



MODERNIZING FOREIGN ASSISTANCE

INSIGHTS FROM THE FIELD: BANGLADESH

October 2009

On the cover:
Isa, age 7, Shamim, age 10 and Firoz, age 8, play
in the water from a Sands Pond Filter water tank.

With support from the Hewlett Foundation, Save the Children USA and UK are collaborating on a research and advocacy program, examining the impact of aid at the country level and distilling best practices for policymakers.

The research contained in this report draws upon information that was gathered during a series of interviews and project visits conducted in Bangladesh in March 2009 by Alice Burt, with support from Arifur Rahman. In total, more than 35 interviews were held and the research team gathered data from representatives of the United States Agency for International Development (USAID), other United States (U.S.) government agencies, international nongovernmental organizations (NGOs), local NGOs and civil society organizations, representatives of the Government of Bangladesh, other donors, and the beneficiaries of U.S. foreign assistance.

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Acronyms

ADP	Annual Development Program	NSAPR	National Strategy for Accelerated Poverty Reduction
BERR	Department for Business, Enterprise and Regulatory Reform	ODA	Official Development Assistance
CSO	Civil society organization	PEDP II	Primary Education Development Program II
DAP	Development Assistance Program	PEPFAR	President's Emergency Plan for HIV/AIDS
DFID	Department for International Development	PROAG	Program Objective Agreement
ECD	Early childhood development	PRSP	Poverty Reduction Strategy Paper
FY	Fiscal year	SWAp	Sector-wide approaches
GDP	Gross domestic product	U.K.	United Kingdom
HNPSP	Health, Nutrition and Population Sector Program	UN	United Nations
JCS	Joint Coordination Strategy	UNDP	United Nations Development Program
MDG	Millennium Development Goal	U.S.	United States
MJF	Manusher Jonno Foundation	USAID	U.S. Agency for International Development
NGO	Non-governmental organization		

Save the Children is conducting research into the effectiveness of U.S. foreign assistance programs and producing a series of case studies on countries in sub-Saharan Africa, Asia, and Latin America. Save the Children believes that to become more effective, U.S. foreign assistance, which should prioritize poverty reduction, needs to be modernized to better address the challenges of the 21st century. To achieve this, we offer the following recommendations for the reform of U.S. aid:

- Improve the **internal coherence and responsiveness** of U.S. government development policies and foreign assistance
- Enhance **local ownership and long-term sustainability** of U.S. development and relief initiatives
- Focus on **better coordination** with other partners in the development community, particularly national governments
- Increase **accountability for results**, including improving the effectiveness of strategic planning and impact assessment.

Key Findings

- **USAID has a clearly articulated and implementable strategy:** USAID is pursuing a clearly articulated strategy focused on addressing the social and demographic challenges that threaten the peace, security and development of Bangladesh. This is made possible by the medium size of the USAID program, constructive coordination with the Embassy and the absence of multiple U.S. government agencies or presidential initiatives that might confound the priorities of the overall aid program. USAID has had some clear successes in applying a ‘smart development’ approach by effectively combining development, diplomatic and security concerns.
- **The United States’ aid budget for Bangladesh is small in comparison with other donors, which puts a premium on the strategic use of funds:** Between 2003 and 2007, the U.S. government was responsible for only 5 percent of the total Official Development Assistance (ODA) to Bangladesh. USAID and other donors see the agency’s role as something of a ‘gap filler’ where its funds are used to strategically leverage its comparative advantage or meet otherwise unfunded needs.
- **The failure to coordinate U.S. trade and aid policies is a critically weak link:** The serious lack of coherence between the United States’ aid and trade policies regarding Bangladesh offsets many of the aid’s potential benefits. In 2008, for approximately every \$1 of U.S. aid to Bangladesh, the country paid the United States \$3 in tariffs on its exports.
- **Pre-programming flexibility to avoid Washington roadblocks:** Washington-mandated funding priorities reduce the missions’ ability to respond quickly to changing circumstances or to reprogram funds to new activities. USAID has successfully pre-programmed flexibility into some project design for emergency use of development funds providing useful examples for wider use of this flexibility across other sectors and programs.
- **USAID has effective mechanisms to align its program with the Government of Bangladesh’s poverty reduction strategy in place:** USAID negotiates five-year Program Objective Agreements (PROAGs) with the Government of Bangladesh. These PROAGs outline activities and budgets in each of the sectors in which USAID works and are amended each year to indicate updated annual funding and programming commitments. They are negotiated and planned in consultation with the Ministry of Finance.
- **Long-term capacity strengthening of the Government of Bangladesh needs higher priority from USAID:** The government’s capacity to manage its development program is perceived by many commentators to be weak as a result of poor fiscal management and civil service reshuffles, among other causes. Instead of working with other donors to address these challenges and to invest in the long-term strengthening of the country’s public financial management and procurement systems, USAID has chosen to focus its efforts in other areas.
- **USAID coordinates with development partners in some areas but needs to do more in others:** Given the inadequate governmental leadership over development processes that was noted by many interviewees, it is doubly important that USAID works constructively with other donors. In some areas, such as involvement in the new Joint Cooperation Strategy, USAID has played a strong and constructive role. In others, such as the pooled sector-wide approaches, USAID’s contributions have been much weaker.

Country Background

Bangladesh is the seventh most populous and the fourth largest Muslim-majority country in the world. The country won its independence from Pakistan in 1971 following a brutal nine-month war of liberation. Prior to this it had been the state of East Pakistan, which was created from the partition of the sub-continent into India and Pakistan in 1947. For much of its history before colonization by the British in 1757, Bangladesh was part of greater India and known as Bengal.



Map from Wikipedia Commons¹

Since its independence, Bangladesh's democratic politics have been characterized by bitter rivalry between the two major parties — the Bangladesh Nationalist Party and the Awami League. In January 2009, after two years of emergency rule by an army-backed Caretaker Government, an elected coalition government led by the Awami League took office as a result of national elections that were deemed “free, fair and credible”.²

Bangladesh has made some good progress in reducing poverty over the last decade, despite problems related to weak governance. Since 2000, the average annual rate of poverty reduction of 1.34 percent per year has been among the highest in South Asia,³ while the national poverty headcount has declined from 49 percent of the population in 2000 to 40 percent in 2005.⁴

Bangladesh in brief

Population: 158.6 million⁵

Religion: Islam-90%;
Hinduism-9%; Buddhism-0.6%;
Christianity-0.3%; Others-0.1%⁶

UNDP Human Development Index rank 2008: 140th out of 177 countries⁷

Average rate of poverty reduction 2000-2005: 1.3%⁸

GDP growth 1981-2006: 4.6%⁹

Aid dependency 2007: 1.2% of GDP¹⁰

Equally important have been some of the social transformations — education access has increased dramatically among women, with gender parity now achieved at primary and secondary school level.¹¹ Total fertility rates have fallen from 6.4 births per woman in 1970 to 2.9 births in 2006, and under-5 mortality rates have fallen from 151 to 61 per 1,000 births.¹²

However, Bangladesh remains a very poor country and the benefits of economic growth have not accrued equally to all of its citizens. In 2005, about 64 million people still lived in poverty, and inequality between the country's regions, genders and socioeconomic groups remains a significant challenge.¹³

Aid and other drivers of Bangladesh's economic growth

Unlike many developing countries, official development assistance (ODA) is a less vital source of finance to Bangladesh.¹⁴ At independence, the country was almost entirely dependent on aid but as the economy has grown and other sources of income have been consolidated, the importance of foreign aid has declined — in 2007 it accounted for only 1 percent of GDP — while the share of GDP attributable to exports and remittances has steadily risen to 18 percent and approximately 9 percent respectively in 2007.¹⁵

But in absolute terms, aid was worth \$1.63 billion to Bangladesh in 2007 and remains an important tool in addressing development and poverty reduction.¹⁶ The Annual Development Program (ADP), the costed framework through which the Government of Bangladesh translates the Poverty Reduction Strategy into its development priorities each year, was around 40 percent funded by ODA in 2007.¹⁷

The United States is a relatively minor player in terms of aid donations, contributing only 5 percent of the total aggregate ODA to Bangladesh between 2002 and 2007, equivalent to approximately \$555 million. The largest donors to Bangladesh, often known as the “Gang of Four,” are the Asian Development Bank, the World Bank, the United Kingdom, and Japan. Between them, these four actors accounted for 67 percent of ODA to Bangladesh in 2007 and 63 percent cumulatively for the six years between 2002 and 2007.¹⁸

Figure 1: Remittances, aid and export income as share of Bangladesh's GDP, 2007¹⁹

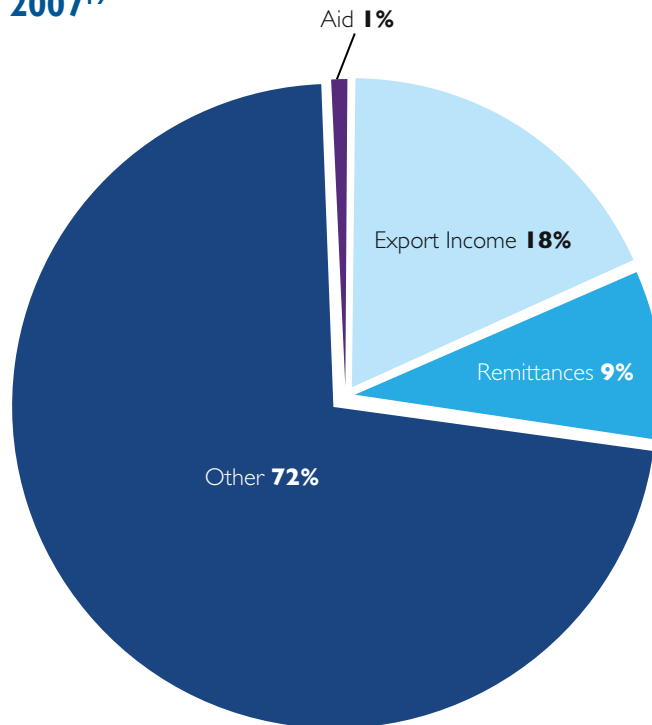
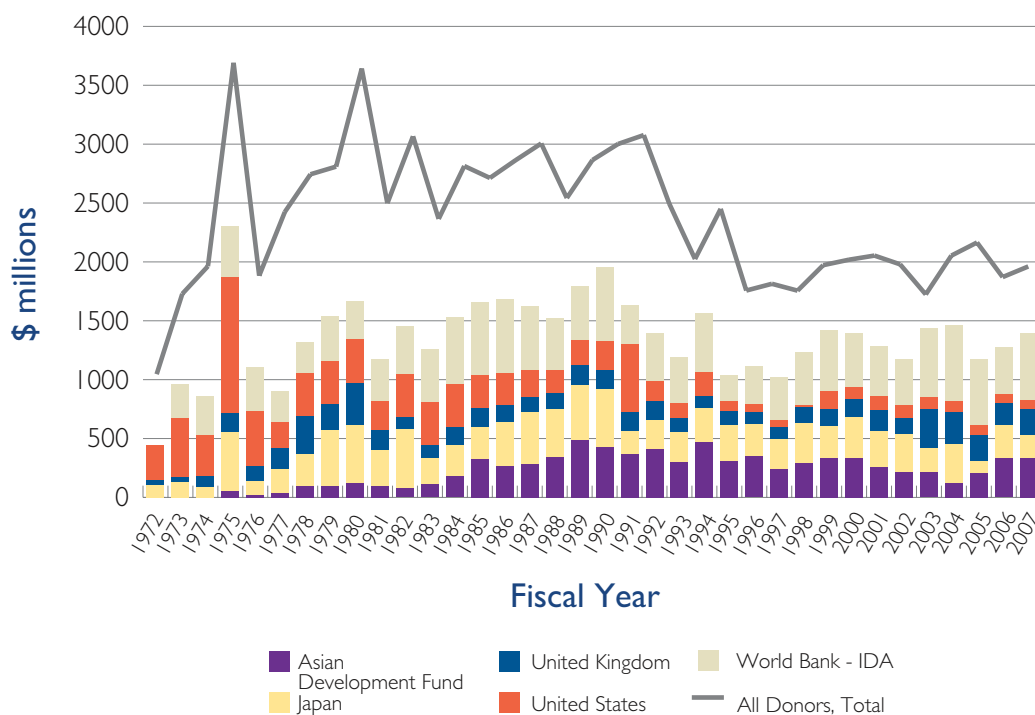


Figure 2: “Gang of Four” and U.S. gross disbursements of ODA, 1972-2007²⁰



U.S. foreign assistance to Bangladesh

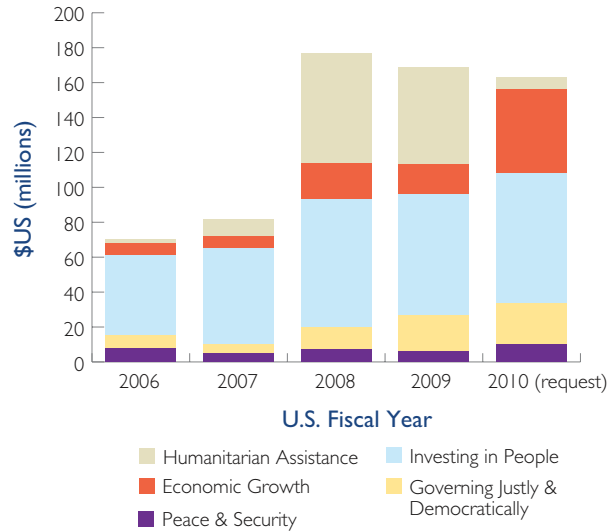
Bangladesh has received U.S. assistance since its independence in 1971. Between 1972 and 2007, economic and military aid totaled approximately \$5.6 billion, around 58 percent of which was food aid.²¹ The two countries have maintained good relations, with the United States viewing Bangladesh as a moderate voice in the Islamic world.

Today, the major U.S. interests in Bangladesh are “to best promote peace and security by strengthening democratic governance and tackling the underlying social, demographic and economic factors that make Bangladesh vulnerable to violent extremism.”²² Through poverty reduction and development, the U.S. government hopes that its peace and security objectives will also be achieved, explaining the strategic decision to concentrate resources under the “Investing in People” objective as: “The enormity of the social and demographic pressures confronting the people of Bangladesh likewise threatens peace and security in this country.”²³

“There is a recognition in USAID that Bangladesh is conservative but not radical.”

— USAID/Bangladesh employee

Figure 3: USAID and State Department assistance to Bangladesh by Foreign Assistance Framework objective, FY2006-2010²⁴



Mursheda, three, has survived the onslaught of Aila and now through Save the Children has access to clean water.



Improving the coherence of U.S. assistance

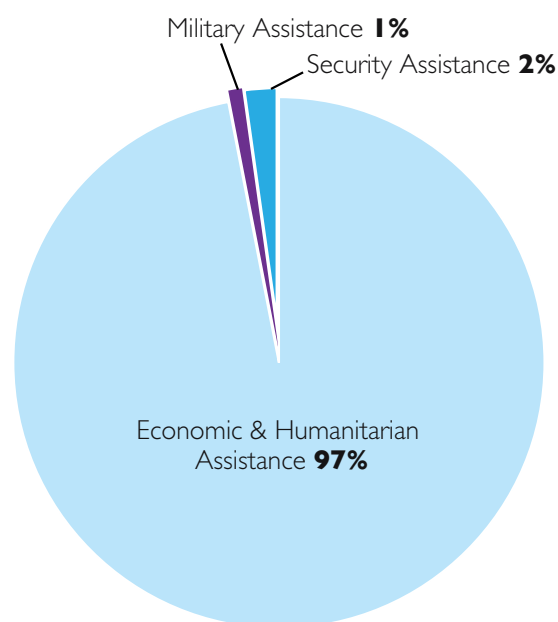
The U.S. government has articulated its worries about Bangladesh's potential vulnerability to extremism. In response to this, USAID's goal in Bangladesh is poverty reduction and economic growth as a strategy for encouraging peace and stability. Generally, USAID's program is coherent and its objectives adequately coordinated with other U.S. government agencies. However, this otherwise solid coordination is severely undermined by the contradiction between U.S. aid and trade policies, putting into question the overall efficacy of the entire U.S. assistance program to Bangladesh (see page 8).

Smart development

Between FY2001 and FY2009, USAID and the State Department provided approximately \$937 million of economic and humanitarian assistance and only around \$33 million of military and security assistance.²⁵

Through these spending priorities, USAID hopes to address the underlying causes of vulnerability to extremism while also best utilizing its available resources. In many ways, the USAID mission seems to have effectively assimilated the strategy of smart development, bringing together security, development and political concerns in an integrated approach.

Figure 4: Share of total USAID and State Department budgets by objective, aggregate FY2001-FY2009²⁶



Case study: Smart development in Bangladesh

In 2004, USAID/Bangladesh initiated the Leaders of Influence project, illustrating the principle of using smart development to successfully combine development, diplomatic and security concerns. It reflects the mission's overall approach of pursuing an integrated program that deals directly with the potential for terrorism, while concurrently tackling the long-term social, demographic and economic factors that make Bangladesh vulnerable to extremism.²⁷ In contrast to many other countries where USAID is using its resources less strategically, the integrated approach taken by the Leaders of Influence project holds the potential to achieve truly transformative outcomes.

Between 2004 and 2011, the project is working with 15,000 Imams (Islamic religious leaders) and a further 10,000 local elected officials, journalists, leaders of other faiths, professionals, women, and youth leaders across the country. It is educating participants about development projects and how to implement components of them in their own communities. Activities include visits to USAID-funded projects to increase familiarity with services and break-down barriers to access, and regional exchange trips. An important project aim is to "build bridges of understanding" between the leaders and USAID partner organizations.

In addition to this, the project has conducted an in-depth baseline study examining the attitudes of a sample of the Bangladeshi population on various issues, such as attitudes to women, faith and political engagement. USAID plans to use this information to better inform its future programming.

"Counter-terrorism is a great side effect of what you do with Leaders of Influence, but this is a development program. Yes, the end product is that you're creating tolerance and an appreciation of Western support but the thrust of the program is development."

— Representative of the Leaders of Influence project

For the U.S. government, the public diplomacy gains of the project are also clear. By increasing familiarity and engagement of influential community leaders with USAID's work, the project is helping to demystify USAID and promote the United States' image in Bangladesh.

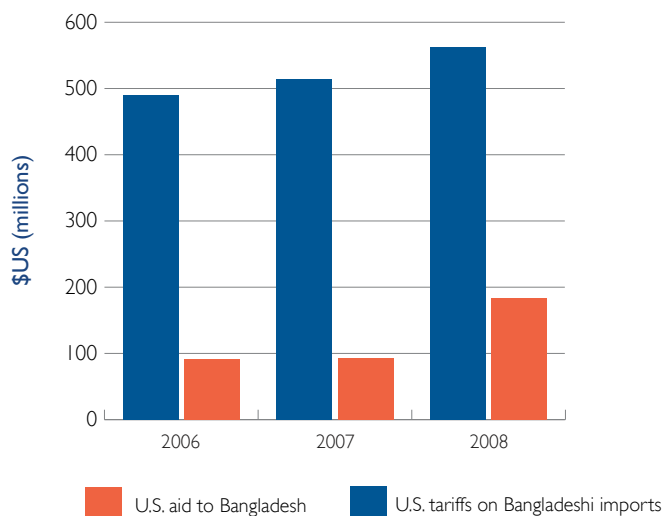
U.S. aid and trade policy: Giving with one hand while taking away with the other

Despite the U.S. government's efforts in Bangladesh to coordinate and streamline its program components, the integration of its aid and trade policies remains a critically weak link that needs significant improvement. In 2008, for approximately every \$1 the United States provided in aid to Bangladesh, Bangladesh paid \$3 to the United States in tariffs on goods it was exporting into the United States.

For Bangladesh, trade, not aid, may be the key to development. By 2007, Bangladesh was exporting \$12.2 billion worth of goods globally.²⁸ Exports to the United States have grown steadily to \$3.7 billion²⁹ and the United States is the largest market for Bangladeshi exports.³⁰ In 2008, trade with the United States was worth more than 20 times the value of the foreign assistance Bangladesh received from the United States that year.

Given the importance of trade with the United States, it is vital that policies are in place to help both nations make the most of the trading relationship. However, one of the oldest and biggest preference programs to promote developing country exports to the United States — the Generalized System of Preferences — does not cover the labor-intensive goods best produced by many developing countries, such as Bangladesh. These excluded products include readymade garments and footwear, which account for approximately 95 percent of Bangladesh's exports to the United States and were valued at \$3.6 billion in 2008.³¹

Figure 5: Value of tariffs on Bangladeshi imports and U.S. aid, 2006-2008³²



“USAID provides development assistance. The U.S. Trade Representative discusses trade policy and there’s not a lot of crossover.”

— U.S. Embassy in Bangladesh employee

Case study: The U.K.’s approach in drawing aid and trade together

The U.K. government sees trade as a vital aspect of development, as its Department for International Development (DFID)’s 2004 White Paper made clear. Trade is used to encourage economic growth and reduce aid dependency in the long-term.³³ A number of significant reforms have been introduced that link various U.K. government divisions through interests in trade-related issues. For example, a Cabinet committee on trade, chaired by DFID’s Secretary of State, has been created to give strategic direction to U.K. trade policy. In 2007, the DFID-BERR (Department for Business, Enterprise and Regulatory Reform) Trade Policy Unit was created, complete with the new position of joint DFID-BERR Minister for Trade Policy. The remit of this unit covers trade policy, operational issues, and trade-capacity building, and brings together some 70 trade and development experts. DFID has also tried to focus its

energies on helping developing countries build their ability to capture trade opportunities, and the U.K. has committed to increased spending on aid for trade by 50 percent — to \$750 million a year by 2010.³⁴

This is good news for Bangladesh. After the United States and Germany, the U.K. is Bangladesh’s third largest trading partner. In 2007, Bangladesh exported goods worth \$1.3 billion to the U.K. which was a rapid and sizeable increase over 2005 when those exports totalled \$795 million.³⁵ Under European Union rules, Bangladeshi exports to the U.K. have benefited from preferential market access, providing duty and quota free access to EU member state markets.³⁶ Meanwhile, the DFID office in Dhaka has been working to improve Bangladesh’s investment climate by assisting in the development of export processing zones, promoting job creation in export industries, and building the capacity of local organizations to work on trade policy.³⁷

In 2006, 2007 and 2008, Bangladesh paid tariffs on its exports to the United States worth approximately \$491 million, \$515 million and \$562 million respectively, far exceeding the amount of aid the United States gave to Bangladesh in the same years (see Figure 5).

USAID does implement some minor aid-related trade programs locally, such as support to Bangladeshis to attend international trade shows, increasing the competitiveness of the shrimp sector, and improving labor standards in export processing zones. Yet on balance, these small-scale “aid for trade” activities in no way compensate for the larger inconsistencies between U.S. aid and trade policy.

U.S. government representatives in Dhaka reflect the disconnect between the U.S. government’s aid and trade policies in Bangladesh through their absence of engagement on trade issues. Both USAID and the Embassy conveyed to the Save the Children research team that trade policy and related activities are not their responsibility and referred the team to the U.S. Trade Representative in Washington.



Children in Gazipur District gather to watch Sesame Street.

“Collaboration between USAID and the Embassy is not a bad thing. A lot of what the Embassy does is very close to what we do here.”

— USAID/Bangladesh employee

Case study: Filling the funding gaps

The Government of Bangladesh’s Primary Education Development Programme II (PEDP II) focuses on delivering primary school education but does not meet the need for early childhood development (ECD). Currently, less than 15 percent of Bangladesh’s children under-5 years of age participate in any kind of early childhood education program, despite the importance of pre-primary education for improved retention rates and performance during primary school being well documented.³⁸ For a number of reasons, including an initial lack of political prioritization, the Bangladeshi government opted not to include pre-primary education in the PEDP II.

To fill this critical gap, since 2005 USAID has been funding a large and successful ECD and pre-primary education program, called SUCCEED. It has committed more than \$30 million to this multifaceted project, which works in 1,800 home- and school-based preschools across 600

communities nationally and aims to help 149,000 children complete preschool.³⁹

Alongside this, USAID funded the creation of a Bangla version of the children’s television show, Sesame Street, called Simsimpur, which is now the most widely viewed children’s television show in Bangladesh. For the children who have limited access to television, trained facilitators drive adapted rickshaws into villages to show Simsimpur on a mobile TV and video system (see photo of one such event in a village in Gazipur in March 2009).

The results from these interventions in improving children’s basic literacy and mathematical skills have been impressive, directly contributing to increased political support for early childhood education. The Government of Bangladesh now recognizes the need for pre-primary education and, by 2015, intends to ensure that all preschool- age children have access to early childhood education.⁴⁰

Strategically leveraging resources and influence to pursue a development agenda

Given USAID's relatively small budget compared with other donors to Bangladesh, the mission has had to identify where it can most strategically leverage its comparative advantage or meet otherwise unfunded needs. Both USAID and other donors reported that they see USAID's role as something of a "gap filler," particularly in the provision of funds for activities that remain independent from but complementary to the sector-wide approaches (SWAp). In addition to yielding some good development results, the Save the Children research team heard how this strategic approach has been used to maintain the United States' influence with the Government of Bangladesh.

Some constructive interagency cooperation under clear leadership

USAID is unambiguously the preeminent U.S. government agency working on development issues in Bangladesh. The coherence of USAID's program has been facilitated by the establishment of close and mutually beneficial cooperation between USAID and the U.S. Embassy in Dhaka. Aside from trade issues, the USAID mission takes a leadership role in all programs related to development and poverty reduction, including coordination with the small in-country Centers for Disease Control & Prevention program. The Embassy helps to strengthen USAID's work in governance and rule of law.

Unlike many other medium-sized programs, the U.S. government's mission in Bangladesh has not experienced a proliferation of U.S. federal agencies. Only six U.S. government agencies have staff working in the country — a small number compared with many other countries — and they are well assimilated into the Embassy. Furthermore, USAID in Bangladesh does not host any presidential initiatives, such as the President's Emergency Plan for HIV/AIDS Relief (PEPFAR) or the President's Malaria Initiative, which has helped to facilitate clarity of vision and purpose and a strategy that is determined by the country context.

Empowering USAID to control its budget at the country level

Despite the many positive features of the U.S. government's assistance program to Bangladesh, there is clearly room for improvement in the realm of local authority over the budgetary process. The USAID mission's funds are generally well aligned with its overall goals, however, its budget is also earmarked on specific activities or sub-sectors, including earmarks for education, water, bio-diversity, clean energy, and micro-enterprise.

These Washington-mandated funding priorities reduce the mission's ability to respond quickly to changing circumstances or to reprogram funds to new activities, unless this flexibility has been specifically pre-programmed into a project's design (see case study on page 11). Other donors and the Government of Bangladesh identified the rigidity of USAID's systems as a significant challenge. In fact, the issue of USAID and other donors' lack of country-level authority even warranted a write-up in Bangladesh's monitoring of the Paris Declaration: "... the major capacity constraint for several DPs [development partners] is the lack of sufficient delegation of authority from the headquarter office to take decisions at the field level on many issues."⁴¹

In contrast, the U.K. has delegated authority over DFID's budgets at the level of each country office worldwide for up to £20 million. The DFID program in Bangladesh had a budget of £114 million in FY2008-09, meaning that the in-country Head of Office was empowered to move the equivalent of nearly 18 percent of his budget if required, without a time-consuming and laborious approval process. This increases DFID's agility and ability to best respond to Bangladesh's development needs in a timely and flexible manner.

"If you can take any recommendations back to Washington, can you tell them that they need to delegate more authority to their mission so that they can take more decisions on their own."

— Government of Bangladesh employee

U.S. government agencies with an in-country presence in Bangladesh:

- USAID
- Department of State
- Centers for Disease Control & Prevention
- Department of Justice
- Department of Agriculture
- Department of Defense

Reinvesting in USAID's personnel and technical capacity

A key message to emerge from Save the Children's research was the importance of reinvesting in USAID's technical capacity. For both the USAID mission and its implementing partners, this means staffing the mission with an adequate number of skilled personnel and encouraging these staff members to stay longer in the country to develop in-depth knowledge.

Between FY2005 and FY2007, USAID/Dhaka's staff numbers fell from 97 to 93, despite the increased requirements placed on USAID and an 11 percent increase in the value of the funds it was responsible for managing from \$77 million to \$85 million.⁴² The USAID mission in Dhaka plans to increase its staff numbers over the next three years to fill this capacity deficit.

“USAID is an extremely important development agency, particularly for technical assistance – and that’s been its forte for years. But since the late 1990s, they’ve suffered a great deal from a lack of personnel and funding.”

— *International NGO employee*

Case study: A successful emergency response using flexibly reprogrammed development funds

On November, 15th 2007, Cyclone Sidr struck the southern coast of Bangladesh, affecting more than 8 million people and killing 3,500 people across 30 districts. Homes were destroyed and household items, food stocks, water sources and sanitation facilities were lost in already very poor communities.

Save the Children had been implementing a Title II PL480 Development Assistance Program (DAP) in some of the cyclone-affected areas since 2004. At USAID/Bangladesh's initiative, the DAP was designed as an integrated program including interventions to increase household food access, enhance maternal and child health, and improve disaster preparedness. A key objective was also to design flexibility into the program to enable the transition from development to emergency relief and back. As part of this, the DAP locally pre-positioned

resources, such as food and non-food items, that could be utilized to speed emergency response and overcome logistical difficulties.

This plan was put into action when Sidr made landfall. USAID authorized Save the Children to re-deploy temporarily all of its 500 DAP staff to respond to the disaster. Save the Children was also able to shift up to 10 percent of its resources for the fiscal year from its development activities to meet humanitarian needs, which immediately provided some 2,000 metric tons of food and nearly 10,000 non-food kits.

Through the speed of response, Save the Children was able to provide emergency relief to between 50,000 and 70,000 families in the first 36 hours after the cyclone struck. Once the emergency had subsided, USAID also reimbursed the project's food stocks to ensure that the program's longer-term development work was not affected.

Enhancing Local Ownership and Long-Term Sustainability

In many respects, aid plays a much smaller role in Bangladesh than in many other aid-receiving countries. In 2007, aid accounted for less than 1.2 percent of the country's GDP. But ODA still provides a critical 40 percent of the Government of Bangladesh's spending on development and poverty reduction activities.⁴³ Strong government leadership and constructive policy advice from development partners remain critical to address the still severe development needs of the country.

At the same time, USAID and others donors are struggling to know how best to encourage local ownership and sustainability, although serious capacity strengthening must underpin any donor's approach.

Encouraging ownership of the development and poverty reduction agenda

Compared with other developing countries, Bangladesh's Poverty Reduction Strategy Paper (PRSP) — the plan the government has compiled to address how to lead the country's processes of development and poverty reduction — is seen by many to be more theoretical than real. This plan, known locally as the PRS, has allegedly low levels of buy-in from the government, parliament and Bangladeshi people.⁴⁴ The new government has pledged to rewrite the nation's development strategy, which may help to institutionalize its goals over the coming years.

“The money is less important, it's only such a small amount of GDP. It's the policy guidance, the technical assistance, the international experience that really helps.”

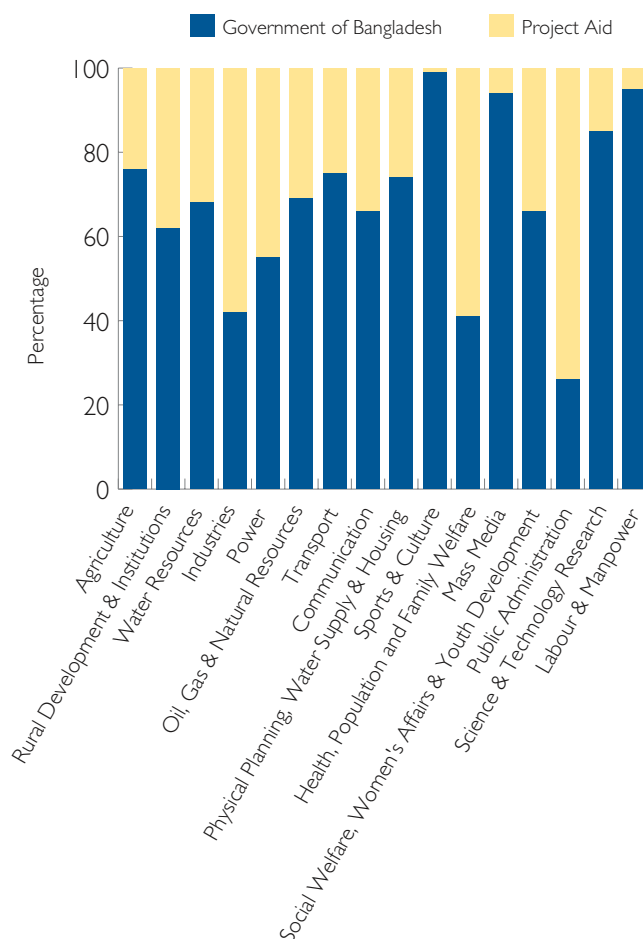
— Donor agency employee

“What we really need to do here is a lot less sexy than setting up a few clinics. What we need to do is a lot longer term and the U.S. government needs the courage to invest in activities that may not yield quick and viable results.”

— Donor agency employee

The overall importance of donor funding to the ADP is illustrated by this figure. External support is particularly valuable in the Health, Population & Family Welfare and Public Administration sectors. Overall, in 2006/07 (the most recent year for which complete figures are available), this data shows that the ADP was around 60 percent funded by the Government of Bangladesh and 40 percent by development partners.

Figure 6: Division of Annual Development Programme Expenditure, 2006/07⁴⁵



“Pervasive institutional weakness in macro and micro level, in conjunction with poor coordination of external assistance, has emerged as the central cause of poor implementation of the PRSP.”

— *Government of Bangladesh – Monitoring the Paris Declaration – 2008 Country Chapter*

However, in the absence of other more effective government-led development plans, donors are still trying to align their programs behind the PRS’ priorities, hoping this may also encourage greater government ownership of the development agenda it represents. Indeed, in 2007, donors funded about 40 percent of the costed plan through which the government translates the PRS into activities.⁴⁶ Generally, given the various constraints outlined, donors are making satisfactory progress to get behind the government’s plans. The Organization for Economic Co-operation and Development estimates that 92 percent of aid to Bangladesh was aligned with national priorities in 2007.⁴⁷

The United States’ five-year agreements with Bangladesh

For its part, the United States has made efforts to work transparently and to align its program with the Government of Bangladesh. USAID negotiates five-year Program Objective Agreements (PROAGs) with the Government of Bangladesh on a rolling basis to facilitate coordination with the PRS.

These PROAGs outline activities and budgets in each of the sectors in which USAID works, namely health and population, economic growth, environment, and education. The PROAGs are amended each year to indicate updated annual funding and programming commitments. They are negotiated and planned in consultation with the desk officer responsible for the United States in the Ministry of Finance’s Economic Relations Division.⁴⁸

Working with the Government of Bangladesh for long-term sustainability

At the strategic level, the planning system enacted by USAID/Bangladesh through the PROAGs is a step in the right direction, but many feel that USAID still has some work to do in utilizing the appropriate tools to best ensure the impact and sustainability of its assistance funds. An important part of this is building Bangladesh’s capacity to direct its own development program.

“The mechanism of partnership between the government and USAID is not well thought out, if we can even call it a partnership. It’s more of a patron-client relationship.”

— *Former Advisor to the Government of Bangladesh*

Case study: Sector-wide Approaches in Bangladesh

There are only two major joint multi-donor and government initiatives in Bangladesh. In the health sector, the World Bank administers a \$4.2 billion multi-donor SWAp called the Health, Nutrition and Population Sector Program (HNPSP). From 2005 to 2010, its activities will cover about 90 percent of Bangladesh’s health care services.⁴⁹ Eight donors have pooled their funds in this program and a further 10 donors provide parallel funding for particular activities, including USAID. To help build government capacity, the donors and government of Bangladesh opted to use government financial management and procurement systems, although a number of the participating development partners reported delays and complications as a result of this.

In the education sector, the Primary Education Development Program II (PEDP II) is a sub-sector wide approach (sub-SWAp), managed by a Project Liaison Unit within the Asian Development Bank. Eight donors, including DFID, pool their funding, and a further three provide parallel funding. The United States does not provide any funding or implement parallel activities to this SWAp, which is funded by donors to \$1.5 billion for 2004-2009. With the exception of the parallel activities, national procurement systems are used, accounting for around 80 percent of the procurement under the program. Slow implementation and a lack of government leadership and ownership have undermined the impacts of the PEDP. As one of the donors providing funding explained to the Save the Children research team this has meant that “passion for moving to a SWAp has eroded to some extent, although everyone agrees that there is no better alternative to a SWAp.”

In countries like Bangladesh, most donors retain a mix of project aid and program funding to balance the quick gains achieved through a project-based approach with the longer-term and riskier, but ultimately more sustainable, process of working with local NGOs, national systems and government-led initiatives.⁵⁰ A few donors, such as USAID channel 100 percent of their assistance budgets to projects implemented by NGOs and contractors, most usually international ones. Although these projects often create good short-term impacts, their longer-term effectiveness can be hampered by a lack of local ownership and duplication between projects in an uncoordinated and crowded development landscape. Moreover, it burdens the government's efforts to keep track of a high number of individual projects.

In particular, USAID's inability and unwillingness to channel any funding through the SWAps is seen as a sticking point with the Government of Bangladesh and some other donors. While USAID's funding to projects in the same sector as the SWAp have had some good impacts (see case study on the SUCCEED project on page 9), USAID should look at how it can reconcile its understandable wariness of the government's fiscal and managerial weaknesses with the benefits that come through engaging with SWAps.

“As long as you refuse to work through government you will have results but those results will not be sustainable. You will not have a single government official that has proper ownership of those projects.”

— Donor agency employee

Helping to strengthen Bangladesh's capacity to manage its development program

In building the capacity of the Government of Bangladesh to manage its own development program USAID receives a less than positive write-up by other development partners and the government. A recurring theme among interviewees throughout the research, was the challenges facing the Government of Bangladesh in implementing its development program — including weak fiscal accountability, poor public financial management systems,⁵¹ corruption,⁵² slow utilization of aid resources,⁵³ and constant reshuffling of officials in the civil service. Furthermore, there is a complicated web of government ministries with separate but overlapping mandates involved in the management of aid, yet none are adequately staffed or empowered to be effective.

The caretaker government made progress in improving the legal and procurement frameworks, and also in delegating greater authority to the line ministries for resource allocation to speed up utilization of the ADP. The amount of aid using public financial management systems for its management has increased from 53 percent in 2005 to 77 percent in 2007. The use of national procurement systems has also increased by 18 percent to 66 percent in 2007.⁵⁴

But none of USAID's projects use national management or procurements systems, because of concerns that the quality and accountability of government systems is sufficient. The mission admitted that they would be very much in favor of programs to strengthen the government's capacity but currently do not have funding for these activities.



Khadija Begum with her 10 month old son Nyem relaxes after working in her homestead garden.

Increasing Coordination with Partners

In some respects, the U.S. government is making concerted efforts to coordinate its work with civil society, other development partners and the Government of Bangladesh. It participates regularly and constructively in the major forum for donor coordination — the Local Consultative Group — and also in sector-level technical working groups.

As a somewhat minor player in terms of the size of its assistance budget, the United States is not expected to assume the largest leadership role in the donor community, although other development partners responded positively to USAID's coordination activities. However, USAID's constructive engagement with other donors and local civil society is particularly important in the absence of strong government leadership of the development process.

“We, as your development partners, see development as a collaborative process that is led by you, the Government... the Joint Cooperation Strategy will serve as a future road map for the government, donors, and other critical stakeholders in Bangladesh's development.”

— Speech by USAID Representative at Workshop on the Joint Cooperation Strategy, 2009

The goals of the Bangladesh Joint Cooperation Strategy (JCS):

- Strengthen demand-driven capacity development;
- Increase medium-term predictability of domestic and foreign resources for poverty reduction;
- Improve conditions for national ownership, particularly greater involvement of national authorities at the program design stage;
- Focus on results;
- Make progress on complementarity and division of labor among development partners;
- Create incentives for development partners to further meet their commitments under the Paris Declaration and other norms of aid effectiveness.

Significant steps towards better coordination

Much to the appreciation of the development community in Bangladesh, the U.S. government is playing an active role in improving the coordination between donor and government programs.

In many countries, the multiple and often overlapping strategies pursued by the host government and its development partners pose significant challenges to the implementation of development programs. This causes inefficiencies, increases transaction costs and undermines impact. To address this problem, in August 2008, the government of Bangladesh and 15 development partners, including the U.S. government, committed to the adoption of a Joint Cooperation Strategy (JCS) by May 2010.

USAID has been working closely with the government's Economic Relations Division. Other donors commented that the United States is “very much on board” in all JCS negotiations, noting that it has taken the lead around some specific activities, such as planning a workshop and the preparation of a sectoral policy paper.

USAID/Dhaka is strongly committed to the JCS. However, because USAID generally has not prioritized efforts to bring itself in line with aid effectiveness best practice, the mission's cooperation in the JCS is not as straightforward as it is for other donors, such as DFID. USAID/Dhaka acknowledges that internal organizational barriers to harmonization exist— such as strong requirements to meet targets and follow plans defined by USAID/Washington and Congress. To mitigate this, the mission has an ongoing dialogue with USAID in Washington to iron out the details of how it will arrange its own strategic processes with the JCS and other development partners.

“We do take the Paris Declaration and the Accra Agenda seriously. We have a mandate from our prime minister to make development and our institutions work better. Hopefully the JCS will be one part of this process.”

— Employee of DFID Bangladesh

Managing for Results

Decades of experience have taught USAID a number of lessons about what works and what doesn't. USAID in Bangladesh recognizes that some programs defy easy impact measurement. Yet there are concerns that much of the knowledge about effective programming and evaluation is progressively being eroded by staff losses and the implementation of a monitoring and evaluation system that focuses too much on quantifiable outputs over more nuanced indicators of change. A number of USAID's implementing partners, other development partners and even USAID itself expressed concern to the Save the Children research team about the inadequacy of the existing processes.

Longer-term planning horizons can lead to more sustainable results

If a donor does not adequately understand the country context and if its targets do not express sustainable change, how can it measure whether it has been successful in achieving developmental progress? One respected Dhaka think-tank raised this issue, stressing that it is helpful for donors to have a strong, long-term strategy against which to measure impact. (See for example the case study on DFID's strategic planning process, below).

Soon after the publication of a September 2005 document outlining USAID's strategic priorities for 2006-2010 in Bangladesh, a new country planning process was introduced by the State Department Bureau of Foreign Assistance (or the "F Bureau") in Washington which suspended multiyear strategizing. In Bangladesh and across USAID's country programs, the agency's longer-term programming approach, through which the mission had routinely developed a multiyear strategy, was replaced with a one-year planning cycle. Although the USAID mission in Dhaka reported that the new annual operational plan introduced under this system was "mainly a question of different ways of telling the same information," other development partners and stakeholders frequently identified the weakness of USAID's longer-term vision and more superficial country analysis as a restriction to the agency's overall effectiveness.

"Process indicators are important, numbers are important but at a certain point, so what? We have to show impact beyond numbers."

— Employee of an international NGO

Case study: Understanding how to drive long-term, pro-poor change

DFID's approach to strategic planning was often mentioned by members of the development community as a good example of a planning process that was sensitive to country context and clarified aims and anticipated outcomes through a coherent methodological approach.

An organization-wide initiative called "Drivers of Change" was introduced by DFID headquarters in 2003, in response to the organization's acknowledgement that its focus on the MDG targets did not always reflect a clear understanding of country-level political alignments.⁵⁵ Through a close examination of country contexts, the Drivers of Change approach aimed to help answer the question of how change was occurring within the country and, as the next step, to understand how these changes could be harnessed to bring about more pro-poor outcomes. Particular attention should be paid to the institutional features of a state, especially formal and informal rules, power structures, and incentives created

by these. This methodological approach advocates that change may be slow, and encourages a planning process that recognizes the medium to long-term nature of the poverty reduction process.

Bangladesh was the first DFID country office to conduct a Drivers of Change analysis.⁵⁶ It also regularly carries out other studies to inform its planning and strategizing process. For example, in 2007, DFID led a horizon-scanning exercise that included participation from around 50 stakeholders to try to identify the biggest challenges and avenues for change facing Bangladesh over the next 30 years. DFID also uses an internal results framework document, into which individual, team and country-level goals are fed, to help individuals and the whole country program coordinate their objectives. According to one development professional, this system has helped to make DFID "the yardstick for an agency that measures itself by the outcomes of its actions." In early 2009, a new Country Assistance Plan was underway to respond to changes in the political environment and the democratic transition.

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Vegetable wholesale buyer Harun Or Rashid purchases kangkong and Indian spinach on a regular basis from the Village Model Farm of Morium Begum.

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