

MINISTRY OF FOREIGN AFFAIRS OF DENMARK
Danida



BANGLADESH-DENMARK PARTNERSHIP

STRATEGY FOR DEVELOPMENT COOPERATION

2005-2009



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BANGLADESH



1.

INTRODUCTION

1.1 Denmark's Development Policy

Poverty reduction is the overriding objective of Denmark's development policy. Danish development cooperation is aimed at helping poor population groups by ensuring critical investments in people and promoting sustainable development through poverty-oriented economic growth. Denmark will seek to underpin further progress in the field of democratisation. The participation of women in the development process, a sustainable environment and the promotion of human rights and democracy are important concerns for Danish development cooperation. The delivery of effective development cooperation through strategic, performance-oriented activities centred on sector programme support is a fundamental principle in Denmark's development policy.

Denmark's bilateral development cooperation is primarily channelled to a selected group of programme countries that demonstrate the will and ability to promote long-term sustainable development. The countries that meet the conditions for receiving Danish development cooperation are challenged by severe poverty but at the same time live up to their responsibility to meet this challenge by formulating and effectuating long-term national poverty reduction strategies and working to consolidate democracy, respect for human rights and good governance.

Partnership is a cornerstone of Denmark's development cooperation. Effective poverty reduction requires the establishment of partnerships on a broad front, both with the national and international actors involved in the formulation, effectuation and monitoring of the programmes as well

as with the partners in the development cooperation and other actors who are affected by the activities – governments, the private sector, and civil society, including poor and marginalised groups. Another fundamental principle of Denmark's development policy is that this cooperation should be based on the programme country's own strategies and policies.

This country strategy sets out the principles for Denmark's development cooperation with Bangladesh over a 5-year period (2005-2009), and at the same time constitutes the strategic framework for the long-term partnership with Bangladesh.

1.2 Bangladesh as a Programme Country

Bangladesh is among the poorest countries of the world – with a GDP-per capita of USD 380, the second poorest in Asia – and faces huge development challenges. The country is home to more than 140 million citizens, placing Bangladesh as the eighth most populous country in the world with an extremely high population density. Half of the population lives below the poverty line. With a yearly population growth of almost 1.5 per cent, this number increases by almost 2 million each year. All Bangladeshi governments have stressed that the country is not able to tackle and overcome these development challenges without the assistance of external donors.

This has placed Bangladesh as one of the main recipients of Danish development assistance since the country gained independence in 1971. The overriding principle for this long-term co-operation has been poverty reduction. In the last decade, this objective has been supplemented with a goal of promoting human rights and democratisation.

Bangladesh will continue to be a programme country for Danish development assistance. This decision is based on the country's continued need for external assistance to address the development challenges, including problems of poverty, governance and human rights. Despite these challenges, Bangladesh has experienced positive per capita growth rates in recent years primarily caused by the strong development of the private sector, including agriculture. Furthermore, the Government is committed to addressing obstacles to growth and poverty reduction and has a strong focus on poverty reduction in implementing domestic policies.

The country strategy draws on the experience from the long standing Danish-Bangladeshi development cooperation, and is the result of a consultative process, based on Bangladesh's development priorities and Denmark's development cooperation policies.

2. DEVELOPMENT AND CHALLENGES IN BANGLADESH

2.1 Poverty Analysis

During the 1990s, Bangladesh achieved sound economic growth and low inflation. On average, GDP per capita grew at around 3 per cent per year, and during the last five years per capita growth reached a peak of 5 per cent. This performance has enabled Bangladesh to achieve progress in reducing poverty. Between 1991-92 and 2000, income poverty declined by 1 percentage point a year from 59 to 50 per cent. The level of income poverty declined both in the urban and the rural areas with the decline in incidence higher in the urban relative to the rural areas. The decline in the depth and severity of poverty has been greater in the rural compared to the urban areas.

Despite this achievement, the number of poor living below the poverty-line has increased, unemployment has gone up and joblessness increased by 3.3 percent a year throughout the last decade. Approximately 65 million people live below the poverty line (2,122 calories). Of those approximately 55 million live in rural areas. Rapid urbanisation will mean an additional 20-25 million urban dwellers by 2015 of which around 20 million are expected to be poor bringing the total number of urban poor to at least 30 million. Male migration has consequences for the feminisation of the labour force in rural areas.

Women and children are disproportionately affected. Almost all (95 per cent) of female-headed households are estimated to live below the poverty line, with 40 per cent being classified as extremely poor. Approximately a quarter of the population with income above the poverty line

also remain vulnerable to falling back into poverty due to sudden income loss and other shocks such as seasonal deficits, natural disasters or illness of the income earner in the household. Many rural households still face yearly food shortages during September to November when illness-related expenditures are at their peak. Livelihood strategies are becoming increasingly complex. Rural dwellers frequently rely on a non-farm income for part of their livelihoods and migrate to urban areas to improve their livelihoods.

In addition, pockets of severe distress exist in unfavourable agro-ecological environments, particularly in low-lying districts vulnerable to river erosion and in the Chittagong Hill Tracts.

2.2 Political, Social and Economic Situation

Democratisation, Governance and Human Rights

After 16 years of military dictatorship, Parliamentary democracy was restored in 1991. Multi-party elections have taken place at regular intervals since then. However, the political environment is dominated by confrontations between the main political parties resulting in the frequent absence of the opposition in Parliament and rendering the democratic process ineffective. A Constitution guaranteeing human rights and legislation regarding an anti-corruption commission and an ombudsman has been adopted. However, the political will to translate existing legislation into practice is very modest.

Weak **governance** and inefficiency in the public administration continues to be a subject of concern and remains a major constraint to growth. Unpredictable political, institutional and legal environments are causing high transaction costs and hampering private sector initiatives and hence higher growth rates. The World Bank has estimated that due to corruption annual growth rates are 2-4 per cent points lower than potential.

The weakness of the **democratic processes** has a direct negative impact on the level of accountability of public officials, the transparency of the public institutions and the people's participation needed to ensure proper allocation and efficient use of resources. The Government acknowledges corruption as a major constraint to good governance and recognises that without better governance the country cannot reap the full benefit of

structural reforms or achieve substantial poverty reduction and improved quality of life for its inhabitants. Important initiatives have been taken to strengthen financial management and procurement regulations and practices as well as separation of auditing and accounting. The recent adoption in Parliament of the legal framework for an anti-corruption commission and its establishment in November 2004 is a further positive development. However, the ability of the Commission to function independently of the Government remains to be seen.

The Government has undertaken several measures to improve **public administration**. These include the introduction of a merit-based promotion system, right sizing of personnel, adoption of a personnel rationalization plan, and clustering of ministries to minimize duplication of functions and efficiently use staff resources. Evidence also suggests that modest but important reforms are taking hold in several areas. For example, media coverage of governance issues and the civic education efforts of civil society organizations have enriched public dialogue on governance standards and raised public expectations.

However, progress in public sector reforms is still slow partly due to the lack of sufficient political will of successive Governments and the civil service itself to pursue the reform agenda with genuine resolve, and the tendency of new governments to reverse or abandon programmes undertaken by predecessor administrations. Reform initiatives, therefore, are rarely given the time necessary to take root. This is exacerbated by the resistance to change among public officials due to simple discomfort with change and lack of information, limited institutional and human resource capacity, political interference, and above all the absence of any organized domestic force who are prepared to apply bottom-up pressure to drive the reforms agenda as a consistent strategic goal.

Bangladesh is highly centralised in its public administrative structure. This is often pointed to as one of the main reasons for poor service delivery to the people and a lack of responsiveness to the problems posed by poverty by the public administration and the political level. Despite various political promises to further decentralisation, no major initiatives to promote decentralisation have been taken. More could be done quickly in terms of promoting direct community participation in the management of schools, water supply and sanitation services.

With regards to **human rights**, Bangladesh has ratified most of the International Human Rights Conventions, and the Constitution guarantees the fundamental human rights. However, the respect for and protection of human rights is weak. Civil and political rights are frequently abused, and economic and social rights are largely not honoured.

The law and order situation continues to be a serious problem, and abuse of power by officials, police and local elites or gangsters is rampant. This situation especially harms the poor, particularly women, limiting their freedom of movement and the related ability to play a larger role in the workforce and developmental efforts. Widespread human security violations continue to occur. Politically motivated attacks, arrests and torture of human rights activists, journalists and opposition politicians, custodial deaths, violence against minorities, incitement to sectarian violence and religious extremism persist. The Government has recently announced a ban on all publications of the Ahmadiyya Muslim Jamaat in violation of the constitutional and human rights of the community to practice their religion freely and without interference. The political violence have increased toward the parliamentary election in 2006, including bomb attempts on the opposition.

Some measures have been taken to improve law and order, as well as the human security situation. A countrywide army-led anti-crime drive from October 2002 to January 2003 has demonstrated that crime can be curbed. However, an Indemnity Ordinance protecting military and other security personnel from persecution in civil courts has given reason for strong international criticism.

The poor section of the population has great difficulty in asserting their rights. The judicial system is ineffective, corrupt and overloaded, courts are understaffed and biased, legal procedures are cumbersome, and the degree of access to justice is low. A high level of systemic corruption, collusion of officials with criminals, lack of accountability and very low capacity within the law enforcement structures further reduce the possibility of rule of law. On the institutional level, the Government has so far failed to establish a Human Rights Commission in spite of electoral commitments.

The deteriorating law and order situation, human rights violations, confrontational politics, an ineffective public sector, and widespread corruption present significant obstacles to development and remain key concerns in relation to all types of cooperation. A vigorous and determined effort is needed on the part of the Government to accelerate governance reforms and deal with the problems at hand.

Social Developments

Progress in the human development indicators has been impressive, although formidable challenges remain. On UNDP's human poverty index, Bangladesh's HPI value (proportion of population living below the human poverty line) dropped from 47 per cent in 1993-94 to 36 per cent in 2000. In 2003, Bangladesh was ranked by UNDP in the medium human development group of countries, alongside India, Sri Lanka and Bhutan. There has also been impressive progress in reducing infant mortality and child malnutrition, although these remain stubbornly high. There have been significant gains in terms of increase in primary school enrolment and gender parity in enrolment in primary and secondary education. Overall, these improvements reflect considerable advances toward achieving some of the MDGs.

However, among the challenges to address is access to safe water, which remains an issue in particular in the coastal belt and the Chittagong Hill Tracts (CHT) where access is far below the national average. In some areas more than 200-300 people share a single water source. Installation costs are high and treatment of water is often required due to high concentrations of salinity, arsenic and other substances. Likewise, access to sanitation is still at a low level. The general awareness regarding the connection between water, sanitation, hygiene habits and good health is poor. Inadequate sanitation and hygiene behaviour continue to pose a serious health problem, causing e.g. almost 25 per cent of the deaths of children under five.

In addition, as mentioned above, overall poverty remains at a very high level and the standard of human development is low (Bangladesh ranks 138 out of 177 on the human development index). Certain geographical areas and ethnic minorities face particularly difficult circumstances and

have special development needs, inter alia the indigenous peoples of the Chittagong Hill Tracts.

Chittagong Hill Tracts

The situation in the CHT remains of particular concern. Poverty among the indigenous peoples is deeper than in other parts of the country. The population suffers human rights violations and discrimination. Seven years after signing the Peace Accord in 1997, only few elements of the Accord have been effectuated. Continued efforts to consolidate peace and promote stability are necessary for socio-economic development in the Chittagong Hills. In particular, efforts are needed to speed up the implementation of the Peace Accord and to take serious steps towards solving some of the most pressing issues such as land rights and ensuring the effective functioning of the institutions established by the Peace Accord. Access to services provided in the rest of the country remains low, including to education, health, safe water and sanitation facilities, mainly due to the remote and scattered nature of many of the villages.

Economic Developments

Economic progress has been remarkable in recent years. Continued steady growth in output and effectiveness in agriculture and industry in particular are estimated to lead to a growth rate of the GDP of 5.5 per cent in 2004. The manufacturing sector, particularly ready-made garments, and successive bumper harvests have contributed substantially to this acceleration in growth rates. In 2004 growth rates may, however, be adversely affected due to severe flooding. Generally, the economy is stable. Despite a widening of the trade deficit, the current account remains in surplus not least due to large and increasing remittances. The fiscal deficit is generally stable and somewhat lower than projected due to difficulties in implementing the Annual Development Programme caused by low implementation capacity. For the immediate future, export-oriented manufacturing continues to show signs of expansion. The end of the quota system under the Multifiber Arrangement may, however, have an adverse impact. In the future Bangladesh will have tariff and quota-free access to the EU market through the Everything But Arms Initiative for the world's about 50 least developed countries (LDCs).

The macro-economic performance is attributed to the wide range of reforms introduced in the early 1990s to improve the long term fiscal situation and stabilize the economy, such as: i) launching revenue mobilization efforts, ii) increasing prices of gas, electricity and fuel, iii) further closing or privatising state owned enterprises, and iv) restructuring the banking sector. These reforms have established a solid foundation for accelerating poverty reduction.

However, in order to address the country's development challenges and meet the income poverty reduction target of the PRSP, Bangladesh will need to achieve sustained annual growth rates of at least 7 per cent over the next decade. In June 2003, the Government adopted its first ever medium-term macroeconomic framework, which underpins its poverty reduction strategy. The framework envisages acceleration in GDP growth from 5.3 per cent in 2003 to 6.0 per cent in 2006. While feasible, this would need to be strongly supported by an accelerated pace of structural reforms and continuation of a stable macroeconomic environment. In addition to the above initiatives already undertaken, this would include reforms to further enhance global integration not least through trade reforms and attraction of foreign direct investment, accelerated human capital and infrastructure development, improved governance and the rule of law, and a supportive environment for private sector development. Continued external support will be critical to consolidate and advance the reform process and help move the economy to a higher growth scenario.

The Business Climate in Bangladesh

Since the beginning of the 1990s, the Government has adopted a number of policy measures to facilitate the expansion of the private sector and increase the inflow of Foreign Direct Investment (FDI) in the country. Bangladesh offers perhaps the most liberal FDI regime in South Asia with no prior approval requirement or limits on equity participation, or restriction on the repatriation of profits and income. In spite of this, it has lagged behind its neighbours in attracting FDI. The main factors contributing to the low investment rate are the country's poor image with regard to policy discontinuity, bureaucratic red tapeism and corruption, underdeveloped infrastructure, poor port management, a

deficient legal system, absence of skilled workers, political disturbances and an unsatisfactory law and order situation.

Increase in export earning has contributed to the steady GDP growth rates of around 5 per cent during the past few years. The majority of the country's export (more than USD 5 billion a year or 70 per cent of total export) consists of readymade clothing. However, the process of export diversification into frozen-food, agricultural products, business process outsourcing, ceramics, value added jute goods, leather and leather goods etc. has been initiated recently and government is providing incentives to attract more investors in these fields. Furthermore, the Export Processing Zone (EPZ) initiative by the Government has attracted many foreign investors to set up labour intensive export oriented industries. Seven countries such as Japan, Korea, Taiwan and Malaysia have been relocating labour intensive industries in these EPZs.

Half of the GDP is currently generated through the service sector, although nearly two-thirds of the country's workforce is employed in the agriculture sector. However, in recent years Bangladesh has entered the transition process from an agrarian to an industrialized economy, and there is a consensus among the political parties that the private sector is the engine for future growth. To that end, Bangladesh needs a business climate encouraging entrepreneurs to create jobs and boost growth in the private sector.

In the World Bank's measuring of the difficulty of business start-up, Bangladesh is doing well compared to most other least developed countries. Officially it requires 8 procedures, and on average 35 days and 91 per cent of income per capita, for an entrepreneur to start up an industrial or commercial business. There is no requirement for the entrepreneur to deposit capital in a bank before registration starts. Also with regard to efficient contract enforcement, the World Bank indicator (29 procedures to enforce a contract) ranks Bangladesh relatively well.

However, there are also severe obstacles to doing business in Bangladesh. Getting credit is relatively difficult according to the World Bank indicator (the cost to create collateral is 21.3 per cent of income per capita) and the protection of investors (measured as ownership disclosure) is weak in

Bangladesh (index of 3 out of 7, with Ghanaian investors among the least protected, with a score of 2). If it tackles these obstacles for entrepreneurs to do business, as well as improving political stability, the law and order situation and reducing corruption and bureaucracy, Bangladesh could become a more lucrative destination for many foreign investors.

2.3 The National Poverty Reduction Strategy

A country-owned Interim Poverty Reduction Strategy Paper (I-PRSP) called “A National Strategy for Economic Growth, Poverty Reduction and Social Development” was prepared through a consultative process and published by the Government of Bangladesh in March 2003.

Following the release of the I-PRSP four strategies were put in place to deepen policy ownership in the formulation of the full PRSP. These included (i) establishment of a high-powered National Steering Committee headed by the Principal Secretary to the Prime Minister, (ii) establishment of a National Poverty Focal Point to act as the secretariat for the formulation process, (iii) constitution of twelve thematic groups for preparation of inputs to feed the formulation process, and (iv) undertaking regional consultations with representation from a wide cross section of society including elected functionaries and grassroots organisations.

The draft of the full PRSP was released on 10 January 2005.

Multi-party ownership of the strategy is yet to be ascertained. The PRSP has not been discussed in the Parliament and the degree of Cabinet support is uncertain. Building a national consensus on and “ring-fencing” key reforms critical to poverty reduction thus remain to be achieved.

The draft PRSP is based on the MDGs and sets out a three-year macroeconomic framework, supported by public resource provisions, to achieve the following targets by 2015: (i) reduce to half the number of people living below the poverty line; (ii) attain universal primary education; (iii) eliminate gender disparity in primary and secondary education, (iv) reduce infant and under five mortality rates by 65 per cent, (v) reduce the proportion of malnourished by half, and eliminate gender disparity in child malnutrition, and (vi) reduce the maternal mortality rate by 55 per cent.

The PRSP sets more ambitious targets than the MDGs by using 2002 as a baseline from which to track progress, rather than 1990. The Strategy assumes that in order to halve the number of people living in extreme poverty between 2002 and 2015, the economy will need to sustain a real GDP growth rate of at least 7 per cent per year. At the same time, the pace of poverty reduction needs to accelerate from 1.5 per cent per year observed in the 1990s to 3.3 per cent per year during this period.

The draft PRSP recognises the complex multidimensional causes of poverty and hence the need for a multidimensional strategy to address poverty reduction: “All routes to achieving poverty reduction matter”. To fulfil the vision of poverty reduction, four strategic blocks are identified. These are: (i) enhancing pro-poor growth; (ii) boosting critical sectors for pro-poor economic growth; (iii) devising effective safety nets and targeted programmes to protect the poor; and (iv) human development of the poor for raising their capability through education, health, sanitation and safe water, nutrition and social interventions. The framework also identifies four supporting strategies viz: (i) ensuring participation, social inclusion and empowerment of all sections, groups and classes of people; (ii) promoting good governance by ensuring transparency, accountability and rule of law; (iii) promoting service delivery efficiently and effectively, particularly to the poor; and (iv) caring for environment and sustainable development on a long-term basis.

To enable the Government to monitor progress towards the attainment of nationally specified poverty reduction goals, an elaborate Poverty Monitoring and Evaluation Framework has been developed. The monitoring functions under the Government include: (i) the Annual Report on the Human Development Index which has been prepared by the Bangladesh Institute of Development Studies (BIDS) under the aegis of UNDP since 2000, and (ii) the households’ living standard/poverty level surveys carried out by the Bureau of Statistics every other year. It is envisaged that the existing survey instruments would be strengthened further for periodic generation of data and appropriately redesigned to facilitate monitoring of national targets under the PRSP.

To spur the implementation of the strategy, a Mid-Term Macro-economic Framework covering the period Fiscal Year 2004-2007 (July 2004-

June 2008) has been outlined. In the medium-term acceleration of real GDP growth to 6.0 per cent in Fiscal Year 06 (July 2006-June 2007) and finally to 6.5 per cent in Fiscal Year 07 (July 2007-June 2008) is envisaged. The Government is committed to raising the revenue GDP ratio to finance an increasing share of the country's public investment needs from domestic resources. Gross domestic investment is projected to increase from 24.2 per cent of GDP in Fiscal Year 04 (July 2004-June 2005) to 27.5 per cent in Fiscal Year 07 to support the target growth. The Three-year Rolling Investment Programme (TYRIP) will attempt to make the poverty reduction strategies and the MDGs operational for the period Fiscal Years 2005-2007.

According to the independent review of the Bangladesh Economy in the Fiscal Year 2003-2004, almost all other major target indicators of the Mid-Term Macro-economic Framework of the I-PRSP is likely to be achieved except for the implementation of the Annual Development Programme (ADP) and inflation. During the past few years, there has been stability in export growth recovery, buoyancy in remittance flows and steady agricultural production. Positive movements with regard to import growth, industrial loans and agricultural credit disbursement have also taken place and the fiscal balance remained sound.

However, securing sufficient financing for implementation of the Poverty Reduction Strategy as a whole will be a major challenge. It is estimated that the Government will face an annual USD 2.0 billion resource gap in investment if the PRSP is to be implemented fully. Deteriorating law and order, dysfunctional politics, poor governance, corruption, ineffective income tax collection, the growing insecurity of people, ailing infrastructure and high cost of doing business remain the constraining factors for the country's move towards the 7-8 per cent GDP growth envisaged for fulfilment of the PRSP targets and MDGs.

2.4 Donor Support and Lessons Learned

Support and Harmonisation

Bangladesh receives significant external assistance, currently approx. USD 1.2 billion per year (equivalent to approximately USD 8.3 per inhabitant). Development assistance is projected to account for approximately 45 per cent of the Annual Development Programme in 2004-

2005 compared to 85 per cent a decade ago. Assistance accounts for less than 2 per cent of GDP. Overseas remittances by Bangladeshi workers abroad amounting to approximately USD 3 billion and the use of commercial credit have to a large extent made up for reduced aid coverage. A significant part of donor assistance is channelled through civil society organisations.

In 2001-2002, major bilateral donors included Japan (USD 309 million), the UK (USD 113 million), the USA (USD 102 million), the Netherlands (USD 44 million) and Denmark (USD 40 million). Major multilateral donors included the World Bank (USD 307 million), the Asian Development Bank (USD 179 million) and the European Commission (USD 49 million)¹.

During the 1990s external assistance declined primarily due to low absorption capacity, inadequate policy reform performance, administrative inefficiency and growth in private financial flows. However, in recent years this trend has been reversed due to a number of large donors', notably the World Bank and the United Kingdom.

The Government of Bangladesh has so far not assumed a leading role in coordination of the external assistance. Coordination of external funding mainly takes place through the Local Consultative Group (LCG) coordinated by the World Bank, with participation of both bilateral and multilateral donors. Representatives of the Government participate on an ad-hoc basis in thematic discussions. The national cooperating partners are in many cases not sufficiently equipped to prepare, negotiate and implement projects. As a result of this, there are still certain areas of support in which interventions are relatively donor-driven and where the point of departure is donor development priorities. However, there is a growing understanding within the Government of the need to enhance the national institutional capacity with the aim of taking a lead in coordination of external assistance, and thereby strengthening the sense of national ownership and responsibility.

¹) *OECD/DAC figures; numbers quoted are 2001-2002 average figures for gross ODA.*

However, the publication of the PRSP, which has been well received by multilateral agencies and bilateral donors, has provided a new framework for collaboration. All donors are currently in the process of adjusting their development assistance programme to focus directly on the priorities and goals of poverty reduction laid down in the PRSP. Through this strategy, donors (including Denmark) will be able to harmonize their efforts, thereby contributing to the overall fulfilment of the goals set out in the PRSP.

Results and Lessons Learned

Reviews and evaluations conducted during the last strategy period generally suggest that the impact of Danish assistance has been positive. Programmes have had significant impacts with regard to improving the living conditions of the poor, establishing infrastructure, promoting pro-poor economic growth, implementing activities on human rights and developing pro-poor policies, systems and mechanisms.

An evaluation in 2001 of the Noakhali Rural Development Project (NRDP), implemented in south-eastern Bangladesh during the 1980s and 1990s, also pointed to the positive impact of the interventions. During its 14-year life, nearly DKK 400 million was spent in an effort to develop Noakhali's infrastructure, agriculture and fishing resources, provide jobs for the rural poor, build rural cooperatives, improve the position of women, and provide mass education. The evaluation concluded that the project had fulfilled its objectives. The infrastructure component was particularly important in promoting economic growth, while 350,000-400,000 people were direct beneficiaries of the various project components. Danida's emphasis on helping women had a positive impact on their livelihood as well as their status in society. The evaluation also pointed to the need to combine support to the national level in areas of policy development and capacity building with the direct poverty reducing efforts to ensure sustainability and multiplication of the development efforts. This approach has characterised Danish support to Bangladesh in recent years and will characterise the support in coming years.

Danish development assistance to the **agricultural sector** has made a significant contribution to increasing agricultural and fisheries production and income, improving food security, and reducing the vulnerability

of more than a million poor households as well as reducing the number of malnourished children and infant and under five-mortality rate. More than half a million poor farmers have been trained in new production methods. The total increase in production raised the income of farmers and fish farmers by more than DKK 400 million during the last four years.

Support to the **water and sanitation sector** has provided access to safe water and improved sanitation for approximately one and a half million people in the rural areas as well as provided information on hygiene practices and health to more than two million people. Tens of thousands of marginalized women have obtained jobs and small personal savings through the Danish assistance to the **infrastructure sector**, whereby women have participated in the construction of 145 km of secondary roads. In addition, the sector programme has rehabilitated and partly constructed another 40 km of regional roads. The expansion of the infrastructure has provided better access to markets and towns for a rural population of around two million people. The **human rights and good governance** activities have contributed to improvements in the judicial system, a freer press and strengthening of civil society institutions through partnerships, primarily with NGOs. Overall programmes had enhanced women's participation in the development process and, through particularly targeted activities, improved women's civil and legal rights.

In addition, Denmark has supported **NGOs** in promoting human rights and providing education for marginalized communities. A Danish supported private development organisation has provided education for almost 100,000 of the poorest children in Dhaka. In the coastal districts, 40,000 poor children and adults have, since 2000, received support for education through a private development organisation, established with Danish assistance.

Implementation of development programmes has been seriously affected by corruption. Donors and foreign investors constantly have to deal with corruption issues in all aspects of cooperation. Together with a lack of national ownership and good governance in general, this has meant that a large share of Danish assistance has been implemented through semi-

governmental parallel structures, NGOs and private contractors. Some Government agencies have however, initiated their own project preparations to boost local project ownership and build up their institutional capacity. Despite this initiative, active participation by the Government is still not at a satisfactory level. Focus remains on promoting national ownership as well as developing and supporting possibilities for national execution through the Bangladeshi administration.

3.

THE COOPERATION FRAMEWORK

3.1 Overall Objective and Targets

The overall objective for the development cooperation between Bangladesh and Denmark during the strategy period is:

Overall Objective

Poverty reduction through promotion of pro-poor economic growth and strengthened democratic development, including improvement in governance, respect for human rights, rights of minorities, and improved gender equality.

The Danish development assistance will contribute to the fulfilment of the goals set out in the Government of Bangladesh's Poverty Reduction Strategy and – in the longer run – the MDGs (Annex 2). Monitoring progress towards the over all goal of poverty reduction will be based on progress concerning the following indicators:

Indicators	1990	2002 benchmark	2015
Income poverty	59	50	25
Extreme poverty	28	19	5
Infant mortality rate	94	53	18
Under-five mortality rate	108	76	25

Source: Draft PRSP p. 173, December 2004

Determining the direct impact of Danish development assistance on these indicators is not possible, given that the Danish contribution towards achieving the goals is small. In addition to monitoring progress in the overall poverty indicators, specific indicators for monitoring progress in Danish/Bangladeshi Cooperation has been developed at the programme level (see chapter 4).

3.2 Key Strategies and Priority Sectors

Denmark will contribute to **poverty reduction** through support for the implementation of the PRSP and the Danish country programme will be aligned with the policies and strategies outlined there. Denmark recognises the need for a multidimensional approach to reducing poverty, and has in its programme chosen to focus on support for pro-poor economic growth and improved governance, human rights and democratisation.

Hence, poverty will be reduced through support for the acceleration of **pro-poor economic growth** in particular in rural areas where most of the population live and where poverty is most widespread. Support will be given for the development of agriculture and non-farm economic activities. Emphasis will be given to poorer households and female-headed households and for indigenous peoples in CHT and elsewhere where poverty is most persistent. Support for the acceleration of economic growth will also be given through support for the development of the private sector to expand employment opportunities also in non-agricultural areas.

Governance issues will be addressed systematically in the cooperation through policy dialogue, direct interventions and as a crosscutting issue to be pursued in all other interventions. This is in recognition of the costs currently incurred due to poor governance both in terms of lost economic opportunities as well as the long-term risk of undermining the institutions and structures of Bangladeshi society. Focus will be on promoting accountability, transparency and the rule of law at all levels of society and in particular those institutions (government and non-government) which Denmark cooperates with in the implementation of Danish assistance. During the strategy period Denmark will continuously consider new avenues for supporting Government efforts to improve governance, including through selective support for public sector reforms.

Promotion of **democratisation and respect for human rights** will also be pursued systematically in the cooperation, including through policy dialogue, a specific programme and as a crosscutting issue. To increase the participation and voice of the poor in the planning and implementation of government policies and strategies, increased emphasis will be given to support for decentralised planning as well as capacity building at the local level. Denmark will support Government initiatives towards further decentralization and devolution of authority at the local level. Human rights principles and practices will be pursued at all levels of society in support of the Government's commitment to guarantee the constitutional rights of all citizens. Particular emphasis will be on promoting the rights of poor and vulnerable groups such as women, indigenous peoples and children.

The key to the optimal use of donor funds including long-term sustainability of the interventions is enhanced Bangladeshi **ownership** of programme planning and implementation and national execution of development programmes. Denmark will therefore continue to support national capacity building to enhance sustainability, facilitate management of aid flows and strengthen implementation capacity at all levels of administration in order to enable the national structures to administer development assistance in an accountable and transparent way. The aim is during the strategy period to gradually reduce Danish funded parallel structures and increasingly rely on decentralised structures as well as sustainable civil society organisations and private contractors. Danish technical assistance will accordingly gradually focus on providing advisory services for sector planning and monitoring while at the same time safeguarding the disbursement process.

In order to promote the above Denmark will intensify the **policy dialogue** with the Government, the opposition and all other relevant stakeholders with a focus on how to accelerate the process of change. This implies continued active participation in the Bangladesh Development Forum coordinated by the World Bank and maintaining an active role in the LCG, as well as in all the relevant LCG Sub-Groups and Working Group meetings. Other channels include the High Level Consultations, our voice in the European Union, Nordic Plus and other fora. Further-

more, efforts will also be made to enhance dialogue with other partners in development cooperation, including civil society.

Geographical Coverage

Although some programme components will be implemented nationwide, a significant part of the Danish assistance will continue to primarily focus on support to selected districts in the coastal belt of southern Bangladesh (especially Lakshmipur, Feni, Noakhali, Patuakhali and Barguna). Poverty is relatively widespread here and only a few donors are active in these areas. The districts are situated in the outermost regions of the delta made up of Bangladesh's three major rivers and are regularly subjected to natural disasters, such as cyclones and flooding. Depending on developments in the CHT, this area will become another focus area for Danish assistance and policy concern. The choice between geographically confined and national efforts within the individual sectors will be based on the needs, available resources, involvement of other development partners and, not least, Government priorities.

Priority Sectors and Areas

Based on the above objective and chosen strategies, experience from past assistance, specific needs and the overall donor situation, it has been agreed to support the following three priority sectors/areas: (i) agriculture (including rural roads); (ii) water supply and sanitation; (iii) human rights and good governance. In addition, if the situation permits, a special effort will be made for development of the Chittagong Hill Tracts. The Private Sector Development (PSD) Programme will continue, as will the effort to establish Mixed Credits schemes with public and private corporations. Denmark recognises the importance of supporting the reform efforts, including public sector reforms, taxation reforms and reforms to underpin private sector development, and will keep under review possibilities for small but strategic interventions during this strategy period.

Programme support to the **agricultural sector** will be continued at the current level. This sector is essential for poverty reduction as it is the single largest contributor to income and employment, generating around 63 per cent of total national employment. In the past decade, the agricultural sector has contributed about three percentage points to the annual economic growth rate. Likewise, the contribution of the agricul-

tural sector to GDP is 18 per cent. The Government therefore accords highest priority to this sector as a poverty reduction tool. Bangladesh is now able to obtain soft loans on IDA terms for infrastructure development, including roads. As a consequence, support to the transport sector will be halved during the strategy period. The existing support for major roads and support to utility type ferries will be phased out. Support for construction of rural roads using labour-intensive production methods will be continued. As the support is closely linked to the agricultural sector programme (infrastructure development provides opportunities for marketing agricultural products), and the implementation of the support is foreseen in the same districts, the transport support is planned to be integrated in the Agricultural Sector Programme.

Support to the **water and sanitation sector programme** will continue at the current level, but with a strengthened focus on hygiene promotion and sanitation in rural areas. Support for urban infrastructure will, however, be phased out over the coming years.

Fundamental **human rights** are guaranteed in the Constitution of Bangladesh, but implementation is lacking. This is not least due to the almost complete non-existence or dysfunctional state of oversight and guardian institutions. Danish assistance is expected to be scaled up during the strategy period. This will particularly be in cooperation with civil society. Support will focus on strengthening the rights of women, children and indigenous peoples as well as promotion of human rights through information, communication and education.

The increased focus of the programme on **good governance** has been prompted by the widespread corruption which occurs at all levels of society and which plagues the delivery of public services. Danish assistance will therefore seek to promote good governance and an effective and fair justice system through support to key institutions.

A special challenge relates to the situation in the **Chittagong Hill Tracts (CHT)**. With the continued high Danish priority for the rights of indigenous peoples as well as the overall objective of poverty reduction, Danish assistance will continue to support the CHT people through

continued insistence on the further implementation of the Peace Accord and through small development interventions.

Country Frame

The indicative country frame is DKK 200 million per year from 2005 to 2009, while the Private Sector Development initiative is expected to gradually increase from DKK 25 million in 2005 to DKK 35 million in 2009. The table below outlines the planned distribution of assistance between the sectors and focus areas during this period. During the strategy period a gradual shift is expected in the distribution of assistance towards more emphasis on human rights and good governance as well as support to other areas, primarily civil society organisations and possible expansion of assistance to CHT, whereas support for the transport sector would be declining.

Sector	2005 (%)	2009 (%)
Water and sanitation	20	25
Transport	27	0
Agriculture, incl. rural roads from 2006	30	45
Human rights, democratisation and good governance ²	18	25
Local Grant Authority	05	05
Total	100	100

3.3 Partnership Obligations and Major Risks

Bangladesh and Denmark have agreed on a set of partnership obligations that govern the collaboration during the strategy period towards the common goal of poverty reduction. Progress in these areas will be monitored during the strategy period:

²⁾ *This will include increased support to civil society based organisations. Furthermore, it is envisaged to include support to capacity building of the institutions in the CHT to support implementation of the CHT Peace Accord.*

Bangladesh will

- Continue to implement reforms to improve governance and achieve higher and sustained economic growth, endeavouring to create the foundation for successful implementation of the poverty reduction strategy
- Accelerate measures to curb corruption and misuse of funds, including (i) an anti-corruption action plan endorsed by Cabinet, (ii) tracking of public spending leakages, (iii) strengthening the external oversight by ensuring the independence of the Office of the Comptroller and Auditor General and its accountability to the Parliament, (iv) ensuring the functioning of an independent Anti-Corruption Commission, and (v) endeavouring to ensure that institutions responsible for enforcing existing procurement regulations are given the financial and human resources needed to enable them to do so effectively
- Ensure the functioning of an independent, operational National Human Rights Commission
- Separate judiciary from executive control by implementing the Supreme Court order of 1999 as an element in establishing proper rule of law
- Show continued and strengthened commitment to addressing Bangladesh's development needs by assuming a leading role in coordination of external assistance and hereby anchoring ownership locally
- Allocate adequate counterpart funding and personnel for implementation of the country programme and actively work to ensure sustainable implementation through existing institutional infrastructure, as per agreements
- Speed up the implementation of the 1997 Chittagong Hills Tracts Peace Accord

Denmark will

- Provide funding and technical assistance for implementation of the development programme supported by Denmark, and in this connection provide multi-annual indicative figures for the Danish development assistance
- Align programmes with the PRSP and the MDGs
- Gradually enhance channelling of funds through government systems as financial management capacity improves
- Increasingly implement programmes through government structures and dismantle parallel structures
- Report regularly on the availability of funds to the Government of Bangladesh
- Coordinate with other relevant donors to the extent possible

A number of factors are likely to shape the development scenario in the strategy period, and influence the success of the cooperation.

On the political front, the Government of Bangladesh will have to pursue the democratisation process and governance reforms. While the Government has already committed to a series of reforms within the governance area – reforms, which if implemented, would assist Bangladesh in its endeavours to become a society based on the rule of law and with improved governance – implementation of policy commitments has been slower than anticipated. Rebuilding a consensus between the ruling and opposition political parties on issues of national importance will be critical to sustain reform momentum and accelerate growth and poverty reduction. The present state of confrontational politics, deteriorating law and order situation and corruption serve to inhibit development and reduce the effectiveness of the Government's fight against poverty.

On the economic front, the Government has successfully pursued reforms to stabilize the economy with the objective of accelerating growth and poverty reduction. However, further structural reforms are needed to improve the investment climate and move the economy to a higher growth path. Poverty reduction can only be achieved on a large scale with sustained high economic growth rates and implementation of a comprehensive reform agenda. Without accelerating measures to combat corruption and solve governance issues, the MDG of reducing poverty by half by 2015 will not be achievable. The Government needs to take irreversible decisions to send stronger signals to international investors and development partners that corruption is being tackled, law and order improved and security provided to its citizens and the private sector.

The slow implementation of the Government's Annual Development Programme, ineffective use of resources, prolonged start-up and implementation delays, delayed procurement decisions and clearance for adviser engagement, frequent change of project directors etc. pose serious constraints. Government's continued support and ownership in addressing portfolio performance and implementation related issues will be crucial to facilitate more efficient resource utilization and improve development effectiveness.

3.4 Crosscutting and Other Priority Issues

The crosscutting issues of the Danish development policy will be addressed and integrated in all the sector programmes and projects during the strategy period.

The MDGs and the PRSP objectives are unlikely to be achieved without a genuine and across the board commitment to **gender equality**. Severe gender disparities persist in both human and income poverty. Women not only bear a disproportionate burden of poverty, but lack access to education and health services, and productive opportunities. Danish development assistance will therefore give high priority to reducing gender gaps and mainstreaming gender equality concerns in all sector programmes and projects. Separate programme activities on women's rights, including violence and trafficking in women will be carried out. Lessons learned from Danida supported interventions in reducing gender inequality and improving respect for women's rights will be fed into new targeted activities. The *Agricultural Sector Programme* will ensure better access for women to agricultural services and resources, representation of women in the various bodies, employment and training of female officers and extension workers, supportive facilities for female extension workers, and support to women's groups as focal points for extension. Gender equality will also be promoted in the transport sub-sector support within the *Agricultural Sector Programme* by ensuring that women as well as men have the opportunity to influence the selection of roads, and thus become involved in decisions related to access to markets, schools etc. Involvement of the female groups in road construction and rehabilitation and targeting women in capacity development efforts will be continued. Regarding support to the *Water Supply and Sanitation Sector Programme* representation of women will be ensured in water user committees and decision-making bodies.

Environmental concerns will continue to be addressed as a crosscutting issue and an integral element of the sector programmes. Environmental impact assessments will be carried out when designing of new phase of the sector programmes, while at the same time considering integration of relevant environmental mitigating measures, and specific activities to promote positive environmental impact. In the *Agricultural Sector Programme*, mitigation measures recommended under the *Environmental*

Management Plan formulated in 2002 by Bangladesh and Danida will be fully implemented in the coastal belt for the benefit of poor subsistence farmers. Key environmental issues and necessary corresponding mitigating actions will be addressed in a manner that is operational and facilitates follow-up and monitoring at the local level. As for the transport sub-sector the support will ensure adequate environmental assessments for new infrastructure development and impact of construction work.

Democratisation, human rights and good governance will be given priority both through a specific programme and as crosscutting issues within the sector programmes. As a step in operationalizing the human rights concerns in the sector programmes, efforts will be made to ensure that Danish supported activities (i) promote the rights of the poor and vulnerable groups, (ii) support the fulfilment of the state's responsibility for progressive realization of rights, and most importantly (iii) contribute to enhanced awareness of the respect for human rights and improved ability of the poor to claim their rights.

A particular challenge will be to provide support to enable the government systems to deliver results and improve public accountability and transparency, not least at the local level. At the sector level, Danida will continue to address governance related issues by supporting policy and institutional changes to improve public sector management as well as corporate governance of the sector entities and civil society organisations. Pluralism in the organization of civil society and NGOs will be particularly promoted, as these organisations often lack a democratic culture.

Combating corruption will be more distinctively integrated in support to the Government agencies, NGOs and civil society organizations. Implementation of the Danida Action Plan to Fight Corruption will be pursued. In addition, building local government capacities to support the Government's policy on decentralization and improving local governance through both sector and integrated approaches will continue to be key features of Danish development assistance.

The **private sector** in Bangladesh is very dynamic and has been the main engine of economic growth during the last decade. Elements of private sector development are already in-built in all ongoing sector

programmes, and this will be further strengthened throughout implementation e.g. in construction and installation of facilities in rural water schemes, construction of roads, seed production and improved fish production, marketing etc. The Private Sector Development Programme is showing very good results and potential and will be enhanced. In particular support for capacity development in the private sector will be pursued through the Agricultural Sector Programme and as part of the Private Sector Programme.

It is estimated that the number of HIV positive cases in Bangladesh is approximately 13,000. However, the determinants for a fast growing **HIV/AIDS**-epidemic are present. These include common porous borders with India and Myanmar – where the HIV infection is alarmingly high – wide unsafe practices in blood transfusion and insufficient awareness and knowledge about HIV transmission and prevention. The risk behaviour is comparable to other countries in the region experiencing epidemics.

The PRSP document recognises the importance of preventive HIV/AIDS measures as part of the wider strategy to address poverty, with the assumption that a changed pattern of life style would increase the risk of spreading HIV/AIDS. The need for a massive awareness campaign with particular reference to women and adolescents is emphasised in the PRSP, which has also set targets to reduce the infection risk level of HIV and other sexually transmitted diseases.

Wherever possible, information on HIV/AIDS and on preventive measures will be included in the information, education and communication (IEC) activities within the Danish sector programmes, e.g. in hygiene promotion activities included in the *Water Supply and Sanitation Programme* and in farmer field schools and resource learning centres as well as training sessions for labour contracting societies in the *Agricultural Sector Programme*. Because of religious and cultural sensitivity regarding sexually related issues, a different approach and appropriate communication strategy is needed to mobilise the community on HIV/AIDS issues. Cultural tools like popular theatre, street drama, folk song etc. in awareness-raising programmes, could reach the target group and more effectively break up the rigidity posed by societal stigmas.

Children and youth are a particularly vulnerable group and will primarily be targeted through non-formal education and through the human rights and good governance programme. Particular emphasis will be given to address trafficking in children.

The possibility of expanding **non-formal education** as a crosscutting theme in the sector programmes will be explored e.g. with regard to training activities in farmer field schools and resource learning centres under the agricultural sector programme, hygiene promotion and awareness raising under water supply and sanitation, or in training sessions for labour contracting societies (LCS) in the transport sub-sector within the Agricultural Sector Programme.

The possibility of incorporating the **cultural dimension** in the ongoing and future Danida sector programme support, the HRDGG programme as well as separate initiatives in support of cultural development will be explored. In the sector programmes, folk media will be used extensively for transmission of extension messages. Technical extension messages in the fisheries sub-sector are already communicated to fish farmers through open-air traditional folk drama and songs in the farmers' field days and during the annual fish fortnight. Also the possibilities of using culture to support crosscutting issues like information on HIV/AIDS, Human Rights and Women's Rights in the sector programmes will be explored. Based on the prior experience with support to cultural projects, culture will also be considered as an economic factor.

3.5 Implementation

The Central Government will remain the key partner for development cooperation. However, due to problems related to governance and corruption, a large number of activities and a significant share of disbursements will take place in direct partnership with local government institutions, civil society and NGOs.

The capacity of key partner institutions at the government level within the priority sectors of Danish support is currently not sufficient for multi-donor budget support as a financing instrument. It will therefore be necessary to continue with earmarked funds to sector programmes and thematic programmes in the short and medium term. However, the

feasibility of pooling resources or entering into “basket-funding” with other donors, facilitating joint donor appraisal, supervision and monitoring, joint studies, technical assistance and consultancies etc. will be explored, especially where other donors are providing support to the same cooperating partners.

Even in the absence of a decentralisation reform, efforts will be made to build and support decentralisation to local government structures within the different programmes supported by Denmark. In order to strengthen local governance and involvement of the local population, it is important to support the restructuring of roles and responsibilities between local and central authorities and to strengthen linkages between the two levels.

Direct support to civil society based organisations will be continued and possibilities of involvement in new areas within the sector programmes will be explored, as well as for promoting governance reforms and monitoring public sector performance and accountability in the HRDGG programme.

Technical assistance is expected to continue, although possibly at a lower level than before. It is anticipated that the growing number of Bangladeshi professionals who are highly qualified in technical and socio-economic fields will provide an increasing source of local advisory services in the future. In the long-term, it is anticipated that Danida advisers will concentrate on providing advisory services for sector planning, monitoring at the central level and overseeing the flow of funds.

In addition to drawing on external technical assistance, it is essential to engage the national research institutions in implementing the sector support in order to strengthen the in-country competence and knowledge base. Danish research institutions will therefore be encouraged to collaborate with Bangladeshi counterparts in the respective focal sectors, such as the Bangladesh Institute of Development Studies (BIDS), the Power and Participation Research Centre (PPRC) etc. Likewise, cooperation with national think tanks like the Centre for Policy Dialogue (CPD) will be continued. A number of Danish NGO's are active in Bangladesh. Coordination with these will be ensured when and as appropriate.

Cooperation with research networks³ supported by the Danish Ministry of Foreign Affairs, Danish research institutes and other resource bases will be established or strengthened when appropriate in connection with support to research and transfer of technology within the sector programmes. Within the Agricultural Sector Programme, cooperation has been established with the “Network for Smallholder Poultry Development”, and the “Danish Institute of Seed Pathology for the Developing Countries”. Applying Danida’s own research programme, ENRECA, research cooperation has been established between the Royal Veterinary and Agricultural University (KVL), Dhaka University and the Bangladesh Rice Research Institute on nutrition and food security.

³) *Five research networks are supported by the MFA, viz.: (i) Danish Knowledge Network for Water and Development, (ii) Danish Network for International Health Research, (iii) Governance, Economic Policy and Public Administration, (iv) Danish Network for Agricultural Research for Development, and (v) Research Network for Environment and Development.*

4. THE COOPERATION PROGRAMME 2005-2009

4.1 Agricultural Sector Support

Targets to be achieved by 2009

- **Crops:** Livelihood improvement will be achieved for 350,000 poor and marginal farmers through a crop production increase of 5-8 per cent per year and an income increase of 10-12 per cent per year.
- **Fisheries:** 75 per cent increase in income of over 100,000 poor landless and marginal fish farmers in the southern coastal districts.
- **Livestock:** 90 per cent of targeted poor women poultry farmers empowered by 50 per cent increase in income and enhanced livelihood.
- **Rural Roads:** 50 km regional roads rehabilitated and 200 km feeder roads rehabilitated in selected districts.

The present phase of the Agricultural Sector Programme Support (ASPS) was initiated in July 2000, and comprises components within the crops and fisheries/livestock sub-sectors. The ASPS targets optimised, integrated and sustainable smallholder agricultural production for improved living conditions. The ASPS addresses a cross-sectoral extension approach to nutrition awareness raising among the target population, as well as promotion of food availability, accessibility and quality. The programme promotes diversified agricultural production including vegetables, fruits, poultry and fish.

A second phase of the Sector Programme Support is expected to commence in July 2006. Assistance will be geared to fulfilling the develop-

ment goals set out in the PRSP and the Plan of Action approved for the agricultural sector in May 2003. The overall objective of the next phase will be to contribute to poverty reduction through i) higher production diversification opportunities at household and village level, ii) awareness rising on natural high nutrient rich food and its production, and iii) increased participation of women and other disadvantaged groups in sectoral activities. This is of particular importance due to the feminisation of the labour force in rural areas. In addition, there will be an increased focus on marketing of agricultural products and market access during the strategy period.

The second phase will support the agricultural sector with improved technical extension services for producers, with increased involvement of NGOs, community based organisations (CBOs) and the private sector. This will be aligned with support to the Government services, which will concentrate on regulatory activities, research, and extension advices. The programme will, furthermore, support the establishment of sustainable income-generating enterprises, on and off-farm, with a particular focus on increasing the participation of the poor and women.

In general terms the assistance to the sector will comprise support to seed development and improved extension methodologies. The use of herbicides and pesticides will be minimized through the field extension approach in alignment with the improved utilization of fertilizer and soil fertility enhancements. Wherever applicable, support to applied research on new agricultural technologies will be given. Emphasis will be on diversified crop production integrated with animal and aquatic production, in order to improve the livelihood of marginal farmers.

Aqua cultural farmers will receive support to improve their production and increased support will be given to the production of livestock at smallholder level. The interventions will focus on the landless poor and offer broader opportunities integrated with the crop services. Institutional policy support will be given through an Integrated Agricultural Development Plan (IADP) to all the sectors involved.

The Transport Sector Programme covering inland water and road transport was initiated in late 2000 for a five-year period. A new rural road

sub-sector as part of the ASPS is expected to be identified and planned in 2005.

The rural road sub-sector support is expected to develop a rural road network that creates a significant contribution to economic development in the programme area, by generating new employment possibilities for marginalized women especially, improved marketing conditions, improved investment opportunities and more effective agricultural and trading activities in previously isolated and economically inactive local areas. Rural roads will lead to a reduction in transport costs and improved access to local growth centres and public services. Indirectly the support is also expected to contribute to human development and participatory governance. This will be done by supporting decentralisation and capacity development for local level functionaries to plan, implement and monitor road works and to handle funds transferred to the local level.

Close cooperation with the donors supporting the transport sector viz. the World Bank, the Asian Development Bank, the Japan International Cooperation Agency (JICA), and German Technical Assistance (GTZ) will be maintained. High priority will be given to socio-economic and technical monitoring. There will be an evaluation of both planning and prioritisation to assess the satisfaction of the stakeholders in the process, as well as awareness and satisfaction of the general public and especially the poor, including women, in the process, the outcomes and the results of the actions.

The Agricultural Sector Programme will mainly be implemented in the poorer areas in the coastal belt (Greater Noakhali and Greater Barisal), but some components (integrated pest management and soil fertility) are national programmes and are implemented in almost all the districts. Emphasis will be given to inter-component, inter-sub-sectoral (crops, fisheries/livestock, rural roads) and inter-sectoral integration and coordination (water).

Monitoring of the immediate objectives and outputs for the programme are and will be measurable and visible in the form of higher household income and healthier households through nutritious agricultural products.

4.2 Water Supply and Sanitation Sector Support

Targets to be achieved by 2009

- The proportion of population in the target area with access to improved sanitation increased to 90 per cent.
- The proportion of population with access to safe drinking water increased to 90 per cent.
- The majority of schools in the programme area provided with latrines, hand washing facilities and hygiene education.
- The local government institutions i.e. Union Parishads in rural and Ward Committees in peri-urban areas are operating effectively in delivery of water supply and sanitation services in the programme area.

Denmark has been supporting the water supply and sanitation sector in Bangladesh since 1972. The first phase of the sector programme will be completed by June 2005. It is expected to increase coverage and access of the poor to safe drinking water and sanitation facilities, improved hygiene behaviour, increased capacity of local government bodies and communities, and development of new technologies and service provision approaches.

A second phase of the Sector Programme Support is planned for a five-year period (2005-2009). The overall objective of this phase will be to contribute to poverty reduction through an improved standard of public health and an improved sustainable environment. The planned programme support is expected to contribute to the fulfilment of the MDG targets related to water supply and sanitation, i.e. to reduce by half the proportion of the population without sustainable access to safe water supply and sanitation. National efforts towards integrated water resources management will be promoted in order to achieve the effective use of existing resources. Activities in the water supply and sanitation sector are, furthermore, expected to support the PRS elements such as human development, closing of gender gaps and participatory governance. Indirectly the sector programme is also expected to contribute to other important PRS and MDG targets, such as reduction of infant and under-

five mortality and ensuring environmental sustainability and general improvement of the lives of the rural and urban poor.

Future Danish assistance to the sector will focus on:

- Improved access to hygiene promotion and safe sanitation and water supply services for the poor, in particular in un-served and underserved areas in the coastal belt, Chittagong Hills and selected districts in the north-western part of the country.
- Policy support, institutional development and capacity building with regard to water and sanitation services and integrated water resources management.
- Support to decentralisation and community participation with regard to water and sanitation services.
- Support to private sector and NGO involvement, networking and capacity building.
- Strengthening hygiene promotion and community-led total sanitation initiatives with emphasis on establishing relevant linkages to the health, information and education sectors.

Implementation of activities will be through existing structures and local government institutions, supported by NGOs and private sector operators. Partnership, national ownership, local participation and donor coordination will be emphasized.

Monitoring will be based on a combination of existing and newly developed output and impact indicators relating to the overall objectives. Process monitoring will cover critical crosscutting issues such as decentralization and good governance, gender equality, human rights and environmental sustainability.

4.3 Human Rights, Democratisation and Good Governance

Targets to be achieved by 2009

- Increased recognition of anti-corruption activities through support to an effective functioning Independent Anti-Corruption Commission.
- Mechanism established to effectively coordinate the prevention and handling of cases of violence against women.
- Increased awareness and recognition of the rights of the indigenous peoples and minorities.
- Increased awareness among women about discrimination and inadequacy of existing laws and capacity to demand justice and change in laws.

Since the early 1990s, Danish supported activities in human rights, democracy and good governance (HRDGG) have been consolidated and expanded. Assistance to human rights, democratisation and good governance will be further strengthened during the strategy period. A second phase of the HRDGG programme is expected to be initiated in 2005. A programmatic approach will be pursued in order to establish synergy both within the programme and with other elements of the country programme.

The overall objective of the programme will be to strengthen the rule of law, improve governance and democratisation, and promote access to justice for the poor. The strategic focus will be on:

- Promotion and securing the rights and access to justice of women, children and indigenous peoples.
- Support to key institutions for the promotion of good governance, decentralisation and anti-corruption.
- Promotion of human rights through instruments such as information, education and communication.

In more concrete terms, the programme will support the access to justice of women and children, securing the rights of the indigenous peoples,

support to indigenous peoples' organisations, support to human rights education, support to decentralisation and capacity building of local government bodies, support to key institutions responsible for the accountability of public finance, and mainstreaming of HRDGG processes and values in public administration. Capacity development is envisaged for the Parliament and the Judiciary in addition to support to the electoral process. Continued support is envisaged to expansion of adult education centres for vulnerable communities and primary and vocational education for underprivileged children implemented by NGOs. Other areas will e.g. include support to new institutions following from the Constitution, such as the Ombudsman, the Human Rights Commission, the Anti-Corruption Commission as and when established.

The programme support is expected to contribute to fulfilment of the elements for poverty reduction identified in the PRSP viz. human development, women's advancement and narrowing of gender gaps, protection measures for the disadvantaged, and participatory governance. In addition, support to the decentralisation efforts is expected to contribute to bringing the poverty reduction efforts closer to the poor and increase accountability for improved local service delivery. By the end of the strategy period, it is expected that democratic institutions and public participation in development programmes will have been further strengthened.

The nature of HRDGG initiatives is such that the need to re-focus activities and to use unforeseen windows of opportunity will appear from time to time. Therefore, there will be a need for maintaining flexibility. This will not least have to be applied in the course of programme implementation, as existing democratic institutions are being developed and new ones established.

A balance between support to Government institutions, the Judiciary and civil society organisations is envisaged. An integrated multi-agency collaborative model having concrete programme links with relevant government institutions, local government bodies and NGOs currently promoted through Danida's ongoing cooperation with the Government of Bangladesh on the "Multi-Sectoral Programme on Violence Against Women" will be promoted.

The programme is envisaged to cover Bangladesh as a whole. Where feasible, support to cross-border activities such as trafficking of women and children as well as support to sub-regional cooperation in South Asia for the exchange and replication of best practices on issues of common concern will be explored.

Given that government led donor coordination is particularly weak, opportunities to strengthen donor harmonisation of programming will be continuously explored to ensure maximum efficiency and impact.

Monitoring of the programme will take place at the programme and partner levels. Specific indicators will be developed for the different levels as well as for the programme component and sub-components.

4.4 Chittagong Hill Tracts (CHT)

Targets to be achieved by 2009

- The capacity of the CHT institutions is enhanced.
- Improvement of health status by promoting access to safe water and causing changes in personal and domestic hygiene behaviour/practice.

In line with the agreement between Denmark and Bangladesh, efforts to support development in the CHT will be pursued. The overall objective of assistance to the CHT will be to support the implementation of the Peace Accord and to improve livelihoods among people living in the CHT, giving particular attention to the rights of the Hill People. The strategy for assistance will be based on the following principles: (i) strengthening institutions established by the Peace Accord, (ii) support to small scale interventions, (iii) capacity development of local institutions and (iv) regular consultations with all stakeholders.

Within this framework, the strategies for assistance in the immediate and short-term term will focus on:

- Support to community development activities.

- Support to water supply, hygiene promotion and sanitation.
- Capacity building of local institutions and indigenous organisations.

In the medium to long-term assistance support to improvements of small-scale rural roads and footbridges under the transport sector programme is furthermore envisaged.

Improved water supply and sanitation facilities are given high priority by the local communities and Denmark. A first pilot phase of support within the water supply and sanitation sector and related institutional capacity development was initiated in early 2004. A programme for “Hygiene Promotion, Sanitation and Water Supply (HYSAWA)” is under preparation. The HYSAWA Fund will provide an integrated package of hygiene and sanitation promotion and water supply to poor and vulnerable groups in the three CHT districts.

Based on the progress regarding the implementation of the Peace Accord and the experiences of implementation of small-scale activities and institutional development efforts, step-wise scaling up of a proper CHT programme will be considered if security and the political situation allows. Opportunities for harmonised and strengthened donor coordination will be further explored.

5. OTHER BILATERAL ASSISTANCE

5.1 Private Sector Development Programme

A Private Sector Development (PSD) programme was initiated in 1999 with the objective of contributing to economic growth and social development through support to technology transfer and the establishment of sustainable, business-to-business cooperation activities involving private companies in Bangladesh and Denmark.

The PSD programme has grown at a fast pace. Grants of more than DKK 110 million have been committed to date for 33 commercial partnerships with about half the number in joint ventures wherein the Danish partners have committed substantial financial investments in equity.

The PSD programme is constantly identifying commercial project ideas that are new to Bangladesh and have the potential of either improving the export capabilities or supporting the import substitution goals of the country. In all such commercial projects the key constraint has been the lack of technical and managerial know-how with the private sector of Bangladesh. The PSD programme is creating awareness regarding the commercial opportunities in Bangladesh amongst Danish companies that have the necessary technologies and the training capabilities to attract their interest in participating in the economic development of Bangladesh through commercially viable projects. Another concern addressed throughout the programme is occupational health and safety, which is consistently integrated as a crosscutting issue.

The programme is currently establishing projects in a diverse range of areas e.g. textile and garments, IT, light engineering etc. There is vast

scope for expansion of the PSD activities into new areas focused on the growing domestic market such as infrastructure, telecommunications, power generation, agro-processing etc. Hence the disbursement of the PSD programme is expected to grow by about 25 per cent per annum from the current level of DKK 20 million. The major bottleneck, however, will be to find Danish partners with the necessary capabilities and willingness to make long-term commitments in Bangladesh, especially in view of the poor image of Bangladesh due to the fast deteriorating law and order situation, the high cost of doing business due to increasing corruption etc.

5.2 Mixed Credits

To date only one Mixed Credits project has been implemented. The relevant department in the Ministry of Finance has lacked knowledge of the development potential through these schemes and has generally not had the resources or the will to promote them. Furthermore, the political and economic situation has, since early 2002, led to a less favourable classification of Bangladesh by the Organisation for Economic Cooperation and Development (OECD) and the Export Credit Fund by moving it from premium rate five to rate six, with rate seven being the highest.

Efforts are being made to pursue Mixed Credits initiatives in areas such as airport facilities, physical infrastructure, electrical transmission lines, large scale urban water supply etc.

As Danish support to piped water schemes in core urban areas and major roads will be phased out, the mixed credits instrument will provide a basis for support in these areas. Through the ongoing and planned projects, experience will be gained on the cooperation with both the government and the private sector regarding utilisation of mixed credits schemes. Prospects are fairly positive and the portfolio might expand over the country strategy period.

6. MONITORING THE COUNTRY PROGRAMME

Monitoring of the country programme will take place at two levels: country and programme levels. Overall progress of the country programme will be monitored through the annual monitoring of the poverty reduction strategy targets envisaged to be undertaken by the Government. This will include impact and outcome indicators at the national level, output indicators at sector level and output indicators at the programme level.

Shorter term monitoring will be combined with monitoring of the effects on a longer term for monitoring at the programme level. A set of indicators will be selected for the lifespan of each sector and thematic programme. Indicators will also be developed at component and sub-component level. The indicators will cover three levels:

- Output indicators to be monitored annually.
- Outcome indicators to be monitored mid term through the programme/strategy period.
- Impact indicators to be monitored at the end of the programme period.

Harmonization with other donors and national systems will be given high priority. Denmark will assist in developing sector indicators and contributing to strengthening sector-specific monitoring. Funds will be allocated in the sector programmes to ensure that support is given to the sector agencies to increase their capacity for monitoring and evaluation.

Denmark will also jointly with other donors support the Government's efforts of poverty monitoring through the Planning Commission.

With regard to Danida's internal monitoring, achievement of output indicators at the sector programme level (one measurable indicator per component) will be used in the Annual Performance Agreements (VPA) between the Embassy and the Danish Ministry of Foreign Affairs. The Performance Reviews to be carried out by the Danish Ministry of Foreign Affairs will assess the extent to which the country programme is proceeding according to plan, and follow-up actions and adjustment of the country programme will be undertaken.

In addition it is expected that an evaluation of the country programme to assess the results achieved and provide direction for the future development cooperation between Denmark and Bangladesh will take place during the strategy period.

ANNEX 1

ECONOMIC AND SOCIAL INDICATORS FOR BANGLADESH

Economic Indicators	
Area (km ²)	144.000
Population (million, 2003)	138,1 ¹
GNI (million USD, 2003)	54.600 ¹
GNI per capita (USD, 2003)	400 ¹
Annual economic growth (GDP, 2003)	5,3% ¹
Annual economic growth per capita (GDP, 1990-2002)	3,1% ¹
Value added as % of GDP in agriculture (2003)	21,7 % ¹
Value added as % of GDP in industry (2003)	26,6% ¹
Value added as % of GDP in services (2003)	51,7% ¹
Development assistance per capita (USD, 2002)	6,7 ¹
Total foreign debt (EDT) (million USD, 2002)	17.037 ³
- Multilateral debt stock (million USD, 2002)	12.123 ³
Debt service ratio (2002)	7,3 % ³

Social Indicators	
Population growth (annual %, 2003)	1,7%
Life expectancy (2002)	62,1 år ¹
Infant mortality per 1,000 (number of deaths during the first year, 2002)	48,01
No access to improved water source (2000)	3% ²
No access to affordable essential drugs (1999)	21-50% ²
Physicians per 100,000 (1990-2003)	232
Adult literacy rate (2002)	41,1% ¹
Primary school completion rate, total (% age group, 2002)	76,8% ¹
Primary school completion rate, female (% age group, 2002)	77,9% ¹
Public expenditure on education (% of GDP, 1999-2001)	2,3% ²
Public expenditure on health (% of GDP, 2001)	1,5% ²
Public expenditure on military (% of GDP, 2002)	1,1% ²
Share of income or consumption – richest 10% (2000)	26,7% ²
Share of income or consumption – poorest 10% (2000)	3,9% ²

¹⁾ *World Development Indicators database, August 2004 (World Bank).*

²⁾ *Human Development Report 2003 (UNDP).*

³⁾ *Global Development Finance 2004 (World Bank)*

ANNEX 2

PRSP TARGET SETTING ON MAJOR GOALS AGAINST 2002 BENCHMARKS

Indicators	1990	2002 Bench-mark	Annual Progress Over 1990-2002 (%)	2015	Annual Progress Over 2002-2015 (%)
Income-Poverty	59(50)	50(40)	-1,5(-1,9)	25(20)	-3,3(-3,3)
Extreme Poverty	28	19	-3,2	5	-4,9
Adult Literacy	35	49,6	3,5	90	6,3
Primary Enrolment	56	86,7	4,6	100	1,2
Secondary Enrolment	28	52,8	7,4	95	6,1
Infant Mortality Rate	94	53	-3,6	18	-5,1
Under-Five Mortality Rate	108	76	-2,5	25	-5,2
Maternal Mortality Rate	480	390	-1,6	179	-4,2
Life Expectancy	56	64,9	1,3	73	1,0
Population Growth	2,1	1,4	..	1.3	..
% Children Underweight	67	51	-2,4	26	-3,3

Source: *Draft Poverty Reduction Strategy Paper (PRSP), p. 173, December 2004.*

Note: *The main figures for income-poverty derive from the World Bank (CBN-index), while the figures in brackets are national and derive from the Household Income and Expenditure Survey.*

ABBREVIATIONS

ADP	Annual Development Programme
ASPS	Agricultural Sector Programme Support
BIDS	Bangladesh Institute of Development Studies
CBO	Community based organisation
CHT	Chittagong Hill Tracts
CPD	Centre for Policy Dialogue
Danida	Danish International Development Assistance
ENRECA	Enhancement of Research Capacity
GDP	Gross Domestic Product
GTZ	German Agency for Technical Cooperation
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HDI	Human Development Index
HPI	Human Poverty Index
HRDGG	Human Rights, Democracy and Good Governance
IADP	Integrated Agricultural Development Plan
IEC	Information, education and communication
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
IT	Information technology
JICA	Japan International Cooperation Agency
KVL	Royal Veterinary and Agricultural University
LCG	Local Consultative Group
LCS	Labour Contracting Society
MDGs	Millennium Development Goals
NGO	Non-governmental organisation
OECD	Organisation for Economic Cooperation and Development
PPRC	Power and Participation Research Centre

PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
UNDP	United Nations Development Programme

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