre of alleviation of macro-economic emergencies (Cat. IIIa, Dfl. 58.1 million). In practice, the provision of these funds was linked to imports of fertiliser or raw cotton. In 1984, Dfl. 20.4 million was provided to co-finance an IDA import credit to Bangladesh. From 1988 to 1991, foreign exchange was supplied to the Secondary Exchange Market (SEM) where importers could buy it for the import of essential commodities (Dfl. 24.8 million). The alleviation of debts pertained to the cancelling of bilateral debts. Few details are available with regard to the effects of Cat. IIIa disbursements and import credit, hence only a few remarks will be made here with regard to donations to SEM and debt alleviation.

SEM was established by the Central Bank of Bangladesh in 1974, to facilitate the purchase of foreign exchange by private entrepreneurs. They could procure it at more than the official rate, but with substantially less formalities as compared to time-consuming formal channels. SEM served a purpose in a period of multiple exchange rates, but in 1992 it became superfluous as the Bangladesh Taka became convertible for international transactions.

The Netherlands provided Dfl. 24.8 million to SEM in the period 1989–91, on condition that the funds would only be used for the import of raw materials, spare parts and intermediate goods. The main source for SEM were remittances by Bangladeshis working abroad, particularly migrant workers in the Middle East. Contributions in 1990 were

relatively high, Dfl. 11.5 million, to compensate for the sudden reduction caused by the Gulf war in Iraq and Kuwait. An evaluation in 1989 established that the funds were indeed used for the import of essential goods and not for consumer goods. The share of SEM in import financing increased from 3.4 per cent in 1974/75 to 47.9 per cent in 1989/90, after which it declined to 40.5 per cent in 1991/92. In absolute amounts, it surpassed loans and grants as main source for import financing in 1988/89.

Debt relief provided by the Netherlands to Bangladesh aimed at general improvement of the macro-economic situation through a decrease of the debt burden. In the 1970s, the Netherlands cancelled an export credit that had been extended to former East Pakistan for the construction of a sugar mill. The debt alleviation in the 1990s concerned export credits extended to Bangladesh for the purchase of a Fokker-28 and a loan in relation to the co-financed Second Natural Gas Development Project (see chapter 7.4.5). The loans were provided with relatively low interest rates. Bangladesh's outstanding debts in the 1990s totalled approximately US\$ 13 billion.

5.4 Evaluation

5.4.1 Policy relevance

The beginning of the Netherlands' aid programme in Bangladesh in the 1970s was mainly guided by the objective of economic self-reliance. Food aid had to address the most immediate problems of a devastated country, whilst commodity import support was geared to food security and enhancing the use of industrial production capacity. The Netherlands' programme aid in the 1970s explicitly addressed the main bottlenecks in the agricultural and industrial sectors through its commodity aid, and was highly relevant to the needs and wishes of Bangladesh.

Programme aid levels reached their peak in the early 1980s. After that, they were maintained at a lower, but still substantial level throughout the decade. In the mid-1980s, structural adjustment conditionalities shifted policy attention to the private sector, and promoted the provision of currency support as the most appropriate aid form. However, support to state enterprises through programme aid continued at a substantial level for a number of years, which ran counter to the stated objectives of both the Netherlands and Bangladesh, as well as the needs of the private sector. Commodity aid itself prolonged the life and role of state enterprises and allowed the perpetuation of price policies, thereby restricting possibilities for private-sector development. This was most apparent with regard to aid provided to the steel and cotton sectors, the recipients of which were structurally loss-making.

In the 1990s, attention has shifted markedly towards the objective of poverty alleviation rather than economic self-reliance, eventually culminating in the phasing-out of commodity aid in 1992. Since then, programme aid has comprised only debt alleviation, which cleared all official bilateral debts by 1995. Although economic self-reliance and support to private sector development has remained a main objective of the Netherlands' aid policy for Bangladesh, it has proved difficult to use traditional forms of programme aid for this purpose.

Programme aid is particularly geared towards the alleviation of macro-economic constraints rather than direct poverty alleviation. Some indirect effects on the poor can be expected, such as enhanced food supply through programme food aid and job creation through commodity aid to industry and agriculture. The provision of food and fertiliser aid in particular, but also other forms of programme aid, are likely to have contributed to economic and social stability in the country, which would be to the benefit of the poor. The Government of Bangladesh has always maintained the stance that sound macro-economic development is a basic prerequisite for poverty alleviation, hence programme aid serves both the purpose of economic self-reliance and poverty alleviation. The Netherlands shared this view but, since the 1980s, has devoted more explicit attention towards direct poverty alleviation through project aid.

Programme aid has not been aimed particularly at improving the position of women in Bangladeshi society. Neither have environmental issues been specifically addressed through this aid instrument. The supply of pesticides was discontinued in the 1970s because of the fear of negative environmental effects. Fertiliser supplies helped to slow-down soil degradation (*Fertiliser Aid*, IOV, 1995). Ever more intensive agricultural practices caused shortages of Nitrogen and later Phosphorus in the soil, which were partly compensated by mineral fertilisers.

5.4.2 Effectiveness at the macro-economic level

Establishing the precise impact of the value of Netherlands programme aid at the macro level in Bangladesh is difficult for a variety of reasons:

- the share of Netherlands programme aid in total import financing has been only around one per cent;
- various other donors provide programme aid, often to the same sectors as the Netherlands;
- apart from programme aid, other factors also influence macro-economic parameters.

The main objective of programme aid is to promote economic growth by relieving pressure on the balance of payments (through import financing or commodity support). The sales of donated currency and commodities are intended to provide general support for the government budget. In the following sections, the short- and longer-term effect on the balance of payments and the government budget will therefore be discussed. The impact of programme aid will be indicated in terms of positive, negative or neutral.

Given the foreign exchange constraints that prevailed in Bangladesh until the 1990s, it can be assumed that total imports were higher with commodity import support than they would have been without it (additionality). At the macro level, therefore, the *initial* effect on the current account is zero (there have been no currency savings through reduced imports). From 1986 onwards, currency constraints relaxed somewhat, making additionality less straightforward. In principle, Bangladesh had the means to import essential commodities. Thus, for fertiliser and edible oils, there may have been currency savings through reduced import expenditure after 1986 (fungibility).

The supply of *fertiliser* helped to increase rice production in Bangladesh (see also IOV: *Fertiliser Aid*, 1995). Per capita food production went up from 122 kg in 1972/73 to 149 kg in 1989/90. The increased availability of rice reduced the need for food grain imports, which showed no upward trend despite rising demand. It can be assumed that fertiliser aid has had a positive effect on the balance of payments.

The imported *raw cotton and black plain sheets* were used for manufacturing products for the local market (yarn and corrugated iron sheets) rather than for export. This did not lead directly to increased exports, but it is assumed that they substituted for imports in a highly protected market. The supply of raw cotton and black plain sheets had a positive effect on the balance of payments.

Food aid, edible oils and wheat have been used directly for consumption and therefore had a neutral effect on the balance of payments. It is assumed that this also applies to the supply of *seed potatoes*. These were used for the local market and did not substitute commercial imports.

Foreign exchange supplies increased the total volume of foreign exchange traded in a situation of persistent scarcity, exerting downward pressure on market prices through increased availability. Lower market rates for foreign exchange render imports cheaper, which may have contributed to further production growth. The contribution of foreign exchange to the SEM was used by the private sector for import of raw materials and intermediate goods. The use of commodities imported through the SEM is difficult to trace, hence the actual impact on the balance of payments is not clear. Since the use of

currency for import of consumer goods was precluded, however, the effect is at least neutral but more probably positive.

Official *debts* of Bangladesh to the Netherlands have been cancelled. The effect on the balance of payments is very limited in the short run, but in the longer run there are savings through reduced debt servicing. These savings can be used either for additional imports or accumulating currency reserves. In the former case the effect is similar to commodity aid.

All commodities imported under the Netherlands' aid programme have generated counterpart funds, which were used to finance the Annual Development Programme (ADP) of Government. Net foreign financing covered nearly all expenditure under the ADP during the period 1983/84–1992/93. These comprised in principle local cost financing of both donor-assisted and government projects. ADP funds were also partly used for recurrent expenditures, however, which reduces the developmental effects of counterpart funds. The actual extent of recurrent cost financing by ADP cannot be determined. The Netherlands' policy is not to tie the spending of counterpart funds to prescribed purposes, and no attempt has therefore been made to probe more deeply into this issue.

Counterpart funds do not always reflect the real value of the donation. Often not all revenues are collected, goods are sold at below market rate, and/or an official exchange rate is applied which is lower than the free market rate. In Bangladesh all these phenomena have occurred. Not all revenues have been collected from recipient state enterprises (entailing a hidden subsidy), goods such as fertiliser and food, have been sold at subsidised prices and for a long time the official exchange rate was well below the market rate. Counterpart funds can be used by Government either to increase expenditures or to reduce its fiscal deficit.

5.4.3 Efficiency

Commodity aid has generated counterpart funds for general use by Government. Because of several inefficiencies in Bangladesh's institutional structure and the existence of differential exchange rates and subsidies, these counterpart funds were lower than the value of the donation. Hence, the provision of foreign exchange rather than commodities would have been more efficient for the Government of Bangladesh. A similar conclusion was drawn in *Aid or Trade* (IOV, 1991).

In *Fertiliser Aid* (IOV, 1995), prices of fertiliser donated to Bangladesh were compared to world market prices and were found to be competitive. Private sector traders can usually undercut these prices, however, as they have more possibilities for direct negotiation. In

the case of seed potatoes there has been a *de facto* tying to suppliers in the Netherlands, due to the very particular specifications of the required varieties. Documentary sources give the impression that prices for seed potatoes have been high. However, price comparison remains difficult, since seed potatoes are not widely traded and there are therefore no international reference prices.

Inefficiencies have been observed with regard to raw cotton, since there have been persistent allegations of poor quality/price ratios. Evaluation reports in 1985 and 1994 suggest that prices paid were competitive for quality fibres, but on arrival the actual quality often appeared to be below standard. For this reason the Netherlands has insisted on quality checks on arrival, but to no avail; the recipient Textile Mill Corporation showed little interest in such a check. Similarly, in the case of black plain sheets there have been inefficiencies. BSEC complained in two (out of four) years that prices for Netherlands-sourced steel were 18 per cent above world market levels. Both raw cotton and steel have been supplied to heavily loss-making state enterprises.

5.4.4 Sustainability

Fertiliser donations have not suffered much from inefficiencies of the public distribution system. This is because fertiliser market liberalisation commenced at the retail level in 1979, culminating in private TSP imports in the 1990s. Fertiliser donations contributed to the introduction and dissemination of modern agricultural practices, which have been responsible for a structural improvement in agricultural productivity. The provision of seed potatoes has promoted long-term food security in several areas, but this effect cannot be separated from the related project aid that has been extended over the years. In the case of food aid (wheat, edible oils), sustainability is not an issue: they were distributed through the public food distribution system at subsidised prices to relieve the most immediate needs.

The provision of commodity aid in the 1970s made it possible for state industries to regain their footing and laid a basis for sustainable production growth in some sectors, notably cotton (yarn) and agriculture (food production). When the apparent inefficiency of state enterprises became an inhibiting factor, the continuation of programme aid to the least efficient state enterprises was not reconsidered by the Netherlands. In particular, steel and cotton supplies perpetuated non-viable industries, for which the private sector provided a realistic alternative. In the case of cotton, the failure of state mills to improve on the quality of yarn has deprived them of a link with the booming ready-made garment sector. Quality yarn and cloth is now being imported on a large scale, which further limits the chances for sustainability of the cotton mills.

Contributions to SEM have reinforced its role in closing the gap between the official and market exchange rates of the Bangladesh Taka. This has been an important precondition for sound private sector development and foreign investment, and has thus been conducive to long-term economic development. Debt alleviation has marginally reduced future payments for debt servicing.

Chapter 6 Support to agriculture

6.1 Background

The Netherlands has provided general support to Bangladeshi agriculture through the supply of substantial quantities of fertiliser, seeds and seed potatoes as commodity import support. Project support emanated from the seed potatoes provided under the commodity import support programme, and was therefore mainly targeted towards the seed system. This chapter evaluates the Netherlands' contributions to Bangladesh's seed system through project aid, with brief attention for other interventions in the agricultural sector.

6.2 Bangladesh agricultural policy and institutional framework

Despite the relative importance of agriculture, a comprehensive agricultural sector policy has usually been lacking in Bangladesh. Research, extension, input supply, pricing of inputs and outputs are covered by separate policies, mainly geared to food production.¹ The improvement of rice production dominates research and extension agendas. At present, 75 per cent of paddy production is obtained through the use of high-yielding varieties.

After rice, the most important crops for a basic Bangladeshi meal are: wheat (bread, chapatti), pulses (dahl) and oilseeds (cooking). Potatoes have gained in importance as a vegetable and high-calory security crop. The planting of a secondary non-rice crop in a rice-based farming system depends more on its suitability to fit between rice crops than on its profitability.

In the Fourth Five-Year Plan, crop diversification features as a policy priority. The Bangladesh Agricultural Development Corporation (BADC) is the main government organisation involved in the improvement and distribution of seeds. It organises contract

¹ The share of rice in both acreage and production exceeds 74 per cent, followed at a distance by wheat (4 per cent), pulses (5 per cent), jute (4 per cent) and oil seeds (4 per cent). The rest is made up by non-grain foodcrops such as potatoes, vegetables, sugarcane and others.

farmers for seed multiplication, seed centres (for cleaning and packing) and distribution channels and outlets. Other formal actors in the seed system are ten National Research Centres under the auspices of the Bangladesh Agricultural Research Council (BARC), the Department of Agricultural Extension and the Seed Certification Agency (SCA).

A New Seed Policy² was drafted in 1989 and gazetted in 1992. Its main thrust is:

to make the best quality seeds of improved varieties of crops conveniently and efficiently available to farmers with a view to increasing crop production, farmers productivity, per capita farm income and export earnings.

The seed policy provides for a more efficient seed sector by streamlining procedures for testing, approval, registration and release of seeds; incentives for private seed companies, and strengthening the institutional capability of the seed sector. The latter includes reorganisation of the National Seed Board; creation of a Seed Wing in the Ministry of Agriculture; strengthening the Seed Wing of BADC and SCA. The new Seed Wing in the Ministry is responsible for implementing and monitoring the Policy, and acts as secretariat for the Seed Board. The Wing is also entrusted with developing the Seed System, both public and private, through training courses, seminars and workshops.

Seed Rules were revised and the Seed Act amended in 1993. To date, however, although approved by the National Seed Board, these have not been promulgated by the Government of Bangladesh. In 1994 and 1995 several procedures for the evaluation and release of various crop seeds as well as for the registration of seed dealers were simplified and implemented.

Bangladesh's seed requirements amount to approximately 420,000 tonnes of 'dry seeds' and some 160,000 tonnes of planting material for tuber crops. Producers obtain 95 per cent of these requirements by retaining seeds from their own production and through farmer-to-farmer exchange. The remainder³ has long been provided through public distribution, but the New Seed Policy intends to increase private sector involvement in seed growing, multiplication and marketing. Seeds retained by farmers are usually well adapted to their needs, albeit low-yielding, and are preferred because of their low price and good reliability. However, farmer-retained seeds degenerate and eventually lose productivity.

² The New Seed Policy includes strengthening SCA which was created in 1974. The endeavour is undertaken by the Netherlands and represents its most recent project in the seed system (1995–99). The project aims at improving and increasing the supply of quality seeds by enhancing the capability of SCA for seed testing and analysis, seed certification, quality control, variety testing and enforcement of seed regulations. Such capability is of particular importance to the growing private sector involvement in the seed system. As this project was only started in 1995, it remains outside the scope of this evaluation.

³ The government seed supply through BADC comprised 8,500 tonnes of seed potatoes and 23,000 tonnes of dry seeds (wheat 68 per cent, rice 23 per cent, vegetables 3.4 per cent and jute 3.2 per cent).

Increasing population pressure and the subsequent decline in average farm size (now 0.93 ha) over the years has made the use of high-yielding varieties (HYVs) indispensable. Since possibilities for expansion of arable land are virtually exhausted in Bangladesh, most of the increase in agricultural production achieved in the last few decades can be attributed to the use of HYVs, particularly in rice production.

The seed system can roughly be divided in two: notified and other crops. For notified crops the Government bears responsibility for the development, production or procurement and testing of foundation and certified seeds. Hence, the import of such seeds by public research institutions needs permission from Government/BADC. BADC performs these duties through organising so-called contract farmers in contract growers' zones for seed multiplication, seed centres (for cleaning and packing) and distribution channels and outlets. Parts of this system are now being privatised.

The seed system can be depicted as follows:

BADC	NGOs	Private
Seeds for notified crops with low commercial potential (high volume-low margin)	Crop seeds with a limited margin	Crop seeds that are commercially viable
Rice, wheat, jute, potato, sugar	Pulses, oilseeds	Potatoes, vegetables, hybrids such as sunflower and maize
Soybean	Aromatic and hybrid rice varieties, certain potato varieties	

6.3 The Netherlands policy

The Netherlands policy documents for Bangladesh are of a rather general character, and no explicit policy objectives for the seed sub-sector could be derived. The 1976 annual plan remarked that technical assistance projects should be directed to rural areas. The 1980 plan proposed engaging in poultry development in rural areas. In 1982 it was proposed to provide project support for the procuring and processing of vegetable seeds, and in 1985 the need for crop diversification was brought forward. The period since 1991 has been characterised by progressive liberalisation, again drawing attention to seeds in the Netherlands annual plans: e.g. the proposal to support the Seed Certification Agency (1991 and 1992) and the provision of a seed policy adviser (1992).

Hybrid seeds need replacing every year, i.e. a replacement rate of 100 per cent; they cannot be retained by farmers. For rice and wheat 10 per cent of seeds need to be replaced every year by modern or improved varieties. Seeds for soybean, groundnut, sunflower and potato need to be replaced every three to four years, i.e. a replacement rate of 20–30 per cent. Replacement comes from foundation seed obtained from abroad or through national research stations. These are multiplied into certified seeds for sale in the market. Farmers can further multiply these seeds for sale or use them for crop production, part of which can again be retained for future use. Certified seeds can also be imported from abroad, but this is obviously more voluminous and expensive than foundation seeds, hence the need to develop a local capability to multiply foundation seeds into certified seeds.

6.4 Overview of the programme

Seed-related projects are a continuation of the aid activities of the 1960s, when the Netherlands combined export promotion with developmental objectives in the recipient country. The seeds and seed potatoes provided at that time were mostly of Dutch origin and some companies in the Netherlands had long-standing relationships with Bangladesh and former East Pakistan. After Independence, projects in potato research and multiplication were started and supported by programme aid. The attention of project aid shifted from potatoes towards vegetable seeds and pulses once the recipient organisation had developed the capability to multiply seed potatoes. Eventually, projects focused on policy intervention, particularly on the formulation and implementation of the new seed policy. An overview of the most important projects is provided in Table 6.1.

Table 6.1 Overview of Netherlands project aid to the agricultural sector, 1972–95

Project	Period	Amount (Dfl. million)
Seed-related projects:		
Potato research	1977–86	2.4
Potato seed multiplication	1981–86	2.3
Crop diversification	1986–99	21.0
Seed policy adviser	1993–96	1.2
Other projects		
Grameen agricultural project	1991–97	10.3
Poultry	1983–88	1.6
Miscellaneous projects		6.2
Total		45.0

6.4.1 Seed-related projects

Potato research and multiplication projects (1977–86)

Background and objectives

The cool winter season in Bangladesh (10–14° at night) is conducive to potato growing. Its short growth cycle enables the crop to be grown between rice crops, on land that would otherwise have remained fallow. Potato is a high-protein and carbo-hydrate crop which supplements the traditional rice meals. Its harvesting season coincides with the annual lean season. The short growing cycle of the potato is labour-intensive, thus enhancing rural employment. Potato varieties introduced a century ago are now considered ‘indigenous’ to Bangladesh. The varieties have degenerated over time but continue to enjoy consumer preference.

The main objective of the Potato Research Project was to increase per acre production of the crop in Bangladesh through the establishment of a Potato Research Centre⁴ and four sub-stations, under the Bangladesh Agricultural Research Institute. The Potato Research Centre intends to introduce modern, high-yielding potato varieties, suitable to prevailing growing conditions in different Bangladeshi regions and satisfying to consumer taste. During implementation of the research project, it appeared that BADC’s Potato Seed Multiplication Programme suffered various bottlenecks in production, multiplication, marketing and distribution. Hence, a project was formulated to support potato seed multiplication by BADC. The objective was to increase production of certified seed potatoes from imported foundation seed, thus reducing the costly dependence on imported seed potatoes.

Implementation and results

Research and extension activities of the research project were initially hampered by the relocation of the research station and the inexperience of some newly-appointed staff. Much energy went into variety testing at the expense of extension to farmers. Some field and farm experiments were carried out and provided a good basis for further testing of existing and new varieties. In 1982, the research project attained its immediate objectives: developing adaptive research, improving trial quality and generating adequate advice. From then onwards, assistance was directed towards providing seed for experimental purposes, laboratory inputs and occasional technical assistance. By that time, support to potato seed multiplication had gained momentum: an evaluation mission noted in 1983

⁴ The PRC has been renamed the Tuber Crop Research Centre (TCRC).



Planting of secondary crops in Sakhipur (Photo by Ron Giling/Lineair)

that the potato seed multiplication project had made significant progress. In 1976, BADC imported 4,200 tonnes of certified seed potatoes from the Netherlands. This was reduced to 775 tonnes in 1983, some 4,000 tonnes having been multiplied locally from imported foundation seed. The quality of locally-produced seed potatoes was such that the import of certified seed potatoes could be phased-out in 1987; only annual imports of 500–800 tonnes of foundation seed were needed for multiplication.

Crop Diversification Project (1986–99)

Background and objectives

The success of the potato research and multiplication projects led both parties to broaden the project's scope to include other seeds. The research and multiplication projects were terminated in 1986 and succeeded by the Crop Diversification Project (CDP), financed jointly with Canada. The Netherlands' component concentrated on technical and financial support to BADC for seed multiplication, including indigenous potato varieties and sweet potatoes. Evaluation missions in 1982 and 1983 have stressed the need for attention to be given to local potato varieties in view of their significance for the poorest sections of the rural population. The Canadians then intended to fund the marketing, research and extension activities of CDP.

The objectives of CDP were to optimise the production and yield of potatoes, oilseeds and pulses, to enhance food security, and to increase the carbohydrate, fat and protein component of the food intake of Bangladeshi people. CDP was targeted towards the quite efficient Seed Wing of an otherwise inefficient state corporation, BADC. Government reorganised the Seed Wing along commercial lines in the context of the New Seed Policy. In 1993, the seed multiplication project's objectives were reformulated to bring them into line with the New Seed Policy: the project would service both BADC and the private sector, including NGOs.

Implementation and results

In its first phase, from 1986 to 1992, CDP provided technical and financial support to BADC to improve its seed multiplication system. This entailed support to BADC's seed wing and to farmers who were contracted to grow seeds in so-called contract growers' zones, as well as trials of new varieties. The Canadian contribution did not materialise until 1990 and would continue until 1995. This reduced the effectiveness of the Netherlands' contribution, as both projects were conceived as complementary. It was decided to extend the Netherlands project with a second phase up to 1995, to bring it into line with the Canadian project.

Up to 1992, technical support to BADC had increased the capabilities of its Seed Wing with regard to potato seed multiplication and skills for the improvement and multiplication of oil seeds and pulses. The impact of these results was to remain limited, however, as a result of general inefficiencies in BADC. The subsequent decision to privatise part of its responsibilities broadened the project's scope towards seed multiplication and distribution by private farmers, entrepreneurs and NGOs. As a result, some 250 acres of high-yielding seed potatoes were produced by private farmers in 1993/4, and doubled in the following season. NGOs produced some 35 acres of seeds. In a separate programme, the improvement of low-yielding local potato varieties was undertaken by Bangladesh Agricultural University and by farmers groups linked to NGOs or to a private company.

An evaluation team observed in 1994 that BADC was now technically and institutionally capable of running a seed potato programme. Its operational efficiency regarding oil seeds and pulses had improved, providing scope for it to increase its production of second-generation foundation seeds. Some project activities linked to BADC could gradually be transferred to the private seed sector, such as the contract growers' zones and trials of new varieties. It was observed, however, that BADC still performed its public duties at high social and economic cost.

The New Seed Policy and related project activities brought increased awareness among private entrepreneurs, bankers and Government concerning the commercial possibilities of seed production and distribution in Bangladesh. Evaluation missions noted the emergence of new enterprises in this field. Some bottlenecks outside the scope of the project persisted: e.g. the inadequate access of private producers to capital, and the amount of seed being exchanged among farmers themselves without involving traders or NGOs.

For the period 1995–99, it is envisaged that the project will increase its support to NGOs and the private sector, whilst support to BADC will be geared towards better servicing of the private sector. This will be pursued through improving cold-storage facilities for private stocks of certified seed potatoes, as well as technical training by BADC staff of NGO staff and private entrepreneurs. Particular attention will be devoted to the role of women in the seed system.

Seed policy adviser project (1993–96)

Background and objectives

The New Seed Policy (NSP) envisaged a viable seed system in which public, private and non-governmental organisations would participate. For this purpose, a seed wing was created in the Ministry of Agriculture in 1991 on the suggestion of the donors. A

seed policy adviser was to assist this seed wing in implementing NSP, independent of various other projects and donors also supporting the public seed system. The adviser was to give particular attention to: seed legislation and rules, crop diversification, variety development and seed multiplication, technical and socio-economic aspects of improved availability of quality seed to farmers, including a dealer/producer registration system.

Implementation and results

A seed policy adviser was appointed in 1993. In March 1995, the project was evaluated, with the mission noting the following key outputs: an action plan for NSP; revision of seed and quarantine rules; coordination and adoption of accelerated procedures for the release of exotic potato varieties; a project proposal for a Seed Certification Agency; papers on the impact of a changing seed supply system on sociological (e.g. women) and environmental (e.g. Genetic Resources Management) situations in Bangladesh; workshops; and estimates of improved seed requirements. These results have been realised in an uncondusive institutional setting, comprising *inter alia* a seed wing in the Ministry of Agriculture that was created on instigation of the World Bank, without wholehearted support by Government. The mission recommended that the project be extended beyond its intended completion date in 1996. This did not occur, however, because the Netherlands considered the project's attention to gender and environmental matters to be insufficient.

6.4.2 Other projects

Special rural integrated poultry improvement programme (1983–88)

Background and objectives

Poultry is one of the cheapest sources of protein. Women are the traditional poultry keepers and can easily be targeted by a poultry project. The short-term objectives of this project were to construct cockerel rearing units, to train (preferably female) supervisory staff, extension workers, poultry attendants and village vaccinators/extension agents. A cockerel exchange system was to be set up (exchanging village chickens for improved ones from the rearing units), as the government exchange programme had so far not reached the target group.

Implementation and results

The technical feasibility of the project had already been questioned in the preparatory phase, and opinions about the possible effectiveness of proposed activities differed among experts. Moreover, the Netherlands and Bangladesh had varying opinions with regard

to some institutional issues. As a result, the project started operations on the basis of a project document that reflected uneasy compromises. During implementation the differing institutional views came to the fore, leading to many adaptations in the plan, delays and conflicts. By the end of the project in 1986, most of the objectives that were important to the Bangladeshi Government had been realised: poultry development officers had been placed in fully-equipped, permanent centres, 14 Poultry Technicians had been recruited as well as 20 Poultry Attendants. The Netherlands objectives were not attained, since only five women had been recruited and the exchange system was not in place.

Grameen Agricultural Project (1991–97)

Background and objectives

In the districts of Dinajpur and Rangpur the Rangpur Dinajpur Agricultural Project has been implemented by the Grameen Krishi Foundation to operate some 1500 deep tubewells. These were to aid landless farmers who were to benefit from increased intensity and productivity of agricultural activity in the command area of the wells. The Foundation was intended to be financially self-sufficient after four years of operation. The Netherlands funded the project through a co-financing arrangement with UN Capital Development Fund.

Results

At the time of this evaluation the project is still operational, and it is too early to assess its results. On the basis of available reports it appears that financial viability of the wells is not yet assured as the collection of irrigation fees is difficult in an institutional environment where water is usually free of charge. The Krishi Foundation has not yet developed a businesslike attitude in these matters, hesitating between assuming the role of provider of a water management service or of being an agricultural development institute. With regard to gender issues, reports indicate that the project has yielded more explicit knowledge with regard to women's roles, opportunities and constraints in relation to irrigated agriculture.

6.5 Evaluation

6.5.1 Policy relevance

The specific objectives of the Netherlands support to the agricultural sector could not be derived from policy documents pertaining to Bangladesh. Project objectives, however, stress the need for improved food security for the poor rural population as well as the

need for a more balanced diet, and are in line with Bangladesh's policy priorities for the rural population. The choice of projects is relevant as they concentrate on secondary crops, a cheap protein source, as well as access by the poor to irrigation facilities.

Despite growing food production, the share of vegetables and pulses in the local diet remained low. Seeds, seed potatoes and edible oils had to be imported to satisfy market demand, but access to these products in rural areas was limited. The projects intended to reduce dependency on these imports through improving and increasing domestic production, thus contributing to economic self-reliance. Potatoes are suitable as a security crop in times of rice shortage, due to its high carbohydrate content, contributing to improved food security.

The relevance of project objectives with regard to structural poverty alleviation is less easy to establish. Agricultural project support that was started in the 1970s mostly reflected 'Green Revolution thinking'. Solutions to food security problems were predominantly sought in HYVs, which required high levels of inputs. The poorest, very small farmers, the (virtual) landless, and female-headed households, could therefore hardly be considered a likely target group. Inasmuch as the poor did grow potatoes, these were predominantly the local low-yielding varieties, which gained project attention only in the 1990s.

From 1986, the Crop Diversification Project supported BADC in its activities and assisted it in privatising its activities. The most recent project document mentions the need for differentiation of distribution channels, including NGOs, so as to better reach the poorer sections of the rural population, including women. Implicitly, the effects of crop diversification on the poor, women and the environment is acknowledged in various project documents:

- rural women traditionally have a role in seed selection. Access to improved seeds and increased acreage under secondary crops would increase rural employment for women and the landless; and
- seed-related projects have aimed at production during periods between rice crops, when land is left fallow for about two months. Potato, vegetable and oilseed production in these periods decreases the danger of wind and water erosion, improves soil texture and increases the availability of organic materials. Crop rotation may also reduce the need for external inputs.

The Poultry Project has been targeted very consciously towards the poorest members of rural society. Even the landless have several chickens and women usually tend to their care. The Grameen irrigation project has also been specifically aimed at the rural poor.

6.5.2 Effectiveness

The seed-related projects have been effective in attaining most of their immediate objectives. Projects on potato seed multiplication were effective in decreasing the import of certified seed potatoes. Subsequent crop diversification projects have improved the availability of quality seeds, as well as the skill and independence of the seed wing of BADC and its potential to facilitate privatisation. These results provided a basis for further involvement at policy level in the seed system, including policy advice and the establishment of a seed certification agency. The main objective of policy advice, i.e. implementation of the new seed policy, has largely been attained. The Poultry Project has been ineffective in that it did not attain any of its main objectives: the establishment of a poultry exchange system for the poor. Only construction and some training have been realised. It is too early to assess the effectiveness of the irrigation project of the Krishi Foundation, as the project is still under implementation.

6.5.3 Efficiency

The various projects in support of the seed system have been geared to transferring knowledge and skills to the respective counterparts, involving many national staff. Institutions have thus been strengthened, and the privatisation of seed production and distribution became important at a time when the general inefficiency of BADC could have been a limiting factor on project efficiency. Imports of expensive seed potatoes (due to royalties) have been reduced and improved seed availability has increased in several regions. The interventions in the seed system are considered to have been efficient. Problems encountered before and during implementation of the poultry project have made it inefficient.

6.5.4 Sustainability

With regard to seed-related projects, choices of the different aid instruments have been logical, timely, and mostly in line with Bangladeshi policy and implementation capabilities. The long-term involvement has generated confidence and created skills in the counterpart organisation, BADC, thus increasing opportunities for the privatisation of seed-related activities. Individual projects have contributed towards establishing a viable seed system in Bangladesh. Without a regular infusion of new and improved seeds, farmer-retained and exchanged seeds will degenerate in quality and will eventually reduce production levels through in-breeding and harsh environmental conditions.

The seed-related projects are thus expected to have a lasting impact. *Institutional sustainability* seems assured, as research institutions and government seed multiplication

and distribution systems have been strengthened and staff have been trained. *Technical sustainability* is also assured. Seed potato multiplication can now be undertaken locally; several techniques have been widely adopted and are increasingly being transferred to the private sector. A basis for *financial sustainability* is being formed through encouraging Government to privatise seed production and distribution. Moreover, the assistance actively promotes necessary seed policy and legislation and institutions for their reinforcement, such as the seed certification agency.

Sustainability of the poultry project is low since it was based on a concept that did not work in practice. Other concepts that were tried during implementation also show little viability.

Chapter 7 Support to industry

7.1 Background

The performance of the industrial sector has been rather disappointing over the years. In the 1970s, its share in GDP increased modestly from 12 to 16.6 per cent, but since then its contribution has stagnated. The performance of state-owned industries has been particularly disappointing, *inter alia* as a result of grossly inefficient state corporations, infrastructural problems, deficient energy supplies, limited supplies of foreign exchange, and price controls. While employing some 20 per cent of the labour force, the industrial sector has not been able to absorb the people who have been pushed out of the agricultural sector. All this has been compensated to some extent by a booming private textile and garment sector.

The Netherlands has provided project support to several industries in Bangladesh in order to improve their performance. Industrial growth was considered strategic to overall economic growth, and jobs needed to be created and sustained to absorb the enormous labour force. The support comprised mainly delivery of equipment, some of which was quite innovative in the Bangladeshi context, and technical assistance.

7.2 Bangladesh industrial policy and institutional framework

The first Government of Bangladesh had nationalised most industries. Non-Bengali management cadre had been killed or had fled the country during the war, leaving the sector virtually without experienced managers. State corporations were set up in various sub-sectors of industry, but soon became noted for their inefficiency. Two rounds of divestiture followed in the mid-1970s and early 1980s, resulting in the return of industries in the jute and cotton sectors to their former Bangladeshi owners. The state retained 51 per cent of shares and 225 enterprises remained under full public control. In 1982, 1986 and 1990 new industrial policies were proclaimed by the Government of Bangladesh, all stressing the need for private sector development and privatisation of state corporations. Divestiture

was given new impetus with the adoption of Structural Adjustment in 1986, but most activities of state industries have not yet been taken over by private entrepreneurs.

The institutional structure of the industrial sector is one of a multitude of specialised state corporations, most of which have been making losses since the 1970s. They control power, gas, water, railways, telecommunications, banking, insurance and the various manufacturing industries. Their losses have mostly been made up by lending from commercial banks, which were nationalised along with the industries in the early 1970s. Loans have rarely been repaid, and financial institutions have been severely weakened by the situation.

7.3 The Netherlands policy

Over the years, the Netherlands has not developed a specific industrial development policy for its interventions in Bangladesh. In 1977, the policy objective of increasing the economic self-reliance of recipient countries provided an adequate framework for assistance to Bangladeshi industries. In the 1980s, the poverty focus gained importance in the Netherlands development policy implementation, leading to reduced attention for industrial projects; the Netherlands initiated support projects only in the textile sector, with emphasis on direct poverty alleviation and the position of women. In the 1990s project assistance to industry was phased-out, with the exception of one training project.

7.4 Programme overview

An overview of project aid to industry in Bangladesh is presented in Table 7.1. In 1974–75, the Netherlands provided project aid to the nationalised sugar and steel enterprises, followed by support to fertiliser factories (1979), and to jute and textile mills (1981). Projects for rehabilitating and equipping the fertiliser factory and textile mills were part of wider rehabilitation programmes in these sectors, coordinated by the World Bank. In the early 1980s, the inefficiencies of recipient state corporations were becoming apparent and led to attempts to divest to the private sector. The Netherlands on its part, was looking for projects that would more directly alleviate poverty. This resulted in the project to assist the handloom sector (1980). In 1983, support to the exploitation of natural gas was added to the programme, and a training institute for chemical industries was founded in 1986. Steel and cotton mills have also benefited from Netherlands commodity import support (see chapter 5). In 1996, project aid to industry was reduced to the training institute for chemical industries, whilst a new project on rural electrification was started in the energy sector.

Table 7.1 Overview of the Netherlands' project aid to Bangladesh's state industries in the period 1972–96

Recipient State Corporation	Project	Period	Amount (Dfl. million)
Bangladesh Sugar and Food Industries Corporation	Construction of a sugar mill	1974–82	11.7
Bangladesh Steel and Engineering Corporation	New production process	1975–83	1.8
Bangladesh Chemical Industries Corporation	TSP factory equipment	1979–86	17.1
Bangladesh Handloom Board	Support to handloom sector	1980–88	1.9
Bangladesh Jute Mills Corporation	Jute product improvement	1981–89	2.9
'Petrobangla'	Gas exploitation projects	1983–96	78.9
Bangladesh Textile Mills Corporation	Cotton mill rehabilitation	1985–92	6.4
Bangladesh Chemical Industries Corporation	Chemical training institute	1986–99	12.8
Others, including rural electrification (recently started)			43.9
Total			177.4

The projects involve seven state corporations in five sub-sectors: sugar, steel, chemical, textiles (cotton and jute) and energy. The sugar, chemical and energy sub-sectors each received over Dfl. 10 million: namely Dfl. 11.7, Dfl. 29.9 and Dfl. 78.9 million. Although other sub-sectors received more modest amounts, they have nevertheless been included in the evaluation for different reasons: the steel and cotton mills were also recipients of important quantities of commodity import support, whilst support to the handloom board was particularly geared to poverty alleviation.

7.4.1 Support to the sugar industry

Project aid to the Faridpur Sugar Mill (1974–82)

Background and objective

The sugar industry in Bangladesh includes 16 mills with a total production capacity of around 200,000 metric tonnes per year, which meets about 57 per cent of total domestic demand. About 120,000 MT are legally imported every year, and the rest is made up by illegal imports, mostly from India. All sugar mills are under public ownership



Sugarcane processing in a Rajshahi village (Photo by Sean Sprague/Lineair)

and controlled by the Bangladesh Sugar and Food Industries Corporation. In the post-independence period, the industry was supported through the rehabilitation of, and the provision of technical assistance to, the Faridpur Sugar Mill (FSM).

Implementation and results

The components of the sugar mill had been delivered prior to Independence, but the war of Independence prevented the plant from being erected. The project replaced those parts that had been damaged and completed construction of the mill in 1978. This was several years behind schedule, due to the remote location of the project site. The project was implemented by the same Dutch firm that had delivered the parts before Independence. Inspection of the project equipment showed that it is well-maintained, and the mill presently ranks among the three of the Sugar Corporation showing the best performance. Due to adverse pricing policies, the FSM has incurred losses in most years, but it has been able to liquidate all its cumulative losses in the past three years due to improvements in those policies.

Technical assistance was made available to the mill to improve the efficiency of sugarcane supply facilities used by farmers surrounding the mill. Of the three experts, only the transportation expert made any notable impact. The utilisation rate of FSM's transport

system is currently the highest among the mills of the Sugar Corporation and its experience in this field has been transferred to eight other mills using the corporation's own resources.

7.4.2 Support to the steel industry

Project assistance to the Mohammedi Iron and Steel Works Ltd (1975–83)

Background and objectives

In the 1970s, public sector steel mills in Bangladesh were geared to heavy engineering, but most plants had lost their viability due to long implementation periods. The units nevertheless survived as a result of fiscal protection granted to the Bangladesh Steel and Engineering Corporation (BSEC), manufacturing non-precision hardware as they only mastered basic production processes. The project aimed at introducing an innovative process that would allow the manufacture of hitherto imported engineering products.

Implementation and results

The innovative system that was installed produced cast iron for large objects and quantities, such as railway sleepers, and sheet and bar rolls for the sugar and textile industry. The system was installed on time and was run efficiently. The BSEC requested the Netherlands to install equipment to produce cast iron for small lots, for example, of spare parts that were thus far being imported. Due to disagreement among experts in the Netherlands, this system was never installed. The enterprise was privatised in 1984, but the installed system is now hardly used¹ since staff trained under the project remained with BSEC. There is still a high demand for products prepared with steel produced by the system.

7.4.3 Project support to the chemical industry²

At Independence, only one fertiliser factory was in operation in Bangladesh, but an important expansion of the production capacity was achieved in the 1980s and early 1990s. Seven factories are now in operation, all under the Bangladesh Chemical Industries Corporation (BCIC). Moreover, a completely export-oriented urea plant is situated in Chittagong, based on a joint venture with foreign participation. At present, Bangladesh is self-sufficient for Nitrogen (Urea), and ranks as the sixth largest fertiliser producer in Asia.

¹ Utilisation is only 2–3 per cent: the process has been used a number of times to produce spares for a jute mill, and ingot moulds have been produced for self-use. On one occasion, a job for the Chittagong Steel Mill was serviced.

² Some programme aid in the form of phosphoric acid was provided to TSP Complex Chittagong. These shipments are regarded as part of the fertiliser aid provided to the agriculture sector as discussed in Chapter 5.

TSP Complex Chittagong (1979–86)

Background and objectives

The only Phosphate factory in Bangladesh produces 45 per cent of the 400,000 tonnes of annual market requirements. In 1979, in the context of the Fertiliser Industry Rehabilitation Project initiated by the World Bank, the Netherlands undertook to install a granulation plant (500 metric tonnes), to construct a phosphoric acid storage system, and to improve the plant's jetty. The granulation of Phosphate is important since powdered Phosphate is not suitable for handling, hazardous to health and highly corrosive. Granulation also prolongs the life of the plant and the installed equipment. Outside the context of the rehabilitation project, spare parts and advisory services were to be provided to the granulation plant and jetty renovation.

Implementation and results

Construction of the granulation plant was awarded to a Dutch company without tendering in September 1981. The work did not start until 1982 and was completed at the end of 1983, 16 months behind schedule. BCIC had threatened to penalise the construction company for the delay, but after a revision of the schedule the company received a performance bonus and was awarded a maintenance contract. Apart from some minor problems, the plant has run satisfactorily.

The phosphoric acid storage was constructed in 1985/86 by the same Dutch company, with a delay of four months. Since 1985, due to a variety of reasons, the tank has only been used five times for a consignment of phosphoric acid. Import prices as well as Bangladesh's import tariff for phosphoric acid increased, whilst the need for phosphoric acid decreased due to a shift from triple to single phosphate production. The tank is well maintained and could be used again if Bangladesh should decide to produce phosphoric acid for export.

Improvement of the jetty and its unloading facility did not materialise. This was due to conflicting views held by various appraisal missions and two expensive proposals made by contracting companies, who were also represented in the missions as consultants. The shore facility is still considered inadequate.

Training institute for chemical industries (TICI, 1986–99)

Background and objectives

In the early 1980s, BCIC planned a fullfledged multi-disciplinary training institute for the total chemical sector to cover process operation, mechanical maintenance, electrical

maintenance, laboratory operations and management training. At the request of BCIC, a consultant company in the Netherlands drew up a plan for the construction and operation of such a centre in Ghorasal. In 1985, a three-phase plan was submitted for Netherlands funding and the project was commissioned in 1986. The principal objective of the institute was to provide theoretical and practical training to trainees in order to make them familiar with all facets and operations of a chemical plant in a relatively short period of time.

Implementation and results

The first phase started in 1988 and included the construction of buildings, procurement and installation of equipment and materials, as well as a training-of-trainers programme. Contracts for these activities were awarded to two companies in the Netherlands: one had appraised training needs in the preparatory phase, and the other operates a training institute in the Netherlands of which the project was to be a replica. The first phase of the project was completed on time, in 1990. The consultants expected to continue with the second phase, but the Netherlands decided to re-negotiate in order to rectify the fact that no tendering had taken place for the two phases. This led to substantial delays, higher costs and withdrawal of the main consultant.

Implementation of the second phase started in 1993 and included, among other things, the transfer of technology, the enhancing of training capacity, and the procurement of equipment and spare parts. While the project had been suspended, the training institute had dealt successfully with many practical problems and had managed to start training activities on its own. Implementation of the second phase was very cumbersome. The listed materials were not all shipped, some equipment was reported not to be of the brands ordered, and manuals were incomplete or in Dutch. The Embassy had to mediate in order to get the consultant to ship the missing items, which finally took place in 1996. As a result of all this, most of the installed equipment is currently not in running order, a situation that will be remedied in the coming project period up to 1999.

Despite these problems, the main project objectives have been realised. The training institute is currently running five types of programmes and has so far trained 1125 participants from public and private sector companies. The trainees, for whom fees are paid, are working in varying branches of the chemical industry as operators or technicians. Students of the Bangladesh University of Engineering and Technology also visit the institute for professional exposure, as it has facilities that are not available in the university.

7.4.4 Support to the textile industry

For centuries Bengal has been a major producer of fine silks, muslin and cotton products, that were exported throughout Asia and Europe. At present, the textile sector is mostly based on imported cotton and locally-produced jute. Jute was for a long time the main export earner of Bangladesh, but lost its place to the export of ready-made garments. The prospects for jute exports are bleak due to the competition of synthetic fibres. Only technological innovation and substantial quality improvement can guarantee a market niche for Bangladeshi jute in future.

At present there are 77 jute mills, employing about 145 thousand permanent workers. The Bangladesh Jute Mills Corporation controls 35 mills. Installed looms in the jute sector total about 23,000, of which 70 per cent are in operation. More than 90 per cent of raw jute and jute goods are exported abroad. Production has declined over the last 15 years from 531 thousand metric tonnes in 1979–80 to 422 thousand MT in 1993–94. Initially, the jute industry developed with the help of subsidies and an over-valued exchange rate, but subsidy levels could not be sustained and most jute mills now incur losses and face severe liquidity crises. Continuing attempts are made to restructure the sector,³ but reform measures have been faltering for some time.

In the 1970s the cotton textiles industry comprised mostly yarn spinning and cloth weaving. The number of cotton mills operated by the Bangladesh Textile Mills Corporation (BTMC) increased from 46 in 1972 to 55 in 1981, but production suffered *inter alia* from the scarcity of foreign exchange with which to import raw materials. Privatisation in the 1980s led to the establishment of more mills. At present there are 70, 30 of which are still state-operated (employing some 30,000 persons). The yarn produced by state mills is sold mainly to the handloom sector which has more than 190 thousand production units, with about 500 thousand looms employing more than one million people, a large proportion of whom are women. The sector produces about 85 million metres of fabric annually, or 80 per cent of domestic cotton cloth consumption. The low-quality output of handlooms is mainly sold to the poor in rural areas in the form of lunghis and sarees. A small portion of handloom products is exported.

Bureaucracy and government price controls are not conducive to innovation and efficiency, and the textile industry has failed to upgrade its technological capability by improving the quality of machinery and equipment or the design of its products. Production technology is particularly deficient in the field of dyeing, sizing, finishing, quality weaving, and manufacturing of polyester staple fibre and yarn. The basic materials for the booming ready-made garment exports are therefore mostly imported.

³ Particularly through the Jute Sector Adjustment Credit (JSAC), sponsored by the World Bank.

Quaderia Textile Mill Rehabilitation (1985–92)

Background and objective

In 1980 Bangladesh asked the Netherlands to provide assistance to BTMC's Quaderia Textile Mill, specifically for bleaching, dyeing and finishing facilities. The proposed finishing facility was later dropped because a Netherlands' project formulation mission (1983) decided that it would negatively affect the handloom sector, resulting in job losses for women. Instead, the mission proposed to upgrade and expand the spinning facilities of the mill in order to augment the supply of quality yarn. A project was suggested for the mill's modernisation and rehabilitation, and for expanding its capacity from 8,000 to 23,000 spindles. The main objective was to improve capacity utilisation and to improve the quality of yarns. The original project proforma was approved by Bangladesh in 1987.

Implementation and results

Various changes in the scope and objectives of the project caused important delays; seven years were eventually required for their identification and formulation. During this period the industrial policy of Bangladesh underwent significant changes. The New Industrial Policy (1982) and the Revised Industrial Policy (1986) stipulated that no new capacity was to be added to state mills. Consequently, the project was adjusted yet again as the allocation for expansion had to be suspended. Rehabilitation work went ahead on the assumption that the supply of quality yarn by the textile mill would also benefit the private sector. Project activities comprised renovation of the building, and procurement of machinery, equipment and spares.

During the long preparation and implementation period (12 years) only one Dutch firm was involved. The mill was also on the list of a large World Bank rehabilitation programme for the textile sector. The Netherlands preferred to go ahead with the project outside the context of that programme, hence this particular mill was dropped from the World Bank's list.

As a result of the rehabilitation works, capacity utilisation of the mill increased from about 77 per cent in 1987/88 to some 95 per cent in 1990. It then fell to 62 per cent in 1994–95, mainly due to shortages of raw cotton supplies. Yarn quality improved, but this did not improve the financial performance of the mill. Prior to rehabilitation the mill had made a marginal profit, but in the following years it suffered substantial losses. Some machinery could not be installed due to cancellation of the expansion plans, and has been stored indefinitely.

Bangladesh Handloom Board (1980–88)

Background and objective

The major bottleneck for handloom production is poor access to quality yarn. The project has as objective to assist the Handloom Board (BHB) by supplying quality yarn, a yarn-quality testing laboratory, technical assistance and training.

Implementation and results

In 1981 BHB received funds with which to procure quality yarn for distribution to handloom weavers through its textile facility centres. It could only buy local yarn, because high tariffs prevented imports, giving rise to the smuggling of quality yarn from India. The weavers preferred the cheaper Indian qualities, and BHB ultimately had to sell its stock at below market price. The quality control equipment arrived in 1984, three years after procurement of the yarn. This equipment, currently located in BHB's training institute in Narsingdi, is hardly used at all, even for training. The provision for training of personnel was not fully utilised. Two trainees went to India in 1983, but were late for the course, partly due to administrative problems on the Netherlands' side. Utilisation of the services of the long-term consultant was limited, partly due to inefficient implementation of the other project components.

A second project was formulated in 1984, but did not start because the Technical Advisory Division of DGIS and the Netherlands Embassy in Dhaka could not agree on the project approach and content. These differences led to a long period of indecision during which the project remained formally operational. The decision not to extend the project was taken in 1988.

Twistless spinning of jute (1981–89)

Background and objectives

Lack of product quality and diversification were identified as the major reasons for the decline of jute products. In order to devise new products, new technologies to produce quality fabrics were required. Twistless spinning of jute, a technology developed by Bangladeshi and Dutch institutes, 'cements' the jute fibres together with adhesive materials or 'wraps' them in synthetic yarn. This results in better-quality yarn for products such as carpet backing.

The objectives of the project were to improve the competitive position of jute in the world market, to sustain the export demand for jute, and to extend its use in internal

markets to substitute other fibres. Although the Bangladesh Jute Mills Corporation was the implementing agency in Bangladesh, it was the Bangladesh Jute Research Institute which was the collaborating institution. The envisaged duration of the project was five years, divided into three phases.

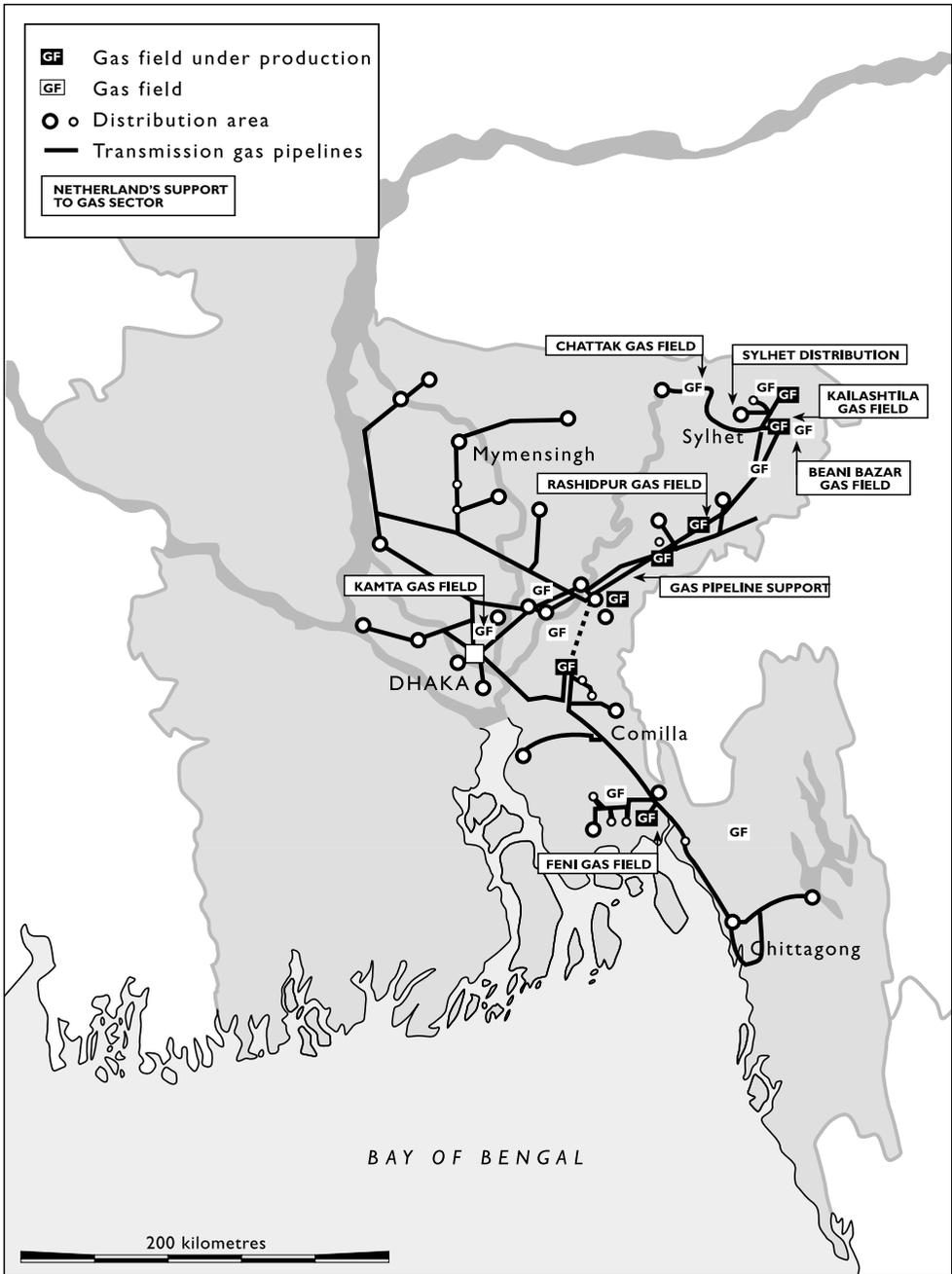
Activities and results

The first phase commenced in January 1981 and was completed on schedule. A two spindle prototype for twistless spinning was constructed in the Netherlands, to the full satisfaction of the Jute Research Institute. During the second phase, a six-spindle prototype was constructed in the Netherlands, and 1000 kg. of yarn produced by the machine was sent to Bangladesh. The spinning frame and the drying facility were also shipped. An engineer from the Jute Mills Corporation received 11 months of training in the Netherlands and two Bangladeshi scientists came to oversee the trial operation. Due to procedural problems on the Bangladeshi side, their arrival was delayed, which gave them insufficient opportunity to modify the process technology during trial production. By 1987, the machine and drying oven had been received and installed at the research institute.

After installation of the machine in Dhaka, it was discovered that a scroll winding machine had not been included in the initial design. This made the whole facility useless and the machine has since been lying idle because the envisaged third phase did not take place. In 1989, a Netherlands consultant considered the viability of the machine to be limited. Bangladeshi technicians disagreed with that conclusion and supported the more positive observations made in an earlier evaluation (September 1987). Later, it was established that the drying facility would not be cost effective because of its high electricity consumption, and that the adhesive could not be produced commercially in Bangladesh. The equipment has nevertheless been well-maintained and is still in good condition, although not used.

7.4.5 Support to gas exploitation

Bangladesh's per capita energy consumption is among the lowest in the world. Commercial energy constitutes approximately 40 per cent (mainly natural gas and imported oil) and the balance is biomass energy: mainly wood, dung and harvest residues. At present there are 19 gas fields in Bangladesh, with a probable reserve of almost 23,000 trillion cubic feet of which about two-thirds is considered recoverable. Six gas fields are producing about 727 million cubic feet of gas per day. Natural gas constitutes the main input for fertiliser (urea) production in six plants and is used for energy supply in a cement factory, paper and pulp mills, as well as brickfields, engineering workshops, tealeaf drying and, increasingly, by domestic consumers.



Map 2 Infrastructure of the gas sector in Bangladesh

The Netherlands' support to Bangladesh's gas sector has been channelled through the Bangladesh Oil, Gas and Mineral Corporation (Petrobangla), a fully Government-owned corporation, responsible for the exploration, extraction, processing and transmission of natural gas in Bangladesh. The Netherlands has supported Petrobangla through a number of bilateral projects and co-financing arrangements.

Bilateral support concerns three gas fields: Kailashtilla (1980–88, Dfl. 5.1 million); Chattak (1983–84, Dfl. 2.4 million); and Kamta (1983–84, Dfl. 7.2 million). The Netherlands has also participated in two co-financing arrangements: one with the Asian Development Bank (1985–95, Dfl. 14.2 million) and one with the World Bank (1985–95, Dfl. 27.6 million). In the 1970s, some Dfl. 21.8 million was provided to gas fields in the form of equipment supplies. Little information was found in the files with regard to these supplies, hence it was decided to leave these interventions outside the scope of this evaluation.

Kailashtilla Gas Field (1980–88)

Background and objective

Kailashtilla Well No. 1 supplied gas to tea drying installations and brickfields in Sylhet and to the power station at Fenchuganj. Netherlands support to Kailashtilla included completion of the well, supply of a silica gel plant, and construction of a pipeline from Kuchai to link-up with the Haripur grid.

Implementation and results

Implementation started in 1980 by a Netherlands contractor and the well was commissioned, according to schedule, in June 1983. However, leaks occurred in the packing, pressure in the upper zones was dangerously high, and a killing unit had to be installed to prevent a possible blow-out. Moreover, the gas fractionation plant did not function properly during test-runs and could not process the 360 barrels of condensate per day produced by Kailashtilla. The Netherlands made additional funds available for repair and modification, but Kailashtilla Well No. 1 could not afford to close for repair. It was eventually suspended in 1995, when two more wells (Nos 2 and 3) were ready. Well No. 1 was thus available for refinishing without affecting the supply situation; the silica gel plant was connected to the new wells. During a site visit it was confirmed that refinishing work was underway, using Dutch material supplied in 1987 which is still in usable condition. The silica gel plant, the fractionation plant, water pond, pipeline and auxiliary plant equipment were found to be in operation.

*Chattak Gas Field (1983/4)*⁴

Background and objective

In 1981, Bangladesh asked the Netherlands to finance the renovation of Well No. 1 and the drilling of Well No. 2, to meet expected demand for natural gas in 1985. In 1982 a project was approved with the objective of rehabilitating Chattak Well No. 1, including improvement of its surface facilities. A pipeline would be constructed from Kailashtilla to Chattak to keep the supply uninterrupted during the project and to transport excess gas after completion.

Implementation and results

The pipeline was completed on schedule in 1983/84. The renovation of Well No. 1 could not be executed before July 1986, since efforts to depressurise the well and to pull out the tubing for its repair failed. During a test run, No. 1 stopped producing gas. Breaking sand bridges caused it to produce only water. Whether this was due to an engineering fault or to natural reasons is not clear. The Chattak well has remained closed since 1986, but the pipeline from Kailashtilla provides a stable alternative source to consumers in the region.

Kamta Gas Field (1983/4)

Background and objective

The Kamta Well was developed to provide temporary relief to the industrial and commercial areas of greater Dhaka, which suffered gas shortages in the early 1980s. The Kamta Gas field was initially drilled by Petrobangla with its own resources in 1982, but Netherlands' assistance was asked for its finalisation. The project comprised drilling and well completion, installation of a glycol process plant, and construction of a pipeline to Joydebpur.

Implementation and results

In view of the urgent need for the well, the order for well completion materials was given without tendering to a Dutch supplier (prices were reviewed by an independent consultant). Imported surplus pipes were borrowed from the Chattak project. The Kamta well was commissioned on time in November 1984. Some Petrobangla officials maintain

⁴ No Project Proforma (PP) or Project Completion Report (PCR) could be located on Netherlands' assistance to Chattak Well No. 1, hence the following narration is based on consultants' reports, discussions with Petrobangla officials, and observations made during site visit.

that the haste later caused some drawbacks, notably, inadequate water handling capacity and fast wear and tear of control valves. Over the period of its operation, however, Kamta served an urgent purpose and paid off its costs. The well was suspended in September 1991 and the glycol plant was relocated in 1994 to Feni, where it continues to operate.

Co-financing with ADB (1985–95)

Background and objectives

The Netherlands participated in the ADB-led Second Natural Gas Development Project to increase gas production in central-east Bangladesh. Out of the total project outlay of US\$ 157.5 million, the Netherlands contributed Dfl. 25 million as a soft loan. This was used for Feni gas field facilities including a silica gel plant, Bakhrabad surface facilities, and the Titas gas field.

Implementation and results

A tender process was started for Feni, and three bidders qualified after technical scrutiny: one firm based in Singapore and two in the Netherlands. Petrobangla objected to one Dutch supplier, as it had blacklisted it for poor performance in other ADB projects, and preferred the Singaporian firm which was cheapest. The Netherlands maintained that the firm in Singapore was not eligible and preferred the Dutch firm that Petrobangla had blacklisted (following its own consultant's advice). Re-tendering did not solve the deadlock and the Netherlands withdrew Dfl. 8 million for the Feni project from its contribution.

In Bakhrabad, a gas processing plant was established by a Dutch contractor. The plant was completed in 11 months and is working. Petrobangla has indicated that the control valves, heat exchanger and regulators could have been of better quality. The same Netherlands company supplied two LTS-type gas process plants in Titas, which were commissioned in 1990. According to Petrobangla, the quality of the equipment was less than expected. The heat exchanger leaks frequently. In fact, the Titas plant has been running without a heat exchanger for more than a year now, affecting output quality by producing less dry gas and low condensate recovery.

Petrobangla further stated that, in both these cases, the contractor did not comply with the time plan. The price paid for the plant in Bakhrabad was considered high. Although training needs were not spelt out in the tender documents, training was given to two persons in the Netherlands (one engineer and one technician) and a large group of Petrobangla staff received on-the-job training during establishment and commissioning of the plant. Despite the problems encountered, development of the Bakhrabad and Titas

gas fields was boosted and Petrobangla is well positioned to operate and maintain the installed facilities.

Co-financing with the World Bank (1985–95)

Background and objective

The Netherlands participated in the World Bank initiated Second Gas Development Project (total budget US\$ 221 million) to develop the gas fields of Kailashtilla and Beani Bazar, construction of an LPG plant, and construction of a pipeline from Kailashtilla to Ashuganj. The Netherlands has supplied a glycol plant and a silica gel plant, both in Rashidpur.

Implementation and results

Two plants have been constructed by a Dutch contractor on a turnkey basis. The glycol plant was commissioned in 1993 and the silica gel plant in 1994. Identified gas reserves can adequately serve the two installed plants for the foreseeable future. Petrobangla is asking for the heater extension to be replaced, since it does not function properly and some valve spares are of poor-quality metals, requiring frequent maintenance. Faulty silica gel leads caused closure of the plant for about a month and it might become necessary to replace these earlier than recommended. Plant operators have not received adequate overseas training.

7.5 Evaluation

7.5.1 Policy relevance

In the 1970s the development of Bangladesh's industrial sectors was considered to be of strategic importance to economic growth and increased economic self-reliance. The Netherlands support to the various industries was oriented towards better utilisation of installed production capacity through the provision of inputs (programme aid) and the rehabilitation of production units. This was relevant to Netherlands policies at the time, whilst the country could also promote exports of its industrial know-how and equipment.

In the 1980s, the Netherlands concentrated its industrial support on the textile and energy sectors, both of which were extremely important to Bangladesh's economy. The textile industry was the largest employer in manufacturing and the largest contributor to GDP, whilst energy supply was a major bottleneck to industrial development. These Netherlands

contributions were therefore relevant to the economic self-reliance of Bangladesh. Support to the cotton sector lost its relevance as a result of a prolonged preparation period during which Bangladeshi policies were changed.

These changes were due to structural adjustment measures, with the divestment of state industries as an important component, and gained momentum in the second half of the 1980s. In this period, the policies of both the Netherlands and Bangladesh favoured private sector development as means to attain economic self-reliance. The support to gas exploitation and a training institute for the chemical industries can be regarded as relevant. Towards 1995, the Netherlands had phased-out most industrial support projects in order to reduce its support to state corporations. Economic self-reliance is still a main objective of Netherlands' aid policy in Bangladesh, however, and support to private sector development remains important in this context. Recent initiatives of the Netherlands to assist rural electrification projects and to support private sector initiatives through apex organisations are therefore relevant.

The Netherlands cooperation programme with Bangladesh, including aid to state industries, has been largely motivated by poverty alleviation. In the 1970s industrial projects were mostly regarded as beneficial for the poor in terms of job creation and trickle-down effects of general economic development. Whenever detrimental effects were expected for the poor (as was the case with sugar production⁵), extra studies were undertaken. During the 1980s, the assumed trickle-down effects were considered less obvious, and aid policy therefore focused increasingly on direct poverty alleviation. For industrial projects this meant that objectives became more complex, since more explicit attention had to be given to the poor in otherwise technical projects. In the textiles sector, a special project was designed to serve the needs of the poor, and of women in particular.

Improvement of the position of women has not been an explicit aim of projects and support to industry, with exception of the handloom project. In the case of support to the textile mill, the construction of a finishing unit was cancelled because WID experts in the Netherlands' formulation mission feared that it would constitute unfair competition to poor female weavers in the labour-intensive handloom sector.

Environmental issues have not been specifically addressed through projects in industry, but the support to Petrobangla merits a special remark in this context. Natural gas is a clean input for industrial activity and replaces imported oil and coal, or even locally

⁵ Support to FSM was considered unfavourable to the poor by some because white sugar production would be detrimental to the poor *gur* producers and consumers. Moreover, white sugar is typically consumed by richer sections of the population. In practice, it appears that the mill stimulates sugarcane production (through guaranteed prices) which benefits the *gur* producers. Cane production for *gur* alone is in many cases not economically viable.

harvested firewood (for tealeaf drying). Increased use of natural gas or LPG for domestic consumers will be even more directly beneficial for the environment, since the large-scale use of biomass for cooking is extremely harmful to the environment.

7.5.2 Effectiveness

Support to the *fertiliser industry* has been largely effective, as the most relevant project objectives have been realised. In particular the training project has been successful. Support to the *steel and sugar industries* has attained its immediate objectives in terms of hardware, but the technical assistance and training were less successful.

The effectiveness of support to the *textile industries* (cotton and jute) has been rather low, due to inadequate preparation, conflicting consultants views, and implementation problems. There was one exception: the improvement of yarn quality of the Quaderia Textile Mill, but even here overall effectiveness was reduced because of non-installation of the air conditioning provided and cancellation of the finishing unit.

Support to the *exploitation of natural gas* has largely been effective, despite some serious implementation problems. In some cases, unforeseen problems such as the sudden reduction of gas pressure and the breaking of underground water ridges wreaked havoc with the installed equipment and processing plants. Several of these plants have been dismantled and erected elsewhere, however, which rendered them effective. In all cases gas supply has been enhanced, which was the ultimate aim of the various projects. In the case of Chattak the project pipeline saved users from being cut-off from gas supplies when the well ceased production.

7.5.3 Efficiency

Important parts of the project support to the *chemical industry* have been efficient. The implementation of two out of three main project components for Phosphate production as well as the first phase of the training project went rather smoothly and efficiently. Due to conflicting views of consultants and indecision on the side of DGIS, however, one project component of the Phosphate project had to be cancelled and the training project was delayed. The latter project was not tendered and several implementation aspects had not been worked out clearly. This not only posed problems and delays for the second phase, but also placed upward pressure on project costs. The remainder of the project period (up to 1999) may remedy some of these problems, but handling of the present phase, both preparation and implementation, has not been efficient.

Projects in support of the *textile industry* have not been very efficient, with conflicting views of consultants and resulting indecision on the part of DGIS staff leading to delays. Renovation of the textile mill and installation of equipment were efficiently carried out, but the protracted period of preparation and implementation negatively affected overall efficiency. These delays caused the plant's extension to be cancelled, rendering the humidification plant and its air conditioners useless. A Netherlands firm dealt with all project phases, including preparation and implementation, independently of the World Bank programme for rehabilitation of textile mills. Participation in the World Bank exercise would have been more effective as the implementing firm would have been subjected to a tighter timeframe. Also, support to the Handloom Board has been far from efficient. More than half the project could not be implemented while those components that were implemented, notably yarn procurement and quality control equipment, suffered from low quality and late delivery. Finally, the twistless spinning of jute project started efficiently, but the second phase had severe shortcomings (differing views on viability of the equipment), which affected the overall efficiency of the project and prevented implementation of the third phase.

Project support to the *sugar and steel industries* has not been very efficient. In the case of rehabilitation of the sugar mill, work went relatively smoothly considering its remote location, but its price has been high. Seven years later, a similar plant was constructed at a lower price using materials from India instead of the Netherlands. The related technical assistance, including the equipment provided, was partially successful. Supply of the nodular cast iron system to the steel mill has been efficient, but the mill's subsequent privatisation destroyed its effectiveness as the people who had been trained to operate the process were retained by the state corporation.

In *gas exploitation*, bilateral projects and that co-financed with the World Bank were efficiently implemented, with the exception of the Bakhrabad project. Here, Petrobangla complained that the plant was four times more expensive than similar plants built by the same Dutch contractor elsewhere in Bangladesh. All projects were implemented by the same Dutch firm, and over time Petrobangla increasingly complained about the quality of the work. In most cases, the complaints were eventually dealt with satisfactorily. The operational efficiency of the project co-financed with ADB is doubtful. The strict preference of the Netherlands for a supplier already blacklisted by Petrobangla led to cancellation of a project component and contributed to a general delay in the project.

In general, tender procedures have often proved very cumbersome, usually due to Dutch preferences for particular suppliers (e.g. gas, cotton), conflicting views of consultants (fertiliser, cotton, jute, steel) and slow decision-making processes. Long duration has often affected the general efficiency of projects, since differences and conflicts in the

preparation phase would again surface during implementation. Conversely, in some cases such as the Kamta gasfield and the first phase of the training institute for the chemical industry, the requirement to tender was waived in view of a commonly felt urgency and/or the unique character of the project. These projects happen to figure among the more efficient.

7.5.4 Sustainability

The *Faridpur Sugar Mill* has been well maintained over the years and has kept a high level of performance, including an efficient transport system. *Institutional and technical sustainability* thus seem assured. The chances for *financial sustainability* have recently improved through changes in sugar pricing policy. However, overall sustainability depends on several external factors, such as the international sugar prices, and GOB price and tariff policies. The Faridpur mill has been put on the privatisation list, but uncertainty with regard to the aforementioned factors has so far refrained private investors from making serious offers.

The investment in the *Steel Mill* has been innovative and is in principle commercially viable. Even today, installed capacity could be used for manufacturing steel products for which there is an effective demand. The mill has been privatised, however, and the present owner is not interested in operating this process.

The granulation plant and the phosphoric acid tank of the *Phosphate factory* are in principle both *institutionally and technically sustainable*, as they are well-maintained, working smoothly, and likely to outlast their accounting life. However, their *financial sustainability* depends on wider economic factors, such as the availability and prices of raw materials in the world market and the unfair competition of illegally-imported low-quality phosphate fertilisers. Since it is a state company, cumbersome import regulations and fixed prices may also negatively affect sustainability in the longer run.

The *institutional sustainability* of the *training institute* seems almost guaranteed, as it serves both the private and public sector. Even after extensive privatisation in the chemical sector there will be a need for such an institute. At present, *financial sustainability* seems possible, since a sound financial basis is being created through imposing levies on participating industries and by charging a training fee of 8,000 Taka per person per month. Finally, *technical sustainability* is positively rated, as there is sufficient in-house technical training expertise to run the institute, even when the number of trainees increases.

The investments realised in the *Quaderia Textile Mill* have improved its productivity and output quality. Despite the setbacks suffered during project preparation and imple-

mentation, the mill now ranks among the three best in the country. As there is substantial demand for quality yarn, the mill can in principle be *financially sustainable*. But, as with the Phosphate factory, ultimate sustainability depends on external issues: e.g. it has not been placed on the privatisation list by Government, it suffers from insufficient supplies of raw cotton, and Government has put an interest charge of 14 per cent on the Netherlands grant to the Quaderia mill. The mill's deteriorating financial situation makes it less and less attractive for private buyers and has a negative effect on overall performance. Accordingly, neither *institutional nor technical sustainability* are assured at this stage.

In the case of the *Handloom Board project*, the lack of any effects makes discussion of its sustainability superfluous. Project objectives have meanwhile been partially realised through rationalisation and the lowering of import tariffs. Quality yarn and chemicals are now available at a competitive price to poor weavers.

Since the main project objectives of *twistless jute spinning* have not been attained, there can be no question of sustainability. However, the Jute Corporation has maintained the equipment properly despite its lying idle. Some additional small investment, a winding machine and a non-electrical drying process, could still render the investment viable.

The support of the Netherlands to Bangladesh's *gas exploitation* has been of strategic importance to developments in this sector, given the high-tech nature of gas development. The Netherlands aid exposed Petrobangla to innovative technology at a time when few other donors were involved. Improved natural gas availability has meanwhile had several distinctly positive long-term effects. Power-generation now runs for 80 per cent on natural gas, saving imports of coal and oil. Six fertiliser factories use natural gas as their main input, rendering Bangladesh self-sufficient in Urea. Small industries and minor economic activities have been stimulated in urban areas as a result of the increased availability of natural gas. These include brickfields, engineering work shops and tealeaf drying. More recently, the distribution of Compressed Natural Gas is being popularised to substitute for the scarce biomass, which still provides almost 60 per cent of primary energy supply. Petrobangla is efficiently run, hence *institutional sustainability* was already reasonably assured, and has recently been further enhanced by a decision to share production contracts with foreign companies. *Technical sustainability* is also high, since Petrobangla appears fully capable of handling and maintaining the plant and equipment. Investments can be moved to more profitable locations if gas pressure drops. The *financial sustainability* of investments is expected to be good since Petrobangla has been able to attract loans from development banks as well as private capital for the exploitation and marketing of Bangladesh's natural gas resources.

Chapter 8 Support to the transport and distribution sector

8.1 Background

Bangladesh is a deltaic country with several major rivers, which separate the economically more advanced North and South Eastern parts of the country from the North West and South West. Basically, the country has three major transport networks that are connected by ferries and bridges. The multitude of rivers and water courses is such that many unbridged gaps still exist between and within the transport networks, isolating parts of the country from economic opportunities.

8.2 Bangladesh transport policy and institutional framework

At the end of the war of Independence the infrastructure suffered from long-term neglect and war-time devastation. Bridges, roads, *ghats* (wharves) and railtracks had been damaged or destroyed. Trucks, vessels and rolling stock were damaged or in need of rehabilitation. Reconstruction of the transport and distribution system was an urgent necessity if economic recovery was to be made possible. Successive Five-Year Plans have made substantial allocations for the transport sector, but allocations for transport sub-sectors showed increasing emphasis on road transport development at the expense of rail and water transport. This trend was accentuated by the higher utilisation of funds by the road sector, compared with the rail and water sectors.

Transport policies in the Five-Year Plans have emphasised a realistic pricing policy, full capacity utilisation, efficient allocation of resources, development of urban and rural transport, improved services and fuel economy. In practice, however, implementation of these policies has not been satisfactory. Public transport services are still priced far below cost, maintenance is defective, and safety and fuel economy have not improved.

Bangladesh has five important transport corridors:

- Dhaka–Chittagong;
- Dhaka–Northwest;
- Dhaka–Khulna;
- Dhaka–Sylhet;
- Khulna–Northwest.

The infrastructural improvement of these corridors is a top priority for the Government of Bangladesh. For each one, different modes of transport (road, rail, water or air) play a role (see Map 3, p. 129).

The public sector takes an important part in transport in Bangladesh. All infrastructure is constructed and managed by the state or by parastatal corporations which dominate in rail, air and maritime transport. In the inland water transport and road sectors, however, private ownership of vessels and vehicles is more common.

8.2.1 Institutional framework

The institutional setting of Bangladesh's transport sector is complex. Three ministries are responsible for the management and operation of public sector transport: the Ministry of Communications for railways (policies and operations) and road transport; the Ministry of Civil Aviation and Tourism for the construction, maintenance and operation of civil air services, including the Bangladesh Civil Aviation Authority and the Bangladesh Biman Corporation; the Ministry of Shipping for marine and inland water transport. The latter includes several authorities and corporations, the most important of which are: the Bangladesh Inland Water Transport Authority, the Bangladesh Inland Water Transport Corporation, and the Port Authorities of Chalna and Chittagong.

8.3 Netherlands' policy

In 1979 physical infrastructure (including transport and communication) constituted one of the four main categories of Netherlands' development aid to Bangladesh. Policy objectives for Bangladesh in the period 1986–90 integrated transport and distribution into the more general aim of industrial development. The initiative was taken to formulate a masterplan for inland waterways to improve investment planning in this sector. Subsequent annual plans mentioned the need to develop further inland waterways on the basis of that plan. In 1989 physical infrastructure was again selected as a main policy priority, but in the white paper *A World of Difference* (1989), priority for investment in this sector was reduced. In the most recent Country Policy Paper for Bangladesh, transport therefore no longer features as a priority sector.

8.4 Overview of the programme

The Netherlands' support for projects in the transport and distribution sectors aimed at alleviating existing problems. Projects focused on infrastructural bottlenecks (such as bridges or ferries), as well as on improving operational skills and technical knowledge (by funding training projects or studies). Managerial capabilities and organisational structures were also addressed in some projects (by establishing new offices or by reorganising existing institutions).

Support to the Transport and Distribution Sector was initiated immediately after Independence, starting with urgently needed investments to establish a national airline and to reconstruct and upgrade the transport infrastructure. All modes of transport were supported. Table 8.1 presents an overview of the most important projects and their expenditure, by mode of transport.

The most important projects in each of these categories are briefly discussed below.

8.4.1 Maritime Transport

Chittagong Port Entrance Study (1975–84)

Background and objectives

The objective of the project was to study the possibilities for constructing a new seaport and for improving the existing port entrance of Chittagong.

Implementation and results

The project consultants worked together with the Chittagong Port Trust, but cooperation was problematic. The final report presented in May 1978 recommended development of a new deep-sea harbour at the mouth of the Karnaphuli river in Chittagong and of a new deep-draught bulk port in Patenga, near Chittagong.

Pilots and pilot vessels for Chalna Port Authority (1976–80)

Background and objectives

The beacons between the port of Khulna (Chalna) and the sea, a distance of 90 km along the Pussur river, were inadequate, making the piloting of vessels hazardous. Piloting was further complicated by irregular hydrographic measurements and a shortage of qualified pilots who were difficult to retain, because wages were low compared to those offered

Table 8.1 Main projects supported by the Netherlands in the transport and distribution sector in the period 1973–96 (Dfl. million)

Sub-sector	Period	Budget
<i>Maritime Transport</i>		<i>26.6</i>
Clearance of Chittagong Port	1991–92	10.3
Equipment for ports	1977–78	8.3
Port entrance Chittagong	1975–84	5.0
Pilots and pilot vessels	1976–80	3.0
<i>Inland Water Transport</i>		<i>78.6</i>
Dredger spares/overhaul fleet/tugs	1974–84	58.0
Survey vessels	1975–84	10.7
Design and Inspection Office	1977–83	2.9
Food cargo vessels	1981–88	2.5
Master plan BIWTA	1986–90	2.2
Prototype passenger launches	1977–84	1.3
Country Boats	1980–94	1.0
<i>Land Transport</i>		<i>112.8</i>
Karnaphuli Bridge, construction and repair	1985–94	66.1
Utility ferries	1973–95	38.2
Railway signalling	1973–80	8.5
<i>Storage</i>		<i>68.9</i>
Food and fertiliser storage investment, rehabilitation; hopper and platform scales	1975–95	68.9
<i>Aircraft</i>		<i>56.9</i>
F-28 and Technical assistance	1975–91	56.9
<i>Miscellaneous</i>		<i>13.3</i>
Total Transport and Distribution	1973–96	357.1

by the merchant navy. The project aimed at improving piloting on the Pussur river by better hydrographic measurements and by training Bangladeshi pilots. During project implementation, additional funds were allocated to improve the safety and services of Chalna port.

Implementation and results

Five Dutch pilots were sent to train Bangladeshi counterparts, but met with many problems: travel between Chalna anchorage and Khulna was cumbersome; radio communication between ships and coast was poor; there were insufficient buoys along the route and these carried no lights as fishermen stole the light bulbs. Initially, only three Bangladeshi pilots were put forward for training. Later, the group was extended to eight. In December

1978 the project was evaluated and it was established that the goal 'to ensure a regular and safe pilot service on the river by Bangladesh pilots' had been achieved. Training, however, had been limited and needed to be continued.

Forty-three buoys and a pilot vessel (for transport between Chalna and the coastal waters) were delivered to improve on safety and pilot services. Tendering for both buoys and vessel was fraught with problems, mainly due to differences of opinion with regard to specifications and suppliers. Delays and cost increases resulted.

Communication equipment for Chalna and Chittagong ports (1977–78)

Background and objective

Communication between ships and coastal services was bad due to deficient equipment; ships approaching Chalna or Chittagong or crossing the Bay of Bengal were unable to contact the maritime base station of Bangladesh. Radio equipment would be made available to improve communication between the ports of Chittagong and Chalna with ships at sea.

Implementation and results

The radio sets were to be delivered to the Telephone and Telegraph Board of the Ministry of Posts, Telephones and Telegraph. An identification mission indicated that existing equipment should be replaced with the shortest possible delay since the situation was potentially dangerous. Insufficient specifications caused delay in the tender procedure. Eventually, the seven VHF radio sets arrived and were installed in Khulna, Mongla, Hiran Point and on board pilot vessels, which greatly improved communications.

Clearance of Chittagong port (1991–92)

Background and objective

On 30 April 1991 a cyclone wrecked a number of vessels in Chittagong Port. The project was intended to clear these wrecks.

Implementation and results

The clearance, executed by a specialised Dutch firm funded by the Netherlands, was completed on schedule. The main problems that occurred were due to bureaucratic obstacles which, according to the company, were 'beyond customary requirements in other ports or countries'.

8.4.2 Inland Water Transport

Dredger spares (1974–84)

Background and objectives

The project aimed at supplying dredgers, tugs, work boats and spare parts to the Inland Water Transport Authority, which is responsible for the navigability of rivers, and also included the construction of a workshop in Barisal for the storage of spare parts. Dredgers were also provided to the Water Development Board, responsible for the maintenance of irrigation canals.

Implementation and results

Spare parts were provided during the entire project period. A consultants' report written in 1984 stated that this had led to the discarding of spare parts which could in principle have been repaired and re-used. Otherwise, cooperation between the Inland Water Transport Authority and the project was good, and dredging efficiency was improved considerably. Cooperation with the Water Board was more problematic, particularly regarding the organisation of works and the maintenance of dredgers. Already in 1981 a mission had indicated that better cooperation and coordination between the Inland Water Transport Authority and the Water Board would improve the efficiency of dredger use and of training by project.

Survey vessels (1975–84)

Background and objectives

This project aimed to supply three work boats and four survey vessels to the Inland Water Transport Authority for hydrographic measurements.

Implementation and results

The work boats were to be constructed in the Netherlands in component parts and assembled in Bangladesh at local shipyards, but discussions about procurement rules and construction details delayed the project for a number of years. The vessels arrived in Bangladesh in 1982 and were transferred to the Authority in 1983.

Tender details for the replacement of four Hydrographic Survey Vessels were formulated in 1984, but problems during tendering delayed their construction. A vessel constructed in the Netherlands was delivered in February 1991. Construction of vessels at the local

shipyard was delayed because of transport and customs problems. They were completed in November 1991.

Design and Inspection Office for Mechanised Craft (1977–83)

Background and objectives

In Bangladesh, many vessels are constructed without due regard for stability and other safety aspects. This frequently results in disastrous accidents. The objective of the project was to improve inland water transport by establishing a Design and Inspection Office to supervise the construction of passenger launches.

Implementation and results

The first Dutch Advisory Team arrived in 1977 and stayed until 1979. Its work included the drafting of rules and regulations for construction and inspection. Bangladeshi staff then took over management of the Inspection Office, until a second team arrived from the Netherlands in 1980 for a further three years. In that same year delays occurred in connection with the re-location of the Design Office to Barisal and the development of an organisational structure for the Inspection Office.

An evaluation report in March 1979 was critical, concluding that little had been achieved. Bangladesh, however, considered progress satisfactory, and this was confirmed by a subsequent mission in 1980. The Office was running well; the approval of designs was becoming a routine matter; and the Rules and Regulations were considered of good professional standard and were to be made into an official document.

Prototype passenger launches (1977–84)

Background and objectives

The objective of the project was to improve inland passenger transport by constructing three prototype passenger launches.

Implementation and results

The project suffered substantial delays, mostly because of problems during tendering. The grant was tied to suppliers in the Netherlands, but the import of steel from that country was very expensive due to protective import duties in Bangladesh. The condition that the launches be constructed in the Netherlands was therefore waived, but it was stipulated that the engines should be Dutch. This caused long delays and ultimately the engines were not adequate for the prototypes. The Inland Water Transport Authority tried to sell

them, but could not find any interested customers. The launches are currently used as staff quarters at ferry terminals.

Country boats (1980–94)

Background and objectives

In 1979, a preparatory study of the country boat sector was conducted together with NORAD (Norway). The potential of the sector was considered enormous and the employment it generated was substantial. The project included three related activities:

- the country boat study (1980–84) which aimed at analysing constraints on inland water transport in Bangladesh and identifying activities by which to alleviate those bottlenecks;
- the country boat pilot project (1990–92) which aimed at improving the efficiency and profitability of traditional country boats;
- institutional support to the Country Boat Owners' Association (1995–98).

Implementation and results

A mission conducted in February 1982 concluded that the joint study should focus on technical improvements to enhance the speed of the boats and on institutional strengthening of the sector. A report produced in December 1983 proposed that, in a subsequent phase, nine country boats of different types should be adapted (new sails and a diesel engine). During a 9-month test period these boats would be compared with existing vessels. Overall, the boatmen appreciated the changes made by the project. The Netherlands was less convinced about the relevance of the project, because of the promotion of mechanisation.

Food cargo vessels (1981–88)

Background and objective

In 1976 the Ministry of Food requested ships for the transport of foodgrains. It was decided to construct four ships of 200 tons each.

Implementation and results

After discussions with FAO, which had already constructed 12 ships, it was decided to build three ships of 350 tons each. Three possibilities were considered: construction in the Netherlands, construction of elements in the Netherlands and assembly in Bangladesh, and construction in Bangladesh on condition that the parts would be imported from the

Netherlands. It was finally proposed that all three vessels be built locally and the contract was awarded in 1980. The first vessel was finished in March 1982 and the last in 1984.

The vessels are operated by the Inland Water Transport Corporation and can now be used for other purposes in slack periods. In 1986 IWTC put in a request for spare parts, which was honoured after those still in store had been used.

Master Plan for the Development of Inland Waterways (1986–90)

Background and objectives

In 1984, the Bangladesh Inland Water Transport Authority stated that a comprehensive inland water transport study was needed for planning purposes. The aim was to inventorise the status of inland waterways and infrastructure in order to provide a basis for investments in the development of inland water transport.

Implementation and results

Problems associated with the funding of local costs delayed the study. In January 1988 its inception report was drafted and the study started. The draft final report was completed and submitted to the Authority in December 1988. The Authority commented on the report's exclusive focus on river transport and on its neglect of locally applied techniques for river training. The World Bank commented on the lack of attention given to the institutional framework and to manpower training needs. Inadequate funds prohibited implementation of the study recommendations.

8.4.3 Land Transport

Railway signalling (1973–80)

Objective

The improvement of railway transport in Northern Bangladesh.

Implementation and results

Equipment was supplied in two batches, in 1973 and 1976, to improve railway safety. Delivery of a third batch was not approved by the Netherlands due to the poor general condition of Bangladeshi railways at the time. The equipment is presently in good condition.



Ferries constitute an important mode of transport in riverine Bangladesh (Photo by Ron Giling/Lineair)

Utility Ferries (1973–95)

Background and objectives

The numerous rivers mean that ferries are vital for road transport in Bangladesh. The objective of the project was to improve road transport infrastructure by the construction and maintenance of ferries, pontoons and gangways, as well as the maintenance and rehabilitation of Netherlands-financed ferries.

Implementation and results

The improvement of ferry connections in Bangladesh started in 1973, first with technical assistance and, since 1978, with support for the construction of ferries, pontoons and gangways. The first project evaluation in 1980 concluded that maintenance was the main bottleneck for the smooth operation of ferries, and that operation and maintenance were not adequately coordinated by the Roads and Highways Department. Maintenance problems were increased by the high demand for ferries. Re-organisation of the Department was recommended, as well as the formulation of a national master plan for ferries.

To coordinate maintenance, the Netherlands-assisted Planned Maintenance Programme started in 1986 but achieved little. In 1989, the Netherlands expressed concern that six

ferries and three pontoons were still in operation although their rehabilitation had been commissioned in 1986. An evaluation in 1990 found that rehabilitation of ferries had improved, but that the required organisational changes had not been made. By 1992 there was still no adequate maintenance organisation: planning, exploitation, maintenance, procurement of spare parts and construction of new ferries is entrusted to different 'circles' which operate independently from each other. Following further delays in the rehabilitation of two pontoons, it was stipulated that all rehabilitation work should be started before July 1993 and that failure to do so would jeopardise Netherlands' funding.

Finally, it was decided that continuation of the project should not be funded. Spare parts were provided up to 1995. In total, some 65 ferries and 60 pontoons were constructed with support from the Netherlands.

Karnaphuli Bridge: construction and repair (1985–94)

Background and objective

Accessibility of the area south of the town of Chittagong was poor. Only one rail bridge crossed the Karnaphuli river which runs from the hill tracts to the sea, bisecting Chittagong district.

Upon completion of the Delta works in the Netherlands in August 1987, the temporary bridge 'Neeltje Jans' became available. It was proposed that it be dismantled and transported to Chittagong. Bangladesh's Roads and Highway Department was at first reluctant, preferring a concrete bridge because of lower maintenance requirements. Soon afterwards, however, Bangladesh showed interest in using the bridge: a feasibility study showed that its re-use would be cheaper than construction of a new one. Feeder roads to the bridge were to be funded by Bangladesh. After opening of the tender, the lowest bid was Dfl. 52 million, which was well above the projected cost. Cancellation of the project was considered, but the Royal Netherlands Embassy urged implementation. The selected location of the bridge was controversial, being thought to expose it to cyclone damage, but no changes were proposed.

Implementation and results

Construction of the bridge was completed according to plan early in 1990, but problems arose with land acquisition for the related road infrastructure. The Netherlands decided to speed-up completion of the feeder roads by funding them from savings on the bridge construction. In mid-1990 a tanker crashed into the bridge. A contract for its repair was concluded, but before work could start the bridge was further damaged by the cyclone of April 1991. Several ships and a floating crane crashed into it, ripping off part of a

bridge section, which could be salvaged and re-used. To speed-up the necessary work, repairs were contracted to the same joint venture that had built the bridge. Attempts were made to recoup some of the costs from the insurers of the vessels that had damaged it, but without success. The repairs were paid by the Netherlands and implementation was completed in 1993.

Despite problems and delays during planning and construction, the Karnaphuli Bridge is now effectively incorporated into the Bangladeshi road network. It has played an important role in developing the industrial area on the left bank of Karnaphuli River, and the region between Cox's Bazar and Chittagong.

8.4.4 Storage

Food and fertiliser godowns, hopper scales, rehabilitation platform scales (1975–95)

Background and objectives

Storage capacity was spread unevenly over the country and combined capacity was not sufficient to cover peak storage requirements, resulting in substantial losses of food and fertilisers during the wet season. The project aimed at constructing Local Storage Depots in locations without any storage capacity, provision of equipment for use in the stores (weighing scales), extension of storage capacity in areas with clear constraints in capacity, and rehabilitation of existing stores.

Implementation and results

Both the food and fertiliser storage programme were characterised by well-executed preparation phases. Ex-ante studies were made of capacity requirements, expected results as well as contributions to the Netherlands policy objectives (achieving food self-sufficiency). Most sub-projects were appraised separately. This was sometimes done less thoroughly: problems regarding technical feasibility and local requirements were sometimes overlooked. Also, other donors' initiatives were not always taken into account, leading to construction activities by several donors in one site, e.g. Comilla and Noakhali.

Poor management on the part of small local contractors led to increased expenditures in both the food and fertiliser storage programmes. The main problem appeared to be that they lacked sufficient funds to buy required materials in advance. In the third phase it was decided that 15 per cent of the contract price should be paid in advance, which enhanced

efficiency considerably. Most stores constructed since then have been delivered within the agreed time frame.

Stores were not properly used nor maintained after their hand-over to the Ministry of Food. Maintenance was the responsibility of the Ministry of Public Works, which lacks the organisational structure to perform its tasks satisfactorily. Site managers of the various stores lacked knowledge, mandate and the simple equipment with which to assess and report damages. Hence, the most recent project phase was geared entirely towards maintenance problems. Currently, the Ministry of Food is allocating increasing amounts for small maintenance works, the responsibility for which has been decentralised to site managers.

The provision of weighing scales (hopper scales), has been characterised by substantial delays. Equipment was not maintained and the training of operators remained behind schedule, hence many scales are not being used. Hopper scales are too sophisticated for their purpose: the need for exact weighing is clearly not felt, preference being given to the traditional tripod, using various weights. A similar fate was observed with the more simple platform scales; their rehabilitation was realised despite lack of cooperation by local authorities and against extra costs due to delays.

8.4.5 Air Transport

Background and objective

Bangladesh Biman was established after Independence in 1972, without any aircraft but with 2400 employees from the former branch of Pakistan International Airlines. Biman bought its first two F-27 aircraft with a loan from India. At the end of 1972, the Netherlands provided a further two F-27s as a grant. In November 1973 two more were purchased from Fokker. In 1978 negotiations for the purchase of two F-28 aircraft were started. These were purchased in 1981 under a mixed credit programme: one was financed through a commercial loan and the other with a soft loan from the Netherlands. The cooperation between Fokker and Biman included a training component.

Implementation and results

An evaluation conducted in 1983 concluded that the F-28s were not profitable, because they operated less than three hours per day. Training standards needed to be improved and aircraft safety was below standard. In 1984 Biman proposed to return the F-28s in exchange for two larger F-27s and an overhaul for the older F-27s. Fokker did not agree as this would require another Dfl. 8 million. Bangladesh subsequently proposed

converting the loan into a grant, but this was not possible because it contravened the purchase conditions.

Finally, it was decided to sell the F-28s, whilst replacement of the F-27s was considered in the longer term. In 1993 and 1994, the Netherlands converted the remainder of the loan into a grant. At the time of the study one F-28 was still in use by Bangladesh Biman.

8.5 Evaluation

8.5.1 Policy relevance

The importance of the transport sector for economic development was recognised by Bangladesh. The development of the five main corridors was identified as a prime objective. As can be (see Map 3). The locations of Netherlands projects were concentrated along these arteries, with important port projects in Chittagong and Mongla.

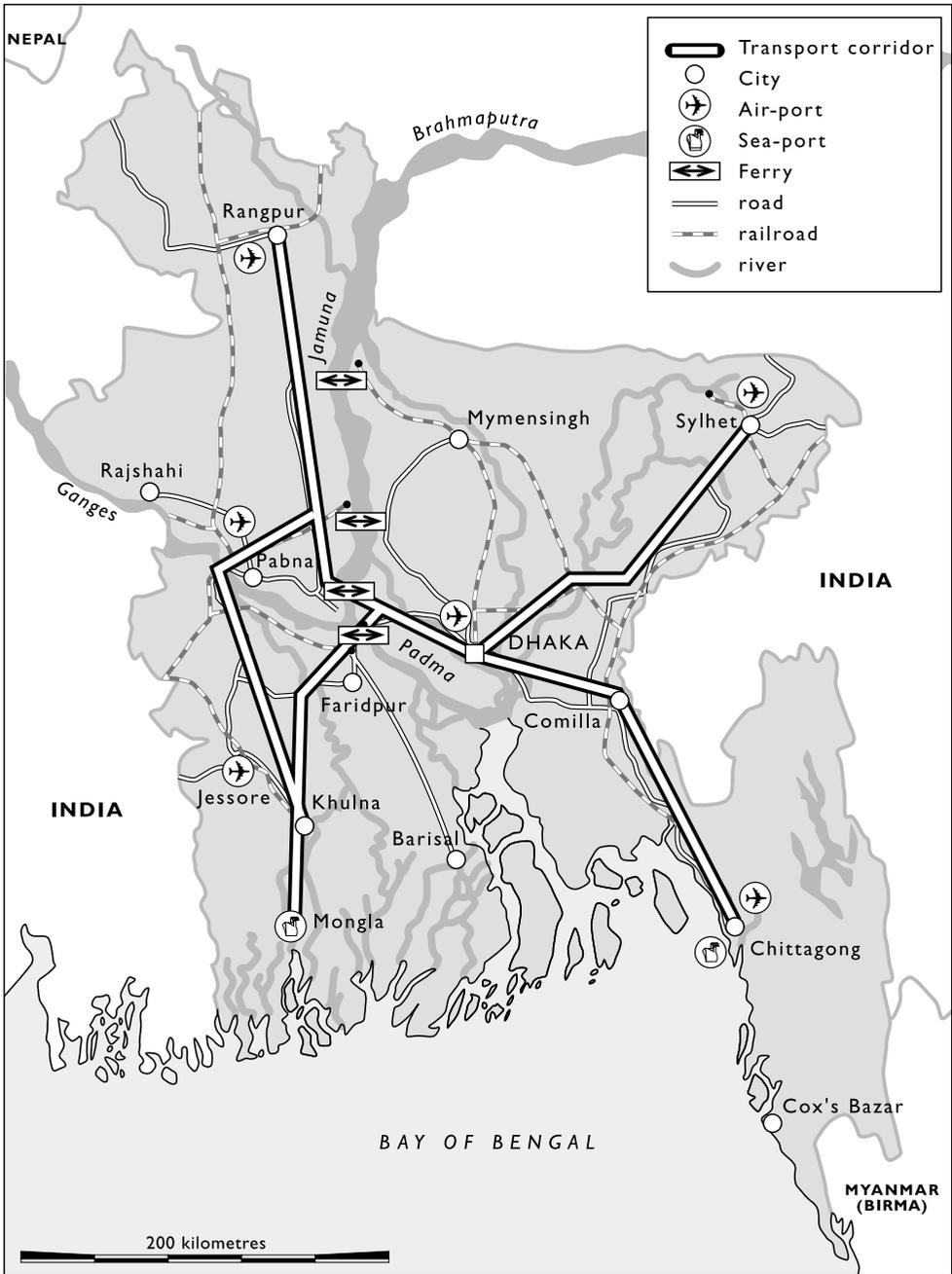
The storage projects supported the Government's objectives regarding the reduction of food shortage risks and the operation of the Public Food Distribution System (PFDS). These interventions became particularly relevant in the 1980s when the effects of food shortages could be mitigated through stock releases.

An adequate transport infrastructure is of vital importance for economic development. The projects therefore agree with the Netherlands policy priority of economic self-reliance. Transport- and distribution-related projects do not directly contribute to the alleviation of poverty, or affect the position of women in society. The contribution of these projects to economic growth, however, is expected to contribute indirectly to the alleviation of poverty, in conformity with Bangladesh's Second Five-Year Plan (1980–85). Improved land and water transport were intended to integrate markets in order to increase food availability at more stable prices.

At the time when most key decisions were made with regard to transport and distribution sector activities, environmental considerations did not play the prominent role in the Netherlands development cooperation policy that they do today. An assessment of environmental effects is therefore not included in this evaluation.

8.5.2 Effectiveness

The majority of projects achieved their immediate objectives. Most of the successful projects focused on the alleviation of specific infrastructural bottlenecks. The construction



Map 3 Main transport corridors in Bangladesh

projects generated short-term economic effects through direct employment creation and the procurement of building materials.

Projects aiming at improved management, maintenance training and organisational changes were generally not successful. For example, the ferry project was ultimately not extended because the Netherlands focus on rehabilitation and maintenance did not match the Bangladeshi desire for new infrastructure. The construction of 65 ferries and 60 pontoons was realised, but the maintenance component received less support from Bangladesh. The other land transport projects successfully achieved their objectives: railway signalling, road construction, Karnaphuli bridge construction and repair.

Water transport and storage projects were generally effective in reaching their direct targets (survey vessels, communication equipment, port clearance, food and fertiliser storage). In the case of dredging, materials and technical advice were supplied without major problems, but institutional problems between the Inland Water Transport Authority and the Water Board led to inefficient use of dredgers. The construction of three prototype passenger launches was ineffective as they could not be used for that purpose. The construction of the food cargo vessels was effective as they are usefully employed and well-maintained.

The development of a Master Plan for Inland Water Transport should have preceded all other projects in the sector. Unfortunately, the study did not have its intended effect. This is particularly disappointing since such a plan would have greatly benefited planning in the transport sector at the time.

8.5.3 Efficiency

Most projects suffered from substantial inefficiencies which usually caused substantial delays during implementation, often with budgetary implications. Other results of inefficiencies were outputs that were either unsuitable for operation in Bangladesh or were incomplete upon delivery. Many inefficiencies were a direct consequence of inadequate project preparation. In only a limited number of projects was a full preparation study conducted, including such relevant elements as local operating conditions, technical feasibility and necessary resources. It appears that most practical and institutional problems were indeed known by Bangladeshi and expatriate participants, but were not accommodated in the plans.

Bangladesh wanted to reduce the preparation time and to speed-up the decision-making process: tendering procedures were sometimes started too soon, or the cheapest contractor was selected without consideration of quality aspects. On other occasions, shortened

procedures or waivers were accepted, but favouring a particular contractor (either by Bangladesh or the Netherlands) led to frequent conflicts. In a number of cases tendering procedures caused substantial delays, due to incompatibility of the requirements of the two parties.

Communication problems were frequent and constituted an important cause of inefficiency at both implementation and policy management levels. Inadequate communication among stakeholders can often be attributed to insufficient reporting and progress discussions among the different actors and occasionally to conflicts between concerned parties. Interviews with Dutch personnel responsible for project execution and supervision revealed that Bangladeshi counterparts were frequently not contacted in order to discuss project evolution.

Some projects, such as the clearance of Chittagong port and the Karnaphuli bridge repair, were well prepared in that local conditions and the required implementation time were assessed in advance and a realistic budget was drawn up. These projects were subsequently very efficiently implemented. In other cases, efficiency was greatly improved through creative solutions, e.g. in the case of food godowns: providing a 15 per cent ‘mobilisation advance’ to allow local contractors to procure building materials without delay. Also, the construction of food cargo vessels was efficient: adequate preparation allowed early adjustment of the concept (three bigger vessels instead of four smaller ones). During tendering, not only price but also the reputation of bidders was taken into account. Regular supervision and monitoring took place, not only for the vessels but also for spare-part and warehouse management.

The efficiency of projects was closely related with management quality, both at the level of donor and recipient organisations and implementation. Projects with adequate preparation, early involvement of the contractor and intensive monitoring, were most efficient. In most cases, however, project preparation and management were not of sufficient quality to deal with the complexities that accompany project implementation under the conditions prevailing in Bangladesh. Only in a limited number of cases did project staff and their counterparts manage to find creative solutions enabling them to deal successfully with problems affecting implementation efficiency.

8.5.4 Sustainability

Present condition of project output

Most vessels that were built under the Dutch development programme are still operational and usefully deployed. Exceptions are the three prototype passenger launches,

which were not built according to specifications and were therefore not suitable for the transportation of passengers. These launches are now used as accommodation barges for BIWTA terminal staff members. One of the six survey vessels sank during a cyclone and another is temporarily out of order. One of the four tugboats has sunk and another is out of order.

The Karnaphuli Bridge, installed under a Dutch grant, was damaged in March 1990 and again in April 1991, as a result of cyclones. The bridge is now operating as planned and has been adequately integrated into the main road network, connecting Chittagong with Cox's Bazar. The wooden bridge deck restricts speed and no budget is at present available to replace the wooden parts by steel or concrete structures in order to improve on this situation.

The current condition of investments on storage projects (food and fertiliser godowns, hopper scales and platform scales) is less satisfactory. The hopper scales are too sophisticated for local conditions and have not been maintained. Most are therefore now out of order. Uncoordinated investments by various donors and changed policies of the Bangladeshi Government created an over-capacity of food godowns. A number built under the Dutch development programme are no longer used or are used for other purposes, such as the storage of salt, for which they were not designed or equipped.

Institutional sustainability

Many earlier projects neglected the institutional aspects. Important obstacles for institutional sustainability are rooted in the fact that project responsibilities are fragmented among various institutions. Many projects had to deal directly with two or even three different counterpart organisations. Efforts to institutionalise longer-term management efficiency under Netherlands-assisted projects were mostly unsuccessful. Several such efforts were undertaken, e.g. by trying to set up a maintenance unit in the ferry and storage rehabilitation projects.

Financial sustainability

Once a project had been terminated and handed-over to the Bangladesh authorities, limited follow-up support was given by the Netherlands. It was assumed that the Bangladeshi Government would make the necessary budgets available for long-term maintenance and spare part provision. However, it is unrealistic to presume that these budgets would be made available, while knowing that Bangladesh is one of the poorest countries in the world and to a large extent dependent on foreign aid. The lack of funding for maintenance activities is responsible to a considerable extent for the limited sustainability of some projects.

Maintenance of the projects is the responsibility of the Bangladeshi authorities. Budgets for maintenance and spare parts are generally limited, but some exceptions do occur. Communication equipment for the Chalna and Chittagong ports has been well-maintained, the port authorities having renovated the communication system set up as part of the Dutch development programme. Railway signalling equipment is also adequately maintained.

Technological sustainability

Most technological improvements introduced as part of the Netherlands development cooperation programme are technically sustainable. Counterpart organisations are frequently technically capable of handling technologies. In two projects, operational training constituted an important objective: the pilots and pilot vessel project trained junior-pilots for such activities in the port of Chalna, and the establishment of a design and inspection office included the provision of technical assistance to increase the know-how and managerial skills of the Bangladesh team responsible for operating the office. In both cases, only basic knowledge was transferred and no in-depth training was provided.

Chapter 9 Support to water management

9.1 Background

Bangladesh is a low-lying country at the confluence of three major international rivers: the Brahmaputra, Ganges and Meghna. Flooding is a regular phenomenon and in any year at least 20 per cent of the country is affected. Four types of flood can be distinguished:

- tidal, or coastal flooding in the south, where extreme floods can occur due to spring tides and storm surges (for example in 1971 and 1991);
- river floods along the three major rivers, which can cause deep flooding (as in 1987 and 1988);
- flash floods close to the Megalaya mountains in the north of Sylhet and in the foothills of the Chittagong Hill tracts (regular annual events);
- rainfall floods, which occur mainly due to impeded drainage during times of high water levels in the major rivers.

People and nature have adapted to the regular floods caused by monsoon rain and rivers. They cause only limited damage and bring substantial benefits: natural soil fertilisation, replenishment of surface water bodies, recharge of underground aquifers, open water fisheries, water transportation networks and a general cleansing of the environment. However, storm surges from the sea and occasional excessive river floods (inundating up to 40 per cent [1987] or even 60 per cent [1988] of the country), cause considerable loss of life and damage to crops and infrastructure. The extent of such damage has increased over the years because of mounting population pressure and the rising price of infrastructure in flood-prone areas. In particular, spring tides in the South and flash floods from mountains and hill tracts in the Northern and Eastern parts of the country may have devastating effects.

9.1.1 Water management

The structures required to manage water flows are referred to as water works, and can be categorised according to their main purposes.

Flood protection works

To control flooding *submersible embankments* (dykes or artificial levees which can withstand pre-monsoon floods) are constructed. Untimely floods are usually devastating for standing crops. During the monsoon, the embankments are submerged and allow flooding of the agricultural lands, in order not to lose the benefits of floods. In more recent times, certain densely populated areas have required protection by *full flood embankments*; relatively high embankments which are designed to withstand monsoon floods within defined limits.

Drainage and irrigation works

A late, unusually short or prolonged monsoon can be damaging for crops. This necessitates either irrigation, water retention or drainage of excess water in order to regulate the water level in the protected area. For centuries, people have solved these problems by digging canals and holes in the embankments to allow water in or out at the desired moment. Before the next monsoon, communal interests ensure that the embankment is repaired. At present, drainage and irrigation have been increasingly ensured through *structures* in the embankments: constructions, usually in concrete or brick, that serve hydraulic purposes (such as drainage and irrigation). Examples are inlets, outfall structures, pumping stations and culverts. To reduce the obstruction caused by embankments to shipping, many such structures have been adapted to serve navigational purposes. These adaptations include movable gates and shipping locks. With the increasing attention for fisheries, some structures are now designed to allow migration of fish.

Land reclamation works

The ever increasing population pressure creates a need to reclaim land from the sea for agricultural purposes, mostly through the construction of *cross dams*. One type of cross dam is an *earth dam*, without structures, which is connected to the land at both sides and causes sedimentation and land accretion along its length. Another type is a *spur*. This is a relatively short dam of stone or brick, perpendicular to a coast or bank and connected on one side to the land.

9.2 Bangladesh water management policies and institutions

Water management has a long history in Bangladesh, dating back to pre-colonial times when embankments were informally built and maintained by those who stood to benefit most by them. In 1959, the East Pakistan Water and Power Development Authority was established. It prepared a master plan for water management in 1967, implementation of which was interrupted by the liberation war of 1971. After Independence, the Bangladesh Water Development Board replaced the Authority. Initially, it gave priority to small projects, but once donor funding became available, larger works were executed. After some years, the need for a more comprehensive approach to water resource development was recognised. In 1983, the Master Plan Organisation was established, to formulate a National Water Plan for the period 1985–2005.

After the major floods of 1987 and 1988 a discussion started between a number of donors and the Water Board. Various donors favoured different approaches to water management in Bangladesh, ranging from the large-scale construction of water works and ‘full flood protection’ to more modest solutions, a concept labelled ‘living with the floods’. Initial plans indicated the need for budgets in the order of US\$ 5–10 billion. It was clear, however, that further studies were required of the complex technical issues at stake, as well as of the socio-economic consequences of water management and the effects on the environment. For this purpose, the Flood Action Plan started in 1990. It comprised studies and pilot projects, that would ultimately lead to a number of implementation projects, expected to be executed in the period 1995–2010. From its outset, the Flood Action Plan was controversial. It was perceived to be a coalition between some influential donors and the Water Board, dominated by a view that favoured the construction of major water management infrastructures. NGOs objected to the perceived large scale of the proposed works, which they saw as likely to have adverse effects on the poorer segments of the population, as well as on the environment. A heated debate began, spilling over into some of the donor countries, including the Netherlands.

Water management in Bangladesh is traditionally geared to agriculture; that is, to managing water flows to allow planting and harvesting of crops without undue risk of untimely floods. Bangladesh’s main staple, rice, is grown during the monsoon (Aman crop); in some areas this crop is preceded by a minor rice crop (Aus), which benefits from the ‘small rains’ earlier in the year. Since Independence, the importance of irrigated rice (Boro) in the dry season has grown tremendously, accounting for most of the increases in rice production and productivity since the 1970s.

With increasing population pressure, urbanisation, industrialisation and related investments in infrastructure, the importance of water management for the protection of human

settlements and infrastructure has greatly increased. Recently, more attention has been paid to the importance of fisheries in water management, since about 80 per cent of the animal protein intake in Bangladesh derives from fish. In some areas, such as the South West, shrimp farming for export occupies paddy lands (sometimes benefiting from water works), exposing the soil to long-term ecological degradation and threatening the livelihood of farmers.

The *Bangladesh Water Development Board* is the main counterpart of Netherlands-supported projects. It is a large organisation with substantial technical know-how, responsible for approximately 500 water management projects. It employs about 18,000 people, of whom 2,000 are professional staff, mainly civil engineers. The Board is a centralised organisation and its geographical units do not coincide with those of other Ministries and Departments. It has a strong implementation bias, which emanates *inter alia* from the fact that for decades substantial donor funding was available for new construction, but not for operation and maintenance. Many Water Board staff members are highly motivated, and the organisation is characterised by a strong 'Esprit de Corps'. Despite a number of shortcomings, the organisation by and large performs its statutory role. Logistically, the Board works well, often under difficult circumstances. Although water management projects are intended to increase agricultural productivity, there were no institutionalised linkages between the Water Board and the Department of Agricultural Extension or other agricultural services until 1995.

To supervise the Flood Action Plan, the *Flood Action Plan Coordination Organisation* was established. It coordinated the different Flood Action Plan components, and was responsible for drafting the final report. Responsibility for integrated water resource management was given in 1991 to the *Water Resources Planning Organisation*. This has an inter-sectoral and interdisciplinary approach, including an emphasis on environmental issues. Its mandate is to develop national policies and related strategies for the use and conservation of Bangladesh's water resources. In 1995, the Water Resources Planning Organisation took over the responsibilities of the Flood Plan Coordination Organisation.

Apart from Government, *non-governmental organisations* play an important role in the water sector in Bangladesh and have been involved in projects as organisers of community groups and in developing labour organisations of landless people, including women's groups. At the local level, a number of target group organisations are also involved. These include Sluice Committees, Water Users' Groups, Landless Contracting Societies, Embankment Maintenance Groups and Polder Committees.

9.3 Netherlands policies and institutions

The aim of water management projects in general is to protect human life and property and to enhance the suitability of land for agriculture and other productive activities. In Country Policy Papers rural development was given priority in the 1980s and 1990s. The 1992–95 Country Policy Paper states that ‘although increased agricultural production is usually accompanied by a rise in unemployment, this will probably not be the case in Bangladesh in the short term, as the likelihood of mechanization is limited’. An explicit Netherlands policy for the water sector in Bangladesh has never been formulated.

The Netherlands approach towards water management in Bangladesh gradually changed from a purely technical (in the 1970s) into an integrated water management programme (in the 1980s/1990s), in which a socio-economic dimension aimed at improving the living conditions of both farmers and landless labourers (Country Policy Plan Bangladesh), despite the fact that this would complicate implementation. The 1992–95 Country Policy Plan for Bangladesh states the following:

In the interest of an integrated approach, i.e. an approach based on the assumption that infrastructural projects alone are not enough to increase agricultural production, all the water management projects take as much account as possible of rural development issues.

and:

as all aid has to be managed by the relevant specialized central government ministry (read the Water Board) this is an obstacle to integrated activities applying to more than one sector.

Gender and environment was initiated as a special theme in the Netherlands’ policy in the 1980s. In the 1992–95 Country Policy Paper gender is elaborated to a large extent. The need for environmental impact assessment prior to the start of a project is emphasized in the 1992–95 policy plan.

With its experience in land reclamation, soil protection, water management, desalinisation and polder maintenance, the Netherlands is more than a donor in this sector. Many Bangladeshi stakeholders perceive the Netherlands as a ‘natural’ partner for Bangladesh in developing and managing its water resources.

Netherlands institutions directly involved in project preparation and the implementation of water management activities are the Ministry of Foreign Affairs (DGIS) and the Royal Netherlands Embassy in Dhaka. The actual implementation of projects is usually entrusted to specialised consulting agencies in the Netherlands, which sub-contract national consultants in addition to using their own personnel.

9.4 Programme overview

9.4.1 Overview of projects

Water management is an important component of the Netherlands' development co-operation programme with Bangladesh. In the period 1975–95, the contribution of the Netherlands to water management amounted to almost Dfl. 242 million for 17 projects. This was about 9 per cent of the total country programme during this period.

Table 9.1 Overview of Netherlands project aid to water management in the period 1972–96 (Dfl. million)

Project	Period	Total expenditure
Early Implementation Projects (EIP)	1975–now	121.7
Delta Development Project (DDP)	1976–92	16.2
Land Reclamation Project (LRP)	1977–91	41.6
Compartmentalisation Pilot Project (CPP/FAP-20)	1990–now	12.2
Systems Rehabilitation Project (SRP)	1990–97	24.7
Char* Development and Settlement Project (CDSP)	1994–now	4.8
Meghna Estuary Study (MES)	1994–98	5.8
Environmental Geographical Information System (EGIS)	1996–97	n.a.
Miscellaneous		14.7
Total		241.7

*Char is accreted land formed by river activity within a channel. Char land projects usually aim at distribution of the new land to the landless.

Those 17 projects were in water management. They constructed water works, executed studies and supported institutional changes, mainly in order to enhance the protection of crops and infrastructure. The main projects have undertaken activities at field level, including: construction of embankments and structures, excavation of canals and land reclamation works; execution of hydrological, socio-economic, planning and design studies; and institutional interventions geared to improved operation and maintenance and to people's participation practices, as well as the establishment of local-level water management groups. A brief description of the five largest projects so far implemented follows below.

Early Implementation Project (1975–now)

Background and objectives

The project started soon after Independence. At that time small and relatively simple projects were favoured, and the scope was substantial. The objective of the project is to



Construction of an emergency embankment in Bhola (Photo by D. Frans/Lineair)

increase the productivity of land, water and labour in order to improve the living standards of the poorer rural households, as well as to promote national self-sufficiency in food production.

Implementation and results

The Early Implementation Project was the first major water management project supported by the Netherlands. It started in 1975 and is now in its fifth phase. In phases II and III, Sweden also gave support. The approach is characteristic. The project concept focuses on the implementation of a series of small-scale technical interventions, which are identified, prepared and implemented by the Water Board. Appraisal and decision-making procedures are intended to be quick. Activities are implemented with relatively limited input of external technical assistance, hence, the 'ownership' of the project is clearly with the Water Board. The project is also innovative, in that socio-economic considerations play a prominent role in the appraisal of its interventions. This approach was later followed by other donors.

Implementation suffered considerable delays, e.g. as a result of problems related to land acquisition. During implementation, operation and maintenance were identified as major problems. Attempts to improve this resulted in substantial delays. Consequently,

the Systems Rehabilitation Project (discussed below) was later set up to spearhead the strengthening of operation and maintenance. The 1992 evaluation of the Early Implementation Project concluded that its approach was still valid, but identified some weaknesses. These included the multiplicity of objectives and the dependence on external financial support and control procedures. In response to these findings, measures were taken to promote effective financial management by the Water Board and to ensure the sustainability of the project.

Under the Early Implementation Project, different types of flood control, drainage improvement and irrigation schemes are implemented in a total of 110 sub-projects in 88 locations.

Delta Development Project (1976–92)

Background and objectives

The objective of this project was ‘integrated development of land, water and human resources, and to start a process of development in south west Bangladesh (with emphasis on water development) which will result in the gradual emergence of a healthy rural society in that part of the country.’ The project focused on polder 22 (1,500 ha.) and polder 29 (8,120 ha.).

Implementation and results

The project, which started in 1976, aimed to be a pilot which would develop an approach for wider implementation. An evaluation in 1988, requested by the Water Board, criticised the absence of a clear approach and work plan. The evaluation concluded that achievements remained behind target, despite a substantial input of technical assistance (accounting for 70 per cent of the total budget). Furthermore, the high input of technical assistance limited the replicability of the pilot project. Positive achievements included increased agricultural production, the successful organisation of landless groups, and the improvement of labour conditions.

Subsequently, the input of technical assistance was reduced, but an evaluation of the second phase also noted limited progress. In the surrounding polders shrimp cultivation expanded rapidly, putting severe pressure on landowners in the polders to undertake the same activity. Because of this, the evaluation mission questioned the sustainability of project achievements after its completion. The project was eventually discontinued because the appraisal mission for its third phase shared the same concern, and the Bangladeshi authorities in question did not request continuation.

Land Reclamation Project (1977–91)

Background and objectives

The Land Reclamation Project started in 1977, pursuing a diverse set of objectives. The project included an institutional component, studies of land accretion methods, settlement on new ('char') land (preferably by small farmers) and development of agricultural production. The project was conceived as a pilot project: it intended to plan, implement and monitor new land reclamation projects on the basis of experience acquired.

Implementation and results

The project undertook a substantial number of studies, which yielded reports and documents. Most significant among these was the Sandwip cross dam study, which began in 1984. After a review in 1988, the conclusions of the study were rejected and construction of the cross dam postponed, probably indefinitely.

The 1990 appraisal mission for the proposed third phase of the project recognised that it was too complex: 'The project came to combine too many objectives, which were not necessarily compatible: efforts to settle landless people require an orientation of the project, and project inputs, which are fundamentally different from those of a project directed towards the reclamation of new land from the sea.' Accordingly, the third phase was not implemented.

Achievement lagged substantially behind project objectives. A vast amount of data was collected and studies conducted, but the socio-economic impact of the project remained limited. It was decided to adopt a fresh approach with new projects. Two follow-up projects to the Land Reclamation Project began in 1994. These are the Char Development and Settlement Project, which is derived from the land-based component of the project, and the Meghna Estuary Study, derived from its water-based component.

Systems Rehabilitation Project (1990–97)

Background and objectives

The Systems Rehabilitation Project started in 1990, after a protracted preparation period dating back to 1982. The Netherlands expressed its interest to participate in the project in 1988. The project is funded by a World Bank-led consortium, in which the European Union and the World Food Programme also participate. The contribution of the Netherlands comprises: technical assistance, aimed at strengthening the Operation and Maintenance Directorate of the Water Board, monitoring and quality control of the

rehabilitation and improvement works; improved operation and maintenance in seven flood control and drainage schemes; on-farm development in the Buri Teesta Irrigation Project and in polder 55/1; and several benchmark and evaluation studies.

The general objective of the project is to protect and increase agricultural production and incomes and to raise living standards, particularly of landless people and women, through rehabilitation and improved operation and maintenance of flood control, drainage and irrigation projects.

Implementation and results

Initially the project had a strong rehabilitation bias. This component (financed by the World Bank and the European Union) incurred serious delays, and rehabilitation targets had to be adjusted. Progressively, improved operation and maintenance were given greater attention, and the project shifted from design and construction towards institutional development. The main achievement of the Netherlands-supported component of the project is that it has developed a concept for operation and maintenance, and an effective monitoring system for the rehabilitation of works. A test with cost recovery in an irrigation scheme was conducted, with the aim of finding practical modalities to finance operation and maintenance by water users. The test failed because the services rendered by the irrigation scheme were not adequate.

The 1993 review mission concluded that progress of the project had been slow, since the Water Board was not yet fully committed to improved operation and maintenance. More emphasis on the institutional aspect was required, and the second phase starting in 1994 was adjusted accordingly.

The Flood Action Plan

Background

The Netherlands is one of the donors contributing to the Flood Action Plan, although it did not play an important role in the initial discussions. The Netherlands support focuses on the Compartmentalisation Pilot Project (FAP-20), and also includes some smaller contributions to (mainly) study projects.

As a consequence of the heated debate about the Flood Action Plan, the Netherlands Minister for Development Cooperation requested the then Operations Review Unit of the Ministry to study the Flood Action Plan. A report published in 1993 noted substantial progress in a number of fields, for example, the development of guidelines for people's participation and for environmental impact assessment. A number of studies of technical

and economic aspects of water management were considered very valuable. The technical feasibility of large-scale construction of waterworks, however, was considered doubtful. Considerable uncertainties in the fields of social, economic and environmental effects remained and would require further study. More participation of stakeholders and an integrated approach to water management as well as an adequate institutional framework were recommended. The study findings played an important role in the discussion on the Flood Action Plan in the period 1993–94. The final report of the Flood Action Plan in 1996 largely shares the conclusions and recommendations of the study.

The Compartmentalisation Pilot Project (1990–now)

Background and objectives

The project started in 1990 and is financed jointly with the Kreditanstalt für Wiederaufbau. The objective is to establish appropriate water management systems for the development of protected areas, in such a way that criteria and principles for their design, implementation and operation can be made available to the whole Flood Action Plan. More specifically, the project aims to test in the field the concept of compartmentalisation,¹ addressing all relevant socio-economic, institutional and environmental issues. The Compartmentalisation Pilot Project is therefore a very important component of the Flood Action Plan, since it is intended to experiment with different management options for local-level flood management.

Implementation and results

In 1992, discussions started on the feasibility of the Flood Action Plan in general and on the Pilot Project in particular. Doubts were expressed about the social, economic, environmental and agricultural aspects of the project. As a result, the project became the centre of substantial international debate. In the meantime, project implementation was delayed, not because of the debate, but because a number of structures and embankments were not in place, as had been assumed in the project plan. Completion of the water management infrastructure therefore remains necessary before the project can be fully implemented and its actual effects assessed.

9.4.2 Project interrelations and evolution of approach

The main projects, representing some 95 per cent of total expenditure, can be subdivided into three groups, each with a distinct approach.

¹ Compartmentalisation concerns water management within a protected area through small dike structures. The area is divided into separate compartments, which allows optimal water levels to be maintained in both the relatively higher and lower areas.

Table 9.2 Overview of Netherlands project aid to water management, by approach and period

Project	Period
I. TECHNICAL APPROACH	
Early Implementation Projects (EIP)	1975–now
II. INTEGRATED APPROACH	
Delta Development Project (DDP)	1976–92
Land Reclamation Project (LRP)	1977–91
III. INTEGRATED WATER MANAGEMENT APPROACH	
Compartmentalisation Pilot Project (CPP/FAP20)	1990–now
Systems Rehabilitation Project (SRP)	1990–97
Char Development and Settlement Project (CDSP)	1994–now
Meghna Estuary Study (MES)	1994–98
Environmental Geographical Information System (EGIS)	1996–97

Group I: the technical approach, projects started in the 1970s

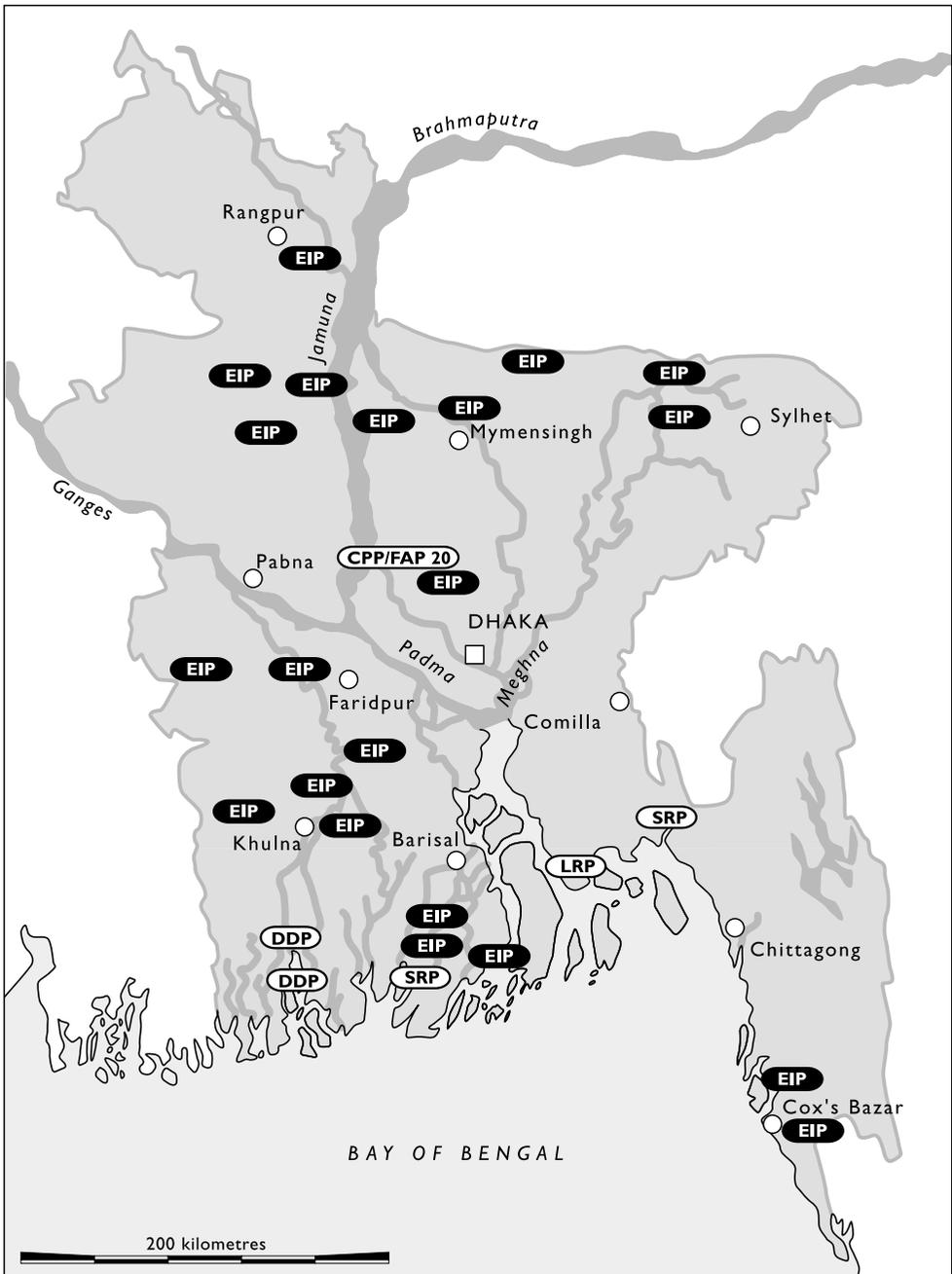
The first group is characterised by an approach geared to direct implementation with a low level of expatriate technical assistance. This generation, mainly represented by the Early Implementation Project, originated in the 1970s, when there was a great need to develop the water management infrastructure.

Group II: the integrated approach: the projects of the 1980s

The success of the construction of works in the 1970s did little to tackle the persistent structural poverty in Bangladesh. The donor community was increasingly inclined towards the concept of *integrated development*, an approach in which socio-economic development of the target group prevailed over the technical objectives of water management projects. The Delta Development Project and the Land Reclamation Project are examples of this approach. The diverse needs of the intended target group were addressed with a concentration of substantial financial resources and technical assistance on a limited geographical area.

Group III: the integrated water management approach in the 1990s

The focus of *integrated water management* is sectoral, but it includes the socio-economic and institutional aspects of water management. It seeks a balance between technical and socio-economic objectives, notably operation and maintenance and people's participation. The Compartmentalisation Pilot Project is an example of this approach, which acknowledges that projects take place in a complex hydrological system and have to deal with a host of institutional issues at both local and central levels. The Systems Rehabilitation Project is another example focusing on institutional issues at the local, regional



Map 4 Location of Netherlands-assisted water management projects in Bangladesh

and central levels. It follows a sectoral approach, which marks a clear break from the intensive micro approach of the 1980s.

The reluctance of donors (including the Netherlands) to conduct comprehensive sector studies in the 1980s resulted in insufficient information to follow an integrated water management approach effectively. As a result several other projects were conceived, notably the Meghna Estuary Study and the Environmental and Geographical Information Support project, to cover sectoral data gaps. In the meantime, the Compartmentalisation Pilot Project and the Char Development and Settlement Project have commenced implementation, with the aim of developing new concepts for local-level water management.

The Netherlands-funded water management projects have tangible interrelations, since conscious efforts have been made to incorporate previous experiences in newly conceived projects. The interaction among projects not only reflects intra- and inter-project learning, but also broader changes in donor thinking and the evolving requirements of the physical, institutional and socio-economic context. The interrelation is depicted in Figure 9.2.

It can be seen that lessons have been learnt from project experience, but unfortunately these have not always led to improved implementation of the next generation of projects. Several project evaluations indicate shortcomings in this respect. For example; the Delta Development Project's experiences with people's participation were intended to be used in the Systems Rehabilitation Project, but documents show that the latter did not find the previous experiments useful for its own programme. Similarly CPP/FAP20 has not taken the lessons from EIP and DDP into consideration with regard to compartmentalisation. MES, continuing the hydrological component of LRP, could use 90 per cent of data collected by LRP. In the case of CDSP, it appears that the project did benefit from LRP's experiments with the application of settlement regulations.

9.4.3 Effects of Netherlands-supported projects

Construction of water works

The status of the water works constructed by the Early Implementation Project in the selected polders can be summarised as follows:

Table 9.3 Status of physical infrastructure constructed under the EIP

	Good	Reasonable	Poor
Canals	78	21	1
Dykes	94	0	6
Structures	37	51	12

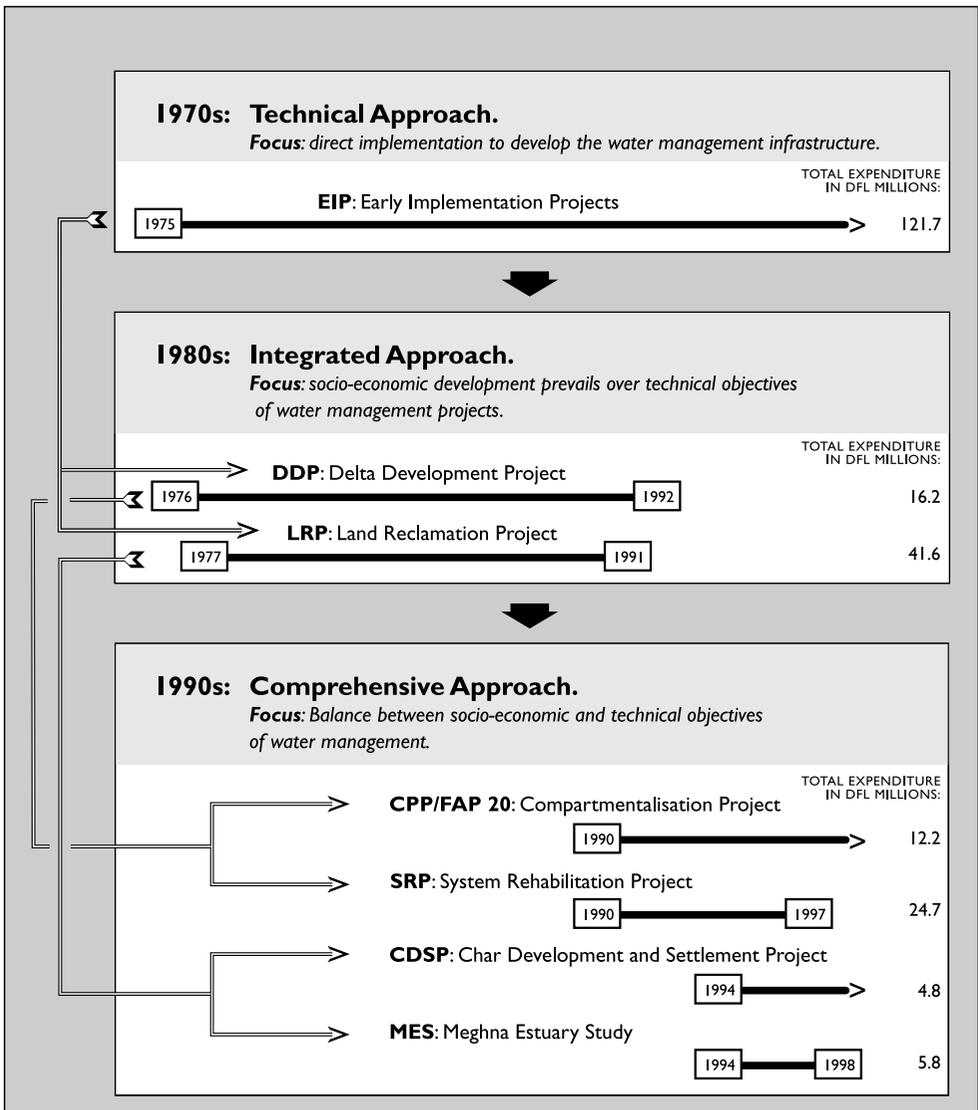


Figure 9.2 Relations between Netherlands-assisted water management projects in Bangladesh

It is clear that the great majority of earthworks have been well constructed, with a poor performance for only one per cent of the canals and six per cent of the embankments. The (more costly) structures perform mostly at a reasonable to good level, with only 12 per cent scoring poorly. Deficient maintenance is the main reason identified for poor performance of works, particularly structures. Other negative factors included design failures and institutional problems.

The status of physical infrastructures constructed under the other major Netherlands-funded projects is shown in Table 9.4.

Table 9.4 Status of physical infrastructure constructed under other projects

	Canals			Dykes			Structures		
	Good	Reasonable	Poor	Good	Reasonable	Poor	Good	Reasonable	Poor
DDP-P22				100			45	50	5
DDP-P29				61	39		21	50	29
LRP-BD1	42	49	9	100			50	50	
CPP-C1b	24	76		100			46	26	28
SRP-MIP	24	76		100			80		20
SRP-P55/1				100			69	31	

Again, the effectiveness of embankments is very high, while the canals can be rated as reasonable to good. The number of structures with a poor rating is higher than in the case of the Early Implementation Project. This is remarkable since these projects utilised far more funds and expatriate technical expertise. The main problems identified were poor construction and maintenance, as well as those related to social issues.

Socio-economic development

The main socio-economic effects of the projects are increased agricultural production, changes in land tenure, effects on employment and income, and social services.

Agricultural production increases

Improved performance of the agricultural sector is generally measured in terms of increased crop production. Rice dominates, with a relatively minor role for other crops. Production increases for rice have mainly been realised in the Boro season; i.e. through irrigation, use of high-yielding variety seeds, and mineral fertilisers. Production increases in traditional Aman rice production have been slight, since productivity of flood rice has to be achieved mainly through area expansion, the scope for which has been reduced over the years.

In polders, protection against floods and the possibility of regulating water supply allow farmers to adopt modern agricultural practices. Higher-yielding varieties can be used and in some cases a second or even a third crop can be grown. In the selected polders, field teams checked whether there have been changes in cropping pattern, cropping intensity and yields. The results are shown in Table 9.5.

Table 9.5 Increased agricultural production associated with projects

	Change in cropping intensity		Change in cropping pattern		Yield increase		
	yes	no	yes	no	<10%	10–30%	>30%
EIP	40%	60%	60%	40%	38%	33%	29%
Others	83%	17%	67%	33%	60%	20%	20%

Changes in cropping patterns took place as a result of reduced flood risks (depth and/or duration). Boro production (local and/or HYVs) expanded through better protection against early flash floods in the Haor² areas of North-eastern regions. In polders constructed by the Early Implementation Project this occurred less frequently than in other projects, probably because the latter came closer to offering full flood protection. Changes in cropping intensity occurred in cases where improved drainage created better opportunities for Boro cultivation. These changes, usually rather minor, occurred in 60 per cent of the sub-projects studied.

Yield increase of *existing* varieties, resulting from the implementation of flood control and drainage activities, took place in the majority of selected sub-projects. In this regard the Early Implementation Project scores better than the other projects, since more than 60 per cent of its polders showed yield increases of over ten per cent, compared to 40 per cent of those in other projects.

Changes in land tenure

A general worsening of the land tenure situation can be discerned in Bangladesh. This can be attributed to the very difficult access of the poor and landless to (new) land and to their frequent indebtedness following disasters. The very small average farm size (less than one hectare) makes such farmers extremely vulnerable to setbacks, such as price changes of inputs and produce, floods and droughts. In more than half the polders studied, no changes have taken place in the land tenure situation. It is therefore concluded that no direct relationship exists between the construction activities of the Netherlands-assisted projects and land tenure.

Table 9.6 Changes in land tenure in project areas

	Changes in land tenure	
	Yes	No
EIP	45%	55%
Others	33%	67%

² Haor: a large bowl-shaped depression between the natural levees of a river, which may contain one or more Beels (shallow depressions that generally retain water throughout the year).

In those polders where a change did take place, it mainly concerned decreased sharecropping and increased land lease and/or direct land ownership. Although some projects made efforts to influence land ownership directly, success has been modest. These interventions mainly concerned the distribution of *Khas*³ land to the landless. Interventions geared to land tenure improvements had a high political profile, requiring the direct involvement of high-level Bangladeshi and Netherlands officials. Nijera Kori (an NGO) has put considerable effort into sustaining project achievements in areas of the Delta Development Project and the Land Reclamation Project. Pressure from local landowners to take over such areas is substantial.

Effects on employment and income

Project activities in the selected sub-projects have created employment opportunities directly in construction and maintenance and indirectly through increased agricultural production. Agricultural production increases lead to more on-farm and off-farm employment (e.g. marketing, trading, milling). This employment has benefited marginal farmers, landless people and women. Negative employment effects were observed for local fishermen and boatmen.

When water management activities lead to better protection against floods, agriculture becomes less risky, which benefits all groups. The specific benefit for the poor consists mainly of a reduced need for ad-hoc/emergency informal loans at high interest rates. Floods and other disasters tend to increase inequalities, as marginal farmers have to lease out or to mortgage their land to meet emergency cash needs.

In a minority of the sub-projects studied, income distribution worsened slightly as a result of concentration of land ownership and the benefits of fisheries in the hands of local elites. The construction of embankments, channels and sluices facilitates the domination of fishing by local or urban elites, since they can easily control the limited number of in/outlets constructed.

Institutional development

Water management perceptions

The period 1990–95 has been important for the development of water management in Bangladesh. The debate about the advantages and disadvantages of the Flood Action Plan attracted a large variety of participants from Bangladeshi society, who brought with them different perceptions on water management and varied interests. These perceptions and interests conflicted at first, but ultimately resulted in a fundamental change of the

³ *Khas*: Government-owned land.

traditional construction bias of the Water Board, as well as of some major donors. The role of the Netherlands in the early phases of the Flood Action Plan was relatively limited. The selection of the Compartmentalisation Pilot Project as the main contribution in the Flood Action Plan, reflects the views of the Netherlands on water management, and the importance that it gives to institutional and social issues, including people's participation. Although considered important, the basic principles of this project were to a considerable extent at odds with the implicit objective of large-scale construction prevailing during the early years of the Flood Action Plan. This resulted in frequent conflicts among stakeholders during implementation.

The IOV study of the Flood Action Plan was undertaken at a moment when it became clear that opposition to large-scale construction of water works was substantial and well organised, and also that the required substantial donor funding was not available. The outcome of that study was instrumental in formulating common ground among various stakeholders, and therefore contributed to further evolution of the approach to water management in Bangladesh. The long-standing relationship in water management between the Netherlands and Bangladesh contributed to the credibility of the study and therefore to its ultimate effect.

Operation and maintenance

In the mid-1980s, operation and maintenance was identified by the Early Implementation Project as an issue that should be given more attention. In subsequent phases of the project several concepts were developed, but none was incorporated as a regular Water Board activity. The Systems Rehabilitation Project started in the early 1990s with a more systematic and innovative approach towards operation and maintenance, which provided a number of clear ideas and tools. The budgetary allocation for operation and maintenance in the Water Board has increased in recent years and guidelines have been approved. However, the Water Board is slow to incorporate these practices into its day-to-day operations. This is due to the Board's construction bias which, for many years, was supported by the donor community's preference for new investment rather than rehabilitation or maintenance.

Hydrological and hydraulic studies

The preference of donors and recipients for construction activities stood in the way of broad regional and technical studies. This eventually proved detrimental to some projects, since they were implemented in a complex hydrological system about which too little was known.

In the case of the Early Implementation Project, four important studies were undertaken between 1978 and 1988, to justify interventions in hydrological systems that were considered too complex for the traditionally simple project approach. When the number of interventions increased to such an extent that they started to influence one another, more comprehensive sectoral studies were required. However, proposals for such studies were not accepted by DGIS. In the Delta Development Project and the Land Reclamation Project, major studies were planned at the outset to investigate water management and land reclamation. During project implementation, however, the funds for these studies were diverted towards more micro oriented socio-economic studies and even to the implementation of works. The Land Reclamation Project did conduct many surveys concerning estuary behaviour, using its research vessel.

In the Systems Rehabilitation Project, the balance between studies, concept development and implementation has been much better than in previous projects. The backlog in necessary hydrological studies is now also being addressed in projects that have started recently.

People's participation

In the early 1980s, the deterioration of many water management structures showed that physical rehabilitation alone did not lead to sustainable water management systems. User participation was identified as a key-factor for sustainable sub-projects, and people's participation (defined in many ways) started to play a role. In the preparatory phases of Netherlands-funded projects, there have usually been consultations in which pre-determined technical solutions are presented and explained to the people involved. More recently, these consultations have made it possible for local people to exert pressure for changes in project plans. In some pilot polders in the Systems Rehabilitation Project experiments with participatory management have been conducted, and guidelines for people's participation have been elaborated.

Projects supported by the Netherlands have strongly supported the participation of landless and marginal farmers in construction, mainly earthwork. Guidelines for Landless Contracting Societies have been officially approved by the Water Board. The Systems Rehabilitation Project played an important role in promoting the employment of women in Earthwork Maintenance Groups.

Legislation and regulation

Most institutional development efforts of Netherlands-supported projects have been oriented towards the Water Board. However, institutional improvements must be embedded in adequate legislation: laws that can be enforced and monitored. With regard to land

acquisition and resettlement, the Land Reclamation Project was the only project that paid systematic attention to relevant legal issues. After 1994, other projects started to devote more attention to the legal context of their interventions.

Training

Since 1957, some 200 Bangladeshi have been trained at the Institute of Hydraulic Engineering in Delft. From the list of alumni it appears that the majority stayed with the employer who sent them abroad for training; only few are now working in the private sector. Alumni have moved steadily up the career ladder; it is difficult to say whether the training has been instrumental in this, however, since the Water Board promotes its staff on the basis of seniority rather than of performance. Nevertheless, some persons now occupying key positions in the various water sector institutions have been trained in the Netherlands at crucial moments in their career and still maintain links with our country.

Strengthening local-level water management

The field study showed that explicit and substantial participation in water management existed in 30 per cent of the polders prior to project activities (for example informally-organised construction of temporary protection dykes). There is a general lack of knowledge concerning these traditional water management arrangements, and projects have made little use of such systems. Instead, the Water Board has installed (under donor pressure) a large variety of formal water management committees in the polders under different names, with various representatives and a range of tasks and functions. None of these committees appeared to be functioning during the fieldwork. Informal water management arrangements were in existence in 60 per cent of the polders, while in 40 per cent water management was dominated by a small group or by individuals.

In some cases, project activities have contributed to the rise, or intensification, of social conflict. Interests of groups within a polder differ (for example between 'lowland' and 'highland' farmers on the issue of drainage) and the local population is often not consulted during the preparatory phases of projects.

9.5 Evaluation of the Netherlands-assisted projects

9.5.1 Policy relevance

The main objectives of the Netherlands' development policy are the economic self-reliance of recipient countries and structural poverty alleviation. These are in line with

the general development objectives of Bangladesh, which focus on achieving food self-sufficiency, increasing national economic growth and improving living standards in rural areas. In the course of the 1980s, gender and environmental concerns also became prominent in the Netherlands' policy.

Economic self-reliance

The dependence of general economic growth in Bangladesh on the performance of its agricultural sector has focused attention on the improvement of agricultural productivity. In particular, increased and more stable food production has been the top priority of successive governments, with the aim of reducing price fluctuations and import dependency, and the constant threat of famine and malnutrition for the vulnerable segments of the population.

All major Netherlands-funded water projects have included the objective of increasing agricultural production in the protected areas. Other projects, such as studies and modelling, aim to reduce flood risks, thereby also benefiting agricultural production and other sectors.

Poverty alleviation

All major Netherlands-funded projects make reference to the poor or underprivileged in their objectives. Some projects aim at construction activities in which socio-economic considerations are taken into account, while others, such as the Delta Development Project, the Land Reclamation Project etc., are more directly geared towards the needs of the target group. In projects with a more sectoral approach there is no direct link with poverty alleviation, but they aim at increasing the effectiveness of direct interventions through studies, data gathering and capacity building.

Strengthening the role of women

Bangladesh has formulated a set of gender objectives similar to those of Netherlands' development policy. These objectives have so far not been operationalised, which hinders the integration of gender issues into the various projects. Important documents, such as the Project Proforma, often do not mention gender at all. In virtually all Netherlands-financed projects, such documents as appraisals, project inception and progress reports devote attention to gender issues. As with poverty alleviation, however, the documents do not analyse how the projects will have a specific impact on gender inequality and it is clear that the water management sector is not one in which such benefits can be generated on any major scale.

Environment

Environmental issues gained policy importance in the Netherlands in the 1980s, but it was only in 1989 that they were explicitly incorporated in the policy for Bangladesh (Policy Plan Bangladesh 1989/92). Even at this stage, environment was not considered an integral part of rural development, but was mainly discussed in terms of environmental impact assessment of project interventions. As a result, the environment received little attention in project objectives and appraisals. More recently, it has become more important in Netherlands-supported projects. In newly formulated projects such as the Char Development and Settlement Project and the Environmental and Geographical Information Support Project, the environment has come to be regarded as an integral part of rural development and the planning of infrastructural works. Nevertheless, environmental concerns were incorporated at a rather late stage in project decision making.

9.5.2 Effectiveness

Most projects reached physical targets. However, most projects were delayed during implementation, with objectives having to be adapted in a number of cases. A number of issues can be mentioned.

In the pilot projects the Delta Development Project and the Land Reclamation Project, the integrated development approach comprised activities in the fields of infrastructure, agriculture, community development, health and education. The change towards an integrated development approach in the 1980s can be attributed partly to the disappointing effects of technical projects on the persistence of poverty in project areas, and partly to approaches to poverty alleviation that became popular during that period. The models developed there, however, proved not to be replicable elsewhere in Bangladesh, because:

- no clear concept was developed for the integrated approach;
- the costs of technical assistance were high;
- the Water Board has neither the mandate nor the skills to undertake integrated rural development projects, and was therefore an inappropriate partner for such activities;
- no systematic transfer of knowledge to Water Board staff took place, since both projects operated in isolation from its mainstream activities.

The Bangladesh Water Development Board has not remained entirely unaffected by the various attempts at more integrated approaches to water management, although any inclination towards a multi-disciplinary approach is rather recent. A comprehensive planning unit has been established in the Water Board (largely due to pressure from the World Bank) and the Directorate of Planning Schemes (the direct counterpart of the Early Implementa-

tion Project) has been broadened into a multi-disciplinary planning cell. Nevertheless, it is concluded that the Netherlands has helped to introduce the integrated approach to water management within the Water Board.

Project activities have had positive effects on employment opportunities for the poor and landless, mainly through activities related to increased agricultural production. However, these effects should be placed within the context of the declining real value of wages in the agricultural sector; moreover, the primary beneficiaries are larger landowners who constitute the rural elite. No direct effect could be established between project activities and land tenure: specific interventions to improve the land tenure situation have not yet proved their sustainability.

In practice, participation has predominantly occurred during implementation, in the form of employing limited numbers of local landless people, including women, for earthwork and maintenance activities. In broader matters of socio-economic development the local population remains peripheral to the planning and implementation processes.

Institutional development of the Water Board has mainly been rather indirect since it did not become an explicit project objective until the 1990s. Many developments within the Water Board only occurred after a long period of cooperation with Netherlands-funded projects, notably, the use of integrated approaches and (limited) people's participation. These changes led to the adoption of several potentially important rules, regulations and reorganisations in the Water Board, but incorporation of the formally-agreed changes in day-to-day practice remains a slow process.

9.5.3 Efficiency

In several projects substantial resources, particularly in terms of expatriate technical assistance, were required to attain the objectives. In some cases, however, these were not reached despite substantial technical assistance. To establish the efficiency of Netherlands-funded water management projects in attaining their complex objectives, therefore, the entire project cycle, has been examined, including the use of technical assistance and the role of evaluation and monitoring.

Project cycle management

Bangladeshi and Netherlands project preparation procedures are not well synchronised, and project preparation usually takes several years. Delays in processing and approval have sometimes led to inadequate allocations and disbursements. In general, there is

great reluctance to incorporate new insights into project documents during the preparatory phase, for fear of protracting procedures even further. Any changes necessary are therefore made during implementation.

Delays in implementation occurred in all projects. They were often caused by over-ambitious project objectives, which ignored institutional realities and social circumstances in the polders. Delays affect efficiency. In the 1980s this was not perceived as a problem because projects were often considered 'an open-ended process'.

Monitoring and evaluation

Quality control is always included as a project (monitoring) component. The Systems Rehabilitation Project dedicates special efforts to quality control, whereas the early Implementation Project primarily follows Water Board procedures. Field studies indicate that, in the large majority of cases, the quality of works does not appear to be a major issue constraining project effectiveness.

A number of evaluations, usually conducted jointly by representatives of the two countries, resulted in project adaptation. The 1993 IOV report *Flood Action Plan, Bangladesh, a study of the debate on flood control in Bangladesh* played a significant role in policy discussions on water management in Bangladesh.

Technical assistance

Technical assistance is a major financial component in most projects, consisting mainly of expatriate experts and associated costs. The role of Netherlands consultancy firms in implementation is complicated, as they often combine controller's and employer's roles and advise both the Water Board and DGIS. The division of tasks between a consultancy firm and the Water Board was often not properly defined, particularly at regional/lower levels.

Technical assistance personnel has been provided by expatriate firms (approximately 30 per cent of man-years, but a much higher share of costs) particularly in engineering, as well as by local consultants (approximately 70 per cent) mainly in socio-economics. Technical assistance in the Delta Development Project and the Land Reclamation Project, the two projects intended to have a fully integrated approach, was nevertheless strongly dominated by the engineering discipline. The role of (particularly expatriate) technical assistance has frequently been an issue of discussion between the counterpart organisation and the Royal Netherlands Embassy. In a number of cases the costs and contribution of technical assistance were questioned by the Water Board.

Early Implementation Project

In this project, the input of foreign expertise was limited to technical and administrative support, which was gradually incorporated into the Water Board. Assistance in socio-economic matters came mainly from local consultants to complement the technical expertise of the Water Board. These local consultants generally provided low-key support, which contributed to a gradual acceptance of socio-economic expertise in project appraisal and selection within the Water Board.

Other projects

In both the Delta Development Project and the Land Reclamation Project technical support was substantial, using more than 70 per cent of the total project funds. As discussed above, such technical assistance contributed substantially to the non-replicability of the concepts developed. Since replicability is a principal long-term objective, the technical assistance is not considered efficient. Similarly, the Systems Rehabilitation Project and the Compartmentalisation Pilot Project started with high inputs of technical assistance, the sustainability of which was questioned by evaluation missions. In response, the technical assistance has been reduced considerably in the current phases of these projects.

9.5.4 Sustainability

Technical sustainability

The Netherlands-supported project did not introduce many innovations in the field of civil engineering. From a technical point of view, the Water Board is capable of adopting the technology employed in Netherlands-supported projects, whose technical sustainability therefore seems assured.

Financial sustainability

The financial sustainability of Netherlands-supported projects is limited. Attempts to mobilise funds from water users through cost recovery have failed. Allocations from central funds for operation and maintenance are increasing, but are not yet adequate for the proper operation and maintenance of infrastructure set up with assistance from the Netherlands.

Institutional sustainability

The institutional sustainability of project achievements is also limited, but is slowly increasing. The introduction of a more integrated approach to water management strengthens the institutional structures for operation and maintenance and enhances the institutional sustainability of project achievements.

Institutional sustainability is reduced because, in almost all projects, little attention is given to local-level institutional aspects.

10 Education, health/population and water supply

10.1 Introduction

In Bangladesh, poverty and overpopulation are associated with high fertility rates, low education levels (particularly for women), a largely rural population with inadequate access to sanitation and health facilities.

The level of social services in Bangladesh is low, as indicated by some key Human Development Indicators in Table 10.1. With the exception of access to safe drinking water and sanitation, the indicators shown for Bangladesh are among the lowest for the South Asian sub-continent.

Table 10.1 Selected human development indicators for South Asian countries

	Average life expectancy at birth	Adult literacy rate	Access to health services	Access to safe drinking water	Access to sanitation	GNP per capita (US\$)
Bangladesh	56.4	37.3	45	97	48	220
India	61.3	51.2	85	81	29	320
Pakistan	62.3	37.1	55	74	47	430
Nepal	55.3	27.0	..	63	18	200
Sri Lanka	72.2	90.1	..	57	63	640

Source: UNDP Human Development Report 1997.

Improving access to social services is one of the policy priorities of the Government of Bangladesh. From an early stage, family planning, health services, education and sanitation were perceived to be mutually reinforcing services. Budget allocations for the development of social services have increased over the years.

Table 10.2 Government expenditures on social services 1984/85–1994/95 (10 million Taka)

	84/85	85/86	86/87	87/88	88/90	89/90	90/91	91/92	92/93	93/94	94/95
Education	493	600	747	820	949	1,094	1,182	1,382	1,674	1,756	2,008
Health/population	160	113	275	305	321	367	387	431	516	607	685
Social welfare	251	210	392	580	809	623	672	577	640	673	743
Total	904	923	1,414	1705	2,079	2,084	2,241	2,390	2,830	3,036	3,436

Source: World Bank, Bangladesh Public Expenditure Review 1996.

10.1.1 Social sector policies of the Netherlands' aid programme

The Netherlands bilateral aid programmes have always comprised interventions in areas of health and education. Family planning projects and programmes were considered complex and often politically sensitive, hence funding was mostly channelled through specialised multilateral channels such as UNFPA, Unicef, NGOs and co-financing arrangements. With the onset of structural adjustment programmes in the mid-1980s, willingness to fund social programmes increased, culminating in the Netherlands' pledge (1996) to allocate at least four per cent of its aid budget to reproductive health care. This followed earlier international agreements to pursue the '20/20' objective: i.e. pledging by donor and recipient to spend at least 20 per cent of the bilateral and national development budgets in social sectors.

10.2 Education

10.2.1 Background

Education is considered a basic human right, and is mentioned as such in the Constitution of Bangladesh. Education is believed to enhance the productivity of the labour force and to have a positive influence on population control efforts. In 1974, adult literacy rates were 25.8 per cent, increasing to 35.3 per cent by 1990.

The main constraints for primary education in Bangladesh are:

- inadequate physical facilities such as school buildings, safe sanitation and water supply, furniture and libraries;
- a curriculum that is irrelevant to the needs of the population and of low quality;
- low enrolment and high dropout rates;
- low level of teacher motivation and performance;
- inadequate management and supervision, centralised management structure, lack of community participation.

At the time of the present study, only the Non-Formal Primary Education Programme had been evaluated. An evaluation of the General Education Project was scheduled for 1996, but to date it has not taken place. Evaluation of Netherlands-funded activities in the education sector in the current report therefore remains rather general in character, based on available files and several interviews with key persons.

10.2.2 Bangladesh policies and institutions

In 1980, GOB embarked on a universal primary and mass education programme, an objective that has been sustained in successive plans. At the 1990 Jomtien conference in Thailand, Bangladesh subscribed to the formulated principle of 'Education for All'. This endeavour was to be supported by the creation of the Primary and Mass Education Division in the Office of the Prime Minister. The coverage of primary schools in rural areas is inadequate, and special efforts have been made to increase expenditures for rural primary education. In 1993 primary education was declared compulsory for the entire country. Although drop-out and attendance rates have improved, it has been difficult to achieve the targets set in plans.

Apart from the action taken by Government, considerable efforts are made by NGOs to promote literacy and numeracy in various Non-Formal Primary Education Programmes. The choice for this is based partly on the perceived limitations of Government to provide enough primary education to children in the near future.

Budget allocations

The share of the revenue budget for primary education has increased from around six per cent in the mid-1980s to 7.6 per cent in 1994/95. This represents a nominal increase of expenditure per student from Tk. 3098 in 1985/86 to Tk. 5489 in 1994/95, a modest increase in real terms.¹ Real expenditure increases for primary education have mainly come from the development budget, which is to a large extent financed by donors. The share of primary education in the development budget has recently been falling and is presently below the share of secondary education. Whilst the revenue budget is almost entirely utilised for teacher salaries and benefits, the development budget is mainly devoted to construction and maintenance, without giving due attention to matters of efficiency and quality of education.²

¹ IBRD, Chapter VIII, p. 12.

² World Bank, Public Expenditure Review 1996, p. 25.

10.2.3 Netherlands' policy

In the late 1980s, attention given to education in the Netherlands aid programmes increased. Efforts are mainly concentrated on primary education, with particular attention for girls. The main rationale for action in the field of primary education was that the effects of this type of education on other social factors were expected to be considerable (improved hygiene, nutrition and more effective family planning). Initially, policy guidance was taken from the white paper 'A World of Difference' (1990) and the UN 'World Declaration on Education for All' (1990). In 1992 a sector policy paper on development cooperation and education in the 1990s was issued, as well as the sectoral and thematic progress report 'Basic Education 1992-93'. A policy document on basic education and bilateral development cooperation is in preparation, intended to be published in 1998. There are also policy notes on higher and university education.

10.2.4 Overview of projects

Involvement of Netherlands Development Cooperation in the education sector has increased considerably since 1990. Over the entire period 1972-94 it amounts to approximately Dfl. 65.2 million, which is 2.4 per cent of total expenditure. For the years 1992-96, however, spending on education sector activities constituted 9 per cent of total expenditure.

Table 10.3 Netherlands expenditures on education sector (in Dfl. mln.)

Project	1973-81	1982-86	1987-91	1992-96	Total
Non-Formal Primary Education				31.5	31.5
General Education Project			7.1	16.5	23.6
Other projects	1.9	4.2	0.6	6.9	13.6
Total	1.9	4.2	7.7	54.9	68.7

Netherlands assistance to the education sector is composed essentially of the contribution to the BRAC Non-Formal Primary Education and participation in the General Education Programme, a World Bank co-financed project. Several other smaller projects have been implemented since 1972.

Non-Formal Primary Education

Background and objectives

BRAC initiated its Non-Formal Primary Education Programme in 1985 in response to the poor state of primary education in rural areas, where no more than 15 per cent of children

pass the primary stage (the figure for girls was only 3 per cent). It was estimated that, regardless of government efforts, an estimated 32 million children would either drop out or would not enter primary school during the 1990s. Objectives of the programme are:

- to reduce mass illiteracy and contribute to the basic education of children, especially those from the poorest families;
- to ensure participation of women and girls in education;
- to involve communities in their own socio-economic development;
- to contribute towards a strengthening of the Government's Universal Primary Education Programme;
- to build ethical values conducive to society and productivity;
- to enhance the multi-sectoral participation of education in other areas such as population planning, public hygiene and health.

The children selected for BRAC schools are those with the least access to formal primary education because of poverty or gender. The programme comprises three nine-month school years that commence several months after the formal schools have selected their pupils. Ideally, the cycle should end prior to the beginning of the fourth year in the formal system. One school teaches one group of children, and one teacher takes the children through the entire three years. At least 70 per cent of the pupils should be girls. Education is relatively intensive: 270 days of instruction per calendar year, compared to 220 in government schools. The student-teacher ratio is 33:1 compared to at least 60:1 in government schools. Teachers mostly come from the communities themselves. The training of teachers is brief, but is supported by refresher training. To assure an adequate level of parent and community participation a core management committee is established for each school. Monthly parent meetings are held.

Originally BRAC intended to have opened 35,500 schools by the end of 1995. As less funds were raised than expected, the target was changed to 19,000 schools to be opened by December 1995.

Implementation and results

Implementation of the expansion started in November 1992. As of June 1995, BRAC had opened 17,421 schools under the Non-Formal Primary Education expansion project (Evaluation report June 1995). Of these, 1241 are schools operated by other NGOs under the supervision of BRAC. It was estimated that BRAC would achieve its target of 19,000 schools by December 1995. Teacher training, recruitment of programme organisers, supply of materials and management were expanded in line with the number of schools opened. The evaluation found the quality of the education good, and community participation was considered successful. More than 70 per cent of the pupils are girls,



Village school in Sauria (Photo by Ron Giling/Lineair)

and 98 per cent of the teachers are women. Management by BRAC was efficient, but achievements in research, evaluation and materials development were observed to be below expectation.

General Education Project

Background and objectives

The increased attention for primary education by the Netherlands and the World Conference on Education for All (Jomtien, Thailand, 1990) coincided with the preparation of the General Education Project. As expertise in primary education for developing countries is limited in the Netherlands, it was proposed to join other donors in the project. Co-financing arrangements were also considered to be more effective and less burdening for the recipient Government. The General Education Project is co-financed by the Government of Bangladesh and eight donors. Total budget for the period 1991–96 amounted to US\$325.5 million. The total contribution of DGIS was US\$ 14.6 million. The activities in which DGIS participated were jointly funded with SIDA on a 50–50 basis.

The project was originally scheduled to end in 1995, but in September of that year the project was extended to December 1996. Meanwhile, discussions about a follow-up project (the Primary Education Development Project) have started.

The objectives of the project are threefold:

- access: to increase equitable access to primary schooling;
- quality: to improve the quality of primary education;
- management: to strengthen the management capacity of the primary education sub-sector.

In addition, the project will conduct a number of related studies.

A breakdown of the Netherlands contribution to the different components of the General Education Project is presented in Table 10.4.

Table 10.4 Netherlands contribution to the General Education Project

Objective	Component	Allocation (US\$ mln)
Access	Satellite Schools Pilot Programme	2.2
	NGO Non-Formal Primary Education	4.6
Quality	Pre-service Primary Teacher training	3.3
	In-service Primary Teacher Training	0.9
	Primary Curriculum Development	0.4
	Primary Textbook Development	2.3
	Studies	0.3
Total		14.0

Implementation and results

To coordinate the various components of the project, a Project Review and Coordination Commission was established, chaired by the Secretary of the Ministry of Education. Its role is to approve annual plans, approve semi-annual monitoring reports, approve revisions of Project Proforma, and to appoint consultants. Daily management is handled by the Government's Project Coordination Unit. To monitor progress and to support the management and coordination of activities a Project Monitoring Unit, funded separately by the Netherlands and Sweden, was established at the World Bank office. This unit dealt mainly with the monitoring of projects funded by the Netherlands, Sweden and the World Bank. Since donors in the consortium chose different funding modalities (joint and parallel co-financing), the Bangladeshi Government was confronted with many different conditions and reporting formats.

The achievements of the General Education Project can be summarised as follows:

Access. Most components aiming at enhanced access to primary education are at or even exceeding their original targets. Only with regard to the low-cost community schools are the achievements substantially below target. Local communities find it difficult to raise the required Tk 10,000 and the World Bank will not agree to waive this requirement. The Aide Memoire of November 1996 summarises the achievements as follows:

- 6050 class rooms were constructed to house an estimated 300,000 additional students;
- 200 satellite schools were established and 3,000 NGO primary education centres were supported with a combined enrolment of 100,000 students (especially girls and children from poorer households);
- 689 schools received grants of Tk 24,000 to make the school more attractive to students;
- 50,000 female secondary school students received scholarships.

Quality. Progress in this field is mixed. Teacher training is behind schedule, but curriculum development is progressing well. Achievements can be summarised as follows:

- the primary school curricula have been revised and textbooks for all subjects prepared;
- teacher training has been strengthened (new curriculum for teacher training and in-service training in 36 districts);
- improved facilities for teacher training and strengthening of the coordination and monitoring of in-service training.

Management. Strengthening the management capacity of the institutions involved is hampered by the bifurcation of responsibilities for primary education between the Ministry of Education and the Primary and Mass Education Division in the Prime Minister's Office. Achievements are:

- the National Academy of Education Management has been strengthened through staff development, training and revision of courses;
- an Educational Management Information System has been established, staff trained and computer facilities provided;
- policy studies on text book re-use and post primary education have been conducted.

10.2.5 Evaluation

The Netherlands' support for the education sector focuses on enhanced access and qualitative improvement of primary education in Bangladesh. This is a policy priority of Bangladesh, shown by formal policy intentions, and effectively demonstrated by the increased absolute and relative allocation of budgets for primary education. Both Bangladesh and the Netherlands have subscribed to the principle of universal primary

education. The Non-Formal Primary Education Programme as well as the General Education Project contribute to the realisation of this objective.

Both projects also focus on access to primary education for disadvantaged groups in society, especially girls. Although the NFPE is more explicitly focused on gender aspects, both projects help to improve the situation for girls and women in primary education.

Both projects have been effective in achieving their quantitative targets. The General Education Project is also considered to have been effective in coordinating the activities of a multitude of donors active in primary education. From the perspective of the Netherlands, the effectiveness of the project is adequate with the exception of reimbursement of the textbook component. Strict adherence by the World Bank to its procedural requirements prevented reimbursement of expenditures made for textbooks. This, combined with the effects of exchange rate variations (devaluation of the Bangladeshi currency) is largely responsible for the lower than planned disbursements of the allocated budget.

The implementation of both projects is efficient. Although the General Education Project is co-financed, substantial involvement in project supervision and monitoring from the side of the Netherlands took place. Embassy staff and consultants participated actively in the regular supervision mission, and the project monitoring unit was specifically financed by the Netherlands to strengthen the management and supervision capacity of the local World Bank office. The active involvement in monitoring and supervision resulted in considerable staff input from the side of the Netherlands.

It is not possible to assess the sustainability of project results. It is, however, noted that the General Education Project did not manage to change the institutional bifurcation of responsibilities with regard to primary education. From the side of BRAC, it was indicated that the Non-Formal Primary Education Programme will remain dependent on donor funding.

10.3 Health and population

The Government of Bangladesh has attached the highest priority in its Five-Year Plans to family planning and the provision of health services. At Independence it inherited a health system that predated even Pakistani rule, which was curative-oriented as well as urban and elite biased.³ This system was not geared to the needs of the mass of poor

³ Centre for Policy Dialogue 1995: Independent review of Bangladesh's development 1994/95, Dhaka, Bangladesh, Section X: Health, p. 3.

people suffering from a large array of infectious and communicable diseases, malnutrition and poor sanitary facilities. Mothers and children were particularly affected by these diseases. The first Five-Year Plan (1973–78) recognised the need for decentralisation and an integrated rural health system. Medical health service centres were planned on thana and Union level. These centres should provide health services, including family planning activities and mother-and-child care as well as preventive care (IOV 1982). The First Five-Year Plan adequately emphasised preventive measures, and expanded Mother and Child Health Care facilities in rural and Thana health centres. In addition, tubewells were to be sunk to improve the sanitary situation.

The second Five-Year Plan (1980–85) emphasised even more than the first Plan the importance of family planning and the integration of family planning in health services. Primary health care was considered strategic to the implementation of health care and health and nutrition education through community participation and voluntary health workers. The strategic importance of primary health care was emphasised in the subsequent plan (1985–90), as it was presented as the main instrument for achieving a new target: Health for All by the year 2000. Also, this plan gave ample attention to mother and child health care, recognising the need to streamline the health and family planning system. The targets set in these plans have never been fully achieved, hence the Fourth Five-Year Plan (1990–95) repeated previous emphases on mother and child health care and primary health care, but aimed at an ever wider coverage of these services.

Budget allocations

Much remains to be done in the health sector of Bangladesh. Coverage of medical facilities and manpower is relatively low, with one doctor for 5,300 people and only 28,000 hospital beds (one bed per 4,500 persons). There are less nurses and medical assistants than doctors in the country, and the number of beds has been more or less stable since 1985. The share in the revenue budget for health increased from 4.7 per cent in 1982/83 to almost seven per cent in 1986/87, but subsequently declined to around six per cent in the past decade. The share of the health sector in the development budget increased from 2.3 per cent in 1983/84 to 3.5 per cent in 1994/95, but this increase is not matched by increases in the revenue budget. Disbursements are mainly geared to hospitals and curative care.⁴

Government allocations for population (family welfare) in the revenue budget have sharply increased since 1985, although from a very low level. Allocations to the development budget have tripled in this period, from 441 million Taka in 1985/86 to 1,360 million in 1993/94, but the share of donors has remained very high, at usually twice the

⁴ IBRD, 1995, Chapter X, pp. 49–51.

Bangladesh contribution. The share of both health and family planning in public expenditure has increased from 4.7 per cent in 1985/86 to 6.9 per cent in 1994/95. At present, fertility rates in Bangladesh are lower than the regional average, whilst knowledge about family planning practices is virtually 100 per cent.

Netherlands' policy

In 1987 and 1988, the role of population policy in the Netherlands' bilateral aid programme was discussed in policy documents. In the white paper 'A World of Difference' (1989), the policy formulated in previous papers was adopted: more attention in both bilateral and multilateral aid channels for population policy and family planning activities. Population matters were to become an integral part of bilateral aid activities, as they have a direct bearing on development and environment. These interrelationships were also the thrust of the Netherlands' interventions in the Cairo population conference in 1994. In that year a policy document was published: 'Family planning and reproductive health in development cooperation', in which policy options were operationalised for bilateral projects.

An important aspect of Netherlands population policy concerns access to health facilities, particularly for women. Special attention is required for: mother and child health care, immunisation, improved nutrition of women and children, treatment of sexually transmitted diseases and medicine supplies. Nutrition is discussed in a policy document, 'Nutrition, a combination of food, health and care' (1995).

10.3.1 Overview of projects

In the early 1970s a low physician/population ratio prevailed, most significantly in Bangladesh's rural areas, due to the urban bias of the health system. There was a need for mid-level medical workers operating at Union level to cater for the needs of the rural population. The Netherlands' involvement in Bangladesh's health sector started in 1975 with a project for training medical assistants. Subsequent projects have mainly been funded in the context of the Third and Fourth Population and Health Programmes of World Bank-led donor consortia in the period 1985–95 (POP 3 and POP 4). Besides the consortia, a diverse array of small bilateral projects have been implemented in the sector. An overview is provided in Table 10.5.

The projects listed in Table 10.5 total some Dfl. 68.7 million, of which Dfl. 41.7 has been spent in the context of the consortia. The Medical Assistants Training Project was the largest bilateral project, with a total disbursement of Dfl. 27 million. Outside the co-financed projects a further Dfl. 52.5 million has been disbursed over the period 1972–96

Table 10.5 Netherlands-funded projects in health and family planning

Project	Co-financed activities		
	Direct bilateral (Dfl. mln)	POP-3 (1986–91) (US\$ mln)	POP-4 (1992–96) (US\$ mln)
Medical Assistants Training Programme	27.0		
Family Planning Services Delivery		1.60	4.00
Mother and Child Care Health Services		1.24	5.00
Women's Vocational Training		0.49	
Early Programme on Immunisation		0.08	1.90
Traditional Birth Attendants Training		0.13	0.04
Bureau for Health Education		0.33	0.40
TB and Leprosy			0.61
Management Development Unit		0.72	0.55
NGO activities			0.80
Other projects	52.5		
Total (Dfl. mln)	79.5	11.8	29.9

to more than 70 activities. Many of these projects are very small, well below Dfl. 100,000, whilst a few exceed Dfl. one million, such as core funding of the International Centre for Diarrhoeal Diseases Research Bangladesh in Dhaka and support to Thana Health Centres before 1986. In this section, only the largest bilateral project and the projects implemented in the context of the consortia will be discussed.

Medical Assistants' Training Programme (1975–89)

Background and objectives

After Independence, there was a pervasive need to improve health services in rural areas. The problem of a low physician/population ratio was to be addressed through the training of medical assistants. A project was developed, initially under the name Thana Rural Health Project, later called Netherlands Medical Construction Programme and then the Medical Assistant Training Programme. The project stressed the construction of facilities, but later more attention was given to the teaching component. The objective was to provide assistance to the health sector by financing schools and clinics, and by giving technical support for civil engineers and medical staff (for training of medical assistants).

Implementation and results

Table 10.6 Results of the Medical Assistants Training Programme

Result	Phase			Total	Observations
	1st	2nd	3rd		
Medical Assistants Training Schools	4	4			At present 5 are used as Medical Assistant Training Schools; 3 are used as Medical Colleges
Union Health Family Welfare Centres	42	42			
Hostels		8			
Number of Medical Assistants (MAs) trained				4,718	2,074 MAs currently employed by the Directorate of Health; 2,100 MAs currently employed by the Directorate of Family Planning; 544 MAs not working as MA.

The achievements of the training project are summarised in Table 10.6. Three Medical Training Schools have meanwhile been converted to Medical Colleges by Government (1994). In Faridpur one has become an operational 250-bed Medical College and Hospital. The remaining five have again been training medical assistants since 1994, after suspension of the training programme in 1988, at which point 4,718 medical assistants had been trained. Two schools are reserved for female trainees, while in the other three 50 per cent of places are reserved for female trainees. Two training schools, in Tangail and Sirajganj, were visited by the field team. The Medical Assistant Training Project was supervised by a project director and several staff, but in the present post project phase, the schools have been merged with the Manpower Development Unit of the Directorate of Health Services.

Population and Health Projects 3 (1986–91) and 4 (1992–96)

Background and objectives

The Population and Health Project was first established in 1975 and focused in its initial phases on population control. The objective of the project is to assist the Bangladeshi Government in achieving the fertility, infant and maternal mortality reduction goals of its third five year plan. It has seven components:

- Family Planning/Mother and Child Health Service Delivery Consolidation and Expansion Maternal and Child Health Programme;
- Communications Component;

- Women's programmes;
- Support to NGOs and Innovative Programmes;
- Research and Evaluation;
- Project Management Support.

The reasons for creating a consortium were the existence of a large-scale need, a high level of dependence of population control on donor funding, and a consensus among donors and GOB about the nature of the problem and the necessary solutions. The project is a sectoral project, in the sense that it is based on a sectoral analysis of the situation in a (substantial) part of the Population and Health sector and addresses most relevant problems within its mandate. Over time the focus of the Population and Health Programme has shifted towards Maternal and Child Health care.

Four donors are active in the sector outside the Fourth Project (Japan, USAID, UNFPA and ADB). This is possible because they are major donors in their own right, and are working in specific fields within the sector which are not or only partially covered by the Project (for example, urban areas). It is considered that smaller donors in the sector would experience difficulties operating outside the consortium. The Fourth Project finances about 40 per cent of total expenditure in the Population and Health sector.

One of the first Netherlands activities to start under the Population and Health Programme was *Family Planning Service Delivery* in 1986, which aimed at an increased prevalence rate of contraceptives. Apart from contraceptive use, there was also a great need to reduce maternal and child mortality, for which the project *Maternal and Child Care Services* was formulated. Delivery of messages to vulnerable women was also pursued through *Women's Vocational Training for Population Activities*.

The need for more preventive health care was also identified as a priority of the Third and Fourth Projects, and several projects were formulated for Netherlands' funding. These included: the *Expanded Programme on Immunisation*, aiming at the procurement of vaccines; the *Training of Traditional Birth Attendants* to promote safe child delivery practices. The *Bureau of Health Education* for dissemination of health messages and the *Management Development Unit Project* were designed to improve the coordination of health and family planning services at various institutional levels.

Under the Fourth Project, two new projects were formulated. The *Tuberculosis and Leprosy Programmes* aimed at reducing diseases that are typically poverty-related and of which the incidence is higher among females. The (institutional) problems encountered in delivering family planning and maternal health services to the poor in remote areas precipitated a project to support NGOs.

Implementation and results

Access to Family Planning Services. The project for improving access to Family Planning Services comprised: civil works, equipment, technical assistance, salaries, administrative and operational support. At the end of the Third Consortium Project, the targeted 10,000 Family Welfare Assistants had been trained and the 40 per cent contraceptive prevalence had been reached, partly due to important improvements in the physical infrastructure at Union level. However, due to institutional problems the integration of Mother and Child Health and Family Planning at field level remained problematic. In the Fourth Consortium Project, a similar programme was pursued, aiming at raising contraceptive prevalence further to some 50 per cent. The latter was virtually realised by 1995, but training and visit targets were not fully reached as family welfare assistants and other field staff received additional duties, e.g. in connection with immunisation programmes. The Health–Family Planning controversy continued to affect the efficiency of operations.

Maternal and Child Health Services. At the end of the Third Project, mortality rates had mostly declined as a result of the widespread immunisation programmes, which had increased their coverage from two per cent in 1985 to 65 per cent in 1991. Towards the closing of the Fourth Project maternal and infant mortality rates had further dropped significantly but were still high; by that time some 150,000 delivery kits and 75,000 satellite clinic kits had been distributed. A mid-term review in 1994 reported that some 30,000 satellite clinics were performing every month, 80 per cent of which successfully combined mother and child care/family planning with immunisation. Institutional and maintenance problems persisted throughout the project period.

Women's Vocational Training for Population Activities. The programme operates some 120 training-cum-production centres in 40 Thanas. Most women trained by the project managed to earn a higher income than their untrained counterparts. They also show above average rates for acceptance of family planning practices. The programme aimed its services as much as possible at poor, disadvantaged or destitute women. Most trained women appear to work outside the programme's production centres (e.g. in the garment industry).

Expanded Programme on Immunisation. The *full* immunisation coverage has increased importantly since the 1980s, and in 1994 the targets set in the Fourth Project were virtually achieved: 62 per cent of children between zero and 11 months old, and 84 per cent of children between 12 and 23 months. Unfortunately, these coverage rates declined in 1995 to 54 and 76 per cent respectively. The programme was particularly successful in preventing neo-natal tetanus and reduction of polio cases. The field team interviewed relevant Unicef officials.

Training of Traditional Birth Attendants. In the period prior to the Third Project Unicef had started to train some 19,000 birth attendants and to equip them with delivery kits. Under the Third and Fourth Project training of birth attendants achieved its major objectives by 1995: some 48,660 Traditional Birth Attendants had been trained, covering as many villages, and most of them had received follow-up training. Some 295,000 Safe Delivery Kits had been procured (most locally). Performance figures vary, but the most conservative estimate shows that trained birth assistants assisted in 17 per cent of deliveries in a community. A study by the Bangladesh Institute of Research for Promotion of Essential and Reproductive Health and Technologies shows that trained attendants are more skilled than their untrained colleagues, but are nevertheless still prone to use less effective traditional methods. Mothers interviewed expressed their satisfaction with the trained birth attendants vis à vis untrained ones, but most of them had not received any ante-natal care.

Bureau of Health Education. The project was innovative in that matters such as preventive health care and related behaviour were communicated to communities and households: messages that were thus far usually extended within the confines of clinics and hospitals. The messages pertained mostly to safe delivery and child care as well as to poverty-related communicable diseases. Some 60 TV spots; 10,800 radio messages; 180 newspaper ads; one million flip charts; 1,000 cinema slides; 660 bill boards and 1,000 banners have been produced. However, there is no study available indicating their effectiveness or impact on the target group. The functional integration of the Bureau for Health Education of the Health Directorate and the Bureau for Information, Education and Motivation of the Family Planning Directorate was not realised and both units are beset with managerial problems.

Tuberculosis and Leprosy programmes. The project was conceived as part of the Fourth Project but the required preparatory research, recruitment and procurement caused a delay in starting fieldwork: the project became operational in November 1993. By end-1995, the Tuberculosis programme covered 164 Thanas (211 including NGOs and Tuberculosis Clinics), and the Leprosy programme 307 Thanas, representing some 26 per cent of the population. Some 12,551 health staff had been trained. The rapidly expanding project activities suffer from some constraints, such as limited laboratory capacity for leprosy skin smears, the need for refresher courses for laboratory technicians, and inexperienced health staff at district level regarding Tuberculosis and Leprosy. The male–female ratio in detected cases is 5:2, indicating the need to create more awareness among women to overcome social barriers in seeking treatment, as well as the need to employ and train more female health staff and to increase their mobility in rural areas.

Management Development Unit. During the Third Project the Management Development Unit received much praise for the good relations it had established with the Family

Planning Directorate. However, the methods used in various divisions of the country were not very consistent, causing duplication, and had little impact beyond the areas of intervention. This course was continued during the Fourth Project which was inadequate in the face of added responsibilities: no fresh assessment was made of managerial problems in the Health Ministry and related service delivery constraints. As a result, the Management Development unit was not sufficiently equipped to deal with the two divisions of the Ministry, whilst its interventions at field level were also undertaken by other institutions. The project was therefore closed prematurely in November 1995.

Support to NGOs. The consortium set up an institutional structure for selecting, vetting and improving the capacities of NGOs that submit relevant project proposals. Some 48 NGOs were thus supported, covering 54 project sites and approx. two million people. The supported NGOs generally show better performance rates in service delivery than before: among the target groups contraceptive acceptance rates, immunisation coverage (children), deliveries assisted by trained birth assistants and Vitamin A coverage have increased significantly to a level above the national average.

10.3.2 Evaluation

The evaluation of the Netherlands-funded projects in the health sector is based on file research in the Netherlands and extensive interviews, questionnaires and site visits in Bangladesh by a national consultant.

Policy relevance

Projects in the health sector are all marked by a high degree of policy relevance. Seven of the ten projects are particularly targeted towards the poor in rural areas, which is in line with both Bangladeshi and Netherlands policy objectives. These aim to improve the living standards of the poor in rural areas and to achieve structural poverty alleviation. Through their choice for female-related diseases and health problems, several projects automatically obtain gender relevance. Even in the more general health services, however, efforts are being made to reach women and girls as they appear to have less access to health services than men and boys.

The Medical Assistants Training Project delivered much needed medical assistants, and part of the constructed training facilities are now used exclusively for the training of female medical staff. The Management Development Unit addressed the persistent problem of an unwarranted bureaucratic division in the Ministry, while the Bureau for Health Education aimed at the dissemination of messages to improve preventive health care.

Effectiveness

The immediate objectives of the Third and Fourth Projects and the Medical Assistants Training Project have generally been attained. Support to projects in terms of money and technical assistance, both national and expatriate, has generally been sufficient to realise a large part of the targets set by the various projects. These targets were often ambitious, in that vast numbers of poor people in rural areas had to be reached within the context of a health system that is characterised by its urban bias. Projects were effective in terms of construction, training, declining mortality rates, increasing acceptance of family planning, higher immunisation rates, distribution of health and delivery kits, and better access of the poor to health services. Through their concentration on mother and child health care, women are the main beneficiaries. Despite these achievements, however, maternal and infant mortality are still at a very high level in Bangladesh, reflecting the poor nutritional status of women compared with other family members.

The bureaucratic dichotomy between health and family planning within the Ministry of Health and Family Welfare constituted a complication for the projects, particularly for the Management Development Unit and the Bureau for Health Education. The Management Development Unit was not effective. The effectiveness of the Bureau for Health Education could not be ascertained in terms of the various messages reaching the intended target group, nor were messages based on a perceived need.

Efficiency

The cost effectiveness of the various health projects has been mixed. The more effective projects were also efficient, as the output was attained at relatively low cost. This particularly refers to projects for immunisation and training. NGOs appear a cost effective channel for reaching large numbers of poor people in the more remote areas. The least efficient were the two projects with a strong institutional component.

Although funding for the Third and Fourth Projects was provided under a joint co-financing arrangement with the World Bank, some project components were actually bilateral projects. In these, the Netherlands contributions were specified for particular interventions. The project components reflect respective donor priorities and administrative requirements, producing a heterogeneous cluster of projects in which coordination was not always optimal.

The Projects have not succeeded in addressing the main institutional problems of the sector. In the 1970s, Health and Family Planning interventions were separated for operational purposes. When adoption rates for family planning practices increased substantially in

the 1980s, the time was appropriate to merge these main elements of health policy again at both grassroots and ministerial levels. The Management Development Unit particularly aimed at such an integration of Health and Family Planning at different levels, while the Bureau for Health Education of the Health Wing sought integration with its counterpart in the Family Planning Wing. Neither project succeeded in breaking through the strong bureaucratic division of the two wings. This division has become a substantial problem for project efficiency. Although the Government has formally acknowledged the problems emanating from this institutional bifurcation, it has so far not undertaken any decisive action to remedy the situation.

The inefficiencies emanating from these institutional problems mainly pertain to: poor maintenance of facilities; irregular supplies of medicines and kits; insufficient career planning; vacancies; absence of a health communications strategy, and insufficient training of staff.

Sustainability

The sustainability of project outputs depends on a variety of factors, such as institutional context, financial feasibility, and adequate preventive health care/education. Projects depending heavily on the Ministry of Health and Family Welfare structure for sustained effectiveness presently stand little chance of becoming sustainable in the short run, due to the Ministry's inability to integrate its Health and Family Planning Wings. This particularly affects family planning services, maternal and child health care, and health education. Institutional constraints also affect sustainability of other projects through irregular supplies, poor training and laboratory facilities, lack of maintenance, and so forth.

Financial sustainability could be enhanced for interventions which have a scope for privatisation, such as trained medical staff, birth attendants, and NGOs asking a fee (however modest) for services rendered. Some projects have developed a strong donor dependency.

Improved preventive health care and health education could improve the use, efficiency and therefore sustainability of several projects. For example, women still seek less treatment for (poverty-related) diseases such as tuberculosis and leprosy than do men; women lack sufficient antenatal care, and poor women rely mostly on relatives or traditional midwives rather than on trained birth attendants. Also, many diseases could be prevented if better use were made of immunisation facilities.

10.4 Water supply and sanitation

10.4.1 Background

Some 86 per cent of the population now has access to safe drinking water, as compared with 37 per cent in the early 1980s. Nevertheless, water-related diseases remain the most important cause of mortality and morbidity in the country,⁵ particularly among the poor.

10.4.2 Bangladesh policy and institutions

Bangladesh has not formulated a clear policy for the development of safe drinking water supply and sanitation. Sanitary objectives mainly derive from broad health policy objectives in the successive Five-Year Plans (Health for All by the Year 2000) and participation in such activities as the 'International Water Supply and Sanitation Decade 1980–90'. Targets (in terms of numbers of people having access to safe drinking water) have actively been pursued through the centralised construction of water supply systems, but with limited attention for sanitation and health education.

Water supply falls under the responsibility of the Ministry of Local Government, Rural Development and Cooperatives. For the development of a consistent policy on drinking water supply, a National Advisory Commission for Water Supply and Sanitation was established but has not been able to operate effectively. Nor has the Planning Cell of the Ministry, which has the mandate for project planning and coordination of implementation, due to insufficient manpower and resources.

Within the Ministry, the Department for Public Health Engineering is responsible for the development of water supply and sanitation services in rural areas, thana towns and pourashavas (municipalities). It employs supervisory staff and executive engineers at district and thana levels, and tubewell mechanics and masons at union level. Within the Department, a temporary project office has been installed to assist Netherlands-financed projects.

Without having any formal responsibilities for water supply and sanitation, the Local Engineering Department provides technical guidance for development of infrastructure, drainage, solid waste management, rehabilitation of water supply systems, installation of hand tubewells and latrines in rural areas and towns.

⁵ IBRD, Chapter X, p. 40.

At the local level, management of water supply and sanitation services lies in the hands of pourashavas, which have only limited management and financial capacity. Recently, on Netherlands' advice, Bangladesh prepared a policy statement in which pourashava responsibilities are formulated for the provision and management of drinking water and sanitary services. The statement also acknowledges the increasing role of NGOs in covering the 'softer' aspects of water supply and sanitation, such as hygiene education and community participation. In rural areas, Unicef has played an important role in funding and increasing the coverage of water and sanitation programmes. This role ended in 1996.

10.4.3 Netherlands' policy

Since the 1970s, the Netherlands has funded projects for the supply of drinking water and sanitation, mostly in the context of providing basic needs to the poorer sections of the population. Some country documents mention the supply of safe drinking water as an integral part of a social infrastructure. In the 1980s, a more explicit policy for drinking water and sanitation was developed, recognising that a safe drinking water system alone will not automatically improve the health condition of its users.

10.4.4 Overview of projects

The Netherlands involvement in this area focuses on the drinking water supply of District Towns. Water supply projects initially aimed at the rehabilitation of existing water supply facilities, followed by projects with an extension component. Gradually, however, sanitation, education and participation became integrated in the projects. An overview of projects is provided in Table 10.7.

Table 10.7 Overview of Netherlands-financed projects in water supply and sanitation*

Project	Duration	Disbursements (in Dfl. mln.)
Khulna Water Supply	1978–87	6.2
Rajshahi Water Supply	1978–82	7.2
Zonal Laboratories	1981–89	3.1
12 District Towns Project	1987–92	8.7
Well Monitoring and Renovation Project	1988–93	2.6
18 District Towns Project	1989–95	24.3
Other projects		14.4
Total		66.5

Khulna Water Supply

Background and objectives

Prior to 1978, the Netherlands (in coordination with the World Bank) carried out feasibility studies in Khulna (and Rajshahi). In 1980, the World Bank showed interest in carrying out long-term improvement programmes (with large investment costs). In anticipation of these investments, the Netherlands financed short-term crash programmes to address the most pressing problems. The World Bank withdrew from the proposed long-term improvement programmes, however, and the Netherlands-supported crash programme is the only water supply improvement programme carried out in Khulna.

The project was implemented in two phases:

- Phase I (1981–84) of the Khulna Project had the character of a short-term crash programme as proposed in the feasibility study report. The main objective was to improve the existing water supply system and to provide adequate quantities of water to low income groups through expansion of facilities and the installation of reliable public hydrants.
- Activities under Phase II of the Khulna Water Supply project mainly concerned increasing overall production capacity, through the construction of production wells and the renovation of existing wells. A related project focused on the institutional strengthening of the Khulna Municipal Corporation.

Implementation and results

The 1987 evaluation mission reported that the goals of this first phase had been achieved. In addition to physical improvements, attempts had been made to limit wastage of water. A public education campaign was executed to create popular awareness of the importance of conserving drinking water. The period was marked by intensive supervision, with an expatriate water supply engineer permanently resident in Khulna town. Significant effort was spent on training national staff in the execution of water distribution works.

Constraints were observed in the supply system, notably the decreasing yield of existing wells, and leakage and wastage at house connections. Despite renovation efforts, many production tubewells were yielding only a fraction of their original capacity or were clogged completely. Wastage from heavily-used public hydrants occurred through poor-quality taps and inadequate maintenance.

The institutional strengthening project started in 1988 with a fact finding mission. From February to June 1988, several studies were carried out on performance in the manage-

ment, operation and maintenance of water supply operations by the Khulna Municipal Corporation and its Water Works Department. Activities included:

- a study on the institutional strengthening of the Water Works Department;
- a study on financial/administrative aspects of water supply operations in Khulna;
- a study of water distribution system management procedures;
- a study on the operation and maintenance of distribution networks.

Available documentation does not make clear whether the project has been successful.

12 District Towns Project

Background and objectives

The objective of the project was to improve the health conditions of people in 12 district towns⁶ through the provision of potable piped water supply, reduction of waste, expansion of water supply to unserved areas, and the provision of low-cost sanitation facilities.

Implementation and results

The original project document of 1983 was revised in 1988 to include the construction of four Iron Removal Plants. In 1989 the project was extended in order to finish that construction. The project was evaluated in 1988 and in 1991. The latter study stated that no feasibility studies had been undertaken prior to the project and that the poorest persons in unserved areas were inadequately targeted. Within the pourashavas, no community participation could be discerned and women were hardly involved in decision making. Leaks were inadequately repaired, leading to loss of water pressure, which in turn rendered the location of leakage difficult and allowed contaminated groundwater to enter the piped system. This, coupled with an absence of hygiene education, was not conducive to the health of the users. Water supply was often interrupted, as fulltime availability would lead to quick depletion of the tanks, indicating massive waste and leakage (estimated at 40–75 per cent).

The 1991 evaluation concluded that the Iron Removal Plants in Gopalganj and Serajganj had dramatically improved water quality, enticing many new consumers to have house connections. In Habiganj, commissioning of the Iron Removal Plant was expected by June 1992 after it had received additional funding for its completion.

Pourashavas have been very reluctant to raise water taxes, not only for political reasons, but also because of poor water quality and poor service. Since 1995, the financial

⁶ Group A: Brahmanbaria, Chandpur, Cox's Bazar, Gazipur, Munshiganj, Pirojpur. Group B: Gopalganj, Habiganj, Kishoreganj, Madaripur, Rajbari, Serajganj.

position of the district towns seems to have improved and costs are increasingly covered by contributions for water supply services, improving the scope for better service and maintenance.

Well Monitoring and Renovation Project

Background and objectives

Almost 50 per cent of urban production tubewells tend to get clogged after a certain operation time. In most cases this leads to their abandonment (and the drilling of new tubewells), although this is not necessary from a technical point of view. The objective of the project was to set up a cost effective Monitoring Cell in the Groundwater Circle for monitoring the performance of production tubewells and the renovation of clogged tubewells.

Implementation and results

The renovation of wells and technical training were successful and cost efficient. A monitoring system for well performance has been established to detect clogging at an early stage. After implementation of the first phase, it was clear that sufficient knowledge was available in DPHE for the renovation and repair of wells, and that further external advice was not necessary. The second phase therefore focused on institutional support. An attempt to establish a revolving fund for pourashavas to pay for renovation activities failed and prohibited further project extension. In principle, well renovation can be made cost-effective.

18 District Towns Project

Background and objective

The formulation of this project was based on other related projects, mainly the 12 District Towns. Preparation started in 1987 on the basis of a project document from Bangladesh. Work started in 1989. The project document was revised in 1992 and the project was again redefined in 1993. The objectives are:

- to set-up sustainable water supply, sanitation and drainage systems in 18 towns that will form a sound basis for improvement of the health situation;
- to set-up institutional structures for the management, operation and maintenance of the systems and for health education within the pourashava;
- to give priority to those areas where water supply and sanitary conditions do not meet minimum local standards;

- to guarantee a maximum of involvement and participation of the local population (especially women) as users and actors in all stages of the project.

Implementation and results

Project implementation was delayed, mainly due to different expectations on the part of the Netherlands and Bangladesh (institutional development as against physical construction).

During implementation, progress was monitored by several missions. In addition to the Joint Annual Review Missions in 1990, 1991 and 1993, several advisory and appraisal missions took place, but recommendations were given insufficient follow-up. In 1994, it became clear that the project was one-to-two years behind schedule. The progress of physical works was reportedly difficult to measure. Institutional development activities are taking more time than expected due to insufficient organisational strength of the Department of Public Health Engineering. The results of the project may therefore not be sustainable.

Zonal laboratories

Background and objectives

The objective of the project was to set up a system for regular monitoring of the quality of piped water in Bangladesh (excluding Dhaka and Chittagong) and to conduct laboratory tests of water from rural hand pumps. Four zonal laboratories were to be constructed in Rajshahi, Khulna, Comilla and Mymensingh. Staff would be trained in water-quality testing.

Implementation and results

The project established four fully-equipped laboratories, although with serious delays. In 1983, a trainer was appointed for bacteriological, chemical and physical testing. Maintenance of equipment appeared to be a bottleneck, preventing laboratories from functioning satisfactorily. Additional funds were allocated to solve major problems, and a maintenance contract was signed with the Atomic Energy Centre for a period of three years. An evaluation in 1988 noted major maintenance problems, poor testing and scant use of the results due to scarcity of funds, and an institutional context in which roles, duties and accountability for the various institutions were inadequately defined.

10.4.5 Evaluation

Policy relevance

The supply of safe drinking water is regarded as a basic need by both the Netherlands and Bangladesh and the projects are therefore highly relevant. As a result of other donor activities, the Netherlands' projects were oriented towards district towns, which are not the poorest parts of the country. However, the projects pursued objectives geared to serving the poorest population sections, through providing free access to drinking water and sanitary services. Several projects aimed at the active participation of women in health education, both as provider and recipient, and as caretaker of simple water supply facilities. The 18 District Towns Project actively involves women as caretakers of hand tubewells, in the production of latrines, the construction of drainage facilities, and as promoters, motivators, educators and beneficiaries in health education. Conscious efforts are also made to have more women in supervisory boards. These gender approaches are new in the sector.

Effectiveness

Most projects have attained their physical objectives, i.e. the construction or renovation of water supply systems and sanitary facilities. Since the early projects in Khulna and Rajshahi, Zonal Labs and the Well Monitoring and Renovation Project were largely engineering-based, their overall effectiveness has been higher than that of the later District Towns Projects which pursued an integrated approach. Attempts at institutional development and strengthening have had limited results. The main counterpart of the Netherlands-financed projects, the Department of Public Health Engineering, was not suitably equipped to take care of the non-engineering side of water supply: notably, health and hygiene education and matters of community participation. Moreover, projects allowed too little time to attain their institutional objectives: human resource development and community participation are time-consuming processes requiring longer-term commitments. A further complication emanated from insufficient coordination among the various donors involved in institutional strengthening in the sector.

The placement of street hydrants for free water supply to the poor has not met with much success. Some were placed in central areas whereas the poor city dwellers are concentrated in fringe areas. Operation and maintenance costs of the hydrants has to come from the fees for house connections, the level and collection of which is deficient. Currently, street hydrants are no longer repaired as they are regarded as a source of water wastage. Under the 18 District Towns Project other forms of water supply to the poor are being tested.

The provision of safe drinking water has always been perceived as a basic need that would contribute to the health of its users. Even in 1982, however, evaluation missions pointed out that safe drinking water is a necessary but not sufficient condition for a healthy life. Health education and sanitary programmes were also required to inform people about the importance of hygiene.

Efficiency

Although the physical objectives have mostly been attained, this has usually been with considerable delays attributable to a variety of factors. Project preparation often took a long time; in particular, tenders were delayed due to administrative and procedural matters. Since projects were conceived without any urban master plans, many adjustments were required in implementation strategies, particularly in the District Town Project.

The Netherlands-funded projects were initially geared to the rehabilitation of existing water supply facilities and to the drilling of new wells. This technological focus made effective integration of sanitary objectives difficult, and it was not until 1989 that the proposed integrated approach was actively pursued in the 18 District Town Project. The learning process in subsequent projects has been slow, despite their obvious interrelationship and phasing. Compliance with recommendations of evaluation missions often proved difficult and in 1994 it was again established that projects, including the 18 District Town Project, were slow in following up on recommendations of reviews and evaluations.

Sustainability

The *technical sustainability* of the water supply systems seems assured since the technology involved is relatively simple; the Department is fully capable of running such systems. Also, the technique of well renovation and monitoring has been successfully transferred. Previously imported parts, such as clamps and fittings, are now produced locally through project support.

The *institutional sustainability* of project achievements is limited. The Department of Public Health Engineering has been the main recipient of institutional support since 1985. Staff of Zonal labs are discouraged by a lack of career prospects and the marginal role of their input. Local-level pourashavas, mainly responsible for water supply and sanitation, have until recently not received sufficient and consistent institutional support. Their own sections for health and water supply, for example, are in no position to take over the tasks of the Department, or of the NGOs now imparting health education to the population. Recently, measures have been taken that may enhance the chances of sustainability in future. These include the training of pourashava staff in operation and maintenance and financial management.

Financial sustainability of the water supply and sanitation works cannot be assured until service delivery is effectively improved. Given adequate service delivery, fees can be raised from the relatively affluent and even the poor could be charged modestly for communal facilities. These possibilities are now being worked out and experimentally applied under the 18 District Towns Project.

The sustainability of water supply and sanitation facilities for the poor is not assured under present circumstances. Not only are the various street hydrants out of order, but also the incidence of water-related diseases has not decreased, reflecting the limited impact of health education and shortcomings with regard to water supply, solid waste disposal and drainage. Recent initiatives to involve women and NGOs in the provision of various facilities to the poor are encouraging.

Chapter 11 Evaluation of Netherlands-funded NGOs in Bangladesh

11.1 Introduction

Support given by the Netherlands to Bangladeshi NGOs is geared mainly towards poverty alleviation, first in rural but of late also in urban areas. In Netherlands policy documents for Bangladesh, support to NGOs has alternately been described as rural credit supply (1989–92), or integrated rural development (1992–95). However, in view of the target groups, i.e. rural and urban poor and particularly women, the common denominator of the Netherlands-funded NGO activities has been poverty alleviation. The evaluation concentrates on credit, training and related NGO services conducted with support from the Co-Financing Agencies (CFAs) Novib, ICCO and Cebemo, or from the Royal Netherlands Embassy in Dhaka (RNE). It does not cover some other major NGO activities, notably, emergency relief, health and education. Since the latter became independent in 1971, some Dfl. 247 million have been spent on assistance to NGOs, equalling around 9 per cent of the total Government of Netherlands Country Programme in the period 1972–96. NGOs receiving assistance have implemented programmes mainly targeted towards the following issues:

- poverty alleviation;
- conscientisation and mobilisation of local groups;
- development of local and regional organisations of the poor to defend their rights and interests.

In recent years, the RNE in Dhaka has also substantially assisted NGO programmes, particularly in the fields of education, health, women's activities and income generation, including in urban slum areas. The study expanded from its original exclusive concentration on CFA-assisted programmes to take account of this development.

11.2 The NGO sector in Bangladesh

History and role of NGOs in Bangladesh

There are some 13,000 local organisations operating in the field of voluntary social welfare activities in Bangladesh. They are not included in this study, which concentrates on developmental NGOs. Nearly 900 such bodies are now registered with the Government's NGO Affairs Bureau. Of these, 64 currently receive assistance from the Netherlands CFAs and about another 15 from the RNE.

Early NGO attempts to work with the poor had an ideological focus, placing emphasis on the process of 'conscientisation'. This entailed raising the awareness of the poor concerning the structural reasons for their poverty and their need to cooperate with one another, in order to overcome the socio-political system which oppresses them. Whilst some NGOs retain their concentration on this process, many others now place their major emphasis on provision of services, most particularly credit, with conscientisation remaining as a relatively minor component of activities in the field.

Major sectors of NGO operation

NGOs currently operate in a comprehensive range of sectors including: integrated rural development, savings and credit, family planning, income generation and training, women's development, health, education, adult education, relief and rehabilitation, social awareness and motivation, agriculture, fisheries, legal aid, human and civil rights, rehabilitation of blind and/or disabled, child development, children's homes and orphanages, environment and forestry, and public health. These operational sectors are combined in various ways to meet local needs, NGO capacities and donor and Government of Bangladesh (GOB) interests.

In addition to these specific activities, many of which can be grouped under the broad rubric of poverty alleviation, most NGOs have an underlying concern to raise the capacity of the poor to participate in national social and democratic processes. This is undertaken through raising the organisational strength of the poor by group formation and development, as well as by encouraging the poor to avail themselves of government services and to participate in national and local elections.

International funding of NGOs

NGO fund flows contain both inputs for regular programmes and projects and one-off amounts to alleviate the impacts of the natural calamities which regularly strike various areas of the country. In 1992, for example, some US\$ 150 million of funding from

external donors was received by Bangladeshi NGOs, supporting over 1,000 projects. Some US\$ 58 million of this was intended for cyclone relief and rehabilitation work. At this time, there were about 20 major bilateral and multilateral donors, 13 of which were each providing over US\$ 1 million per annum. Western CFAs and NGOs were another major source of incoming funds. By this time, the NGO recipients of international funds were already highly concentrated, with between 25 and 30 of the largest NGOs receiving around 80 per cent of international donor funding. Although available data do not permit a precise calculation, it seems that the Netherlands' proportion of overseas aid to NGOs reached a high point of just over 10 per cent in 1992, but that this is now slightly declining as multilateral and other sources increase.

Netherlands funding of NGOs

Table 11.1 gives an overview of Netherlands' aid flows to Bangladeshi NGOs in the period 1973–96 (in Dfl. Million). These figures exclude emergency aid.

Table 11.1 Netherlands aid to Bangladeshi NGOs (Dfl. million)

	1973–76	1977–81	1982–86	1987–91	1992–96	Total
Co-financing programme	1.3	5.7	17.1	22.7	73.1	119.8
Bilateral programme	0	3.5	9.7	35.2	79.1	127.5
Total	1.3	9.2	26.8	57.9	152.2	247.3
Percentage of total aid	1.1%	1.7%	3.6%	8.7%	25.5%	9.3%

Source: Ministry of Foreign Affairs data base.

Netherlands CFAs have substantially increased their flow of Co-Financing Programme (CFP) resources to Bangladeshi NGOs since 1992. ICCO and Cebemo have done so more than Novib, which started at a higher point. Channelling of bilateral funds through CFAs gained momentum after 1987, mostly through Novib, whilst direct funding of NGOs, without CFA involvement, increased substantially after 1992 (and particularly after 1994). In the period 1992 to 1996, the total flow of Netherlands funding to NGOs, as well as the proportion of assistance to NGOs in the overall Country programme, almost tripled as compared with the previous period. The expenditure of CFP funds of the three CFAs operating in Bangladesh, as a proportion of their own total programme, rose from between 10 and 15 per cent in the 1970s to more than 20 per cent in the mid-1990s.

Collaboration between Government and NGOs

The relationship between the Government of Bangladesh and NGOs has been erratic and sometimes problematic but is now generally regarded as increasingly constructive. The

main areas in which the Bangladeshi Government systematically cooperates with NGOs are primary education, health and family planning. In other sectors, NGOs have been allowed to operate as sub-contractors on GOB projects. In a limited number of cases, GOB has channelled foreign funding to NGOs as major implementers. Some of the larger NGOs themselves are, at least at the national level, seeking to bring their activities into a coherent relationship with government policies and programmes. However, this more cooperative approach between GOB and NGOs has not yet generally filtered down to local levels, where coordination is also essential to maximise benefits of scarce resources.

11.3 Policy priorities of the Netherlands' development cooperation and of the CFAs

Netherlands government policies

Netherlands' development cooperation policies have consistently focused on four priorities:

- promotion of economic development, initially narrowly interpreted as GDP growth, later redefined as economic self-reliance;
- poverty alleviation;
- environmental concerns;
- women in development.

The policy modifications made by individual Ministers responsible for Development Cooperation can be seen as representing refinements in emphasis among these four priorities, rather than fundamental changes in orientation. Widespread extreme poverty was the main justification and motivation to include Bangladesh as one of the concentration countries for Dutch aid. Poverty alleviation, therefore, has been the main objective of Netherlands assistance to Bangladesh throughout the years.

Policies of the CFAs

Under the Co-Financing Programme, CFAs choose in which countries they will operate, and they are not obliged to follow official Netherlands development policy or country strategies in them. In Bangladesh, the CFAs have broadly similar policy priorities and manners of working to one another. They concentrate on: 'structural poverty alleviation' as the core of their programmes, as well as empowerment of the poor, protecting the environment, human rights, improving the position of women, assisting minorities, provision of education and other social services, and the development of income-generating opportunities.

A major strategy to address these issues is the implementation of integrated rural development programmes. A common underlying approach of CFAs is the development of long-term partnerships with a limited number of NGOs, through the means of programme financing and, even more comprehensively, institutional financing. Project financing is now largely seen as a way of trying out new partnerships which have the possibility of leading to a long-term relationship.

Some differences emerge among the three CFAs in terms of the balance between different activities and their means of attaining their objectives. These include:

- Novib has a stated intention to finance some projects for the urban poor;
- ICCO and Cebemo have traditionally had ‘disproportionately large’ links with church-related organisations, which only recently show substantial change;
- Novib and ICCO have clear policies to support mainly medium- and large-scale projects, while Cebemo has not yet emphasised this so clearly;
- the three CFAs have mainly discrete networks of contacts and partner organisations in Bangladesh (as well as in Europe and world-wide).

11.4 History and partnerships of Netherlands CFAs and the RNE with NGOs in Bangladesh

Three Dutch CFAs are active in Bangladesh. These are Cebemo (now Balance), Novib and ICCO. The Royal Netherlands Embassy also cooperates with a number of NGOs, including the largest (BRAC) as well as several smaller ones, particularly those with an emphasis on women’s programmes.

Cebemo

Drawing on its contacts within the international network of Catholic institutions, Cebemo was able to commence cooperation with Bangladeshi partners shortly after Independence. In the earliest phases, short-term aid was given to help local church-based or church-related organisations in their relief and mission activities in the war-ravaged country.

Cebemo has gradually developed partnerships with some 30 organisations in Bangladesh. Specific objectives and intervention areas of these organisations cover a broad range, including basic education and occupational training, advocacy for human and legal rights, health care, promotion of women’s interests, savings and credits, and income-generating activities. The traditional ‘church links’ remain an important ingredient of Cebemo’s assistance and influence its network of partners in Bangladesh. However, Cebemo’s

cooperation has also developed a substantial secular dimension, in its objectives and approaches as well as in the characteristics of partner organisations.

While the present study was nearing completion, Cebemo had major financial commitments (over Dfl. 1 million) to the following NGO programmes:

- Caritas Bangladesh (Development Extension and Education Services) 1994–97, Dfl. 3.8 million;
- Association for Social Advancement (ASA) (Poverty Alleviation for Rural Women) 1993–96, Dfl. 1.6 million;
- Dhaka Ahsania Mission (Basic and Continuing Education) 1995–88, Dfl. 1.2 million;
- Cooperative Credit Union (Credit Union Promotion) 1994–77, Dfl. 1 million.

Novib

Novib began developing its network of partners in Bangladesh shortly after the country gained its independence from Pakistan in 1971. Of the three Dutch CFAs active in Bangladesh, Novib makes the largest financial allocations. In early years, it assisted NGOs to develop a local pharmaceutical industry, but that phase is now complete. Currently, around 80 per cent of its disbursements in Bangladesh go to two of the country's largest NGOs, Bangladesh Rural Advancement Committee (BRAC) and Proshika Kendra. Novib is the leading partner in the donor consortium for BRAC and currently chairs a similar platform for Proshika. It supports 14 partners in Bangladesh and will add one more by the year 2000.

While the present study was nearing completion, Novib had major financial commitments (over Dfl. 1 million) to the following NGO programmes:

- BRAC (Rural Development Programme III) 1993–95, Dfl. 24.5 million;
- Proshika Kendra (Five-Year Development Programme) 1994–99, Dfl. 16 million;
- Helen Keller International (Vitamin A Consumption Project) 1994–97, Dfl. 1 million.

ICCO

At the beginning of the 1970s, much Dutch Protestant missionary and welfare assistance to relief operations was channelled to Bangladesh through the international network of church organisations. ICCO was one member of this network and from 1975 onwards it also started funding development programmes in the country. Initially these focused on agricultural production and health care. Its major partner was and remains the Christian Commission for Development in Bangladesh (CCDB). At present about half of ICCO's partners are Christian-based, and they receive the bulk of its funding (at least 70 per cent). ICCO's policy is to maintain the number of its counterparts at around 20.

While the present study was nearing completion, ICCO had major financial commitments (over Dfl. 1 million) to the following NGO programmes:

- CCDB (People’s Participatory Rural Development Programme) 1992–95, Dfl. 5.5 million;
- Rangpur Dinajpur Rural Service (RDRS) (Roadside Tree Plantation Programme) DGIS funding, managed by ICCO, 1995–2000, Dfl. 2.9 million;
- Community Health Care Project, 1994–97, Dfl. 1.6 million;
- Gono Shahaijo Sangsta (Construction of Training Centres) 1994–97, Dfl. 1.5 million.

The Royal Netherlands Embassy

In recent years, the Royal Netherlands Embassy has become a substantial funder of NGO activities in Bangladesh. Sectors in which support has been offered include: credit and income generation, research, health, agriculture, education and institutional support for NGOs in the water sector. These are in addition to activities which have already run for many years, namely, the Small Embassy Fund, the Local Women’s Fund and project-related contracts to NGOs.

While the present study was nearing completion, RNE had major financial commitments (over Dfl. 1 million) to the following NGO programmes:

- BRAC Non-Formal Primary Education Phase One, Dfl. 12.5 million;
- Grameen Trust Research on Poverty Alleviation, Dfl. 6.0 million;
- Bogra Rural Development Programme (BEES), Dfl. 4.6 million;
- Gono Shahaijo Sangsta (GSS) Social Mobilisation, Dfl. 4.5 million;
- Shakti Urban Credit Project, Dfl. 4.4 million.

11.5 Fieldwork findings on services provided by NGOs

A brief overview of the findings of case studies of 15 NGOs is provided as Annex 3. NGOs were selected on the basis of the scale of support they received from the Netherlands, size of the organisation, and their distribution through the four regions of the country. They were classified as big if they had more than 50,000 members, medium (10,000 to 50,000) or small (less than 10,000). Big NGOs participating in the study were: Association for Social Advancement, BRAC, Caritas, CCDB, Nijera Kori, Proshika and RDRS. Medium NGOs were Shakti Foundation, the Society for Social Services and Community Development Association (CDA). Small NGOs were the Baitul Aman Trust, BDS, Shaw Unnayan, Sheba and Ubinig (legally a non-profit company). Annex 3 provides the full names of the organisations, their scale of operations, the programme assessed and the key

observations made. Although the programmes undertaken with Netherlands assistance cover a broad range of activities, two areas can be seen as predominant. These are credit (and savings) and training.

Credit (and savings)

There is no doubt that the service most used and valued by the poor is the provision of credit. NGOs that provide credit have no difficulty in attracting clients. According to the beneficiaries participating in the IOB case studies, however, credit must be regular, in relatively substantial amounts and at predictable times if it is to be useful in raising their economic status. If credit does not fulfil these criteria, there is a considerable danger that it will be used for consumption rather than investment purposes, which in turn increases the likelihood that it cannot and will not be repaid. This finding is supported by several other studies of NGOs in Bangladesh.

Among NGOs receiving Netherlands assistance there is great variation in the ability to meet these criteria of effective credit provision. It was found that some of the largest and some of the smallest, most specialised, NGOs are able to provide usable amounts of credit to all their members at regular intervals. Others, including some large organisations, have expanded their programmes beyond the capacity of their loan funds to meet demand. This has negative repercussions. Loans can be given according to various criteria, to cope with the inadequate supply. At best, loans of usable size can be dispersed to members according to a controlled rotation system. At worst, groups receive erratic amounts which are monopolised by a few people in leadership positions, while the rest get nothing, or so little that they cannot use it effectively. It is also clear from the field studies that where groups have credit distribution as one of the purposes of their operation, this becomes by far the most important in the minds of the members. It is evident that attendance steadily declines at meetings of groups which do not fulfil their members' credit needs, often leading eventually to the collapse of the group. The main way in which members compensate if an NGO does not meet all their credit requirements is simply to join one or more additional credit programmes, run by other NGOs, by Grameen Bank or by one of the various GOB institutions in this field.

Some NGOs are opposed to their members having multiple membership of credit schemes, fearing repayment default. It is notable in this respect that those NGOs which have the best supply of credit also tend to have the most effective forms of ensuring repayment, or put more clearly, they have the best credit management systems. The issue of 'overlapping membership' among clients generates considerable heat at field and headquarters level among NGOs. It appears on the basis of field evidence that there are incidents of unethical practices through which more aggressive NGOs 'steal' members from others. However,

it seems to be more generally the case that those organisations that most closely meet their clients' credit needs and which most tightly specify repayment requirements, gain in the process of overlapping at the expense of NGOs that have less strictly managed credit programmes. There is clear evidence that, in those areas where several alternatives are available, the poor are able to distinguish among providers. Indeed, they sometimes join an organisation thought to have a higher interest rate than their existing one, on the grounds that it can provide sufficient credit to generate more additional income than its higher interest charges. Furthermore, there are signs that competition is beginning to bring some direct benefits to NGO clients. For example, ASA has taken measures to reduce its interest rates and other NGOs are looking at ways to make their credit packages more attractive.

Almost always associated with credit is a requirement to participate in savings, sometimes on an individual basis, sometimes on a group basis, sometimes on a mix of the two. A few NGOs allow members to access their own savings once these have reached a certain level. This is valued by members since it reduces the amount they need to borrow with interest charges. However, most NGOs prefer to retain group savings and to utilise them within the Revolving Loan Fund, thereby generating income to offset against their operating costs. In many cases, members can only obtain their savings by leaving the group, which automatically cuts off their right to credit. Thus, although most NGOs devote considerable time in their training programmes to extolling the virtues of savings and thrift, to the majority of members this is simply a price they have to pay in order to obtain credit.

Training

Most NGOs provide training. This is often conceived as being of three broad types: empowerment-related, health and nutrition, and skills-based. Training related to empowerment includes literacy, leadership, awareness raising, group procedures and management, accessing government services, legal rights and women's rights. Health and nutrition may include such areas as hygiene, sanitation, diet and kitchen gardening. In some programmes more specific skills, such as those for Traditional Birth Attendants, are also taught. Skill-centred training includes agriculture, pisciculture, sericulture, tailoring, poultry and other livestock raising, tree planting, environmental protection and a variety of specialist topics, including those provided by NGOs operating in urban areas.

It is clear from the case studies that many poor people place an extremely strong emphasis on their desire for skill-centred training in association with credit. This is particularly so for women. In many parts of the country women are new entrants to the field of income-generating activities and are unable to make use of the credit available to them because they lack any marketable skills. Training is therefore essential.

In contrast to the emphasis of the poor, many NGOs focus their attention on empowerment-related training. Some of this is directly useful, notably where clients are empowered to access government services related to income-generating activities (e.g. poultry vaccination). But, according to many clients, much of this type of training has no value. Many women see no possibility of changing the dowry system, early marriage or other socially-determined disadvantages. They therefore regard training on such topics as a poor use of time which could be spent learning a practical skill to help combat their personal poverty. Although the approach of conscientisation leading to a radical change of rural society has been largely discarded by many NGOs concentrating on credit provision, their training sometimes proceeds as if it is still actively pursued. In this respect, it seems that organisations such as Nijera Kori, which concentrate on empowerment issues in relation to specific local opportunities for change, are in a stronger position to help their members make tangible gains.

Training in the areas of health and nutrition has a variable response from clients. There is little enthusiasm for the benefits of sanitation, but more so for such aspects as vaccination, improved nutrition and water supply. Again, clients emphasise that such training should have a practical emphasis relevant to their own situation. Some NGOs were found to use centrally-designed courses that are totally irrelevant in some of their operating areas and thus waste people's time. This generally lowers the appreciation of training offered and may cause people to avoid other training courses which could actually be useful to them.

It was found that several organisations are weak and ineffective in their training programmes. In addition to the poor quality of training itself, selection of participants is haphazard. Often, a limited number of people have attended several courses, while most have received no such assistance. Some NGOs work on the principle of training one member of a group, who is expected to pass on the knowledge to other members. It was often found that no such dissemination takes place.

A few organisations were seen to offer skills-based training of good quality. BRAC and Proshika are notable examples as well as the much smaller CDA. Interestingly, one of the largest NGOs, ASA, has almost completely eliminated training from its programme. Since it is one of the major credit-based NGOs, this appears an inappropriate omission and one criticised by its clients. In the minds of many of the poor, credit and skills must be used together if they are to pull themselves out of poverty. Another NGO which offers no skills-based training at all is Nijera Kori (NK). This organisation is one of those which reacted against the perceived over-emphasis on credit of the 'mainstream' NGOs in the country. NK concentrates exclusively on consciousness raising and empowerment of its groups and seems broadly successful in its endeavours. An important element of its success is that, through its highly specialised and concentrated programme, it has

empowered its members to such an extent that they have been able to gain economic benefits, through access to government land and water bodies, improved wages or share-cropping arrangements. Despite these achievements, NK's members still expressed a desire to receive skills-based training.

Other services

Many other services of NGOs relate to the credit and training components. They include provision of resources for income-generation projects, such as livestock, tree saplings and improved seed varieties, environmental health inputs such as pit latrines and boreholes, often at subsidised prices, and legal aid. Some of these services are provided by NGOs involved in integrated development projects, whilst others are supplied by specialist NGOs, usually operating on a small scale.

A survey of NGOs receiving Netherlands assistance, but not included in the fieldwork evaluations indicates that most are implementing programmes that are similar to those of the bigger NGOs, but on a much smaller and often localised scale. Some additional areas which are covered by these medium and small NGOs but not usually by the bigger NGOs are: medical care and running of small specialist hospitals, family planning, youth work, urban problems such as drug abuse, working with the handicapped, and localised relief and welfare work. These projects are mainly assessed by the CFAs or the RNE through reading the reports provided by the NGOs, and it appears rare that they are ever formally evaluated or visited by representatives of the funders. In this respect Novib, through the establishment of the nominally independent Nova Consultancy, has recently developed some local capacity to work with smaller NGOs. Cebemo to a limited extent uses Caritas Bangladesh in this role.

11.6 Evaluation of Netherlands-assisted programmes of NGOs

11.6.1 Policy relevance of NGO programmes

The NGO programmes receiving Netherlands assistance are expected to promote progress towards a complex and demanding set of policy goals. These are listed below (bracketed names indicate which stakeholder particularly emphasises each policy goal):

- Structural Poverty Alleviation (GOB and GON/CFAs);
- Promotion of Women in Development (GOB and GON/CFAs);
- Strengthen Rights of the Individual (GON/CFAs);
- Environmentally Sustainable Development (GON/CFAs);
- Provision of Safety Nets (GOB).

Structural poverty alleviation implies a sustainable improvement in the position of poor individuals and groups. The evaluation of NGO programmes shows that two broad routes are being followed to achieve this. At an early stage in the Bangladeshi NGO movement, there was a shared view that groups of the poor could be built-up to such a level that they would become socially and economically self-sustaining. This unanimity has been replaced by a more diverse set of views and approaches concerning what might constitute sustainability. Some NGOs continue to pursue the development of self-sustaining village groups, amalgamated up to various levels through federations. Others believe that groups of the poor lack the capacity and power to sustain themselves and that the NGO itself must therefore be the structural guarantor of social and economic progress for the poor. In either case, the activities undertaken by all NGOs studied are targeting structural poverty alleviation and are therefore relevant to this goal.

For a variety of reasons, including their own experience, inputs from CFAs or the RNE, all of the NGOs studied are *promoting the interests of women* in their programmes. In the 15 NGOs studied, between 50 per cent and 100 per cent of direct beneficiaries are women. The programmes are therefore relevant to this policy goal.

The NGOs studied also explicitly or implicitly tackle the policy goal of *strengthening the rights of the individual*, through such activities as conscientisation, legal rights training, improving awareness of and access to government services, literacy and non-formal education, and emphasising the need of the poor to participate in democratic processes.

Most programmes are intended to be *environmentally neutral or positive*. Areas in which benefits are specifically targeted include: sustainable land use, roadside tree planting and maintenance, and lobbying on environmental issues.

'*Safety net*' activities lie outside the priorities of the Netherlands and the CFAs. However, NGOs do undertake substantial activities in this field in response to the frequent disasters and emergencies which occur in Bangladesh. These activities were outside the scope of this evaluation, but indicate that policy relevant activities are undertaken in this area with Netherlands assistance.

11.6.2 Effectiveness

Credit (and savings) programmes are the major activity targeting *poverty alleviation*. Their effectiveness varies substantially among the NGOs studied. Essentially, it is mainly where credit is both regular and in reasonably high amounts that it has a noticeable impact. An Impact Assessment Study undertaken by BRAC estimates that an improvement in

household living standards can be attained after a minimum length of membership of 2.5 years, with a cumulative credit of Tk. 7,500. Although these precise figures may or may not be accurate in different circumstances and for different clients, the principle is firmly supported by the results of the current study. Small amounts of credit, such as the Tk. 1000 occasionally disbursed by some organisations, are not enough to invest in activities that are sufficiently productive to generate additional income for reinvestment, until the next loan becomes available. They therefore make no contribution to sustainable poverty alleviation. It is possible that small amounts, disbursed regularly, may also have some impact, particularly in urban areas where there are opportunities for petty trading, which can bring rapid profits. Large amounts made available at irregular intervals are often utilised by group leaders and not made available to poorer members. Indeed, poor members lack the skills or opportunities to use effectively large amounts and are therefore likely to run into repayment difficulties. The most marginalised members of Bangladeshi society, the 'tribal' groups, have so few opportunities that they are found not to access the credit resources available to them. When asked, they indicated a desire for employment opportunities rather than credit.

NGOs have increasingly sought to professionalise their service provision. This is particularly so with regard to credit, in which some NGOs (and their donors) invest enormous sums of money and where accountability should be a prime consideration. Donors have understandably insisted on high-quality advisory facilities being utilised by NGOs managing the bigger funds. This advice has in many cases reinforced the direction in which NGOs were moving on the basis of their own experience. The clear trend among NGOs focusing on credit is to favour clients with the capacity to borrow regularly in substantial amounts. Such an approach will raise the sustainability of credit operations. However, it is also clear that currently, and increasingly so in future, such operations will avoid the so-called 'hard core poor' who have insufficient productive investment opportunities to generate high loan repayments.

With regard to credit and poverty alleviation, it therefore seems that two streams have emerged. On the one hand, there are programmes that supply regular streams of credit to the 'moderately poor' on a semi-commercial basis, which achieve high repayment efficiency, and which have a favourable impact in moving these beneficiaries out of poverty. On the other hand, there are NGOs which supply small, or large but irregular, amounts of credit, which have varying repayment attainments and which are not alleviating poverty to any discernible extent.

The field study also noted that some of the most remote areas, where poverty is likely to be at its most severe, are served only by small local NGOs with insufficient resources to make a substantial impact. The larger NGOs display a tendency to overlap each



Urban poverty in Dhaka (Photo by Ron Giling/LINEAIR)

others' operations in more accessible or 'credit-worthy' areas. Here, clients have already demonstrated the capacity to utilise and repay credit successfully, and understand the basic principles of NGO operations. NGOs therefore prefer to set-up new facilities in such localities, rather than risk entering untried areas, which will require a major investment in preparation before any programme can be started.

An area in which credit provision, particularly for women, is shown to be particularly productive for a disadvantaged section of the population is in urban slums. The fieldwork studies show that women in these settlements themselves have access to productive activities and are less restricted than rural women. Furthermore, the opportunities available to them offer a quick return and opportunities for reinvestment, which enable relatively small loans to generate an impact on poverty. Since urban poverty is clearly an increasing problem in the country, these efforts seem a strong area for support.

Other sectors in which poverty alleviation (under a broad definition of poverty) has occurred are in improved nutrition through small-scale vegetable (often using organic production techniques) and livestock production, preventive health measures through access to and use of clean water and (to a far lesser degree) sanitation, improved awareness and use of health services and increased use of various government services and programmes. Basic literacy and numeracy as well as access of children to non-formal

primary education may also be seen as making a long-term and less direct contribution to poverty alleviation.

It is clear that even for those clients who have moved out of poverty through successful access to and use of credit, gains are rarely so large as to permit an improvement in their basic asset base. In particular, holdings of land for homestead or farming purposes rarely change. This is not surprising, in view of the extreme scarcity and high value of land in Bangladesh. A few of the most successful clients, often those who started from a rather better than average position, have improved the physical quality of their homestead. Subsidiary improvements, such as construction of a pit latrine, house improvement, planting of trees and creating a cleaner environment, are more common, often through access to other programmes of the credit-providing NGO.

Overall, it can be seen that training has had a mixed impact on poverty. Skills-based training associated with credit is seen by most of the poor as the combination necessary to offer the potential for economic improvement. Even here, it is vital that the training is tailored to opportunities that exist locally. Training in the broad fields of empowerment and health and nutrition can play a positive role, but are less valued by the clients than skills training. In a number of organisations the poor quality of the training programme and ineffective strategies, which leave the majority of members untrained, mean that little is currently contributed towards poverty alleviation through training activities.

An area into which few NGOs have ventured, but which is commonly cited as the real need of many of the poor, is the creation of non-farm employment opportunities. Tribal communities in particular cited this as of far more potential value than credit. Many members of these communities must currently sell their labour for low rates as migrants in order to survive. Many members of mainstream Bengali society also have few income-generating opportunities and this is particularly so for women. The apparent success of the various infrastructure-related activities undertaken by Landless Contracting Societies and similar organisations in the water and roads sectors, indicate the high demand for work, even in the most unfavourable circumstances and with low rates of pay.

With regard to *gender impacts*, women are the major direct recipients of credit. In some cases, such as ASA and the urban NGOs Shakti and Sheba, women are virtually the only direct beneficiaries of this facility. Whereas in the urban areas, women themselves are able to utilise fully the credit available, in rural areas this is less often so. This is because in most locations there is little tradition of women pursuing employment or business opportunities outside those which can be conducted on a very small scale within the homestead. To some extent, this can be overcome by skills training, since there are many activities such as small livestock rearing and kitchen gardening where women can

operate successfully within the social norms. Poor women such as divorcees and widows increasingly operate outside the homestead, notably on labour-intensive projects such as road and embankment works. However, as noted above, members of this category fall largely outside the main credit programmes because they are not able to borrow sufficiently large amounts.

It appears that in some rural areas, little of the credit is actually used by women, but that in others as much as half of it may be used directly by the formal recipients. Even where women have little direct role in the use of the credit, however, they find a substantial advantage in participating in the programme. In the first place, their respect in the household is greatly enhanced by being the route to credit. This finding was repeated in all areas and for all NGOs which disburse reasonable amounts of credit on a regular basis. As well as this improvement in their situation, many women reported improved self-confidence and willingness to appear in public as a result of their participation in group meetings, other activities and training.

The impact of training on women is mixed. In the fieldwork undertaken, women did not generally express enthusiasm for the training they receive on empowerment or legal rights, although there were examples where this has been useful. NGOs and CFAs have, however, indicated that according to their research there are many such programmes which are valued by the women participating in them. The viewpoint prevailing among women participating in the IOB fieldwork is that such social phenomena as dowry, arbitrary divorce and violence against women are beyond the capacity of village groups or even federations to tackle. Rather, they may be overcome in the long term through the indirect means of raising the economic and social status of women within the household. Thus, becoming the household's route to credit is seen as equally or more empowering than only messages about empowerment.

One weak point encountered in many NGOs receiving Netherlands assistance is their internal gender-related policies and practices. Few have succeeded in recruiting substantial numbers of female staff and even fewer have a reasonable proportion of female managers. Many NGOs have undertaken studies of this issue, usually in response to donor requests, and the results have proved discouraging. Even basic measures to make office employment attractive to females, such as toilet provision, child care facilities and appropriate scheduling of meetings have rarely been taken. At field level, where women face the possibility of serious harassment, few NGOs have developed and implemented policies and practices to protect their female staff. Indeed, one internal NGO report found that its female staff were just as likely to be harassed by their colleagues as by outsiders. From field evidence it appears that smaller NGOs with a local base are more readily able to recruit and retain local female staff than are the larger organisations. However, it appears

that many NGOs are now taking this issue seriously and a number (including Proshika and RDRS among those studied) have formulated and begun to implement gender policies.

With this background, it is perhaps surprising that the large NGOs have been as successful as they have in working with female groups in rural areas. It appears probable that messages concerning empowerment and rights for women could be further strengthened if the NGOs were to make more serious efforts to effectively organise the gender aspects of their own operations. In this respect, it is to be hoped that NGO gender policy documents that are now appearing will have a tangible impact in the near future.

Social empowerment achieved by the programmes is not as dramatic as originally hoped for and envisaged by many NGOs during their early phases of operation. Even though NGOs, when their programmes are aggregated, provide a wide range of services and activities covering much of the country and with millions of participants, they have not led to any major change in the social order. Fundamental factors of the rural social order, notably the unequal distribution of land and the prevalence of landlessness, have not changed. Whilst many NGO members have been trained to analyse their local social order and understand the underlying causes of their poverty, this has not enabled them to act as a mass force. Even where many years of effort have been expended on building-up federations of local groups, little evidence has emerged of their capacity to initiate major social movements against the power structure. Rather, NGO clients generally express a preference to have less training concerning these immovable forces, in the face of which they feel helpless, but rather to have a combination of credit and locally-adapted skills training to help their personal situation.

Empowerment has occurred on a relatively limited scale in connection with gaining access to government resources such as khas (Government-owned) land and water bodies, for which the poor are in principle intended to be the prime category of beneficiaries. There is evidence that some small NGOs, set-up by well-motivated members of the local elite, have better linkages and therefore better access to these government resources than the larger NGOs, which are usually outsiders to a particular locality. It is also clear that an NGO such as Nijera Kori, which specialises in promoting empowerment, has a better chance of success in this area than large multi-purpose NGOs, for whose fieldworkers empowerment is seen as a sideline to the more pressing business of meeting credit disbursement and recovery targets.

It therefore seems that empowerment training is most likely to be effective when targeted at a specific local goal and that, in the absence of this, it becomes ineffective information and exhortation which is regarded as of little value by the members of village groups. It emerged from the field research that clients of a credit-focused NGO such as ASA,

claim to receive as much empowerment-related information as they need or want through occasional informal discussions after the credit accounts have been completed. Members of groups organised by NGOs which spend far more time on empowerment issues do not necessarily retain a higher level of information or enthusiasm concerning the subject. However, where empowerment messages are related to activities that bring tangible benefits to members, they are favourably received and acted upon.

Legal awareness training does show some benefits, again if it is focused on providing information that can be used in practical circumstances. Instances of the misuse of police power seem to be common in rural Bangladesh and a knowledge of the limits of these powers has been demonstrated to be useful in a number of cases. Similarly, the extent of the authority of local self-appointed courts has also proved a topic of considerable importance to some villagers, particularly where religious restrictions on the behaviour of women are the subject of judgement. As with the areas raised above, it is where NGOs have moved from general messages concerning the social structure to specific areas of disadvantage about which something can be done, that they have provided real benefits to their members.

At a broader level, it seems that participation in group meetings and activities, regardless of their content, promotes a heightened degree of self-confidence over time. Women in particular gain a degree of acceptance of their right to move about and even to visit offices of NGOs or Government to access services. They are able to act upon this acceptance because of the enhanced personal confidence gained through regular interactions with other group members. The NGOs have therefore substantially, depending on local circumstances, reduced the degree of isolation imposed on women. This is in itself a notable achievement. The greatly increased participation of women in the recent national elections has been cited by NGOs as partly a side-effect of this gradual entry of women into public life. Moreover, NGOs have organised voters' education campaigns.

Two major aspects of the operations of NGOs, which limit the degree of empowerment they have been able to generate for their clients, are the lack of local cooperation among NGOs and the absence of meaningful contact between NGOs and local government in many areas of the country. If NGOs were to cooperate systematically, they could work with their total client base in any area to pinpoint major development constraints and opportunities and then plan the most effective means of joint action to gain benefits. In many cases, in order to act successfully, they would need the cooperation of local government. In many areas, however, it seems that contact between Government and NGOs is extremely limited. Government officers complain that they have little information on NGO programmes, that they are aware of excessive overlapping but can do nothing about it, that NGO schools often compete with rather than supplement government

schools, and that NGOs only come to them when they have a problem which they cannot solve on their own. In other areas, however, NGO activities are to some extent formally coordinated through monthly meetings at the District level. It is also notable that some Chapters of the umbrella organisation, the Association of Development Agencies in Bangladesh (ADAB), play a liaison role among member organisations, as do other NGO networks.

With regard to *environmentally sustainable development*, most of the programmes of NGOs are positive or neutral. Rural credit and training are mainly used for small-scale economic activities such as trading or farming. The target groups do not have access to substantial land areas and do not utilise intensive agricultural techniques because they cannot afford them. NGOs such as Proshika and CDA have programmes of sustainable land use which have resulted in take-up of such activities, mainly on a small scale. Other NGOs, notably RDRS, have substantial programmes of roadside tree planting and maintenance. Several NGOs are active lobbyists for development and adoption of sustainable land use policies in Bangladesh. Many NGOs are active lobbyists against specific large-scale water resource management projects, notably some of those under the Flood Action Plan, which they see as socially and environmentally damaging.

In the area of *'safety net provision'*, their effective organisation at field level in most of the country enables NGOs to play a major part in emergency relief and rehabilitation, drawing on resources from Government and the international community. In this sense, they intentionally fulfil this policy goal. Several NGOs studied are also inadvertently operating long-term 'safety net' programmes. This may be because of one or more of the following reasons: they have insufficient financial, management, or human resources to operate structural poverty alleviation programmes; they operate in geographical areas in which natural resources are too poor to allow sustainable progress; or their programmes are less successful than anticipated. As well as making an important 'safety net' contribution, the possibility remains that such programmes may in future be strengthened and scaled-up, thereby moving towards structural poverty alleviation.

11.6.3 Efficiency of the NGO programmes

On the basis of the case study and other evidence, it appears that there are some systematic factors affecting the efficiency with which programmes are implemented. NGOs can be seen as operating along three dimensions. They may tend towards a *holistic approach*, emphasising a broad definition of poverty including elements of the social structure, or they may decide to *specialise* in tackling a particular dimension of poverty such as the need for credit, training or empowerment. The second dimension is that of *scale*. Whilst some

NGOs see ‘scaling-up’ as an essential part of their mission in assisting to tackle poverty, others feel more comfortable operating on a local scale in an area well-known to them and in which they have a network of contacts. The third and apparently critical dimension for efficiency is the extent to which the NGO attempts to *hand over management* of its programme to the groups formed, usually through some system of federation of member organisations to a higher level. Where this hand over includes financial control and management, it has yet more influence on the efficiency of the operation.

On the basis of the field studies, the following observations can be made:

- specialised programmes (concentrating on a small range of activities) are easier to run efficiently than are holistic programmes (which try to tackle a broad range of dimensions of poverty);
- nevertheless, even very large holistic programmes can be run efficiently, as demonstrated, for example, by the Rural Development Programme of BRAC;
- programmes of small NGOs often suffer from insufficient funding and/or from lack of access to best management practice through training;
- programmes in which partial management responsibility (excluding financial management) is given to member groups are being run efficiently by several NGOs studied;
- programmes in which full hand-over, including financial management, to member groups is practised have so far not been able to achieve efficiency in the NGOs studied.

With regard to the issue of handing over financial management to members, it is notable that for all organisations offering credit as one of a range of services, their clients indicated to this study (and to other studies) that credit is their main reason for participating in group activities. It can therefore be anticipated that, since the NGO credit ‘market’ is becoming increasingly competitive and since there are major credit-based organisations that are constantly expanding their programmes, any organisation that ‘phases-out’ its members to the extent of making them ineligible for further credit will simply lose them over time.

Furthermore, it is clear that the majority of members of savings and credit schemes have more faith in the financial management skills and probity of NGOs, than they have in those of their own group leaders. Whilst claims of financial dishonesty were hardly ever voiced against NGO staff, they were frequently raised about leaders of groups handling money without external supervision by the NGO. It was not the concern of the evaluation to attempt to verify such claims. But the fact that they are made is sufficient evidence that those receiving credit are more confident when dealing with an accredited organisation with formal management procedures, than with the relatively well-off and educated group members who normally occupy management roles in phased-out groups. This therefore raises serious questions about the efficiency of the effort that is put into building federations.

The clear preference of members for financial management by NGO staff exists despite its high cost to them. A study of credit systems at field level undertaken as part of the IOB evaluation shows that the real cost of credit is about 45 per cent to 50 per cent higher with direct NGO management than under self-management by groups.

Evaluation of assistance channels to NGOs

NGOs were for many years assisted almost entirely through cooperation with CFA partners. In recent years, the Royal Netherlands Embassy has also offered substantial assistance to a number of NGOs. These channels are first assessed before the standard IOB evaluation criteria are applied to the programmes.

Co-Financing Agencies

- CFAs from many countries have channelled large sums of money to the Bangladeshi NGO sector since the country gained Independence. This has enabled the sector to grow more quickly and on a much larger scale than in most other developing countries.
- Relationships between Dutch CFAs and Bangladeshi NGOs are perceived on both sides to be partnerships, often based on ‘like-mindedness’ related to religious and/or historical ties.
- For the partners, these relationships go far beyond the provision of financial resources, although the long-term support of ‘core programmes’ has been a major benefit to them. Dialogues on broad principles such as development strategies, joint lobby ventures, empowerment of the poor and human rights are thought to benefit both sides of the partnership.
- As well as this somewhat intangible ‘added value’ of CFAs, there are tangible gains to NGOs through the CFAs’ political lobbying in the Netherlands, mobilising public opinion to support assistance to Bangladesh, fostering institutions necessary to reinforce ‘civil society’, enlarging cooperative networks and extending the range of international donors accessible to the NGOs.
- CFAs have assisted in the development of donor consortia, which have helped several larger NGOs to scale-up their operations in an efficient manner, through reducing duplication of administrative and financial reporting.
- For smaller NGOs, the relationship with CFAs is not always so positive. Some have been referred by a CFA to a bigger NGO which is already its partner, for help to produce an acceptable proposal. However, the large NGO may force the applicant to change its proposal or to work in a different area, in order to protect its own interests. Instead of having a simpler procedure, smaller NGOs find that they must deal with two organisations in order to obtain their relatively small amounts of assistance.

- Small NGOs feel that they have less access to the support and services of CFAs than do big NGOs, even though they need these more. In addition, they are rarely offered the same long-time frame of assistance that larger bodies receive.
- The three CFAs have distinct constituencies in the Netherlands, as well as complementary networks of European and world-wide CFA and NGO contacts, and each has strong historical links with a number of key partners in Bangladesh.
- Through their networks, CFAs provide Bangladeshi NGOs with linkages to NGOs operating elsewhere in the Asian region, or even further afield, so that experiences and effective approaches can be shared.
- CFAs also play a valuable role in interpreting the achievements of NGOs in a positive manner which can be appreciated by the public in the Netherlands, who might otherwise have unrealistic expectations of what can be attained.
- CFAs make important contributions through facilitating the training of NGO senior staff, including at such institutions as the Institute of Social Studies, by providing consultancy services to NGOs, by assisting NGOs to mount or to attend relevant international workshops, by facilitating the (now largely historical) indigenisation process of NGOs, by helping partners to develop such resources as Vision, Mission and Strategy statements and by organising partners' meetings in Bangladesh.
- Compared to the efforts of the Bangladeshi Government to target the poor directly, the activities of NGOs are generally regarded as more effective. The support and influence over many years from the Dutch CFAs has played an important role in developing these effective approaches, particularly for some of the larger NGOs that have been the main beneficiaries.
- The urge to economise on administrative and overhead costs appears to be influencing the CFAs to channel aid increasingly to large programmes and organisations. This will not necessarily promote the most effective use of resources, since the IOB evaluation shows that small NGOs can be effective and innovative, and sometimes reach remote areas, char lands (newly-settled areas of land accreted by deposition of silt) and other locations that are not always serviced by larger NGOs.
- Procedures to make the NGOs financially accountable have been vigorously pursued by the CFAs. Progress reports, internal assessments, monitoring and evaluation studies are also produced and critically assessed. However, there are very few high-quality studies of the impact of NGO operations, or authoritative evaluations of specific programmes. Furthermore, in view of the very large scale of many NGO programmes, it is unlikely that authoritative studies could be conducted within the limited administration budget available to the CFAs.
- A particular sector supported by all CFAs, and in urgent need of coordination, is the growing area of credit provision. Pressing issues are the development of measures to control unethical means of competition among providers, and the requirement for standard and accurate means of presenting the real cost of credit to consumers.

- CFAs have enabled a number of NGOs to lobby against programmes of bilateral donors, including those of DGIS, notably in recent years against some activities of the Flood Action Plan. This provides a valuable check against the possibility that such programmes may disadvantage some of the poorer sectors of society, and contributes towards the strengthening of civil society both in Bangladesh and the Netherlands.
- Overall, the CFAs have made a major positive contribution to the development of NGOs in Bangladesh. Several of these NGOs are known as world-wide leaders in this sector and their concepts and practices have been adopted by others within the country and internationally. However, CFAs have so far missed the opportunity to maximise their contribution, by acting largely independently of one another. In recent years, some progress has been made in this respect. The GOM¹ country study and discussions among CFAs operating in Bangladesh, the FAP lobby under which some NGOs receive support jointly from different CFAs, informal contacts among CFA Desk Officers, and the participation of CFAs in European networks, have all served to strengthen the sharing of experiences and expertise. Nevertheless, the degree of cooperation among CFAs on specific issues of common interest, such as credit management, overlapping membership of NGOs and the future of federated systems, could be further strengthened to the benefit of all parties.

The Royal Netherlands Embassy

- In recognition of the quality and effectiveness of their programmes, some Bangladeshi NGOs are now receiving funds direct from the Ministry through the RNE. The major example is the BRAC Non-Formal Primary Education Programme, which is funded directly through the Embassy (with an expected assistance in excess of Dfl. 30 million for its first two phases). There are also large-scale programmes in the health sector.
- Another modality of direct funding is the involvement of some NGOs in the implementation of specific components of bilateral projects. The water sector is the major one in which this has occurred with Netherlands-assisted projects in Bangladesh. This type of cooperation is not always successful, largely because NGOs often have to accept project designs in which they have had no planning role. In certain instances, there may also be a perceived conflict of interest between the poor target group and the manner in which a project is being implemented.
- The RNE also has an Embassy Small Fund and a Women's Fund at its disposal. These are used flexibly, notably to support women's projects and activities in the water sector.
- The posting of additional sector specialists has intensified the communication between RNE and the NGOs, and the Embassy is increasingly taking the initiative to involve NGOs in the implementation of bilateral programmes.

¹ Consultative bureau of the co-financing agencies.

- To date, NGOs have a mixed reaction to this increasing involvement. Some note that, although RNE staff are locally-based, they often appear to have such substantial workloads that they are unable to visit the field for any meaningful period of time. Furthermore, they observe that Embassy specialists have a rapid turnover (mostly within 3 to 5 years) and that relatively little experience and knowledge is passed from one incumbent to the next.
- The NGOs therefore often encounter a discontinuous and sometimes contradictory relationship with Embassy specialists, which they compare unfavourably with the long term, mutually supportive and cumulative relationship established with their CFA partners.
- However, some smaller NGOs indicated that they have been offered more assistance in such areas as training and accountancy from RNE than is available to them from CFAs.

11.6.4 Sustainability

The issue of *sustainability* has several dimensions. At one level, the sustainability of NGOs can be considered a key issue. This clearly relates to whether or not donors will continue to support them, since most are highly dependent on international funding. At the next level, the principle underlying the practice of ‘phasing-out’ NGO support to member groups is that the village organisations and their higher-level federations (where formed) will themselves become able to survive without their ‘parent’ NGO.

With regard to the former issue, some of the traditional donors have begun to show signs of wishing to reduce the funding they make available to Bangladesh. This is seen by NGOs in the context of ‘donor fatigue’ coupled with the increasing diversion of funds from the Third World to the emerging countries of the former Soviet bloc. So far, the development of donor consortia and the arrival of new donors have largely compensated for any lost income. Furthermore, for those NGOs seen as having a ‘harder’ image and able to demonstrate firm financial management, yet larger sources of funding are opening up through bilateral, multilateral and commercial sources.

It can be seen that some NGOs, particularly ASA and BRAC, are well on the way to achieving financial self-sufficiency for their credit operations. Paradoxically, this also makes them the most attractive to new donors. Whilst it appears that credit on its own can become self-sustaining, it is also clear that substantial skills training programmes cannot be funded out of service charges. And yet, in the minds of many poor villagers, it is the combination of resources and skills which presents the possibility of self-improvement and not simply access to money.

Other programmes, most notably in the area of Non-Formal Primary Education (NFPE), continue to require huge donor inputs and will never be in any other position. This sector will in the long run face the inevitable question as to when or if Government will be able to take over the operation. In principle, there should come a point at which NFPE programmes have caught up with the backlog of non-entrants to the government system, so that government schools will be able to provide places for all new entrants. Perhaps the main difficulty facing this sector in the long run is that the NFPE programmes are widely perceived to provide a substantially better quality of education than the government schools and it will therefore be extremely difficult to phase them out. This is an area in which donors could constructively commence discussions with Government and NGOs at the earliest opportunity.

The major concentration of many NGOs and their donor partners, on the need to raise social consciousness and to change the structure and values of society, also seems highly unlikely to be sustainable without substantial and long-term external support. Whilst many NGO clients value these inputs to some extent, there is no evidence that they would be prepared to pay for them. In fact, the findings of this evaluation and many other studies indicate that members' interest in group activities (except in a few specialised NGOs) is mainly retained by the prospect of obtaining credit. Since multilateral and commercial sources are not likely to find social empowerment a financially sound investment, it is clear that this burden will continue to fall on bilateral and donors and CFAs. The sustainability of these components of NGO programmes is therefore almost entirely dependent on continuing interest among donors.

Annex 1 The Policy and Operations Evaluation Department (IOB)

The Policy and Operations Evaluation Department, also known by its Dutch acronym IOB or *Inspectie Ontwikkelingssamenwerking en Beleidsevaluatie*, is responsible for conducting evaluations of Netherlands foreign policy.

IOB is part of the Ministry of Foreign Affairs. It is an independent unit which reports directly to the Minister concerned, who then submits the studies to Parliament. The Department was established in 1977, with a mandate that was restricted to the evaluation of aid programmes. Following reassessment of the Netherlands foreign policy in 1996, however, the mandate of the unit was broadened to include other fields of foreign policy.

From 1977 to the mid-1980s, IOB's emphasis was on individual project evaluations, the status of which was then confidential. During this period about 250 evaluation reports were produced.

Since the mid-1980s, emphasis has shifted from individual project evaluations to comprehensive thematic studies, focusing on policies and modalities of implementation and covering sectors, themes or programmes. The duration of these thematic studies averages two to three years. External independent experts participate in the various phases of the research, under responsibility of the Evaluation Department. Increasingly, institutions or experts in recipient countries are invited to participate in the fieldwork. A reference group consisting of independent experts and Ministry staff is appointed for each study, and advises on the methodology and approach of the evaluation.

The final reports, based on various field and desk studies, are written by IOB's own staff and published under its responsibility. They are discussed with the Permanent Committee on Foreign Affairs with respect to follow-up actions, and are also given wide distribution. Examples of recent thematic studies include: Evaluation and Monitoring, Inter-institutional Cooperation in Higher Education, Humanitarian Aid to Somalia, Environment and Development Cooperation, and Fertiliser Aid.

In 1994 studies were published on the Netherlands country programmes in India, Mali and Tanzania. In 1995, similar studies were initiated on the programmes in Bangladesh, Bolivia and Egypt. These latest studies also gave attention to non-aid bilateral relations between those countries and the Netherlands, in accordance with IOB's new mandate. Authorities in recipient countries are kept abreast of the progress of the evaluation and are invited to comment on draft reports.

Increasingly, IOB participates in multi-donor evaluations. Examples of this include the evaluation of: Rural Small-scale Industrial Enterprises (UNDP, ILO, UNIDO), the World Food Programme, the European Union Programme Food Aid, and Emergency Assistance to Rwanda.

Annex 2 Organisation of the study

1 Background

In 1991, the Policy and Operations Evaluation Department (IOB, then IOV) of the Netherlands' Ministry of Foreign Affairs undertook evaluation studies of Netherlands bilateral cooperation programmes with India, Tanzania and Mali. The major part of that bilateral development assistance was channelled through country programmes, whose evaluation would provide an opportunity to examine the various types of aid which, in combination, seek to realise the Netherlands' development objectives. These evaluations, published in 1994, gave particular attention to the organisation and management of the Netherlands' development assistance.

The country studies provided insights into the effectiveness of various aid forms and of combinations among them. They also promoted policy discussions, focusing particularly on organisational and management issues. In 1994, it was decided to embark upon another series of country studies, to cover Bangladesh, Bolivia and Egypt, in which it was hoped to involve the respective countries more closely in the conduct of the study. In view of IOB's broadened mandate in evaluation, a description has been drawn up of non-aid relationships between the Netherlands and each recipient country, so as to indicate the relative importance of the aid relationship vis à vis other bilateral relations.

Common terms of reference have been compiled to ensure uniformity in approaches and definitions. This report presents the evaluation of bilateral development cooperation between the Netherlands and Bangladesh in the period 1972–96.

2 Approach

2.1 Desk studies

The first step in the preparation of the study comprised the collating of all disbursements that were made between 1972 and 1994. This information was later updated to include 1995 and 1996. The work was carried out by Messrs J.F.K. Jungheim and S. de Boer.

The various disbursements, reflecting as many activities, were subsequently clustered on the basis of so-called project data sheets. This yielded a basis for the further clustering of activities into three major groups: programme aid, project aid and aid through NGOs. A sectoral division was chosen for project aid to allow projects to be evaluated in a sectoral context.

A second step comprised analysis of the various general and country-specific aid policies in the period 1972–96. This work, carried out by Ms M.A. Leeuwerik, yielded an overview of Netherlands' aid, country and sector policies, and included the agreed minutes of regular policy consultations. This analysis provided the basis for an overview of the Netherlands' aid priorities for Bangladesh.

Thirdly, all files regarding programme and project aid as well as aid through NGOs have been analysed and summarised for field use. This operation involved files in the Ministry of Foreign Affairs, the Royal Netherlands Embassy in Dhaka and three co-financing agencies in the Netherlands: Novib, ICCO and Cebemo (now Bilance). The file research was conducted by Ms G. Pieper and Ms M. Kiel. File excerpts comprised all relevant project data, including the basic findings of progress and evaluation reports, copies of relevant letters and reports, and a summing-up of major results and problems. Ms Pieper and Ms Kiel also kept records of relevant articles and publications on Bangladesh.

Files regarding non-aid relations between the Netherlands and Bangladesh were summarised by Mr R. Valkhoff. On basis of these data, Prof. Dr W. van Schendel of the University of Amsterdam (Faculty of Political and Socio-Cultural Sciences, Asia Studies) prepared a background paper in which he highlighted the economic, social, cultural, diplomatic and political relations between the two countries. This paper was used for Chapters 2 and 3.

Finally, in order to obtain a concise background against which to describe the position of women in Bangladesh, Ms Dr T. Siddiqui of Dhaka University was asked to write a paper on the subject. This has been used for Chapter 2: Bangladesh Country Background.

Based on these desk studies, the approach for fieldwork on the various aid forms and sectors was determined. Separate Terms of Reference were drawn up for each study that was to be undertaken in the context of the overall study.

2.2 *Field studies*

International consultants with relevant experience were selected for the major field studies. The summarised files were made available to them, and they were then required to prepare

position papers stating how they intended to organise the field study. Among other things, these position papers specified the methodology that would be followed and the number of person-days that would be required. After agreement was reached on the position papers, the consultants formed a team of Bangladeshi evaluators to participate in the fieldwork. Once the field activities had been concluded, a seminar was organised by the Economic Relations Department of the Ministry of Finance, in which stakeholders were invited to give their views on the preliminary findings of the Netherlands–Bangladeshi evaluation team.

Transport and Logistics

The study on transport and storage was coordinated by Mr E. Declercq and Prof. Dr C. Peeters of Policy Research Corporation N.V. in Antwerp. Policy Research further involved Ms Lefever and Mr de Monie in the desk research, whilst Prof. Dr J.L.J. Marchal of the University of Liège carried out the fieldwork. Prof. Marchal was assisted in Bangladesh by two consultants: Messrs A.F.M. Maziful Islam and A.K.M. Osiul Islam. The draft findings of the mission report, entitled: ‘Support by the Netherlands to the Transport Sector in Bangladesh’ were discussed in a seminar on 8 May 1995, chaired by Mr Nurul Haq, Rtd Member Planning Commission.

Programme aid

The study of macro-economic aid forms was carried out by Ms M. Oosterbaan and Messrs N. van der Windt and R. Timmer, of the Netherlands Economic Institute (NEI) in Rotterdam. They were assisted in Bangladesh by Prof. Abdul Bayes and Dr Ismael Hos-sain, both of Jahangirnagar University. The team prepared a report entitled: ‘Bangladesh: Evaluation of Programme Aid 1971–1995’. The preliminary findings were discussed in Bangladesh on 11 September, 1995, in a seminar chaired by Prof. R. Sobhan, Director of the Centre for Policy Dialogue.

Water management

The sector study on projects in water management was coordinated by Mr B.L.M. van Woersem of BVW Rural Development Consultancy BV. Mr van Woersem cooperated closely with Prof. Dr H.H.G. Savenije of the Infrastructure, Hydraulics, Environment Institute (IHE, Delft) in both desk and fieldwork. In Bangladesh, a team was formed for extensive field visits, comprising Dr K.A.S. Murshid of the Bangladesh Institute of Development Studies (socio-economics), Prof. Dr M. Mirjahan Mia and Prof. Dr M.F. Bari of the Bangladesh University of Engineering and Technology (technical aspects), and Mr Monjur of Socioconsult Ltd (socio-economics). The team prepared a report entitled:

'An Evaluation of the 1971–95 Programme: Sector Study Water Management' in October 1996. Preliminary findings were discussed in a seminar on 26 June 1996, chaired by Prof. Dr A. Nishat of the Bangladesh University of Engineering and Technology.

NGOs

The study of the NGO programmes was coordinated by Dr D. M. Todd, Social Development Consultant. He was seconded by Mr J.G. Gussenhoven of ETC Netherlands, whilst the fieldwork team consisted of leading consultant Ms Dr T. Siddiqui, second senior consultant Prof. Dr C.R. Abrar, specialist in financial and management analysis Mr Zahin Hassan, and a team of 12 research assistants. These assistants comprised Master's-degree students and professional fieldworkers, whose names are listed in Volume III. They prepared comprehensive case studies of 15 NGOs, which varied in size, scale of operation, degree of specialisation and mode of funding. Funding was derived either through CFAs in the Netherlands or the regular bilateral programme. Preliminary findings of the case studies were presented to the stakeholders in a seminar on 23 June 1996 in Dhaka, chaired by Dr Abu Ahmed Abdullah of the Bangladesh Institute of Development Studies. On the basis of those case studies, a draft evaluation report was drawn up and discussed with co-financing agencies in the Netherlands on 5 March 1997. Subsequently, the full case studies were discussed in April 1997 with the NGOs involved and the Royal Netherlands Embassy in Dhaka.

Other sectors

A different approach was followed for sectors that received less than Dfl. 200 million support in the period reviewed. Rather than the organisation of seminars upon completion of the fieldwork, either the consultant's draft report or the draft chapters of the IOB final report were sent for comment to the stakeholders through the Economic Relations Division of the Ministry of Finance. The study on *industry and energy* was conducted by Dr D. Bhattacharya of the Bangladesh Institute of Development Studies. *Health* projects were studied by Dr S.J. Haider of the Research Evaluation Association for Development, Dhaka, whilst support to *drinking water and sanitation* was reviewed by Dr Y. Hassan of the Bangladesh Management Development Centre. These national consultants all presented position papers before embarking on the evaluation, and visited a number of project sites throughout the country. Support to *education* and to *agriculture* was evaluated by the IOB team, who consulted with experts and stakeholders in Dhaka and at project sites, as well as with project staff in Dhaka and Washington.

3 Coordination

The study was coordinated by Mr F.A. Makken of the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs, and Dr R.A. van de Putte of Saltet and van de Putte Consultants. As is customary, IOB appointed an advisory group to advise on the methodology and approach of the study, and to comment on the findings of field studies as well as on drafts of the final report. The membership of that advisory group was as follows:

Ms H.I. von Metzsch

Director IOB (Chair)

External:

Prof. Dr E. Hommes

University of Twente

Prof. Drs H.P.A. van Roosmalen

Institute of Social Studies, The Hague

Prof. Dr P. Streefland

Royal Tropical Institute, Amsterdam

Mr A.T. Kruff

Small Business Research and Consultancy,
Zoetermeer

Mr J. Loschakoff

Water Management Consultant

Mr P. Damen

Member on behalf of Co-Financing Agencies

Ms L. Res

International Agricultural Centre, Wageningen

Prof. Dr Ir N. Wijnolst

University of Delft (up to September 1996)

Internal:

Ms E. Badon-Ghijben

Head Southern Asia Division of the
Asia and Oceania Department

Ms K.P. Roelofs

Macro Policy and International Agricultural
Affairs Division

Dr F.Ph.M. van der Kraaij

IOB

Annex 3 Case studies of Netherlands-assisted NGOs

Case studies of NGO partners of Cebemo (Bilance)

Association for Social Advancement (ASA)

- ASA has over 375,000 group members, 99 per cent of them female.
- It was set up in 1978 and began its work by strengthening people's organisations through conscientization and training. Organisations became strong and took social actions, but the poor economic status of members made the achievements unsustainable.
- The intended apex organisations of members' groups could also not be sustained, because poor people lost interest when no tangible benefits came from them. Furthermore, the apexes aroused suspicion and hostility among the rural elite.
- The second phase of activities focused on development education, income generation, credit and women's development. This also achieved much, but the integrated development concepts took long to realise, while members placed higher priority on access to credit.
- The third and current phase is centred on savings and credit through groups. At the same time, participation in the groups contributes to raising of awareness of development issues and helps create a new category of people with leadership skill in rural society.
- The ASA programme is focused almost entirely on women. About one third of its own field staff are women, but this is not reflected in management positions.
- Management procedures are decentralised, well-documented and effective.
- The credit programme is standardised and highly disciplined. It provides regular loans of between Tk 2000 and Tk 6000 to all members.
- Many members of the 'hard core poor' do not wish to participate in savings and credit schemes, but prefer to concentrate on daily labouring, which gives an immediate return.
- Although ASA provides no formal training on such issues as how its members can best access services available from government or other providers, its members are well informed on these topics. They state that through meeting regularly and sharing information, such knowledge is disseminated.
- ASA credit has improved the standard of living of members and their households.

- Although women receive the loans, most of the money is directly used by men. Women note that their role as the channel to credit has raised their status in the household.
- As well as access to credit, many women indicated that skills training would be useful to them and possibly enable them to utilise more of the credit received.
- Group members in the area studied compare NGOs on the basis of their perceived characteristics and choose between them. ASA is seen as having a lower interest rate than other NGOs.
- At district level, there is relatively formal coordination between NGOs or between NGOs and government.
- ASA has adopted the concept of economic empowerment as the key for the solution of a broad range of problems of the poor.
- ASA is striving to attain its own self-reliance, but does not aim to make its groups self-reliant.
- As its income has increased, ASA has reduced service charges to members.
- ASA intends to continue operating primarily as a 'bank-like' NGO.

Baitul Aman Trust

- Baitul Aman Trust is a small local Islamic welfare organisation, which has been working in the coastal district of Patuakhali since 1981, mainly on social development, welfare and skills training activities.
- Its groups have 941 members, 53 per cent of whom are female.
- In 1994, it registered with the NGO Affairs Bureau and began a community development project in a remote area, in which no other NGOs are working.
- The project aims to organise 60 groups with a total of 1200 members, impart literacy, functional education and preventive health care training, develop savings habits and disburse credit.
- Because of its limited financial resources, the organisation has been able to give its staff little training and few formal guidelines on work practice.
- For the same reason, Baitul Aman has only been able to provide credit to about one quarter of its members. Many of those not served have begun to lose interest in group activities.
- The credit programme is not supported by training in technical skills.
- In the absence of large NGOs, Baitul Aman is playing an important role in a remote area.
- It lacks access to the technical assistance it needs to upgrade its largely untrained staff.
- Its resources are inadequate for the credit needs of the area.
- The Executive Director is a local politician who has blended his political role with directly providing a service to poor people.

Caritas Bangladesh

- Caritas has about 275,000 members, 52 per cent of whom are female.
- It began in East Pakistan in 1967.
- After early relief and rehabilitation programmes, it concentrated on helping raise rural productivity through technological innovations, disseminated through cooperatives.
- Although productivity was raised, the benefits were not mainly reaching the poor. Caritas then became a pioneer in the field of consciousness-raising and empowerment programmes, coupled with savings, credit and training.
- In principle, Caritas now has one programme with 43 elements, which can be made available to members groups on request.
- One of the core programmes, which receives substantial Netherlands assistance, is Development Extension and Education Services (DEEDS), which has been running since 1979 and now has about 100,000 members.
- There is a three tier institutional structure in the DEEDS programme. At the base are village level groups, whose chairpersons are members of the next level, the union committee. These committees are in turn represented on a than level committee, which is known as the apex body.
- Apex bodies receive five years of direct assistance from Caritas, after which they take control of their own assets and management, with Caritas phasing itself out into a support role.
- The field study found that several groups operating under ‘phased out’ apexes were found to suffer from a lack of confidence among members concerning their financial management. Loans were said to be unevenly distributed among members with a tendency to favour group leaders. Allegations of financial irregularities were also sometimes made.
- Group members, particularly those in leadership positions, receive substantial training, with an emphasis on institutional development.
- Skills centred training is also available, but not on a scale to meet the demands of all members who would like to receive it.
- Apex bodies have substantial financial responsibilities, which they find it difficult to fulfil.
- Furthermore, members have high expectations regarding credit and the apexes have insufficient funds to meet these.
- Members have received much training concerning the strength of their collective power. This had led to increased participation in political processes.
- Female members feel that they have gained social mobility and respect through participation in group activities.
- Women members are not optimistic about changing deep-rooted social customs and practices which discriminate against them.

- Caritas is seen by its members as adopting a humane approach to credit repayment, as well as charging a low interest rate.
- However, its procedures are seen as slow and to result in unequal distribution of the limited funds available. Caritas' intention to transfer responsibility to apex bodies is an ambitious one, and the majority of group members exhibit little direct concern in the sustainability of these bodies.
- The programme does not appear to reach the 'core poor'.
- Although Caritas has a high proportion of female staff, many of these are volunteers. The further up the management structure one goes, the smaller the proportion of female staff.

Shaw Unnayan

- SU is a small local NGO which operates in and around Rajshahi district and aims to improve the socio-economic well-being of its target groups among the poor.
- It began operating in 1979 and now has 7,500 group members, two thirds of whom are female.
- It is running an integrated development project in the Bagha area of Rajshahi district, with assistance from Cebemo.
- The approach begins with motivation training, group formation and adult literacy. Savings and credit are introduced in the next stage.
- SU aims to federate its groups into apex organisations at union and thana levels.
- Group discipline is good and savings regular.
- Fieldworkers are locally recruited, which helps them establish good relations with their clients.
- SU has insufficient funds to offer credit to all members at once, and the amount loaned is small, at Tk 1000 per member.
- Members were broadly positive about SU, but were dissatisfied with the small amounts of credit available.
- About half the women invested the credit in activities on their own behalf.
- Access to skills training, in addition to programmes currently available, was another desire of some members.
- SU holds an annual seminar, at which their clients are able to discuss their activities with a range of other community members. This innovation has proved popular with both the group members and the broader community.
- Women report improved confidence and a better position in the household as a result of participating in group activities and receiving credit.
- SU has taken active steps to relate to the local community and to government officers and elected members.

- SU is an example of the contribution which a well-managed and innovative local NGO can make to its beneficiaries and the community.

The Society for Social Service

- SSS is a medium-sized local NGO which operates in the Tangail area.
- It has 29,176 members, of whom 98 per cent are female.
- It is involved in group formation and savings, credit disbursement, rural health development, training, social forestry and functional education.
- Since 1992, it has been running an Integrated Rural Development Programme with funding from Cebemo.
- Savings and educational activities begin immediately on group formation. SSS aims to provide credit to all members on a regular basis.
- Training is provided to selected group members on consciousness raising and leadership development, but does not seem to be well disseminated to other beneficiaries.
- Skills training is not provided, but would be valued by members.
- Although SSS has placed emphasis on sanitation and has loans for this purpose, its members have not yet shown great interest in this part of the programme.
- SSS has the resources to make loans of between Tk 2000 and Tk 5000 available to all of its members with reasonable regularity.
- Tangail is an area in which many NGOs are active, and coordination among them and with government is not yet effective.

Case studies of NGO partners of ICCO

Bangladesh Development Society

- BDS is a small NGO which works in the Barisal, Faridpur, Madaripur and Gopalganj areas.
- It has 4985 members, 80 per cent of whom are female.
- It was founded in 1964 and in its early years undertook welfare and educational projects.
- Over time, BDS moved into the field of sustainable community development and in 1994 it produced a new vision, mission and strategy based on an Integrated Community Development Approach (ICDA).
- ICCO is funding its largest activity, the Institution Building programme, which forms part of the ICDA. This began in 1992 and is now in its second phase. It aims to form 750 cooperatives with 15,000 members.
- The project aims to organise peoples' cooperatives, provide skill-centred and awareness-raising training and bring its target groups into income-generating activities through access to credit.

- Since credit only became available in the second phase of the programme, groups have only received such assistance once and the relatively small amount of Tk 1000.
- Very few women have been able to use the money themselves and most have passed it on to male family members for income-generating purposes.
- Less than half the households used credit money for productive purposes. The rest felt that the amount was too small for this and used it for consumption.
- Members in some communities indicated that they have no work to do in the agricultural slack season and that employment creation would therefore be more beneficial than credit.
- Both skills and awareness building training have been provided, but group leaders have been the main participants.
- Adult literacy training is actively pursued and well-delivered.
- Members have gained from training on health related issues and sanitation practices have improved.
- Clients see BDS more as a direct provider of services than as a facilitator of access to those provided by government.
- Although female members do not feel that they can influence fundamental practices such as dowry, they say that participation in the programme has made them more confident and that their husbands treat them with more respect.
- There are 31 NGOs operating in this area and overlapping of membership and services is a problem.
- BDS staff take active measures to cooperate with other NGOs in the area.
- BDS staff also cooperate actively with local government initiatives and also invite officials to visit their programme activities.

The Christian Commission for Development in Bangladesh

- CCDB began its work during the Independence struggle with relief and rehabilitation activities.
- It is now a big NGO and its programmes reach about 64,000 direct beneficiaries, of whom 80 per cent are women.
- Between 1973 and 1978, its programmes concentrated on introducing technological improvements through cooperatives. Major increases in food production were achieved, but the rural elite took over the benefits and many marginal farmers were made landless.
- After this experience, CCDB concentrated on group formation for capacity building, access to savings and credit schemes, educational, health and other benefits.
- In the early 1980s, the emphasis moved rapidly from male to female members.
- In 1992, CCDB began its current PPRDP as its core activity. The ultimate aim of this programme is to help people develop organisations which will enable them to take

- charge of their own development initiatives. Although it is a comprehensive package, 80 per cent of its funds are used on credit activities.
- Member groups are served by village level committees, which are represented on union level federations.
 - Under PPRDP, CCDB reversed its previous credit management practice and gave financial management to its own community organisers. It found that the previous system of group managed funds allowed financial irregularities.
 - CCDB has also moved from a seasonal loan system to one which requires weekly repayments, bringing it into line with other NGOs offering credit in its operating areas.
 - Members have received loans regularly from CCDB under the current and previous programmes. Most of the credit has been invested by male household members in agriculture.
 - Tribal people have not taken much advantage of the credit programme.
 - Overlapping membership of NGOs in the area studied has given CCDB problems in loan recovery.
 - Much training has been given, both in institutional and skills training areas. However, this is given to selected ‘cadres’ of group members and dissemination has been very limited.
 - The same holds true for women’s empowerment training.
 - CCDB has a substantial impact in the area on health and sanitation practices, except among the tribal community.
 - Women feel that they have gained improved status in the household and that they are more aware of their importance in political processes, notably exercising their right to vote.
 - The area studied is poor in resources and members feel that CCDB’s economic assistance enables them to survive, rather than promoting any upward mobility.
 - Although many NGOs are active in the area studied, there is no formal coordination mechanism between them and overlapping membership is a problem.
 - NGOs do attend the monthly development meetings organised by local government and CCDB cooperates actively with government programmes.

Nijera Kori

- Nijera Kori is an activist NGO which aims to address the circumstances which cause the poverty and destitution of rural people, by making people conscious of their rights and assisting them to develop the collective strength necessary to establish those rights.
- It is a medium-sized NGO with 102,469 members, of whom about half are female.
- Its main current activity is a rural development programme which operates in 17 districts and is supported by ICCO.

- This programme concentrates on organisational development, empowerment, awareness building and socio-economic development through a savings programme. Funds generated through members' savings are utilised by individuals or groups for income-generating activities. There is no credit component using external funding.
- The scope of the self-generated credit scheme is limited, since funds are small.
- NK provides legal aid to members, particularly in such areas as land acquisition and retention by the poor and challenging the oppression of women.
- One or two members of each group receive training, which focuses on consciousness raising and passes through several distinct levels.
- Trained members make serious efforts to disseminate what they have learned.
- NK encourages its groups to form networks among themselves.
- Groups are also federated through village and union level committees.
- Members meet and save regularly. At meetings, members discuss pressing social issues and what measures they can take to tackle them.
- NK groups have taken combined action on social issues and established a reputation as a powerful force in the area.
- Women members have gained confidence through participating in group activities.
- Other members have taken joint actions which have led to tangible gains such as improved payment for manual labour on government projects.
- Although there is no institutionalised cooperation between the many NGOs working in the area studied, they cooperate on specific issues.

Rangpur Dinajpur Rural Service

- RDRS began operating in 1972 in the fields of relief and rehabilitation.
- It then operated sectoral development programmes, before moving towards its current integrated development approach.
- It is a big NGO with 212,415 members, 58 per cent of whom are females.
- It is distinctive from other big NGOs, since it operates in one geographical region, within which it is present in every thana and union.
- Its aim is to achieve sustainable increases in the living standards of the rural poor, to protect the environment, develop community infrastructure and enhance disaster preparedness.
- These aims are largely pursued through one set of activities, known as the Comprehensive Programme.
- Until recently, RDRS was restricted by a limited financial base, but it has recently added several new funding partners, including ICCO in 1992.
- Members form groups, which meet regularly and receive training on group management, the value of saving and awareness raising. A variety of training courses is available to members, including many skill-centred programmes.

- Credit is a relatively recent component of RDRS programmes and not all groups have received regular loans for all members.
- Groups are encouraged to form federations up to union level and these are intended to continue with the organising and animating role after RDRS workers are no longer regularly supervising the groups (phased out groups).
- In the area studied, phased out groups experienced a high drop out rate and met irregularly, while those managed by NGO staff performed rather better.
- Members have improved their health awareness through participation in groups and some have adopted kitchen gardening as a valuable addition to the household diet.
- Group members did not generally see opportunities to challenge practices which are harmful to women, and broader social empowerment was also at a low level, except for increased participation in voting.
- The executive committees of the two union level federations studied meet regularly and process credit and training applications of primary groups. They also have income-generating projects which assist members. Both have leased roadside land from government and group members plant trees on these and maintain them. This has created work opportunities for destitute women.
- Whilst the executive committees meet regularly, the general committees of the federations rarely do so and members of these bodies expressed little enthusiasm for the activities promoted by their executive bodies. The latter are prone to internal disputes, often related to the substantial amounts of funds which are under their control. These disputes have given rise to apathy towards the federations among ordinary group members.
- The concept of phasing out of federated groups to manage their own affairs appears over-optimistic and RDRS itself is now revising concepts and practices to provide more training and support for these bodies.
- Women members tend to use some of the credit for themselves for small-scale income-generating activities and to pass the rest on to male household members.
- Credit from RDRS has improved the standard of living of member households and reduced dependence on money lenders. Since the credit scheme is in its early years and the sums available have not been large, it has not yet stimulated major change in the economic status of households.
- The area studied has 19 NGOs operating in it and these have a monthly coordination meeting.
- RDRS staff also have regular contact with local government officials.

Case studies of NGO partners of Novib

Bangladesh Rural Advancement Committee

- BRAC began its operations in 1972 with relief and rehabilitation work.
- It then tried to promote sustainable development, through building the capacity of the rural poor by multi-sectoral village development programmes.
- To avoid appropriation of benefits by the rural elite, it then adopted a target group approach, with a concentration on women.
- Its interventions aim to assist the poor to build their own institutions, through which local leadership and organisational skills can be developed, with the intention of enabling them to function on an independent and sustainable basis.
- BRAC is a big NGO, with 1.6 million members, 92 per cent of whom are female.
- BRAC operates a broad variety of programmes, including the Rural Development Programme (RDP), the Rural Credit Programme (RCP), the Non-Formal Primary Education Programme and human rights and legal education activities.
- The biggest programme is the RDP, which provides credit and savings support, education and technological services, and institution building.
- The credit programme operates as a revolving loan fund and has the support of a range of technical training programmes.
- It is intended that after four years participation in RDP, groups will move into RCP, which is able to sustain itself without BRAC subsidies and effectively operates as a rural bank.
- Most of the groups studied function smoothly and meet regularly, although there were exceptions.
- Members of all groups have regular access to credit.
- BRAC has three types of loan: general, housing and project loans and a member can take all three types, but with a maximum total amount.
- The credit recovery rate is high.
- All group members have attended the Functional Education Programme and most also have received para legal training. Retention of information is high.
- Members do not feel able to change fundamental social practices such as dowry and polygamy, but more marriages are now registered.
- BRAC clients generally feel that the services provided are good and directly help raise income and employment possibilities. The regular supply of substantial amounts of credit is highly valued, as are the technical support services. Members report economic gains in participating.
- About half the credit extended to women is used by male household members.
- Health and hygiene practices have improved as a result of group discussions and training.

- Few examples of collective social empowerment initiatives have been taken by members, but participation in elections is high.
- Many women directly take part in economic activities with BRAC assistance and others report improved status as a result of participating in group and credit activities.
- Although many NGOs operate in the area studied, there is no formal coordination between them. Overlapping membership of NGOs is prevalent.
- BRAC participates in bi-monthly meetings organised by the Deputy Commissioner's office, but the DC feels that more information sharing and cooperation between NGOs and government is needed.
- An Impact Assessment Study of BRAC has shown that improvements to material well being of households occurs after a minimum length of membership of 2.5 years, with a cumulative credit of at least Tk 7500.
- The proportion of households in the severe food deficit category declines substantially with access to regular loans.
- The impact study found little evidence of progress towards self-sustaining village organisations and that members prefer to leave leadership roles to BRAC staff.

The Community Development Association

- CDA is a local NGO operating in the Dinajpur and Thakurgaon districts. It began in 1986, taking over the programme of a Canadian organisation which had worked there since the liberation war.
- It is medium-sized, with 14,032 members, of whom 54 per cent are female. Its programmes under implementation are expected to bring the total to 40,000.
- CDA aims to uplift the social, economic, environmental and cultural condition of underprivileged people in its project areas.
- It is currently implementing six projects: the Integrated Rural Development Programme (IRDP) Phase III, Village and Farm Forestry project, NGO Gardening and Nutrition Surveillance Project, Non-Formal Primary Education Project (under sub contract from BRAC), a separate NFPE with support from Oxfam, and providing technical assistance to another local NGO.
- IRDP Phase III is partly funded by Novib. It has a four stage programme, covering organisation development of groups, awareness raising, economic development and social action.
- Most groups studied meet and save regularly. Their meetings emphasise social as well as economic topics.
- Groups manage their own savings funds and make loans to members from them. Members value this access to their savings, which reduces their need to borrow with interest from third parties.

- They also receive credit from CDA. The NGO has insufficient funds to make loans to all members of a group at once or on a regular basis. Credit recovery is very high.
- CDA provides considerable training, both on institutional skills and for income-generating activities.
- Health, hygiene and nutrition awareness has been raised among members and kitchen gardening has increased.
- Members have increased awareness about their possibilities for social actions and have, on occasions, acted on the basis of legal education received, sometimes with support from CDA's legal aid cell.
- Members do not feel that they can change such deep-rooted practices as dowry, but more marriages are now formally registered, which gives some advantages to wives.
- There are many NGOs operating in the area. The ADAB Chapter is active, but has been unable to solve the problem perceived by smaller NGOs, that BINGOs with more substantial credit funds take over members that they have recruited, trained and organised.

Proshika Manobik Unnayan Kendra

- Proshika: a Centre for Human Development was established in 1976. Since its inception, it has concentrated on organising and mobilising the poor for their empowerment. It has retained a distinctive approach, with a strong ideological component.
- Proshika is a big NGO, with some 773,400 members, of whom half are female.
- Proshika has one umbrella programme, 'Participatory Sustainable Development for Poverty Alleviation, Environmental Protection and Regeneration', which includes activities in the fields of: organisation building of people's groups, development education, employment and income-generating activities, environmental protection and regeneration, universal education, Health education and related infrastructure building. Integrated multi-sectoral women's development, urban poor development, housing for the homeless, disaster preparedness and management, and an Institute for Development Policy Analysis and Advocacy.
- The programme is now in its fifth phase of five years and has a consortium of donors, which is currently chaired by Novib.
- A major aim of the Proshika development process is to create self-reliant organisations of the poor, which can manage themselves after Proshika workers withdraw from a direct role and become advisers and facilitators.
- Groups are federated at village, union and thana level, each of which has a coordinating committee.
- Proshika offers many types of training, including awareness building, institutional and skills for income generation or improved household nutrition.

- Of the primary groups studied, only one out of six meets regularly and meetings which are held concentrate mainly on savings and credit, rather than on broader social issues.
- These groups also do not save regularly. This relates to the fact that the groups manage their own savings, and members expressed a lack of confidence in this system, with reported cases of financial mismanagement. Proshika is aware of this problem, but regards the more widespread system of financial management by NGO field staff as disempowering.
- All groups have received credit in reasonably high amounts, but infrequently. The repayment schedule is geared to the projected income flow from the activity undertaken with the loan. Proshika sees this system as more accessible to the hard core poor than weekly or monthly repayments. Despite this favourable system, half the groups studied were in loan default, although the overall recovery rate of Proshika loans is over 90 per cent.
- Generally, members reported some improvement in their economic position from their association with Proshika and dependence on money lenders has substantially reduced.
- Both institutional and skills training are provided.
- Group members show increased awareness of practices likely to promote health and there have been gains from attending the adult literacy programme.
- Proshika has been innovative in its use of popular theatre to disseminate messages on social issues and promote empowerment. Awareness has been raised, but most members show little expectation of changing such deep-rooted practices as payment of dowry.
- Women in Proshika groups have become more involved in income-generating activities and in household decision making.
- Proshika has emphasised to its members the importance of voting in elections and some members have also stood for local elected offices.
- Village coordination committees play an important role in managing primary groups, particularly in processing credit applications and making recommendations on them to the union coordinating committee (UCC).
- UCCs take initiatives on social issues, as well as processing credit applications.
- Although several other NGOs work in the area studied, there has not yet been a major problem with overlapping membership.
- Relations between NGOs and government in the area are good, but the Thana Nirbahi Officer feels that NGOs are reluctant to share information on their work with government and that this reduces the opportunities for their members to benefit from government services.

Case studies of NGO partners of the Royal Netherlands Embassy

Shakti Foundation

- Shakti Foundation is a Dhaka based NGO which began operating in 1992. It is one of the organisations which has pioneered projects for the socio-economic development of urban slum and squatter women.
- Shakti offers a credit programme run on a Grameen bank model. After its initial period of operation, RNE Dhaka offered funding to extend the programme for another five years, under the name of the Urban Credit Programme. A pre-project support mission provided detailed models for project and financial management.
- The organisation works in and around Dhaka. It is a medium-sized NGO with 11,755 members, all women.
- The main objective of Shakti Foundation is the economic and social empowerment of poor urban women, through organising them into groups, providing them with social awareness training, encouraging the savings habit, offering skills training and credit for self-employment.
- Groups studied meet and save regularly and Shakti project officers have emphasised the need for productive utilisation of loans and the importance of group cohesion and discipline.
- Within one month of membership, clients qualify for a loan. All members have received a loan and some have already benefited three or four times since 1993. Recovery rate is 100 per cent to date.
- Although Shakti emphasises the need for technical training, few members were found who had actually received any. However, those who had, found it directly useful for income generation, particularly in the field of tailoring.
- Members do not greatly value discussions on problems facing urban women, but emphasise the importance of improved economic status, which promotes their position in the household and/or their independence from men.
- Shakti centres were found to be well-managed and disciplined and members were well-informed concerning their savings and credit status.
- So far, Shakti has experienced little problem with overlapping membership with other NGOs.

Sheba

- Sheba is a Dhaka-based NGO, which began working with middle class urban women in 1991 and commenced a programme in urban slum areas in 1994.
- It is a small NGO with 1040 members, all female.

- In February 1994, Sheba received a one-off grant from the RNE for its programme.
- The programme aims to effect socio-economic development of under-privileged slum dwelling women, through group organisation, developing their capabilities through motivation and training, and bringing them into income-generating activities with the assistance of savings and credit schemes.
- The programme is based on the Grameen Bank model. After formation, groups receive training on organisational discipline, leadership, savings and the proper utilisation of credit.
- Groups which have made satisfactory progress are eligible for credit after three months.
- Groups meet regularly, but attendance is reduced by the need of women to pursue their self-employment activities.
- Groups save regularly and have already received credit once or twice. To date, loan recovery is 100 per cent. In at least half the cases, women have used the loan directly, since they find many opportunities for trading and small-scale production in the slum areas.
- Credit has been provided in sufficiently large amounts to enable income-generating activities and members report rapid profits and reinvestment through use of their loans.
- Sheba offers both human resource development and skills training. Training on organisational matters is provided directly to groups and has been effective. Skills training is held at a project office and few group members have been able to travel to attend course there.
- Relatively few NGOs are working in Sheba's operational areas, but some are beginning to do so, with a resultant rise in issues of overlapping.
- Based on its successful experience to date, Sheba has designed a pilot programme for community housing in slum areas.

UBINIG

- UBINIG (Policy Research for Development Alternatives) is not an NGO, but a non-profit Private Limited Company, which undertakes research, consultancy and development projects.
- It does not organise member groups in the same way as the NGOs studied, but it is a small-scale organisation.
- Since the late 1980s, UBINIG has been acquiring experience and identifying the constraints and opportunities of the weaving sector, particularly in the Tangail region. It designed a development project which aims to revitalise the weaving industry and particular to support marginal and disadvantaged weavers. UBINIG believes that the regular supply of quality inputs, access to markets and improved designs can help save the industry and rehabilitate the weavers in their own craft.

- Another aim of its activities is to more equally integrate women into a modernised, semi-automatic production system and to improve upon their traditional status as pre-weaving stage workers for little or no pay.
- UBINIG drew up an Integrated Pilot Scheme for Small Weavers Development Project, which was granted about Dfl. 250,000 by DGIS for the period 1991–3.
- As well as activities directly related to the improvement of weaving, this project comprised social support services, including an informal literacy programme, a day care centre for children and health care provision.
- In June 1994, at the end of the funding support period an evaluation was undertaken and presented to RNE in Dhaka. The study concluded that the project had not met its quantitative targets, but had enabled much new ground to be broken, notably with regard to improvements in the inclusion of women in technological processes, but that inadequate institutional arrangements had hindered attainment of quantitative targets.
- The evaluation recommended extension of the project time frame so that original targets could be met and in order to define strategies for expansion and replication under an anticipated second phase.
- UBINIG broadly accepted the evaluation and was granted a project extension until march 1995, with additional funding from RNE. During this period most of the original numerical targets were met.
- In June 1995, UBINIG submitted a proposal for a second phase. This was not regarded as sufficiently explicit by RNE and six months of negotiations and discussions followed. UBINIG felt that RNE was trying to move the project too quickly towards commercial viability, whilst the Embassy felt that UBINIG had made too little provision to ensure the sustainability of the weaving enterprises receiving support.
- Finally, RNE offered the option of an independent assessment of the most effective approach, to blend the two viewpoints, but UBINIG felt that this was an attempt to impose unacceptable conditionality on the project.
- No agreement could be reached and the option of a second phase of funding through RNE was accepted as impossible by both parties.
- The IOB evaluation studied the current situation of eight groups. It found that only two groups remain active, but UBINIG management has indicated that four are still operational. Much of the investment in factories, machinery and equipment had been unproductive, since these facilities have in many cases already deteriorated.

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