

Country strategy for development cooperation

with Bangladesh

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REGERINGSKANSLIET

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Country strategy for Bangladesh: 2002–2005

Summary

Bangladesh is a relatively small country – one third the size of Sweden – with a population of approximately 130 million people. Most of the country lies within the deltas formed by the Ganges and Brahmaputra rivers. The terrain, chiefly low-lying alluvial plain, is subject to flooding and devastating cyclones. Its critical geographical position has resulted in constantly mounting pressure on the environment and continued vulnerability to natural disasters.

During the 1990s, the economy grew at an annual rate of between 4 and 5 per cent. To ensure continued reduction in levels of poverty within the country, this rate must be sustained. The number of children starting school has increased and substantial progress in the health care sector has led to a rise in average life expectancy.

The lowly status of women has gradually improved. Although this may be attributed to a degree of liberalisation in society as a whole and to the growing number of women in the labour market, social and economic discrimination of women persists.

Bangladesh is a young and unstable democracy, with associated deficiencies in the fields of law and order and human rights. There is limited scope for the resolution of substantive policy issues in the prevailing political culture. Corruption is widespread and the public administration lack efficiency and is reluctant to change

While the present country strategy is based on the cooperation Sweden has maintained with Bangladesh since that country's independence, Swedish development assistance is undergoing a process of gradual renewal based on earlier experience and the changes taking place there. The overall aim of Swedish development cooperation with Bangladesh is to help improve living conditions for the poor, with particular emphasis on women and children. Although its primary mission is to help create development opportunities in the health care and education sectors, cooperation is also expected to contribute to the promotion of local government, democracy, economic development and respect for human rights.

Continued efforts will be required to deepen sector-based support for health and medical care and to develop ongoing educational projects into a comprehensive programme. Although there are plans to channel most of the support for local government and economic development to Greater Faridpur, where Sida has been active for some 20 years, cooperation will involve new areas of activity and new partners. These changes are expected to come into play towards the latter part of the strategy period. Greater emphasis will be placed in all areas on dialogue and/or efforts aimed at facilitating the reform of social institutions at various levels.

Ownership and partnership will be important issues throughout the period. Sweden and Bangladesh should seek to strengthen their partnership through deeper and closer dialogue, with a view to promoting the development of clearly defined roles among the players involved.

1. Introduction

The present country strategy for Bangladesh covers the period 1997–2001. The Swedish government has approved a proposal to draw up a new strategy for 2002–2005.

The scope of Swedish cooperation with Bangladesh, which began with the country's independence in 1971, has been relatively extensive. The overall aim of the present country strategy is to help improve living conditions for the poor, with particular emphasis on women and children. The promotion of gender equality is an important task. Reduction of poverty is an important objective for the present Bangladeshi government and most donor organisations.

Swedish development assistance over the last 10 years has taken the form of support for primary- and non-formal education instruction, rural development and health care. Efforts have also been made to promote democratic development and human rights. All projects and programmes were carried out in cooperation with the Bangladeshi government and nationally-based NGOs. Support was also extended to Swedish NGOs and for humanitarian relief, primarily in connection with major floods and cyclones. To some extent this has involved the use of concessionary and soft credits. Cooperation has been largely focused on 3 major programmes: rural development in the Greater Faridpur Region (Rural Employment Sector Programme – RESP), health care (Health and Population Sector Programme – HPSP) and education (NFE II, III and IDEAL).

The extent of bilateral Swedish development cooperation is marginal compared to the total volume of aid received by Bangladesh and the government's own development budget. In addition to bilateral cooperation, Sweden contributes financial support via the EU (European Commission), a number of UN agencies such as UNICEF, UNDP, WHO, and other multi-lateral organisations like the World Bank and the Asian Development Bank, which sponsor comprehensive development programmes inside the country.

2. Summary of the country analysis

2.1 Widespread poverty

With almost 130 million inhabitants sharing an area one third the size of Sweden, Bangladesh is one of the most densely populated countries in the world. With an average annual income of some USD 340 (approx. SEK 3,400), i.e. less than a dollar a day, it is also one of the poorest. In the last 10 years, Bangladesh has made measurable progress in the business sector – mainly in the export industry – and in the provision of social services. This has contributed to an annual economic growth rate of 5 per cent over the last 5 years.

Population growth fell from 2.8 per cent per year in the 1960s and 1970s to around 1.6 per cent per year in the latter part of the 1990s. Although the trend continues to be favourable, the population is expected to double in the next 40 years, with serious consequences for the environment, social welfare services and, not least, the economy.

Agricultural production, mainly rice, has managed to keep pace with population growth. This has entailed a doubling of rice production over the last 20 years. However, inadequate distribution and marketing channels combined with a defective credit system and structural

problems relating to land ownership are steadily undermining productivity. On the other hand, improvements in transport and communications – which have served to enhance labour mobility – combined with a government scheme comprising seasonal employment and infrastructure rehabilitation programmes, and the increased availability of micro-credits, have helped strengthen the resilience and the *survival capacity* of the great majority of poor Bangladeshis.

Despite a measure of social and economic progress, *poverty* remains widespread and constitutes the greatest obstacle to development. Approximately 60 million people live below the poverty line. Their average daily calorie intake fails to meet the UN's minimum recommendation of kcal 2,122. It is estimated that a quarter of the population lives in extreme poverty, with an average daily intake of only 85 per cent or less of the recommended minimum. Poor women living in rural areas are especially vulnerable as they often lack access to employment or social services such as health care.

At present, the number of poor people is decreasing by about 1 per cent annually. Estimates from annual household surveys show a reduction in the extent of poverty (based on income levels) from 70 per cent of the population in 1973 to between 44–46 per cent in 1999. If this trend is to be maintained, agricultural production must continue to rise, population growth must continue to fall and economic growth must remain at least at its present annual level of 4–5 per cent. The Government's objective is the eradication of poverty within 20–25 years. According to the World Bank, Bangladeshi researchers and others, this will require an annual growth rate of 7–8 per cent.

The status of women in Bangladesh has gradually improved over the last 20 years. Contributing factors include improved education standards and a degree of social liberalisation, primarily in the labour market, where women are increasingly in evidence. By and large, however, Bangladeshi society remains one in which traditional, patriarchal attitudes prevail; women are expected to care for the family, including children and older relations, while men are responsible for supporting them. Despite improvements in health care and education, social and economic discrimination of women continues. Moreover there are signs that violence against women, in the form of abuse and rape, is on the increase. One reason for this, apart from the general poverty and low awareness of *gender equality issues*, could be the tensions between groups and individuals generated by ongoing social and political changes.

Despite the improvement in social and economic conditions during the 1990s, the country has been affected by periodic *external shocks*, such as natural disasters and their economic consequences, which have posed serious problems for the poor majority of the population. Social obligations, such as dowry payments, equivalent to a year's wages for many families, also place a crushing burden on poor households. Poor families also suffer most from the need to pay bribes for access to social services or protection money to local petty criminals often in league with the local police. According to Bangladeshi statistics, these recurring external shocks are equivalent to 2 months' wages per family per year, and make it even more difficult for the poor to break out of the *poverty trap*.

2.2 Political unrest and lack of human rights

Democracy in Bangladesh is newly established and precarious. After 15 years of military rule, the then president of Bangladesh, Hussain Muhammad Ershad, was ousted and a non-party caretaker government was appointed to prepare the way for free elections. The first general election, held in 1991, was won by the Bangladesh National Party (BNP), led by Khaleda Zia. After several years of political unrest, new parliamentary elections were held in 1996, resulting in a victory for the Awami League and its leader, Sheikh Hasina. Thus Bangladesh gradually began strengthening the democratic process at national level. However, political life is beset by continual strife between the opposition and the government, with the former boycotting parliament and taking its political battles onto the streets. Concerns about the country's development are forgotten or neglected in the turmoil of demonstrations and general strikes. The struggle for political power is confined to a small elite composed of the party leaders and their connections in the business community, NGOs, the public administration and the military. Parliamentary elections will be held in October 2001.

The uncertain political situation has also contributed to a deterioration of *law and order*. Respect for *human rights* is weak in Bangladesh. Poor people have great difficulty in asserting their rights. For them the protections afforded by the constitution have little real meaning. On the other hand, Bangladesh has a vigorous civil society and a relatively free press. The government has plans to set up an ombudsman authority and a national commission for human rights. It also plans to modernise the laws on public administration and reform the judicial system. However, progress has been slow. Although the media and the press are comparatively independent, the government is sensitive to criticism and often invokes the Special Powers Act to arrest people, particularly journalists thought to pose a threat to the country's security.

2.3 The central government administration and corruption

The central government administration, which employs some 1.3 million people, is regarded by most observers as inefficient, lacking in basic resources and often corrupt and opposed to change. The government body responsible for scrutinising the administration, the *Controller and Auditor General*, is neither efficient nor independent. Existing entrenched structures and weak institutional capacity are major obstacles to development efforts. The government has so far lacked the will and the authority to carry out the necessary institutional reforms. One reason for this is that large sections of the government administration serve as an important political base both for the government and the opposition. Moreover, the central bureaucracy, which has always been reluctant to transfer power to local representative assemblies, has long obstructed plans for political *decentralisation*.

However, these deficiencies have not prevented certain changes and improvements from being implemented in, for example, those parts of the administration responsible for the education and health sectors, where development assistance has been provided (see below). A measure of deregulation, though insufficient, has resulted in certain changes in the role of the administration and helped speed up economic development.

Corruption is widespread throughout the government administration. Of particular concern is the endemic corruption within central institutions such as the courts and the police. As these

institutions exercise basic functions in connection with the maintenance of law and order and the protection of human rights, this state of affairs poses a serious obstacle to development throughout the country. Corruption also contributes to the further marginalisation of poorer groups in the community who cannot afford to pay for access to social services and who are unjustly treated by public officials. Corruption accordingly exacerbates social and economic disparities in Bangladeshi society and contributes to the growing poverty gap.

2.4 The social sectors

Despite a significant increase in the number of children starting school many pupils drop out before completing their studies. Illiteracy remains widespread and many who have been classified as literate have difficulty in maintaining literacy skills through lack of daily use. However, the number of children starting school has risen sharply and illiteracy has fallen. The serious shortcomings in the education system are nevertheless a serious obstacle to national development, particularly as they tend to hinder participation by the poor in working life and politics. Relatively few pupils go on to higher education. Local NGOs have, however, developed methods for reaching young members of poorer social groups who, for various reasons do not receive formal schooling.

Children, especially girls, are particularly vulnerable to exploitation. According to the ILO, there is no generic law forbidding child labour. However, the practice is prohibited in certain areas. Unfortunately, these specific bans are far from rigorously applied. Child labour is regarded as a necessary evil; it is estimated that over 6 million children between the ages of 5 and 14 work, mainly in the home or on the family holding. Surveys carried out by UNICEF and the ILO show that some 20 per cent of all boys and 5 per cent of all girls between the ages of 6 and 17 go out to work. Reports from human rights organisations testify to widespread *trafficking* in children and women. Most of this trade is with the Middle East, India, Pakistan and South East Asia. A certain amount of trafficking also takes place inside the country. Thanks to the low incidence of HIV infection, children and women from Bangladesh are regarded as 'clean'.

The government, working in cooperation with local NGOs and donor organisations, has made substantial progress in the health care sector. A vaccination programme for children has helped cut infant and child mortality rates. Average life expectancy for the population as a whole has risen. However, the figure is somewhat lower for women. Although Bangladesh has so far been spared the ravages of HIV/AIDS on the scale prevailing in southern Africa, certain socio-cultural factors, such as prostitution, extreme poverty, the discrimination of women as well as increased mobility and a greater propensity to migrate, could increase the spread of infection. Here, too, significant development efforts must be made if all population groups are to enjoy minimum standards of health care.

2.5 The economy and trade

The country has recorded relatively stable annual growth rates of between 4 and 5 per cent since the start of the 1990s. Contributing factors include increased agricultural productivity, gradual liberalisation of trade and industry and the prioritisation of exports. Bangladesh is in a process of transition from an agricultural to an industrial economy and extensive development of its physical infrastructure is an immediate priority. The energy sector is expected to be a significant driving force behind industrialisation as major natural gas deposits are exploited in the next few years. Economic reforms have improved conditions for the private sector. The country has seen the emergence of modern companies in industries such as textile, leather and porcelain manufacturing and the mass production of pharmaceutical goods for export. The textile and clothing industry provides employment for more than 1.5 million people, mainly in Dhaka. However, this export-driven growth is being threatened by growing competition from countries in East Asia and by forthcoming changes in the existing Multifibre Agreement. Though still narrow and fragmented, the foundations for more rapid economic growth are in place. The economic base rests primarily on agriculture and exports, which are heavily dependant on global factors. Improved conditions for foreign investment have speeded up development in the energy and communications sectors. Bangladesh is desperately in need of a broader export base. The export of labour power continues to be the largest net generator of foreign currency.

The domestic savings ratio grew from 10 per cent of GDP in 1990 to 17 per cent in 2000. Bangladesh has never experienced a serious debt crisis. The debt-service ratio fell from over 20 per cent in 1989 to 9 per cent in 1999. In recent years, however, under-funding of the government budget has led to an rise in domestic borrowing. Government revenue fell from 9.2 per cent of GDP in 1998 to 8.4 per cent in 2000. A growing budget deficit combined with structural economic and institutional problems is hampering export-driven growth and domestic private initiatives in trade and industry. Diversification and higher domestic saving and investment levels are essential if the country is to achieve sustainable economic development. Other obstacles include the country's inadequate infrastructure, insufficiently high levels of technology and low productivity generally. Private initiative is further impaired by the country's weak and corrupt government administration and the existence of large loss-making state-owned companies. Although the government has embarked on a restructuring of the finance sector, considerable problems in the bank and capital markets remain. However, Bangladesh has become a model for other countries in terms of implementation of micro-credit programmes aimed at poor and landless people in the countryside. Today some 9 million families, i.e. one third of the population, take part in these programmes.

2.6 Environmental aspects and natural disasters

Bangladesh is mainly low-lying river delta country with an average population density of almost 900 people per square kilometre. The impact on the surrounding environment in the form of *water and land pollution* is considerable. The environment is under constantly growing pressure and conditions are particularly difficult in the rapidly expanding cities. The capital, Dhaka, with a population of approximately 10 million, has major problems with water, sanitation and continually growing volumes of traffic. In recent years, arsenic poisoning of the water table has been a serious and growing problem, particularly for poor people in the countryside with limited access to fresh drinking water. The presence of arsenic in the

drinking water is due to the practice, adopted in the last few decades, of drilling wells through layers of arsenic-bearing sediment, which has gradually contaminated the water. The problem is present throughout the country. The environment in the countryside has suffered from the rapid transformation of forested tracts into farmland, mainly for rice cultivation. The annual rate of deforestation is 0.8 per cent – four times the average figure for the region. Today there is very little forest or pristine wilderness left in Bangladesh.

Partly as a result of population pressures, people – mainly the very poorest people – have been driven to settle along the coast or in the flood plains, both of which are which are especially disaster-prone. This has resulted in enormous suffering for millions of poor people devastated by periodic floods and cyclones. Bangladesh has nevertheless succeeded in establishing a substantial disaster recovery capability thanks to cooperation between the Bangladeshi government, NGOs and the international community. Despite progress in this area, preparedness for natural disasters could be further improved, partly through regional cooperation primarily with India and Nepal, and partly through better coordination both at central government level and in exposed local areas.

Bangladesh is critically exposed to a range of natural hazards. It is particularly vulnerable to changing conditions upstream from the Ganges and Brahmaputra river deltas and to the long-term impact of the greenhouse effect. It must be assumed that the latter, which includes rising sea levels and more extreme weather systems, will hit the country hard. It is important that natural disasters are seen to be the result of a combination of human activities and their impact on eco-systems on the one hand, and social structures that make certain groups particularly vulnerable on the other.



The effect on Bangladesh of sea-level rises of 1 and 3 metres respectively. Time 9/4 2001

2.7 Development assistance and donor organisations

Bangladesh receives approximately USD 1.6–1.8 billion per year in development assistance. This is equivalent to between USD 12 and 15 per person. Assistance fell from a total of 10 per cent of GDP at the end of the 1980s to about 4 per cent by the close of the 1990s. Its share of the government budget has fallen by a corresponding amount and currently only accounts for half the country's development budget. Dependence on financial assistance has decreased accordingly.

Most of the world's major donors and lenders are active in Bangladesh. The largest of these is the World Bank, followed by the Asian Development Bank. The European Commission is planning to initiate a new development cooperation strategy for Bangladesh, to run from 2002 to 2006. It is estimated that EU support will have amounted to ECU 100 million per year by the end of this period. This will make the EU and its Member States the largest single donor in Bangladesh.

Most of the assistance extended by bilateral donors is based on the so-called poverty criterion. The UK has the largest development assistance budget with an estimated GBP 95 million per year spread over the strategy period. The UK's locally based coordinating centres make for a highly decentralised organisation. Denmark will be stepping up its support to Bangladesh through DANIDA. Norway's programme is similar to Sweden's both in terms of volume and content.

In general, UK support is aimed at all the major sectors while other donors tend to focus on specially selected areas. Danish support, for example, is targeted at the transport and fishing sectors. All bilateral donors support local Bangladeshi NGOs, especially those concerned with the promotion of human rights and democracy.

Only ADB, UNDP and WB are active in the environment sector and few players provide support for higher education. USAID has shown an interest in supporting the IT and telecommunications sector.

There is a clear tendency among donors to concentrate on areas such as primary education and health care. It is also evident that established donor organisations are looking to further decentralise their decision-making processes while boosting operations in the field to a corresponding extent. A third general observation is that continued efforts will be needed to harmonise and promote consensus within the extensive sector-based programmes. A fourth development, which will become increasingly important, is the discussion now under way on the significance of anti-corruption measures.

3. Analysis of results: summary

The overarching objective of *poverty eradication* lies at the heart of Swedish development cooperation with Bangladesh: all projects and all forms – direct or indirect – of cooperation. Experience gained from Swedish cooperation programmes shows that participation in positive transformation processes in society and knowledge and methods development in strategic areas produce results. Because Swedish support only accounts for 1.2–1.8 per cent of total international development assistance to Bangladesh, the long-term results and benefits of

Swedish development corporation can normally only be assessed at national level on the basis of general national indicators on health, education and disposable family income. Results are also dependent on support from several donors in a given sector.

Swedish support is mainly targeted at the social sectors (health and education) and infrastructure in the countryside (roads, marketplaces and job creation measures). Cooperation in the social welfare sector between the government and the donor group is well developed and Swedish support is integrated into national programmes involving a large number of donor organisations. Support in the social welfare sector is aimed at developing efficient national sector-based programmes aimed at improving access to social services. Support for rural development is targeted at the Greater Faridpur area.

Improvements in primary health care and education have had a positive effect on the quality of life, particularly that of women and children. Average life expectancy has increased from 44 to 60 years since 1970, while the literacy rate has risen from 33 to 56 per cent. However, the literacy rate for women is still lower than the corresponding figure for men. Although the number of children starting school has risen from 63 to 96 per cent over the last ten years, many still leave school before completing primary education. The government has run a successful vaccination campaign in collaboration with the international donor community and the number of vaccinated children rose from 30 in 1990 to over 80 per cent at the end of the decade. The improvements which have taken place are due in part to Swedish support in the social welfare sectors, including family planning.

The current sectoral programme for the *health sector* includes support for primary health care and sexual and reproductive health. It also contains measures for a comprehensive restructuring of the Ministry of Health. Its objective is to establish a more rational health care system in Bangladesh, which will benefit women, children and the poor. Swedish sectoral support has contributed to favourable results at national level. Support to local NGOs has been directed primarily at reproductive health. Cooperation has helped increase awareness among the poor, particularly among women, and led to a reduction in the number of births.

In the *education sector*, the provision of basic education has shown stable development. Bangladesh is seeking to provide large numbers of poor people, particularly women and girls, with access to basic skills. The aim of the programme is to give the poor an opportunity to develop their social and economic skills and thereby help reduce the number of poor people. While it is not possible to assess the direct effects of such measures on poverty, the two programmes supported by Sweden have succeeded in offering basic education to almost 8.6 million people. Swedish support, along with that of other donors, has helped bring about positive changes at national level.

The rural development programme (RESP) has led to a reduction in poverty in the Greater Faridpur area. This is mainly due to increased access by the poor to better infrastructure and the involvement of the poorest women in the community in road rehabilitation projects and micro-credit programmes (PEP). Micro-credits extended through the RESP programme have reached approximately a quarter of all poor and landless people in the area.

Support is also provided to local NGOs concerned with promoting *gender equality*. Efforts in this field have helped women gain access to knowledge about their civil rights, mainly through the dissemination of information about legal procedure and protection. Sweden has

also supported organisations that offer health care services during pregnancy and access to legal alternatives to abortion. Over time, these projects may be expected to impact women's status and overall conditions by encouraging trends such as later marriages, fewer children per family and increased access by women to paid employment.

Sida also cooperates directly with local NGOs in the spheres of *social and economic mobilisation, human rights, and democracy*. Among other activities, these organisations run micro-credit projects, provide women with legal aid and offer protection and education to street children. As a result of their efforts, existing laws relating to women's rights have become more widely known and applied. The poor have not only received financial help to ameliorate their existence; they have also been provided with the necessary knowledge and tools to assert and exercise their rights.

Swedish development assistance to Bangladesh, 1996–1999

Sector:	1996	1997	1998	1999	Total
COUNTRY FRAMEWORK					
Health	10,37	30,73	19,00	36,38	96,48
Rural development	65,46	61,90	39,7	52,98	220,04
Education	28,85	39,94	13,22	32,6	114,61
P & K fund	0,29	0,17	0,26	0,38	1,10
Subtotal	104,97	132,74	72,18	122,34	432,23

Sector:	1996	1997	1998	1999	Total
NON-COUNTRY FRAMEWORK					
Health	42,47	11,97	11,29	9,83	75,56
Rural development, including flood rehabilitation	8,99	3,44	32,38	42,95	87,76
Education	6,50	3,80	0,37	0,23	10,90
Humanitarian efforts	0	4,00	7,17	4,85	16,02
Swedish NGOs	18,63	22,5	23,80	28,55	99,53
Human rights and democracy	2,58	4,23	3,66	4,02	14,49
Credits	0	0	0,50	0	0,50
Other	1,17	0,63	0,47	1,10	3,37
Subtotal	80,34	50,57	79,64	91,53	308,13
Total	185,31	183,31	151,82	213,87	740,36

Source: Sida's accounting system (PLUS)

4. Bangladesh's development strategy

4.1 Government objectives

The Bangladeshi government's key objectives are *poverty reduction* and *economic growth*. These are embodied in the country's fifth five-year plan for 1987/98–2001/02, which places emphasis on the development of human resources, expansion of the private sector, increased food production and improved living standards for the poorest groups in the community. The government's economic policy has met with partial success. Priority was given to measures aimed at promoting trade liberalisation, primarily in the export industry. Production has risen sharply in recent years. Total exports stood at USD 1.9 billion in 1992 and reached USD 5.1 billion in 1998. The government has also achieved some of its social welfare objectives; the health sector's share of the development budget rose from 8 per cent in 1994 to 14 per cent in 1999.

A *sound economy* is regarded as the prerequisite for the *eradication of poverty*. Macro-economic stability and effective sectoral programmes have been identified as the most important elements in this connection, along with closely targeted efforts to help the poor and vulnerable, primarily women. Particular attention is being focused on agriculture and the manufacturing industry. Infrastructural development is a priority area. The government attaches importance to the development of a *sustainable production base* and *open markets*. The total value of Bangladeshi exports is four to five times greater than total development assistance.

The high rate of urbanisation in the country is itself a force for economic and social change. In response to growing social disparities in the cities and major urban concentrations – partly as a result of the rapid economic changes taking place – the government has advocated greater *decentralisation* and a focus on small and medium-sized towns with a view to achieving balanced economic development in the country as a whole.

Finding long-term solutions to the problems caused by recurring *natural disasters* is another priority issue for the government. Bangladesh is currently developing methods that will allow a greater degree of planning for and monitoring of natural disasters.

The national budget is divided into an operating budget for running costs and an *annual development budget*. The bulk of all official *development assistance* to Bangladesh is channelled through the latter.

4.2 Assessment of the government's development strategy

Bangladesh suffers from a lack of good governance, both in political and administrative terms. The uncertain political situation and widespread corruption within the government administration present significant obstacles to development in the country. The present conflict between government and opposition is likely to continue for the foreseeable future. The result of the forthcoming parliamentary elections could provide an important clue to the character of the next government and its ability to act decisively. It is likely that the situation in Bangladesh will continue to be characterised by weak political control, an inefficient central administra

tion and widespread corruption, all of which will serve to inhibit economic development and reduce the effectiveness of the government's fight against poverty.

Creating employment for almost 2 million new job-seekers a year poses a major challenge. Agriculture, which will remain the country's primary industry for the foreseeable future, lacks sufficient capacity to provide productive employment for the growing labour force. In the social welfare sectors, the government has largely given priority to women (health) and girls (basic education). Many women have found employment in the textile industry. However, the expansion potential of the export industry is uncertain. It is therefore vital that Bangladesh generate sufficient domestic capacity in areas that are neither directly based on agriculture nor export dependent to absorb the expanding labour force. This will require measures to develop the domestic market and the creation of local private initiatives. Reducing under-employment will call for improvements in a number of areas. These include wider access to transport, energy and communications – vital for local enterprise – and support for entrepreneurs and other employment generating groups. In addition, the credit system must be improved substantially if the business community and households are to benefit from financial services.

Despite policy statements on the importance of reform, there is every indication that the government administration will retain its present form and size over the next four years. This is due to three inhibiting factors: insufficient political will and energy, limited financial resources in relation to needs, and, not least, lack of institutional capacity to implement development programmes effectively. Moreover, the government has so far done little to improve the structure, organisation, management or working methods of the civil service. It is essential to the country's overall development that administrative reforms, including the decentralisation process, be got under way as soon as possible.

5. General considerations

Sweden wishes to pursue a coherent policy, in partnership with Bangladesh and other players, aimed at promoting democratically, economically and socially sustainable development in that country. Cooperation must be clearly based on client ownership and support focused on those areas where we can most effectively turn our experience, know-how and financial resources to account, and where we have the capability to back reforms in a flexible way, in cooperation with other players. The dialogue must be focused on reform and democracy /human rights-related issues, with special emphasis on problems arising in connection with gender equality.

Although less financially dependent than in the past, Bangladesh had acquired a psychological reliance on development assistance. Donors continue to enjoy considerable discretion in the field of development cooperation, particularly with regard to projects. The locally-based cooperation partners are insufficiently equipped to prepare, negotiate and implement measures, and donors continue to shoulder an unduly large share of responsibility for these tasks. Unfortunately, extensive discussions on the issue of client ownership have failed to yield practical results. Although Bangladesh and its donors share responsibility for extending government ownership of development cooperation, the division of roles and responsibilities between Bangladesh and the various players involved is often unclear. The issue of competencies and relations between players should in future be accorded greater emphasis by Sweden, other donors and Bangladesh.

Sector-based programmes are one way of breaking the pattern of reliance on development assistance and of increasing client ownership. It forces political decision-makers to assume greater responsibility. Sectoral cooperation allows donors to continue pursuing issues of priority to them while entailing a greater willingness to compromise.

Bangladesh has made considerable progress in the *health sector*: implementation of a sectoral programme is under way and national health indicators show that development is moving in the right direction. However, a great deal remains to be done before health care services can be said to have reached acceptable levels, and Swedish support for this sector for a further four-year period is amply justified.

There is also considerable scope in the *education sector* for developing cooperation towards a system based on sectoral support. In this case, a long-term view is required.

The rural development programme in Greater Faridpur is nearing completion. Results have been favourable in a number of respects. The results of the country analysis show that Bangladesh has enjoyed relatively stable economic development and that poverty is slowly declining thanks to improved social conditions and steady growth. They also show that further improvements in both areas will be necessary if continued efforts to reduce poverty are to succeed. Sweden has considerable project experience in Greater Faridpur, a large region with a population nearly as large as Sweden's. It is not one of the more dynamic areas in the country and poverty is widespread. Although Sweden's experience in Greater Faridpur combined with the particular needs of the area, argues for continued efforts based in the region, these must form part of a new programme aimed at promoting democracy and economic development in a decentralised context.

At the same time, it should be possible to operate beyond this geographical demarcation – otherwise necessary for resource-related and other reasons – as and when dictated by observation and assessments of ongoing work in the area. One area at central level identified in the country analysis as being in need of development is reform of the financial sector.

Resource limitations, including the recall of foreign ministry personnel from the embassy in Dhaka, hamper the development of broader cooperation in Bangladesh. It is therefore important that credit instruments can be applied without geographical limitations.

The creation of networks, the exchange of ideas between the civil society and government bodies are crucial to the development of democracy. Here, Swedish NGOs can play an important role in broadening the partnership. It should also be feasible to broaden and intensify relations in the spheres of research, culture, trade and investment. Development credits, the StartSyd programme (business sector) and the new structures for research-initiated and cultural cooperation with Asia now under development are all possible instruments.

In the course of continued cooperation, it will be necessary to identify ways of supporting Bangladesh's aims and efforts to boost the annual rate of economic growth to 7–8 per cent through further export stimulus and development on the one hand, and improvements to the business and investment climate on the other. Ways of providing trade-related technical assistance or exchanging experience should also be considered in this connection.

6. Proposals for development cooperation during the period 2002–2005

6.1 Development goals

Poverty reduction remains the over-riding goal of Swedish development cooperation in Bangladesh.

As the causes of poverty are many, complex and mutually reinforcing, the fight against poverty should be waged on several levels and through a range of interventions. In keeping with its commitments to human rights, Sweden must accordingly help create conditions conducive to sustainable social development, democracy, local government and economic development. Efforts must be focused on enabling poor women to take an active part in society, both socially and economically.

6.2 Volume

The proposed cooperation agreement will run for three years and involve a maximum allocation of SEK 600 million. This amount does not include development credits, humanitarian measures or financial support provided through Swedish NGOs. Grant-financed field workers and certain human rights/democracy projects will also be financed separately.

6.3 Dialogue issues

Bangladesh is undergoing a process of social, economic and political change which it is hoped will bring about a gradual improvement in terms of human rights for the great mass of the population. This process is clearly implicit in the country's declared policies. However, progress is slow. There are immense institutional obstacles and innumerable setbacks. The goals for reform are seldom matched by action in the form of institutional changes aimed at promoting economic development or interventions against human rights violations, to cite two examples.

Sweden's dialogue with Bangladesh should focus on strategies calculated to accelerate the process of change. Other areas that would benefit from intensified dialogue include the WTO and the development agenda, trade and investment policy, the business climate, and efforts to promote regional cooperation and economic integration in southern Asia. Yet another area where dialogue is essential is corruption. The dialogue should be such that all aspects of our relations with Bangladesh, not least in our capacity as an EU Member State, hang together and thus complete and reinforce one another.

Development cooperation is a key element in our relations with Bangladesh and the dialogue is conducted with these primary aims in mind. Having regard to the principal areas of development – *social development, democracy, local self-government* and *economic development* – the following issues must be seen as central to that part of the dialogue directly related to practical development cooperation. Special consideration must accordingly be given to those areas where Swedish experience and resources can contribute to innovative approaches and change.

- *Client ownership*: All aspects of cooperation must be based on the principle of active Bangladeshi ownership. Support should be called in question where specific projects or programmes do not provide for clear-cut Bangladeshi ownership. At national level, areas of cooperation should be reflected in the government's priorities, policies, budget allocations and particularly in the bilateral dialogue. Sweden must be prepared to wait as long as necessary to ensure that ownership is firmly established. Although this conclusion is based on our experience of cooperation thus far, it can of course lead to an initial reduction in the effectiveness of certain operations.
- *Social reform*: Sweden should seek to secure a role in all areas of cooperation, particularly in connection with sector-based support and related programmes, that will enable it to sustain the Bangladeshi reform process. Emphasis should be given to decentralisation measures, innovative approaches to the reform of administrative structures and measures aimed at preventing corruption.
- *Partnership*: Cooperation should be aimed at promoting closer partnership between interested parties in Bangladesh and Sweden. This partnership should contribute to the development of a more mutual and evenly balanced relationship between the two countries. Dialogue should be intensified in areas where deeper and broader cooperation have high priority. These include the fight against poverty, gender equality, HIV/AIDS, economic development, democracy and human rights.
- *Gender equality*: Priority must be given to the gender equality aspects of cooperation. A gender equality analysis and an implementation plan must be drawn up each year and followed up.
- *Donor coordination*: Sweden should seek to improve donor coordination by enhancing Bangladesh's ability to coordinate the donor community. The aim here is to increase the effectiveness of all phases of programme support and make it easier for Bangladesh to plan, implement and follow up its development programmes. All preparatory work for new programmes or projects should include an analysis of other donors' cooperation programmes in the area.
- *Support for sector-based programmes*: Sweden should contribute to the continued development of sector-based programme support with a view to boosting Bangladeshi ownership and promoting more effective donor coordination, thereby encouraging qualitative as well as quantitative improvements in social services. Sweden should maintain a dialogue on the risks of corruption in the context of ongoing and future sectoral programmes, and seek to identify appropriate preventive measures in collaboration with Bangladesh and other donors.
- *Economic sustainability*: Cooperation should take account of the need for sustainability at national as well as at project/programme level. The possibility of increasing the degree of self-financing should be discussed with the other partners.
- *The environment*: Environment-related causes of poverty should be identified. Sweden should actively encourage dialogue with Bangladesh aimed at reducing vulnerability, particularly that of the very poor, to natural disasters.

- *Performance evaluation and financial follow-up:* All development cooperation programmes and projects should be followed up jointly by Sweden and Bangladesh. In the interests of quality assurance, all planning and preparation of measures, projects or programmes should be based on a clearly ordered set of objectives and include a description of methods and procedures for effective follow-up. This includes active steps to fight corruption.

7. Areas for development cooperation

7.1 Poverty reduction

The overall goal of development cooperation is poverty reduction, which embraces the principle that the entire population should have the opportunity to take part in Bangladesh's social and economic development at both national and local level. Over the next four years, Swedish development cooperation will take place in the following two areas:

Social development	Democracy, local government and economic development
Support aimed at promoting better health care, education and greater gender equality at all levels. Facilitating access to social services by the poor, particularly women and children.	Support for: a) the decentralisation process and increased local government control b) greater opportunities for poor people, and women in particular, to take part in political and economic activities at local level c) economic development and better infrastructure to help boost employment rates

7.2 Social development

The objective in this sphere is to help create conditions conducive to the development of human resources as a stimulus for individual development as well as active participation in the process of national development. Sweden must continue to provide support to the social sector in Bangladesh, particularly in the spheres of health and education, through close cooperation with the government and the donor community. Although the country analysis points to significant progress in both areas, there are still major needs to be met. Bangladesh has reached the halfway point in its progress towards an acceptable minimum standard in these areas. Sweden should seek to promote this development in key areas of reform through dialogue and the use of its resource base to support strategic initiatives. Cooperation within the sector-based programmes is expected to continue for at least another four years.

Sweden has been a driving force behind the development of programmes for the health sector. The work is carried out in collaboration with Bangladesh and other donors. During the strategy period, Sweden will be able to play a proactive role in ensuring that the health sector continues to develop in the right direction. It is the overall strategic concerns that will be at issue here. Sweden can also play an important role as a catalyst in connection with the

development of a programme for the education sector. Over the next four years, support should be extended to the following social development areas:

- *Primary health care:* Sweden will continue the work of developing and harmonising support for sector-based programmes. Areas supported by the programme include reproductive health, child health care and communicable diseases including HIV/AIDS. Sweden should take steps to highlight and promote efforts to fight corruption as part of its support for the health sector. The objective here should be improved health care services. Efforts to achieve it should be informed by clearly-defined guidelines and goals within the framework of a well-grounded health policy owned by Bangladesh. It is important that the health sector programme in Bangladesh be developed in a sustainable way.
- *Primary education:* Sweden should continue to actively promote harmonisation and increased cooperation between the players that provide support to this sector. The objective here should be improved education. Efforts to achieve it should be informed by clearly-defined guidelines and goals within the framework of a well-grounded education policy owned by Bangladesh. Should support for the education sector show signs of developing into a sector-based programme, Sweden should be prepared to increase its contribution during the strategy period. Sweden should support the country's newly framed national education policy with Swedish know-how and expertise, if approved by the Government. Swedish experience gained in other countries could be valuable in this context.
- *Increased local participation in strategic areas:* Activities under this heading include support for mobilisation in socially important areas. The aim here is to enhance efficiency and effectiveness at local level and increase cooperation between the population and local authorities, using Greater Faridpur as a point of departure.

7.3 Democracy, local government and economic development

The country analysis reveals how the combined effect of centralised administrative and political control, institutional inefficiency, insufficient administrative resources at local level and lack of incentives for enterprise, particularly outside the central urban and growth areas, acts as a deterrent to democratic development and employment at local level. It also defines by implication one of the major obstacles to the full enjoyment of human rights by the people of Bangladesh through reduced poverty and greater democratic participation.

The analysis further reveals the limited extent of Sweden's resources relative to the country's size. Efforts must be confined to strategic targets if they are to be effective. Sweden has considerable experience of working in Greater Faridpur, a densely populated area of rural villages and small towns. Development efforts have hitherto been focused on infrastructural measures and social mobilisation. Crucial to these efforts has been the establishment of the Local Government Engineering Department in Dhaka and support for the Bangladesh Rural Development Board. Japan has announced its intention to support investments in infrastructure. Although continued support for Greater Faridpur is the most obvious course, new directions must be explored.

The goal here is to help create conditions conducive to democratic and economic development with a view to establishing effective institutions at local government level. Efforts towards decentralisation should therefore be supported. Cooperation should also back efforts to create conditions conducive to environmentally and economically sustainable growth and higher employment rates among the poor. Possible avenues include support for enterprise, civil society, NGOs and local authorities.

Since the 1980s, Sweden has contributed to the establishment of organisations to promote social mobilisation through direct support to local NGOs. Sweden should continue to provide support aimed at strengthening civil society throughout the strategy period in order to speed up democratic development.

During the next four years, support may be extended to the following areas:

- *Local government:* Efforts contributing to the promotion of more decentralised government, with the emphasis on Greater Faridpur, greater delegation of decision-making powers and increased democracy through local self-government (at upaliza and pourashava levels). It should be possible to extend support designed to reinforce the technical and administrative capacities of local public institutions, promote more effective tax collection and better financial control, improve auditing functions and enhance the ability of authorities to actively follow up the resource flow. If efforts in Greater Faridpur are to be replicated and adopted elsewhere in Bangladesh, measures must also be implemented at central government level. Suitable instruments in this context include credits and gifts programmes.
- *Respect for human rights and democracy:* Efforts to promote increased respect for and protection of human rights and their bestowal on all women, men and children in Bangladesh should be supported. Special attention should be given to issues relating to child labour and the observance of other fundamental human rights set out in the ILO's *core labour conventions*. Special measures to strengthen the judicial system may be called for. Examples include supplementary funding aimed at broadening the competence of the Ombudsman and/or the Human Rights Commission. Support should also be extended to local NGOs in Greater Faridpur engaged in human rights work and the promotion of democracy. This should include measures aimed at boosting public participation in local political issues at union, upaliza and pourashava levels in Greater Faridpur. Sweden should also provide support aimed at strengthening the ability of civil society to secure democratic development and promote respect for human rights.
- *Economic development:* Measures designed to promote environmentally sustainable industrial and commercial development. At present, there is limited scope for direct involvement in necessary reform measures at central government level aimed at promoting the development of trade and industry and administrative efficiency. In view of the need to speed up the transformation to a more open economy, consideration should nevertheless be given to supporting the financial sector, trade and investment institutions, efforts to enhance the capability to deal with WTO issues, more efficient customs procedures and other trade facilitation efforts. Studies and other minor activities capable of lending direct support to Sweden's role as a dialogue partner (see Section 6.3) should also be considered.

There are clear advantages to basing projects and other measures in this sphere in Greater Faridpur. The most appropriate target for support at present is infrastructure, primarily the electricity and telecommunications sectors, where donor funds as well as credits can be used. Other specific projects linked to decentralisation work, such as improving water and sanitation services in local urban centres, would also be appropriate.

7.4 Other

Swedish support should focus on the above-mentioned areas. Some additional areas of special importance are listed below:

- *Development credits* constitute an important instrument for promoting broader co-operation. It should be used reactively without regard to subject area or geographical boundaries. Special priority should be given to environment-related activities.
- Support for efforts in the *humanitarian* sphere: There is scope for strengthening disaster prevention efforts in addition to the financing of direct humanitarian measures. A survey of the need for worthwhile measures such as these should be carried out in collaboration with national and local authorities and other players in Bangladesh. A regional, southern Asian perspective should be applied in this connection. Such a survey could lead to specific disaster prevention measures.
- *Cultural cooperation and cooperation initiated by researchers* as well as direct co-operation between the Swedish and Bangladeshi business sectors should be conducted using the special demand-driven instruments currently under development or that already exist for this purpose (StartSyd). A programme for researcher-initiated cooperation between Sweden and a number of Asian countries is under development. The programme will facilitate cooperation between Bangladeshi and Swedish researchers. An assessment of existing demand and to what extent further measures are desirable should be made towards the end of the strategy period.
- *Swedish NGOs*: Funding for Swedish NGOs is also expected to be relatively substantial in the coming strategy period. However, this support is wholly determined by these organisations' decisions and priorities regarding financial assistance from the NGO appropriation.
- *Communication*: Access to information is crucial to the promotion of economic development. We should explore the possibility of making better use of IT in the context of Swedish development cooperation, e.g. in connection with support for sector-based programmes.

8. Planning and administration

The proposed programme is predicated on Sweden's recognition of and commitment to dialogue. Field staff must have the necessary skills for this.

Regarding sectoral programmes, Sida's Stockholm HQ should focus on this aspect of co-operation and seek to engage key Swedish resources in special dialogue-related reform and

follow-up activities. Close cooperation between Sida's Education and Health divisions on strategic reform and budgeting issues will be essential in this connection.

Operations in Greater Faridpur presuppose close cooperation between Sida's various divisions and units, coordinated by staff in the field. Suitable approaches for the home-based organisation should be considered at the programme planning and drafting stages.

It is estimated that operations in the social sectors area will require services from Sida equivalent to approximately one full-time administrative officer/year. The operations in Greater Faridpur are expected to require 1.5–2.5 full-time officer/years, depending on the aims and scope of the programme.

Other activities should be designed – in terms of their aims and scope – so that they do not place inordinate demands on Sida headquarters. From time to time, more extensive undertakings, such as special projects in connection with relevant disaster prevention measures, may be necessary. However these must clearly be delimited in time.



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