



DFID BANGLADESH

**AGRICULTURAL SECTOR DEVELOPMENT
SCOPING STUDY**

FINAL REPORT

March 2000

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ABBREVIATIONS AND ACRONYMS

ARDP	Agricultural and Rural Development Project
ASIRP	Agricultural Services Innovation and Reform Project
ASSP	Agricultural Support Services Project
DAE	Department of Agricultural Extension
DFID	Department for International Development
DFIDB	Department for International Development, Bangladesh
GoB	Government of Bangladesh
MFI	Micro-Financial Institution
NGO	Non Government Organisation
RDS	Rural Development Strategy
RIBEC	Reforms in Budgeting and Expenditure Control
RLD	Rural Livelihoods Department
RNF	Rural Non-Farm
SL	Sustainable Livelihoods
TNO	Thana Nirbani Officer
ToR	Terms of Reference

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SUMMARY

1 INTRODUCTION

This report presents the conclusions of a mission carried out in February 2000 to review the scope for DFID interventions in the Agricultural Sector in Bangladesh. Recent World Bank proposals for a Rural Development Strategy (RDS) and an Agricultural and Rural Development Programme (ARDP) provide a starting point for the review. Despite its title, the report looks beyond the agriculture sector to consider all aspects of rural livelihoods in Bangladesh.

2 OVERVIEW OF THE RURAL SECTOR

Despite natural disasters, political instability and weak governance, poverty in Bangladesh is declining. However, at least 46 million, mostly rural people are still classified as very poor.

At any one time, many people are climbing out of poverty but many others are falling back. Natural disasters, illness, life cycle changes and structural changes all contribute to the downward movement, while growth and new employment opportunities are the largest contributor to the escape from poverty. In the past, development programmes have sought to reinforce coping strategies to prevent the slide into poverty but recent studies place more emphasis on promoting an 'economics of graduation', to provide a ladder to escape.

Development and economic growth are bringing rural communities into much closer contact with markets and with both Government and non-government institutions. For the great majority, rural isolation is a thing of the past. The consequence is that these institutions have an increasingly important influence on the livelihoods of the poor. That influence is both direct and indirect and positive as well as negative.

A comprehensive Rural Development strategy needs to address three aspects: to combat the pressures that create downward mobility, to expand the opportunities for escape from poverty and to reform the institutional framework which defines the transforming structures and processes that govern rural livelihoods.

2.1 AGRICULTURE, FISHERIES AND LIVESTOCK

Despite rapid urbanisation, agriculture still accounts for 60% of employment and 30% of GDP. There are few, if any, of the rural poor who do not have a close interest in agriculture. Growth in the sector is more equitable than elsewhere. Overall, even a relatively small improvement in agriculture would have a greater impact on poverty than almost any other conceivable development.

Rapid expansion of small scale irrigation and HY varieties mean that Bangladesh is now effectively self-sufficient in rice. Real prices have dropped substantially, with a major impact on food security for the very poor. The expansion of the dry-season *boro* crop also means that the country is less vulnerable to the effects of major floods. With the introduction of hybrid and super-rice varieties it is expected that it will be possible to maintain the 2% annual growth needed to match population increase. Increases beyond that will lead to further declines in price, with direct and immediate benefit to the poorest, but less so to the farmers, most of whom are also poor.

Rice is the dominant crop, some 45% of employment. The easiest gains in productivity have already been won and progress may prove more difficult from now on. Striking a balance between the producer and the consumer will also become more sensitive. For these reasons, an effective programme to support the rice sector is essential.

Higher value crops, livestock and fisheries are expanding rapidly, offering potential to diversify from rice. However, there are limits to that potential. Markets for vegetables and spices are too small to allow any significant impact, relative to the vast acreage of rice. To some extent, the same is true for livestock. Commercial production of vegetables, fish and livestock is also intensive in both capital and labour, especially for export. Poor farmers may find it difficult to participate.

2.2 THE RURAL NON FARM SECTOR

The Rural Non Farm sector is growing rapidly and offers better incomes to the rural poor. The range is wide, from modern manufacturing to small scale rural services but the latter, in particular trade, transport and catering, dominate the sector. It is reported that output is growing more rapidly than employment, presumably as machinery replaces human and animal power. It may be difficult to tailor a programme that can match the sector's diversity and there is a particular risk of side effects, for example where new technologies undermine an existing, more traditional industry.

2.3 INFRASTRUCTURE

Recent years have seen a marked expansion in the network of roads, bridges and scheduled air links. The majority of the population is now within one hour's travel of a range of services. However, much of the road network is in very poor repair and there are urgent institutional issues of design, quality of work and maintenance to be addressed if the network is to be sustained and developed further.

2.4 RURAL FINANCE

The NGO-led micro finance service industry of Bangladesh is a world leader and has brought its services within reach of the great majority of rural people. There is active innovation to extend credit to the very poor and the non-farm sector and to diversify the range of products into savings and insurance. Micro finance now stands at a cross roads. As it expands, levels of risk and management requirements are increasing. If the industry can deal with these, it has the potential to replace a formal banking sector that is near bankruptcy. If not, there is a clear risk that it will fall prey to the same pressures that undermined the state-owned banks and others. A robust regulatory framework for micro finance needs to be established.

2.5 PUBLIC SECTOR INSTITUTIONS

Government of Bangladesh has many failings but it has succeeded in maintaining a basic capability, as demonstrated when it coped effectively with the 1998 floods. More day to day performance within the Public Sector is poor. Low staff motivation, resource constraints, poor control of budgets and expenditures and a lack of strategic direction all limit the capacity to translate policy statements into effective programmes. As a result, work is largely driven by projects sponsored by different units within Government and by different donor agencies.

Steps are being taken to address these problems, notably in the Health Sector where all projects are now managed as part of one sector wide programme. However, a great deal remains to be done to establish effective mechanisms to match priority needs with the resources available.

2.6 LOCAL GOVERNMENT AND DECENTRALISATION

Legislation has been tabled to re-establish the decentralised Upazila system of local government. The proposed reforms represent an opportunity to improve the relevance of services to the rural poor. However, political support for and against the reform seems evenly balanced and decision making authority is still highly centralised.

2.7 GOVERNANCE

Bangladesh has been strongly criticised over standards of governance and studies have revealed the direct impact this has on the poor. DfID is committed to improving institutional performance in Bangladesh, through support for increasing the *efficiency* of service provision and increasing the *demands* for improved governance. This implies that future support to rural development will depend less on "resource transfer" projects and more on linked efforts to improve GoB's institutional performance and strengthen the policy focus on poverty reduction.

2.8 THE SUSTAINABLE LIVELIHOODS APPROACH

Bangladesh has a long history of innovation in rural development, as may be seen in the current strength of the NGO sector. While not formally structured within a Sustainable Livelihoods framework, there are few if any aspects of that framework that have not been addressed, albeit with varying degrees of success.

For the future, the Sustainable Livelihoods approach appears to offer the greatest potential when applied at the level of the district, thana and block where there are opportunities to co-ordinate service delivery to match the diversity of livelihoods and to empower local people to undertake new livelihood options. The knowledge generated through this process would then form the basis for macro level policy.

Within individual NGOs and to some extent, even between Government agencies, such a cross-sectoral is already being sought, for example under the New Agricultural Extension Policy. However, there remain human and physical resource constraints and some lack of commitment to the policy. The rate at which these barriers can be overcome will depend on the strength of different stakeholder interests.

3 THE RURAL DEVELOPMENT STRATEGY/AGRICULTURAL & RURAL DEVELOPMENT PROJECT

The World Bank document, Bangladesh: A Proposed Rural Development Strategy, is based on a detailed analysis of the issues summarised in this report. The strategy recommended has five components:

- Improve short term food assistance and reform food policy
- Reform the policy environment and public sector programmes for rural growth
- Invest in rural infrastructure
- Improve the rural financial services
- Provide financial and technical assistance to support local government reform.

To implement this programme, the concept note for an Agricultural and Rural Development Programme tabled with Government has three components: policy and institutional reform, public investments and private sector development. An inter-ministerial task force has been set up to guide project preparation, identify issues and establish consensus and implementation is to be managed by a Unit in the Ministries of Agriculture, Food, Local Government and Rural Development.

Neither the RDS nor the ARDP makes recommendations on how the strategy should be implemented and they do not address the critical institutional issues, leaving a considerable gap between these broad strategy documents and effective implementation. Although this may be resolved during project preparation, it is felt that there are three more fundamental issues that should be resolved at the outset. First, what is proposed covers a very wide range of difficult issues involving at least seven ministries. It may be difficult to form a coherent and manageable programme. Secondly, the proposals do not consider how to integrate and co-ordinate Government and donor financing. Lastly, it would appear that Government and national stakeholders have not been very extensively involved and that ownership may be an outstanding issue. Other concerns are summarised as follows:

- There is an emphasis on commercial agriculture and the rural non-farm sector, which may not offer the greatest potential for poverty reduction.
- The proposal for increased investments in infrastructure and other sectors are not supported by any discussion of how to address the critical institutional weaknesses.
- The programme is so large that it will be difficult to prevent implementation becoming just a series of unconnected projects.
- As structured, the ARDP may tend to become a resource transfer project and achieve little in the way of strategic improvements in service provision for the poor.
- Although the project seeks improvements in public sector service provision, it is not defined in either the RDS or the ARDP how this is to be achieved.
- No consideration is given to how demands for governance rooted in civil society can be increased.
- The RDS does not consider the issue of rural governance, ie standards of security and justice.

4 DEVELOPING AND IMPLEMENTING THE STRATEGY

The preceding raises two fundamental questions: how to make the Rural Development Strategy into a manageable programme and what development approach will most effectively address the institutional issues that must be confronted for sustainable development.

In answer to the first, the report proposes that the strategy be structured into five sectors, so as to group activities where the issues, the interventions and the stakeholders are the same and taking account of the way government is organised. The proposed sectors are: Agriculture (including Livestock, Fisheries and Forestry), Local Government (including Rural Infrastructure), Rural Finance, Rural Governance, and the Rural Non-Farm Sector.

Most international agencies now support a Sector Wide development approach. This is explicitly intended to address the central institutional issues by seeking to ensure that national stakeholders are fully in charge of the development process, that levels of aid-funded development expenditure are compatible with Government budgetary resources, that Government has the capacity to manage the programme and that donor organisations and Government work together.

There is a clear choice. A sectoral approach can be adopted for all or most elements of the Rural Development Strategy. Alternatively, if such an approach is not likely to succeed, then more specific programmes to assist the poor can be combined with support to civil society as a counterbalance to and competitor with the state.

The report recommends that early consensus be sought on three issues:

what sectors should make up the RDS and where should the dividing lines between them be drawn?
which Government, NGO and donor bodies are most active in each sector?
what is the most appropriate development approach in each sector?

5 OPTIONS FOR DFID

DFID has three options: to seek to promote the development of a structured RDS as described, to work with Government and the WB on progressing the ARDP without major restructuring or to limit its involvement with Government altogether and give greater emphasis to the NGO sector. The first option is undoubtedly ambitious unless a small group of donors can win support from Government so the second may be more pragmatic: working to influence the development of the ARDP and seeking involvement in one or more specific sectors.

If the prospects for partnership at the national level very poor, the third option may be preferable, seeking to identify specific areas of importance to the poor: for example, a package including reform of land tenure and property rights; targeted programmes for tomorrow's poor and the extreme poor; a programme to strengthen regulation of rural finance; and regional projects in very poor localities. This option would be more manageable and, possibly, have a greater direct impact on poverty. What it would not do, however, is address the institutional constraints that prevent the Bangladeshi state from playing its proper part in rural development.

6 CONCLUSION AND RECOMMENDATIONS

The mission recommends that DFIDB work to build a consensus on restructuring the ARDP and seek to take a lead rôle in the agricultural sector. The main reasons for this recommendation are as follows:

- **POVERTY IMPACT:** improvements in agriculture will yield much to the poor;
- **POTENTIAL FOR CHANGE:** the barriers are severe but there is evidence of change within the sector;
- **DONOR CONSENSUS:** there are relatively few major donors in the sector and most of them are seeking a sectoral approach;
- **DFID PRESENCE:** DFID has a major and continuing presence with some clear entry points for an effective contribution.
- **CRITICAL MASS:** Donors are working with GoB to address institutional issues through sectoral approaches in health and education. To include agriculture would add critical mass to sustain the pace of reform. Not to do so might have the opposite effect.

The following timetable of action points is proposed:

- DFID to decide strategy - to 30th April 2000
- Build consensus with the key stakeholders – to 30th June 2000
- Planning – to 31st December 2000

If this admittedly demanding timetable can be met, the ARDP or some elements of it could start to be implemented in early 2001. The resources already available under the ASIRP programme could be committed to supporting this process.

The report acknowledges that the implications of these recommendations are very wide ranging. Success is not assured and the final outcome may be some way from what is envisaged as a Sector Wide Approach. Nevertheless, it is difficult to see an alternative way forward that does not, in effect, mean a failure to face up to the most important development constraint of all: the institutional weakness of Bangladeshi state services.

1 INTRODUCTION

DFID have been involved with the agriculture sector in Bangladesh for a long period. In particular, over the ten year span of ASSP and ASIRP a change process is being supported within the Department of Agricultural Extension, to improve the efficiency and effectiveness of agricultural extension services. Taking agriculture in its wider sense, DFID is also providing major support in the fisheries sector.

Over the last few years there have been significant changes in DFID's policy framework, with the new Sustainable Livelihoods approach bringing with it a broader development focus. At the same time, DFID and other members of the donor community have been giving more attention to institutional issues involved in major development programmes and what is known as the Sector Wide Approach has been developed to address those issues. The World Bank put forward A Proposed Rural Development Strategy for Bangladesh (IBRD, June 1998) and, leading on from that, a Concept Note for an Agricultural and Rural Development Project which incorporates some elements of a broader Sectoral approach.

During the inception period of ASIRP it was recognised that the project provides an opportunity to contribute not only to the debate about the longer term development of agricultural services in Bangladesh but also to broader questions about the future role of donor support. Accordingly the Logical Framework for the project includes an output to "develop a draft sector wide framework incorporating the livelihoods approach"

As a first step, a short input of technical assistance was planned to identify constraints and opportunities. James Morton and John Farrington visited Bangladesh between 9 February and 18 February 2000. Mr Md Gul Hussain, PhD, Impact Assessment Advisor ASIRP coordinated the missions work in Bangladesh. Unfortunately, Mr Obaidullah Khan was prevented by illness from joining the team. The Mission had meetings with a broad range of stakeholders within DFID, GoB and other donors. This report sets out the preliminary conclusions of this visit.

An itinerary and list of persons met is attached to this report as are the Terms of Reference for the consultancy and a list of sources consulted. The ToR can be summarised as follows:

- To review the Proposed Rural Development Strategy (RDS) and the concept note for an Agriculture and Rural Development Programme (ARDP) and consider how this might be seen as moving towards a sectoral development approach.
- To consult with stakeholders, including Government, NGOs, DFID, the World Bank and other donors to "identify the constraints and opportunities for the adoption of a sectoral development approach and define clearly the boundaries and characteristics of such an approach."
- To identify broad possibilities for applying a Rural Livelihoods Approach to sectoral development.

The mission to Bangladesh was not as comprehensive as had been hoped for because of problems with staff availability and the loss of the second half of the week in country to a Hartal. Only limited consultations were possible as a result. Nevertheless, the key outlines of the situation seem clear enough to enable these ToR to be largely met.

In discussion with DFIDB at the end of the visit to Bangladesh it was concluded that there remain some strategic questions to be settled before the specific actions called under ASIRP Output 5 should be progressed. For this reason the ToR requirement to develop a timetable for the implementation of that activity is not addressed in this report.

2 THE RURAL DEVELOPMENT STRATEGY FOR BANGLADESH

This chapter reviews the current situation in rural Bangladesh, inevitably in very summary form, and assesses the Proposed Rural Development Strategy for Bangladesh and Agricultural and Rural Development Project. The primary objective is to identify what must be done to move forward from the strategic overview presented in the RDS and the broad concepts of the ARDP. In particular, the aim has been to identify what are the major obstacles that must be overcome if the proposed strategy is to achieve its goals.

2.1 POVERTY IN RURAL BANGLADESH AND PRIORITIES FOR POVERTY ELIMINATION

Poverty in Bangladesh has received considerable research attention. Some detailed and well supported new conclusions have emerged, which make it possible to analyse the structure of poverty and the way it is changing in some detail. While there remain questions about cause and effect, it is also possible to identify the factors that have the strongest relationship with poverty and hence to consider where the greatest potential for effective programmes may lie.

What follows is intended to summarise the key conclusions of an extensive literature in as short a space as possible.

2.1.1 Trends in Poverty – Growth vs Inequality

Despite all its disadvantages – natural disasters, extreme poverty and poor governance principal among them – Bangladesh has achieved steady growth during the 1990's and this has contributed to significant reductions in poverty. On the head count ratio of basic needs, the proportion of the total population classified as 'very poor' fell from 43% in 1991/92 to 36% in 1995/96. This compares with the 1980's when the ratios did not change significantly over the decade. (Bangladesh – From Counting the Poor to Making the Poor Count, World Bank April 1998)

Some consider this decline to be modest, only one percentage point a year. Nevertheless, with a total population of approximately 130 million, it still implies that some 9 million people were saved from extreme poverty.¹

At the upper poverty line, the parallel reduction in the proportion living in poverty was from 59% in 1991/92 to 53% in 1995/96: about 7.5 million people saved from poverty altogether.

GDP growth between 1991/92 and 1995/96 averaged 4.8%. Since then, the rate has been higher rather than lower, despite the floods of 1998, and there is no particular reason to believe that the link to poverty has changed, implying that between 1995/96 and 1999/2000 the proportion in extreme poverty may even have reduced to below 30%.

The broad statistics cannot capture all aspects of poverty. Nevertheless, other indicators also show similar positive developments:

- the proportion of the rural population without access to basic clothing has fallen quite sharply - 15% down to 4%
- the proportion living in vulnerable housing reduced from 9% to 2%
- malnutrition among rural children dropped by 13% between 1990 and 1996

However, growth has also led to increased inequality in both the urban and the rural sector and the gap between the two sectors has widened. Because of this, poverty has not been reduced by as much as it would have been by a more equal pattern of growth. Hypothetically, between one fifth and one third of the potential reduction in poverty that growth might have yielded has been lost to increased inequality.

Despite all the gains made, the numbers in poverty in Bangladesh remain very high. A major effort is still required to accelerate the elimination of poverty through continued growth, through reductions in inequality and, for those without the assets to participate in growth, through some form of social safety net.

2.1.2 SECTORAL AND REGIONAL PATTERNS

Despite rapid urbanisation, 80% of the population of Bangladesh continues to live in the countryside. Applying the 1995/96 figures on the distribution of poverty to an estimated 1999 population of about 130 million people provides the following indicative figures on the populations living in poverty, compared between the rural and urban sectors.

¹ Some sources have claimed that because of population growth, the absolute number in extreme poverty was not reduced but this does not seem to be correct. A calculation based on a population growth rate of about 2% per annum indicates that about half the 9 million have actually moved out of extreme poverty.

	Not Poor Million (%)	Poor Million (%)	Very Poor Million (%)
National	61.0	22.8	46.2
Rural	44.2 (34)	17.4 (13)	42.4 (33)
Urban	16.8 (13)	5.4 (4)	3.8 (3)

The dominance of the rural poor and very poor in terms of absolute numbers stands out from this analysis.

Despite this, it has been estimated that the urban sector contributed 30% to the total decrease in national poverty between 1983 and 1996 while the rural sector contributed 47%; the urban contribution is greater than would be expected and the rural less than would be expected from the population living in each sector. (Bangladesh – Counting the Poor and Making the Poor Count) This reflects the more rapid reduction in urban poverty, about twice as fast in percentage terms. Added to which, rural to urban migration contributed 13% of the overall reduction in poverty.

Because inequality rose more rapidly within the urban sector and between urban and rural than it did within the rural sector, the net elasticity of poverty with respect to growth in consumption was highest in agriculture; in other words a given percentage increase in growth yields a greater reduction in poverty in this sector.²

The 1995/96 survey revealed regional variations in poverty. The urban index of extreme poverty in the major metropolis' of Dhaka and Chittagong was between 10 and 12%, about half that of the smaller cities of Khulna and Barisal, while rural poverty ranged between 47% at the lowest and 61%. More important, however, were instances of localised extreme poverty; low lying lands along the major rivers are one example and the tribal communities another.

2.1.3 Disaggregating Poverty

Recent work has revealed a great deal about the make up of poverty. In particular, attention has been drawn to the way two groups among the poor are not effectively served by development efforts:

Tomorrow's Poor – those who are currently above the poverty line but who remain so vulnerable to shocks and income erosion that they may fall below it again

² It should be noted that the analysis discussed here appears to use per capita consumption as the measure of income and increases in consumption as the measure of growth. (Bangladesh – Counting the Poor and Making the Poor Count.) These are not accurate measures, in particular because they do not take account of income that is saved. Growth may be underestimated and, to the extent that the better off are more likely to save, so may inequality. If so the effect growth will have on poverty is overestimated. This point is highlighted by a quick calculation that reveals that the elasticity of extreme poverty with respect to GDP growth between 1991/92 and 1995/96 was more or less unity. However, a more detailed analysis would be required to assess the full importance of this.

The Indigent – provocatively named by some the ‘hated poor’ and by others the ‘hard core poor’, this group is made up of those who possess so few livelihood assets of any kind that they are unable to participate in any form of enterprise that might lift them out of poverty, in particular the elderly and the infirm

Both groups are excluded from the NGO-led programmes of micro-credit that are a dominant element in targeted poverty reduction programmes. The first do not qualify because their landholdings and other assets exceed the limits set under most programmes. (They may also be excluded from emergency relief during natural disasters, forcing them to consume their savings to survive.) The second group lacks the resources to be considered creditworthy under micro-credit programmes.

It has been estimated that Tomorrow’s Poor make up as much as a fifth of rural households (some 20 million people) and that the hard core poor are a little less than a quarter of the rural population (25 million people).

The latter group can be usefully subdivided further into three categories. The old and infirm must be expected to have to depend on social welfare measures, where support from their own family is lacking. Second there are those who are living in pockets of extreme poverty, where river erosion prevents the establishment of a stable living for example. Last are those who face more general structural problems such as lack of assets and employment opportunities.

2.1.4 Falling Into and Climbing Out of Poverty

During the late 1980’s it is reported that both upward and downward mobility were significant in Bangladesh; about a third of the moderately poor dropped down into the very poor category while 40% of the non-poor fell below the poverty line. In the opposite direction, some 25% of the very poor and 40% of the poor escaped from poverty. (Bangladesh – Country Strategic Opportunities Paper, IFAD December 1999) It should be noted that this covers a period before the rather better economic performance of the 1990s, nevertheless the extent of the movement in both directions is striking.

Some programmes seek to bolster the resilience of the poor by counteracting the factors that erode livelihoods and by reinforcing coping strategies to prevent the slide into poverty. Others seek to create new opportunities for increased incomes and to build up livelihood assets so as to open the way for a permanent ‘graduation’ from poverty. To meet all the needs of diverse livelihoods, an integrated programme must seek to offer both strategies of resilience and strategies of graduation: to put a floor under the downward mobility as well as build ladders to accelerate the climb up.

Key factors in the downward movement were reported to be crises, such as natural disasters and illness, life cycle changes, such as the death of an earner or an increase in the number of dependants, and structural changes, such as declines in land rental, employment and trading opportunities. About one third of households were affected by each of these factors.

Escape from poverty was attributed to increased employment and earning opportunities (66%), to life cycle changes such as a gain in the number of earners or a reduction in family size (24%) and to better weather conditions (11%).

More detailed studies of the factors that create poverty, through income erosion and the destruction of livelihood assets, have identified five categories. The proportion of households affected by each and the proportion of annual income lost has been estimated:

	Extreme Poor	Moderate Poor	Tomorrows Poor	Non-Poor
	Per Cent of Households Affected Per Annum			
Life Cycle Events	3	1	1	1
Natural Disaster	15	22	24	28
Insecurity	10	10	10	12
Health Exp'ture	35	32	31	32
Dowry	6	4	4	2
% Annual Income Lost	23.7	13.8	10.5	6.3

Source: Poverty Issues in Bangladesh: A Strategic Review

The most frequently quoted classes of natural disaster are crop losses, damage to houses and loss of land to erosion by floods and tornadoes. Insecurity covers a range of difficulties from litigation over land to outright violence and theft.

Overall, it is estimated that some 15% of average annual incomes in rural Bangladesh is lost to crisis factors of this kind, emphasising the continued importance of efforts to bolster the resilience of the poor, side by side with programmes to generate higher incomes.

Seasonal variations are also a factor. Poverty indices are highest in the October-December slack season, but this is most marked in a year of bad floods making it difficult to disentangle the impact of disasters from a more regular seasonal pattern.

As an indicator of potential escape routes out of poverty, the 1995/96 Household Expenditure Survey identifies a number of factors that contribute to higher consumption: notably education, landownership and type of employment. For example:

- rural households where the household head had completed secondary education consumed 17% more per capita
- owner farmer households consumed 23% more than the landless agricultural worker
- servants in the non-agriculture sector consumed 11% more than the landless agricultural worker

The difficulty with this kind of analysis, even when it is well controlled for other factors, is that it does not identify causality. Are households wealthier because they are better educated or better educated

because they wealthier? Something that is emphasised by the fact that unemployment is higher amongst the better educated but this does not seem to affect their consumption.

2.1.5 Gender Dimensions to Poverty

Most sources agree that the position of women in rural Bangladesh has improved. NGO programmes have been effective in winning a greater role for women. New industries have generated employment for women, especially in the towns where the proportion of households in extreme poverty is now the same for female headed households as for male. Attitudes are also changing, with support even among rural men for female education and family planning. Enrolment for primary education is now almost equal between male and female.

However, men do not support women's involvement in income generating activities to anything like the same degree and rural female headed households are still more likely to be very poor. Violence against women is widely reported and within the household the male still has preference over access to food and to health services.

2.1.6 Priorities for Poverty Elimination

In reviewing this new understanding of poverty in Bangladesh, different authors have placed different emphasis on where the priorities now lie. Some have drawn a distinction between the 'economics of resilience and the economics of graduation', suggesting that to date the emphasis has been on resilience and that it should now shift to graduation, so as to build a 'career path' for the poor, an escape route from poverty. (Poverty Issues in Bangladesh: A Strategic Review) Others place more emphasis on the balance between the sectors, highlighting for example the potential of the Rural Non Farm sector as a source of employment and higher incomes for the poor. (Bangladesh: A Proposed Rural Development Strategy) Both of these approaches focus on the growth side of the equation. It seems clear from the preceding review, however, that the pressures of downward mobility remain strong and that the resilience side is still very important. In short, a comprehensive pro-poor rural development strategy must address the full range of pressures and opportunities that face the rural poor of Bangladesh.

In setting priorities for such a strategy, two key factors will need to be considered:

- **NEED:** the depth of poverty and the numbers living in poverty. For example, the need is clearly greatest in the rural sector, where such a very large proportion of population live in extreme poverty
- **POTENTIAL:** the scope for a sustained and significant impact on poverty. More difficult questions arise here. For example, one percentage point increase in agricultural GDP will have a greater impact on poverty but industry may well grow two, three or even more times as fast. It may be a mistake, therefore, to conclude that all development efforts should go to agriculture or indeed to any one sector.

This is not to suggest that it is necessary to carry out a complex and probably unrewarding analysis to quantify the optimum balance of development effort between sectors. A broad outline of where need and potential coincide most strongly will be sufficient to guide an effective strategy. Most current recommendations on a strategic approach to poverty issues in Bangladesh implicitly seek to develop such an outline but it is useful to make it explicit because that must be the first step in developing more detailed plans for specific interventions to accelerate the elimination of poverty.

The preceding sections on Poverty in Bangladesh have summarised the comprehensive understanding of the need that has now been achieved. The following sections on Growth and Development, on Institutional Change and on Rural Finance address the question of where the greatest potential for effective interventions may lie.

Such interventions need to be considered in the context of the three principle elements of the Sustainable Rural Livelihoods Framework: Vulnerability, Capital Assets and Transforming Structures and Processes.

VULNERABILITY

It is clear that vulnerability to shocks and other factors that drive income erosion is a major contributor to rural poverty in Bangladesh. One way to combat this vulnerability is to take direct action against the causes: the Flood Action Plan to build up national defences against floods and cyclones is typical of this approach. An alternative is to accept that the shocks will occur and seek to bolster poor people's capacity to cope with them. One example might be a savings scheme that allows families to build up reserves during the better years. Less directly, it may be that the best approach is simply to raise incomes so that shocks can be absorbed.

CAPITAL ASSETS

At bottom, all development interventions seek to bolster livelihoods in one of two ways: by augmenting the individual's capital or by raising the return on the capital he or she already possesses. On the side of augmentation, education and health services increase human capital, land reform transfers natural capital to the poor, credit schemes add to their physical capital, group activities generate additional social capital and so on. Technical interventions, such as agricultural extension and marketing programmes, are more important for raising returns on current capital. Improvements to macro economic policy and infrastructure investments also act in this area.

TRANSFORMING STRUCTURES AND PROCESSES

As development progresses, both Government and non government institutions have an increasing influence on livelihoods of the poor. From policy decisions that affect market opportunities all the way through to targeted food aid distribution, programmes to improve the way these institutions work will have significant indirect and in some cases quite direct impact on the livelihoods of the poor.

One important purpose of this analysis is to identify whether there are any critical gaps in current programmes and in the strategies that are being suggested for rural development and poverty elimination. Whether any particular aspect of the livelihood framework is not being addressed.

When analysed in this way, it seems clear that there are no major strategic gaps of this kind. Between government and the extremely active NGO sector, there are programmes designed to address all aspects. Reform of the Transforming Structure is perhaps the most difficult of all but even here there is progress, if only through pressure from NGOs and others, and some of the most important policy obstacles to development have been removed.

For this reason, the major need for further development in rural Bangladesh is not so much a concerted attack on a particular obstacle to the escape from poverty but rather a broad campaign to maintain progress across all the different aspects and sectors that together make up the livelihood context for the rural poor. At this level, the proposed Rural Development Strategy, with its emphasis on a wide range of issues, from food aid through to local government reform, seems fully justified. What the strategy does not do is indicate how the different parts of such a broad campaign might be coordinated. Nor does it provide any detail on what is to be done in each of those different parts.

2.2 GROWTH AND DEVELOPMENT

Despite its difficulties, the Bangladesh economy has performed relatively well during the 1990's. GDP grew at more than 5% per annum in the five years to 1998 and growth in per capita terms was over 3% per annum for most of the 1990's. The industrial and service sectors have grown at about double the 2.0 to 2.5% rate of agriculture but that is from a small base and by 1998 agriculture still accounted for 30% of GDP and 60% of employment. Within agriculture, growth in the crops sector has slowed but fisheries and livestock grew at around 8% during the later years of the 1990's. Attention has recently focussed on the Rural Non Farm sector, which is also growing rapidly and which is estimated to provide up to 20% of rural employment.

This section of the study aims to assess the contribution of each of these different sectors to an overall Rural Development Strategy and to consider what is required to develop an effective programme of support in each sector.

2.2.1 Rice and Wheat

Relatively slow growth in agricultural GDP and in the production of rice is quite misleading because it conceals two decades and more of continued and rapid change.³ The use of irrigation, high yielding varieties and fertiliser have all increased at some 12% per annum for many years on end. In 1969, there were only 652,000 acres of HYV rice sown. In 1979 it was 4.9 million, in 1989 10.5 million and in 1997 14.3 million acres. The result has been that Bangladesh is now effectively self-sufficient in

³ There has been debate about the production statistics and there is a consensus suggesting that official figures are significantly underestimated. The discussion here assumes that this is correct.

rice despite population growth and the loss of some land to urban and other development. (Data from C. Finney, Personal Communication) Added to which the real price of rice has fallen from nearly 9 Tk per kg in 1987 to less than 6 Tk in 1996. The importance of such a decrease for the landless and urban poor, who must buy their food and for whom rice is one of the largest single expenditures, cannot really be overestimated.

A feature of the introduction of irrigation and the switch to the *boro* rice crop has been a significant reduction in risk and vulnerability. In a year when major floods damage the wet season *aman* crop, farmers can react to higher demand and prices by expanding the *boro* crop that comes immediately after the flood. This was demonstrated very powerfully after the 1998 floods, when agriculture recovered much quicker than other sectors and succeeded in compensating for much of the damage to the economy as a whole.

On assumptions about income growth, income elasticities of demand for rice and a medium scenario on fertility declines and population growth it is estimated that rice production will need to continue to expand at over 2% per annum up until 2010 to keep up with national demand. After that the growth in demand will decline quite rapidly. Some concerns have been expressed about limitations on the potential to expand the irrigated acreage and on the risk of fertility decline as a result of excessive and unbalanced use of fertilisers. So far, however, those remain largely theoretical problems. Yields within rice types appear to have increased rather than otherwise and the proportion of shallow tubewells that have had to be lowered to compensate for a falling watertable remains very small. Given the likely introduction of hybrid and super-rice varieties, the prospects of raising rice yields sufficiently have been described as 'reasonably promising'.

The estimated 2% increase in rice consumption may put a ceiling to any increase in incomes derived from rice production since increases above the level of demand will merely drive prices down. This is a major issue. If agriculture still provides 60% of all employment in Bangladesh, then rice provides by far the largest proportion of that agricultural employment. Three quarters of the total crop acreage is still under rice. As it is at least as labour intensive as most others, that implies that 45% of all employment depends on this one crop. When account is also taken of the transport, trading and milling activities that also depend from it, it is hard to overestimate the importance rice has for the rural poor of Bangladesh.

At current prices and productivities, Bangladeshi rice is competitive against imports but prices would have to drop by some 40% before the national crop would be competitive in world markets. This is a big leap.

Rice cannot be ignored. Increased incomes from rice would reach almost all parts of rural Bangladesh and could form a key part of any strategy designed to help the Tomorrows Poor and other groups to graduate from poverty. Further declines in prices would be of direct and immediate benefit to all classes of wage labourers who must purchase their food. On the other hand, it must be

expected that the easy gains in rice productivity have already been achieved and further improvements will be more difficult. An effective programme to ensure the best policy environment and efficient and widely available support services for the rice sector must form part of any rural development strategy over the next ten to twenty years.

Wheat production has also expanded rapidly but from a low base. It now accounts for up to 10% of the winter crop area, compared with 80-90% for *boro*. Demand for wheat is growing and will continue to grow more rapidly than rice as incomes rise and the cities expand. However, the price of wheat is determined by the world market price, at which level it is not as profitable for the farmer as *boro*. Food aid imports also depress the market for wheat, something that proposals to monetise food aid might not greatly change, since the aid wheat would still be sold into the national market.

2.2.2 Agricultural Diversification

Rapid growth in the production of non-rice crops, in livestock and in fisheries has drawn attention to the potential they may offer to escape the constraints of the rice sector. At the same time, small-scale production of fruit and vegetables, of fish and of livestock products offer important nutrition and income benefits to rural households.

The principal difficulty is one of scale. The 'broad acre' crops that might be sown in large areas to replace rice are jute, oilseeds, pulses and cotton. Few of these currently appear to be as profitable as rice and most are unsuited to the low-lying rice land. The higher value, more intensive crops such as vegetables, spices, fruit and flowers are profitable but they are vulnerable to market gluts and the total area required to meet any likely demand for the foreseeable future will not significantly reduce the total rice acreage. These crops are also mostly unsuited to the low-lying rice land. For these reasons, the impact of diversification on employment and income opportunities for the poor is likely to be considerably smaller than the contribution to growth in agricultural GDP, even if successful export campaigns widen the market considerably.

An added concern is that commercial production of high value crops is technically demanding and will require investments in marketing facilities, especially so for export. Although farmers can be assisted with the investments, it is still unlikely that this will be an ideal opportunity for the poorest.

Livestock production raises similar issues. To move up from small holder production to any form of commercial operation requires significant investments in feedstuffs and in labour time. Export possibilities are limited and the national market is competitive with sizeable imports of cattle from India. It may well be that the greatest gain for the poor will come on the consumption side, through rapid falls in the prices of meat and dairy products, and not through increased employment and income.

This does not mean that efforts to support crop diversification and fishery and livestock production should not form part of the rural development strategy but it does emphasise the need to assess potential interventions with some care to ensure that they are appropriate to the needs of the poor.

2.2.3 The Rural Non Farm Sector

The Rural Non Farm sector covers a wide range of different activities. In manufacturing, at one end of the scale there are handicraft producers selling their goods in purely local markets. At the other there are relatively sophisticated enterprises supplying intermediate goods on subcontract to export industries. The latter are concentrated in the peri urban areas. Handloom weaving is the dominant manufacturing activity. Rural manufacturing is estimated to employ some 2.5 million people (1995/96 figures).

Rural services include trade, transport and other services. Some 9 million people work in this sector, 73% of the total RNF labour force. Trade, hotels and restaurants are the most important activities.

In both manufacturing and services, growth in value added has been much more rapid than growth in employment.

Because of its diversity, it will be difficult to develop a coherent strategy for the Rural Non Farm sector as a whole and possibly not appropriate. It is serving many different needs in many different ways and it can be expected, for example, that a programme to support household production of handicrafts would be not necessarily linked at all to one to support rural transport services.

For the same reason, it is not easy to assess the true potential of the sector as a major contributor to a rural development strategy. Some traditional RNF activities will be in decline while others expand rapidly, where for example boat transport is replaced by vehicles as roads are developed. These structural changes are leading to rapid increases in productivity but not necessarily in employment and opportunities for the poor.

Once again, the point here is not to deny that the RNF sector should form part of a rural development strategy but to emphasise the complexity of developing an operational programme and, in particular, the dangers of unintended consequences; where, for example, support to the introduction of more modern processing and marketing techniques may risk displacing established small enterprises.

2.2.4 Infrastructure

From the newly built Jamuna Bridge through to an expanding network of rural roads, Bangladesh has seen considerable progress in the development of rural infrastructure; so much so that it has been described as “one of the most remarkable developments affecting the opportunity frontier for the general population.” A sizeable majority of communities, at least two thirds, now have access to a

wide range of facilities within a 5 mile radius and one hour's travelling time. (Poverty Issues in Bangladesh: A Strategic Review)

Studies have shown a strong relationship between access to infrastructure and incomes. This may indicate that further investments in roads and other facilities will stimulate further growth but there are two dangers with this. The first is the question of causation. Are incomes higher because the infrastructure is there or is the infrastructure there because that is where the opportunities are? The second, far more serious question concerns maintenance and sustainability. It is reported that only 5% of rural roads are in good condition and that use of what is an extensive network is severely limited by gaps, poor condition and inadequate drainage.

It is understood that the central conclusion of the very intensive Flood Action Plan may be that it is not feasible to seek to control flooding entirely. Despite this flood control, drainage and irrigation works will continue to be of great importance in Bangladesh. As with other forms of infrastructure, if not more so, the institutional issues of design, quality of work, maintenance and sustainability are much more pressing than any decisions about whether or not to invest in this sector or how much.

In the most extreme situation, not necessarily unusual, no further investments in rural infrastructure are justified until the institutional issues surrounding the establishment of sustained maintenance services are resolved. That in turn requires hard decisions about the finance and other resources required to support an infrastructure network and the managerial capacity to maintain it.

The continued development of rural infrastructure must, beyond question, form part of any rural development strategy. However, careful analysis will be essential to ensure that the investments made are truly beneficial and any infrastructure programme must resolve the institutional issues surrounding maintenance and sustainability. Almost certainly, there is an extensive literature on these matters in Bangladesh but that lies outwith the scope of this study, beyond emphasising that they must be effectively addressed if the strategy is to succeed.

2.3 Rural Finance

Bangladesh is a world leader in the development of innovative approaches to rural financial services. There is a striking dichotomy between a state-sponsored banking sector that is to all intents and purposes bankrupt, with recovery rates of around 24% and immense bad debts, and a private sector, NGO-led microfinance service industry specialising in micro-credit that is both innovative and apparently financially viable. To some extent, the industry as a whole stands at a crossroads. If the Microfinancial Institutions (MFI) can successfully broaden and deepen their operations, they will be able to graduate as full-service banks and transfer their success to the industry as a whole. The risk is, however, that as they expand they become caught up in the same institutional and political pressures as the state banks and fall victim to the same cycle of bad debts and rapid destruction of capital.

As already indicated, various commentators have identified a need to broaden the range of financial services on offer, to reach those groups that are excluded from the standard group model of micro credit lending. Others highlight the need for credit services to promote the growth of Rural Non Farm enterprises. It is striking, however, that many initiatives are already underway to address all of these groups. One leading NGO, BRAC, is running a large programme for the very poor; the Income Generation for Vulnerable Group Development programme combines the distribution of food aid with micro-credit and technical assistance services. Further up the scale, a number of NGO's including BRAC and Proshika are offering micro enterprise loans to graduates of their micro credit programmes and others, broadly covering both the group identified as Tomorrow's Poor and rural micro-enterprises. (Micro Financial Services in Bangladesh: Review of Innovations and Trends)

The overwhelming emphasis in rural finance remains on credit and lending. However, the evidence on income erosion and downward mobility among the poor draws attention to a possibly large demand for savings products: to save the surpluses generated during better times as insurance against disasters and to anticipate life cycle changes, even more simply to save up for a dowry.⁴ More complex forms of saving such as health, life and other forms of insurance and even pensions could all also play a potentially large part in braking the downward ratchet of income erosion. This is underlined by the fact that the rural moneylender remains second only to the NGOs as the institution that supports most people during a crisis. (Consultation with the Poor: Participatory Poverty Assessment in Bangladesh)

In principle, the standard micro-credit model includes savings since group members are required to make small but regular savings before they can start to borrow. However, these deposits form part of the guarantee backing the loan and members are not encouraged to withdraw their deposits, nor to deposit more than the standard amount. The situation has now changed considerably and a much wider range of savings options are now available. Some MFIs do allow members to withdraw their savings and to deposit more than the minimum and some are taking term deposits, even from non-members. Life insurance products covering members' borrowings are also offered, although that is more in the interest of the MFI as an additional guarantee on the loan, than of the borrower. (Micro Financial Services in Bangladesh: Review of Innovations and Trends)

These developments confirm that there is demand for savings products and that there is a need for financial intermediation to allow a more flexible link between savers and borrowers than that provided by the standard micro-credit operation.

⁴ It has also been suggested that much micro-credit does not in fact represent borrowing but rather 'advanced saving'; the point being that the money borrowed is not invested to generate more income which is used to pay back the loan but rather is spent on consumption while the loan is repaid out of savings from current income.

Secure savings products offer the potential to significantly broaden the livelihood options of the poor but only if they are truly secure. As borrowers, the poor take no risks and even under the micro-credit model their borrowings exceed their savings; so a financial collapse does not threaten their position. Once they start to save more than the minimum or to save with institutions from which they have not taken a loan, then they are wholly exposed to the risk of that institution collapsing. For this reason it must be stressed that both the management demands and risks rise very rapidly with more complex forms of intermediation. In particular, once the MFIs start to take term deposits they will have to learn how to balance assets and liabilities with differing time and risk profiles: historically a mismatch here has been a common cause of bank failure.

The MFI movement was originally financed from members' savings and from donor funds. More recently, a number of new sources of finance have been established. The Palli Karma-Sahayak Foundation was set up by GOB in 1990 to finance micro-credit programmes of both government and NGOs. Although financed by Government it is a private company. To some extent it acts as a 'central bank' for the MFIs. More recently commercial and state banks have established borrowing facilities for MFIs and some of the larger MFIs are now on-lending to smaller ones. In short, the micro finance sector now has access to a range of wholesale lending facilities.

The micro finance movement has made an inestimable contribution to development and social change in rural Bangladesh and active innovation continues to meet newly identified needs. The key issue now concerns how to ensure that the effort to meet those needs does not undermine the financial discipline that is fundamental to the success of the movement. This is a real concern for a number of reasons, although it is understood that work is going on to address them:

- The MFI movement is effectively unregulated and there have been some recent failures
- Although most are reported to be viable at the operational level, few of the MFIs publish accounts in sufficient detail to distinguish how far they still depend on subsidised finance and to ensure that they are maintaining reserves and generating sufficient surplus to cover bad debts, the cost of capital and inflation

Added to this recent developments have raised the level of risk in a number of ways:

- Increased Cost of Funds: initially funds were drawn from members savings and capital injections from government and donors. The MFIs are now borrowing at market or near market rates and incurring obligations that will have to be repaid.
- Deposit Taking: as has been mentioned, this introduces the risk of a mismatch between assets and liabilities.
- Lending to the Very Poor: even when supported with food aid, this must involve greater risks or costs or both.

- Lending against Collateral: as the formal banking sector has found, the cost and effort involved in winning possession can make collateral for a defaulter's loan almost worthless.

To sum up, the further development of rural financial services will clearly be central to the rural development strategy but the urgent priority should be to establish "a regulatory framework for the healthy growth of the sector." (Microfinancial Services in Bangladesh: Review of Innovations and Trends) This needs to be addressed before too much emphasis is placed on developing new financial services and products.

2.4 INSTITUTIONAL CHANGE

Some difficult institutional issues are becoming increasingly central to any discussion of development in Bangladesh:

- the management of development investments
- management and maintenance of rural infrastructure
- the need for a legal system that can:
 - effectively support and monitor a more complex rural financial sector
 - ensure that commercial contracts are fair and enforceable even for the smallest entrepreneur
 - protect the property and other rights even of the poorest
- the provision of services such as education and health
- the management of social safety nets in an efficient and equitable manner

Common threads that run through most of these are the balance to be struck between public and private sector service provision and the extent to which control can be transferred to the community through decentralisation to representative local government.

Although there remain many glaring weaknesses, it should not be forgotten that Bangladeshi institutions have also shown considerable strengths. Notable has been a continuous and very active debate on different models of social action that dates back to the Comilla experiment of the 1960s and even before. Donor involvement has varied but this debate has been led by Bangladeshis. Although there have been failures, such as the too rapid expansion of the Comilla model, the current strength of the NGO community owes much to the lessons that were learnt.

Even on the side of government, the many failings have not prevented the maintenance of a basic capability. "It was generally recognised that the incumbent Government of Bangladesh coped quite effectively with the aftermath of the (1998) floods." A major failure of entitlements to food was avoided by the distribution of 4.6 million cards under the Vulnerable Group Feeding programme which despite leakages "largely reached those most in need". This was backed up by grain imports on public account and the encouragement of private imports. NGOs played a leading rôle as did spontaneous voluntary groups supported with funds from emigrant Bangladeshis. This has been described, with

justice, as the demonstration of a “significant resource of *social capital*.” (State of the Bangladesh Economy, 1998-99: Selected Issues.)

2.4.1 Public Sector Institutions

However impressive the response to the 1998 flood, the day to day performance of the public sector is widely reported to be poor: “the size of the government, at least in terms of its number of employees is too large, its productivity is low and there is very little which can be done to relate performance to compensation.” (State of the Bangladesh Economy, 1998-99: Selected Issues.)

The size of Government and its most appropriate rôle are political issues, which are much debated but as yet unresolved. The level of public sector employment can also only be decided as a political decision. The situation is exacerbated, however, by a loss of administrative and budgetary control and a lack of strategic direction.

The Ministry of Agriculture is believed to be typical in a number of ways:

- the revenue budget provided by GOB is almost totally absorbed by staff costs
- although Government’s contribution as a proportion of the development budget has increased significantly compared to the past, much of that contribution is absorbed by staff employed for particular projects. There is pressure to convert these temporary appointments into permanent posts.
- the Ministry has six directorates/departments and is responsible for eight autonomous/parastatal bodies.
- the autonomous bodies receive separate block grants, their budgets are not directly related to that of the Ministry and the Controller General of Accounts does not receive detailed accounts of their expenditure.
- the capacity to turn major policy statements, such as the National Agriculture Policy and the New Agricultural Extension Policy, into effective programmes adequately supported with the necessary resources seems to be very limited.

The result is that what should be an integrated programme to support one coherent strategy has largely become a collection of independent projects, each one with its sponsor within Government or the donor community. In the case of agriculture, which does not include Livestock and Fisheries or Forestry, 110 separate projects have been identified. Each of the donor agencies sponsoring projects has differing accounting procedures and, to some extent, differing policy objectives as well. Government and the donors do have a Consultative Group in which broad coordination can be discussed but there is no forum in which detailed plans and, especially, resource requirements can be discussed, project by project, to ensure that the programme as a whole is consistent with the Ministry’s capacity to fund it and with Government’s policy priorities.

This situation is mirrored at the field level. Government services at the Thana level are coordinated by the Thana Nirbahi Officer (TNO) who accounts for funds disbursed to all the line agencies. In principle, the TNO works together with the local officers of those agencies and with elected representatives to implement a coherent plan. In practice, the plan comes to be dominated by whichever project is most active in the area or by particular local concerns, depending on which is the more forceful.

Some steps are being taken to address this situation. A leading example is in the health sector, where all projects are now being managed as part of one sector wide programme. This has involved important changes to administrative structures in the sector and to financial management and significant issues over responsibilities and powers have had to be resolved to achieve this. The programme has received support from the highest levels in Government. Specific initiatives such as the DFID-supported Reforms in Budgeting and Expenditure Control Programme (RIBEC) are starting to address key resource management issues in other ministries as well.

Overall, however, it is still true to say that it has become largely impossible, at both national and local levels, to implement a coherent plan that makes an effective match between priority needs and the resources available.

2.4.2 Local Government and Decentralisation

Since independence, various Governments have sought an effective structure for local government and the debate continues. In 1998 GoB introduced a bill to reestablish a modified version of the Upazila system of local government, granting decentralised powers to an elected Upazila Parishad or council. However, the political forces for and against a greater degree of decentralisation and popular participation are still evenly balanced. Earlier efforts to strengthen local government were abandoned following pressure from Members of Parliament (who felt threatened by the moves) in 1991, and, although again on the agenda, it is unclear whether it will be pursued. The public administration remains highly centralised and although participatory approaches have been introduced in some sub-sectors (such as participatory problem census in agricultural extension), little transfer of decision-making authority from centre to periphery is noticeable.

At the local level, however, it does appear that decentralisation has support and that the conditions are perhaps more positive than before. Development has brought far more of the population into regular contact with public institutions and improved infrastructure gives much better access. The NGOs have encouraged wider debate in the countryside, partly through direct action in support of local empowerment. The fact that they offer a number of services in competition with Government has made it clear as never before that the rôle of the state is not set in stone; that there are alternative models available. At the same time, the NGOs are increasingly working in cooperation with government staff and local elected officials such as the Union Parishad Chairmen.

NGOs are strong in a number of fields; many work under contract with the DoAE and other departments to deliver rural services to the poor; some seek improvement in the overall accountability and transparency of government through advocacy and other means; almost all operate micro-finance schemes. The coverage by microfinance of populations defined as priority by NGOs is near-complete: it is only in the Chittagong Hill Tracts that some area expansion is likely, though re-definition of priority groups to include those with some assets but who are not normally eligible for formal sector credit would bring a large new clientele into the NGO sphere of operations. By contrast, NGOs' work in many of the sectors, including agriculture, is spatially patchy, and it remains unclear whether or when coverage will become more complete. Relations between Government and the NGOs have varied but a good working partnership has now been established in a number of areas at national as well as local level. DFID programmes such as ASSP have helped to foster this sense of partnership. "The overwhelming tendency in the latest reform initiative has again been to restrict attention primarily to representational questions and once more miss out on the jurisdictional questions of how to make the structures functionally and financially strong." (Poverty Issues in Bangladesh: A Strategic Review) The perceptive analysis of the repeating cycle of decentralisation and centralisation leading up to this comment cannot be emphasised too strongly for several reasons:

1. the debate about representational questions is a political matter that can only be resolved by the Government and people of Bangladesh at a pace that is acceptable to them;
2. as indicated in the preceding section, the issue of structures and financial resources must be resolved more or less regardless of which representational form is chosen;
3. important stakeholders have key interests tied up in those structural and financial issues, they are unlikely to shift their ground on representational matters until they can be shown how the more technical aspects will be resolved without loss to them. Moreover, they will almost certainly use difficulties over these matters as reasons for blocking reform;
4. assistance with structures, functions and procedures can serve as a neutral and unobjectionable 'entry point' for donors and other institutions concerned to assist reform. To an extent this is even true for GoB itself, which may find it tactically more effective to seek gradual reform instead of endeavouring to impose it immediately.

Improvements to local government and, especially, to its capacity to plan, implement and sustain the effective provision of services must form a central part of any rural development strategy. How best to bring this about must depend partly on the way in which the debate on decentralisation develops. The most effective approach may be to combine continued support to the NGO movement, as a countervailing political pressure and a competitor in service provision, with direct assistance in the definition of functions and the development of structures and systems for local government. To succeed, the latter must be treated as a partnership with the most influential stakeholders in local government, that is to say with the government officials and with elected representatives.

2.5 GOVERNANCE

Many development indicators in Bangladesh have been favourable in recent years. Table 1 summarises these for the period 1991/2 to 1995/6.

TABLE 1 IDT KEY INDICATORS AND TRENDS

Indicator	from	to	Comment
Population in poverty	1991-2 59%	1995-6 53%	Head count by cost of basic needs/calorific intake. Source: GoB
Primary enrolment (net) rates	1991 60.5%	1999 82%	Source: GoB Alternative data suggests current enrolment is 77%
Gender disparity in education (primary)	1991 M/F = 55/45%	1999 M/F = 50/50%	Estimated figures – but gender parity is widely reported
Infant mortality rate	1991 92	1996 77	
U5 mortality rate (per 1,000 live births)	146	112	
Maternal mortality (per 1,000 live births)	1991 4.7	1996 3.9	Estimates vary widely
Contraceptive prevalence rate	1991 39%	1996 46.5%	
Total Fertility rate	4.2	3.2	
National Strategy for Sustainable Development		Does not exist	Environmental policy under development in key areas (eg. Water management), but no coherent strategy
Access to safe water	1991 80%	1996 96%	Qualified by findings on widespread arsenic contamination

It is also recognised that GoB has made positive achievements in maintaining economic stability and moderate overall growth.

Despite this, Bangladesh has been strongly criticised over standards of governance in recent months. There are continuing concerns among NGOs, the donor community, and wider civil society over the extent to which poor governance - including the high degree of control exercised by a powerful elite, the dominance of politics by intolerance and patronage, and the high levels of corruption in the public administration - have hampered both economic growth and the distribution of its benefits among the poor.

However, the degree of poverty in Bangladesh, the fact that it is still a better performer than many other countries and the likelihood that aid reductions would impact more on the poor than on the elite all contribute to an unwillingness among donors to cut aid drastically. GoB is no doubt fully aware of this reluctance.

DFIDB's strategy articulated in theme 3 of the CSP (more effective institutions) and elsewhere is, in broad terms:

- to support those in Bangladesh society who are prepared to confront poor governance;
- to invest in development which could be expected in the medium to long term to generate pressures for change;
- to support those within government advocating and introducing change;
- to seek opportunities for dialogue, both directly and in conjunction with other development agencies.

The implementation of this strategy implies less attention in future to "resource-transfer" type projects and more to those types of support which enhance institutional performance. It also implies that such change can only occur over a long time frame. DFIDB sees institutional strengthening as an area of comparative advantage - in both dimensions: increasing the *efficiency* of provision of services, and increasing the *demands* for improved governance rooted in civil society.

Example of this include the RIBEC project aiming to enhance the transparency and timeliness of financial management across a number of government departments, which has attracted positive interest among the more progressive parts of GoB; the sector-wide approach in health; efforts to improve management weaknesses in primary education and the ASIRP institutional development programme which is assisting the Department of Agricultural Extension to develop a participatory, client-oriented service for farmers. DFIDB has also supported NGOs to help empower the poor through social and political organisation, economic opportunities and education and health. A number of NGOs have campaigned on issues such as local political participation, rights for women and the need for a more pro-poor budget. There has also been public interest legislation on behalf of the poor.

The implications of these DFIDB perceptions for agricultural and rural development are:

- that there should be some reduction in the aggregate level of "resource-transfer" type projects, or that at the very least these should be packaged into larger programmes which facilitate monitoring of their management;
- that programmes and their respective performance criteria should be consistent with initiatives to enhance the efficiency of government's financial management;
- that they should be rooted in a set of policies prioritising the poor;
- that such policies should be coherent among themselves and with wider pro-poor policies and strategies.

Where conditions are appropriate - as in the Bangladesh health sector - many of the above can be addressed through a sector-wide approach (SWAp). Whether such conditions obtain in the case of agricultural and rural development, and if not, what less ambitious alternatives offer themselves, is considered elsewhere in this report.

The evidence on poverty, in particular that on the factors behind income erosion, underline the importance of governance to the poor, who face arbitrary decisions over access to services, to food aid and to justice. At the same time, bad governance is self-reinforcing as all levels of society take refuge in strategies of patronage and clientilism to protect themselves against such decisions. The most effective way to influence this essential component of the rural development strategy will be similar to that outlined at the end of the previous section on local government: support to civil society institutions, NGOs and others, combined with direction action to improve the performance and accountability of government where it affects the poor.

2.6 WHAT DO SUSTAINABLE LIVELIHOODS PERSPECTIVES HAVE TO OFFER?

The sustainable livelihoods (SL) approach pursued by DFID argues that people pursue a range of livelihood outcomes (health, income, reduced vulnerability, etc.) by drawing on a range of assets to pursue a variety of activities. The activities they adopt and the way they reinvest in asset-building are driven in part by their own preferences and priorities. However, they are also influenced by the types of vulnerability, including shocks (such as drought), overall trends (in, for instance, resource stocks) and seasonal variations. Options are also determined by the structures (such as the roles of government or of the private sector) and processes (such as institutional, policy and cultural factors) which people face. In aggregate, these conditions determine their access to assets and livelihood opportunities, and the way in which these can be converted into outcomes. In this way, poverty, and the opportunities to escape from it, depend on all of the above.

The DFID SL framework identifies five types of capital asset which people can build up and/or draw upon: human, natural, financial, social and physical. These assets constitute livelihood building blocks. To a limited extent they can be substituted for each other. Thus, the poor may draw on social capital such as family or neighbourhood security mechanisms at times when financial capital is in short supply.

Within this context, people are likely to pursue multiple activities and outcomes. They may, for instance, depend on their own farming, on selling their labour locally, or on migration, all within the same year. Outcomes will not be simply monetary, nor even tangible in all cases. They may include, for instance, a sense of being empowered to make wider, or clearer, choices.

In reality, the processes described here are not so neatly 'cut and dried': just as poverty is a dynamic process, with largely unpredictable changes in context, constraints and opportunities, so also are household strategies and activities. For instance, a household's long-term strategy may be to reduce its vulnerability to drought, and reducing rainwater run-off from farmland may be one set of activities within this strategy. However, some of the necessary labour may be diverted in response to new migration opportunities, or some of the capital needed may be diverted to respond to a medical crisis. In practice, an SL approach is therefore essentially concerned with the dynamic and, at times, integrative nature of livelihood strategies. Simple 'snapshots' of activities can be illuminating, but only against this more complex reality.

The approach explicitly recognises that the rural poor pursue a range of livelihood opportunities: they diversify in ways which allow them to cope with vulnerability, and, when possible, to accumulate sufficient resources to rise out of poverty.

Part of this diversification takes place within agriculture for well-known reasons, including the desirability of:

- spreading seasonal labour demands;
- spreading the risk posed by market price fluctuations and other adverse market conditions, by crop pests and diseases, by adverse weather, and so on
- making optimal use of land and other resources by inter- and relay-cropping.

Much also takes place outside (local) agriculture. Undoubtedly, much of this is timed to take up "slack" labour outside the agricultural season, and may take the form of local diversification and/or seasonal migration, to take up more distant agricultural or other opportunities.

However, a number of surveys and reviews have recently suggested that the major motivation is not seasonality, but chronic vulnerability and shortage of income, and that non-agricultural income can amount to 30% - 70% of overall income, spread throughout the year (Ellis, 1999; Bryceson, 2000).

This and other work leads us to suggest that diversification means different things to government and to the rural poor: government sees diversification largely in economic and/or spatial terms: for instance, the need to diversify agricultural production in order to reduce imports of certain commodities, or to diversify out of those in which the country is reaching self-sufficiency and for which there are only limited export prospects (such as rice). In both spatial and economic terms, the need to diversify in jute growing areas has long presented government with a challenge. Whilst this may contribute to overall economic growth and to a spreading of risks, it may represent too spatially concentrated or specialised a set of activities for the poor to take advantage of.

By contrast, when the poor diversify, they tend to add on a new part-time activity, possibly dropping from their "portfolio" a less-favoured one. There are exceptions, such as migratory labour opportunities, of which they can take advantage (especially) if contacts are pre-arranged, but, in general, their other commitments (including household and caring duties, especially among women) mean that they have a strong preference for opportunities which are locally available, part-time, and available for them to take advantage of as and when circumstances permit.

The main diversification options for the poor, in summary, are:

- local, casual, unskilled employment opportunities, including agricultural labour;
- work in agriculture on their own account, on small, leased or backyard plots, or on common pool resources;
- micro-enterprise related or unrelated to agriculture;
- seasonal migration.

Work by Goldman and others in southern Africa has focused on the role of livelihoods analysis in supporting policy change: their work developed a four level analysis, identifying how rural people can be empowered to undertake new livelihoods options, and then assessing how this can be supported by services at village, district, province and national levels. This work argues strongly that the interface between micro-level understanding of clients and macro-level policy change is best managed at district level, as also is the coordination of service delivery. It also argues for new approaches to resource-use planning which link communities and local government, and to service delivery which draw more on the concept of cross-sectoral community worker who offers the prospect of more focused and accountable service delivery.

However, the SL approach is relatively under-developed in other dimensions. For instance, it offers little insight into the conditions likely to generate conflict, how the risk of increased conflict can be assessed, and how (if at all) it can be managed. Furthermore, its "transforming structures and processes" arena was initially little more than a black box, and it is only now becoming clear that issues including the following require research:

- organisational change and SL;
- decentralisation;
- governance and SL;
- Linking micro to macro: policies and institutions for empowering the rural poor;
- Livestock service delivery and SL;
- Research, extension and farmers' organisations;
- New Institutional Economics and SL

DFID (RLD) is commissioning research on all of the above.

Finally, the SL approach is almost entirely concerned with the public administration branch of government, and provides little insight into how three arenas - the administration, community-based organisations (including resource user-groups) and local government - can work together more effectively at local level. This is all the more important in settings such as rural Bangladesh, where the strengthening of local government is on the current political agenda.

2.7 THE RURAL DEVELOPMENT STRATEGY

As described in the Introduction, the World Bank has prepared a document setting out a Rural Development Strategy (RDS) for Bangladesh. The report takes account of almost all of the issues set out in the preceding sections and recommends the following five components of the strategy:

1. Improve Short-term Food Assistance and Reform Food Policy
2. Reform the Policy Environment and Public Sector Programmes for Farm and Non Farm Growth
3. Invest in Improved Infrastructure
4. Improve the Efficiency of the Rural Financial System
5. Build Strong Local Government

A concept note has been tabled with GoB for an Agricultural and Rural Development Program (ARDP) to be the first in a series of rural development sector-wide operations supporting the RDS.

In line with the Terms of Reference for this assignment, the remainder of this section reviews of the RDS and the ARDP and considers the extent to which the latter can be seen as moving towards a sectoral development approach. In line with guidance given at the end of the team's visit to Dhaka, this is interpreted more widely than just a sectoral approach within agriculture and the wider range of issues summarised earlier are also considered.

2.7.1 Summary Comments on the RDS

The RDS is based on a comprehensive review of the issues surrounding rural development in Bangladesh but it does not make detailed recommendations on how the strategy should be implemented or on the priority to be given to different elements in the programme. In particular, the complex institutional issues summarised in section 2.4 are not addressed and no institutional framework is suggested for the implementation of the RDS.

Some preliminary comments on the five components proposed are as follows:

Food Policy: to improve the delivery of food aid, reduce "drag" and rent-seeking behaviour in relation to food for work, improve disaster responsiveness and stabilise its impact on local market prices.

The techniques and instruments for achieving change of this kind are well known, but as with all measures that rely on a large network of local officials, their implementation is likely to be problematic. It is proposed to monetise imports of food aid to reduce their impact on incentives for local grain producers but if this still involves sales into the local market, then the impact will not be great.

Policy Reform: to remove anti-rural biases by introducing competitive exchange rates, setting low and uniform external tariffs, ending the quota-based allocation of resources, ending measures intended to protect industry, liberalising agricultural trade, removing subsidies from urea and liberalising the market for seeds.

Although there is still scope for improvement in all of these areas, the strong performance of Bangladeshi agriculture and the fact that the principal constraint is now the demand for rice are signs that distortions of this kind are now relatively minor, as also will be therefore the potential gains from correcting them.

Rural Infrastructure: to invest in rural roads, electrification and market infrastructure.

It is maintenance, rather than new construction, that has been the major shortcoming in Bangladesh in recent years. The density of roads in Bangladesh already compares reasonably favourably with that of other countries. The RDS does indicate that maintenance is an issue but gives no indication of how this critical institutional concern will be addressed.

Rural Financial Services: to promote accountability and strengthen governance; to replicate the success of the Grameen Bank and other microfinance models; to convert the MBIs into formally-established banks and to improve retail intermediation.

The RDS continues to maintain a focus on production credit rather than savings and emergency credit, where the latter continues to be dominated by moneylenders. Once again a critical institutional concern is not addressed: that of maintaining the health of the microfinance industry without constraining its expansion to offer new services.

Local Government: to provide technical assistance to the committee established to investigate modalities of financing local government; to provide IDA funds directly to support local government reform and to focus on concepts of building participation and partnership.

As discussed above, significant potential difficulties lie in the continuing indecision in central government over whether and how far local government reform is to take place, and the question of whether capacity among (would-be) local politicians themselves is likely to match up to the scope of the likely reforms.

The RDS document places some emphasis on identifying which sectors offer the best potential for growth and hence poverty elimination. It favours the high-value crops and rural non-farm sectors. As discussed above, the fact that these sectors are growing more rapidly than food grain production may not be a reliable indicator that government investment in those sectors offers the greatest potential for employment and higher incomes for the poor.

In terms of public sector support, the RDS envisages the promotion of farmer-responsive research and client-oriented extension. It will promote partnership in service delivery between the public sector and NGOs, and the public and private commercial sectors. Sub-contracting is likely to become a significant feature of institutional change. Whilst measures such as these have already proven

feasible in the context of donor- or NGO-supported initiatives, what is not clear is how far they will be sustainable if introduced on a wide scale by government. DFID and the WB have supported important initiatives in this area under the ASSP and ASIRP programmes.

More broadly, the RDS does not reflect one of the fundamental lessons, if not the fundamental lesson, of development experience in Bangladesh over the last two decades of intensive donor support. “One of the core facts of life learned over the preceding decade on the poverty agenda has been that implementation failures have upstaged policy failures” (Poverty Issues in Bangladesh: A Strategic Review) There have been improvements in specific areas, especially where Government and NGOs are operating together, and the experience of the 1998 floods has demonstrated a clear capacity to react to special situations. It remains true to say, however, that Government services have proved largely unable to implement successfully or sustain any proactive development policy, whether it be at the national level within the major ministries or locally within the Thana administration. A Rural Development Strategy that does not confront this institutional issue is not likely to succeed.

2.7.2 The Agricultural and Rural Development Project

The ARDP allocates budget figures for three broad components of the project and identifies a large number of issues to be covered under each of them. An inter-ministerial task force has been set up, including representatives of the private sector and NGOs to guide project preparation and establish a consensus among stakeholders on strategic issues and options. It is proposed that implementation would be managed by a Policy, Planning and Coordination Unit in the Ministries of Agriculture, Food and Local Government and Rural Development. The next step proposed is full project preparation prior to appraisal.

The project allocates US\$28M to a wide range of policy and institutional reforms, including:

- food policy reform, agricultural input policies, food assistance programmes, land titling and records, macro and trade environments for RNF, legal reforms and the elimination of barriers to contract farming, private seed production and private extension;
- training and capacity building, strengthening the fiscal base of local government and incorporating local participation

US\$64M is allocated to public investments, and US\$8M to private sector development, with foci respectively on:

- agricultural research and extension services, building and maintaining rural infrastructure and rural finance

- promotional activities such as marketing development, support to private sector research and extension development, agro-processing, export promotion and entrepreneurial training and capacity building

It would appear that the ARDP is intended to address the RDS as a whole. Project implementation will involve the ministries of Agriculture, Food and Local Government and it is understood that seven ministries are represented on the Inter Ministerial Rural Development Task Force. The concept note specifically states that the possibility of separate subsectoral projects covering “food, seed, fertiliser, equipment, land, rural finance etc” was considered and rejected in favour of “both a broad-based sector program and other sub-sectoral projects in selected areas (such as rural finance).” The establishment of an Inter Ministerial Task Force and the suggestion that funding plans would be reviewed annually under the ARDP also indicate that a sectoral approach is intended.

Nevertheless, there remains a considerable gap between what is proposed and the requirements of an effective sectoral approach for three principal reasons:

1. the programme is not organised so as to present a sector that is both coherent and manageable, a key requirement for a successful Sector Wide Approach;
2. the proposal does not consider the need to ensure that Government and all the major donors are working together and the need to coordinate donor financing plans with the budgetary resources that Government has available to support the programme;
3. From discussions in Dhaka, it does not appear that the process has so far been led by Government and other national stakeholders. Ownership may be, therefore, an outstanding issue.

Clearly, these issues may be addressed as part of project preparation. Nevertheless, some of them are quite fundamental and it would be better to reach a consensus on the best approach before detailed preparation is started.

2.7.3 Conclusions on the RDS and the ARDP

The RDS document in its breadth and much of its analysis presents an outline of a programme that addresses many of the key livelihood issues of rural Bangladesh. In placing the emphasis more on economic growth, it is in line with recent calls for an ‘economics of graduation’ to assist the poor to escape from poverty through increased incomes and it does not ignore some recently identified gaps in support, for example to groups that are not eligible for the micro-credit programmes that are standard through much of Bangladesh. It is possible to debate much of the detail, as indicated at various points in the preceding, but overall there seems no need to question the broad thrust of the strategy: to endeavour to improve all aspects of the rural environment to the benefit of the rural poor.

There remains, however, a very considerable gap between a broad strategy document and effective implementation. This is a critical concern. The RDS is a strategic document and the ARDP document is a concept note. It is perhaps wrong to expect too much. Nevertheless, they do not present any convincing guidance on how that gap is to be bridged. Taken together they have a number of weaknesses:

- The RDS is extremely broad and the programme is consequently very ambitious. That ambition has been retained in the ARDP, at least to the extent that it presents a very long list of issues to be addressed. There must be considerable questions about how this list of activities will be formed into one coherent programme. Yet, if this is not done, the programme will be implemented as a series of discrete activities, thereby increasing the already severe "projectisation" of the different ministries' programmes and losing valuable opportunities for policy coherence and institutional reform.
- As presented the ARDP is not distinguishable from a 'resource transfer' project. Given the volume of funds concerned, considerable care in designing project interventions will be needed to ensure that this aspect does not dominate any more strategic improvements in service provision to the rural poor.
- The ARDP appears to focus on the development of commercial, market-oriented farming, even more so than the RDS. Whilst this may in principle be one component of a strategy to address poverty (insofar, for instance, as it creates casual, unskilled employment opportunities), it must do so in locations accessible to the poor. There is no evidence that spatial considerations of this kind have been taken into account in the ARDP, nor that it has been informed by SL insights on how macro-micro linkages can be developed in support of the poor, and on how interventions work (or not) at local level.
- The principal problems of development administration in rural Bangladesh are of an institutional and governance kind. The ARDP envisages improvements in the efficiency of public sector service provision but gives no indication of this might be achieved. Nor does it propose efforts to increase the demands for improved governance rooted in civil society.
- The ARDP suggests an intervention to improve land tenure. That apart, neither the RDS nor the ARDP give attention to a second key aspect of governance: justice and security. The evidence on income erosion points to these as major contributors to poverty. Unless this is effectively covered by other programmes outside the RDS, this would represent a significant gap in the strategy.

The SL approach offers a number of perspectives on the potential for poverty impact through the RDS:

- the RDS has only limited poverty orientation, proposing as it does the promotion of commercial agriculture in several dimensions, including export-oriented commodities. Whilst the livelihoods approach makes clear that it is perfectly legitimate to address poverty indirectly by promoting growth, what is also clear (and is not considered in the RDS) is that any employment opportunities created in this way must be local, casual and unskilled. Opportunities created in areas close to good infrastructure, and possibly requiring skilled or semi-skilled labour, all of which the RDS implies, are unlikely to be accessible to the poor.
- there is very little perception in the RDS of the vulnerability context in which the poor seek their livelihoods, especially of the influence of risk aversion on their selection of activities;
- there is little perception of the more social, as distinct from economic, aspects of livelihoods and the interface between the two. For instance, the poor often rely on local informal safety nets of one kind or another, often including emergency loans from local moneylenders. Whilst patronage relationships are predominantly exploitative, they do represent a kind of "social capital" insofar as they offer emergency support to the poor. The extent to which the poor take up new economic opportunities will inevitably be influenced by possible trade-offs: for instance, if such opportunities are perceived to reduce the economic dominance of local elites (in, for instance, controlling input supply or marketing channels) this may at one level appear eminently desirable, but for the poor may bring with it the risk of alienating those on whom they depend in the last resort. Potential benefits may have to be balanced against risks of this kind, and may not be taken up as fully as in risk-free environments of the kind postulated by the RDS.
- the opportunities for micro-experience to inform macro-policy design are only weakly exploited. Macropolicy change is usually designed on the basis of general principles. For some types of change, such as those concerned with central budgetary and financial management of the type being pursued by the RIBEC project, this is adequate. For other types of change, such as those concerned with local-level service delivery in response to people's livelihood opportunities, considerable fine-tuning is necessary. The arguments above suggest high degrees of livelihood diversification among the poor. Policy needs to offer relevant options. If these are to be in the right "ballpark", then knowledge of what matches people's livelihood options is essential, as is feedback on how far options are taken up, and why. Much the same argument applies to measures intended to support an emerging private sector. Deregulation of input supply or marketing is easy enough to design, but its implementation is frequently impaired by rent-seeking behaviour on the part of local officials. Local knowledge is essential here in identifying tradeoffs between policy design which is near-ideal but difficult to implement effectively and that which appears sub-optimal in design but is much more robust in practice.

The following chapters discuss how these weaknesses might be addressed in order to take the Rural Development Strategy for Bangladesh forward in the most effective possible manner.

3 DEVELOPING AND IMPLEMENTING THE STRATEGY

Two matters need to be decided. First, if it is accepted that the ARDP proposal would involve too many difficult issues to be effectively managed as one programme, then how best can the strategy be structured to provide a number of coherent and manageable sectors, sub-sectors or projects? Second, how can the major institutional issues, which underly almost all aspects of the strategy, be confronted so as to avoid a repetition of the cycle of unsustainable development projects that has dominated many previous programmes in Bangladesh.

3.1 A STRUCTURE TO THE STRATEGY

Between them, the RDS and the ARDP identify the following areas for development interventions:

1. Rice agriculture
2. Non rice agriculture, including fisheries, livestock and forestry
3. Rural Non Farm enterprises
4. Rural Infrastructure
5. Rural Finance
6. Local Government
7. Property Rights

Suggested interventions in the various sectors range from policy reform through investments in new infrastructure to institutional development and improvements to public services such as agricultural extension.

Ideally, in choosing manageable implementation units for such a programme, the aim should be to group activities where the issues, the coverage of the rural population and the likely interventions are all broadly similar. As far as possible where major issues are interrelated, they should be dealt with as part of one sector.

A preliminary suggestion might be to deal with the RDS under five separate headings:

1. **AGRICULTURE** – covering all of rice, non-rice crops, fisheries, livestock and forestry.
Many of the rural poor will have interests in more than one of these areas and both public and private sector services are directed to the same clientele; the areas are interrelated as far as resource conflicts and other issues are concerned; policy and institutional issues are similar across them all.
2. **LOCAL GOVERNMENT AND RURAL INFRASTRUCTURE**
In the preceding, the central importance of maintenance and sustainability to any rural infrastructure programme was highlighted. This is likely to be a central element in any discussion of decentralised government.

3. RURAL FINANCE

Specialised issues of financial regulation and financial management make this sector stand somewhat apart. Added to which, rural financial services are not closely linked to the two preceding sectors and there are in fact reasons to argue that they should not be, since both political pressure and the enthusiasm of technical departments can lead to unsound lending practices.

4. RURAL GOVERNANCE

Unless there are other programmes to address justice, security and property rights, it has been suggested that these would represent an important gap in the RDS. While it would be possible to treat them as part of the Local Government grouping, there are complex and highly specific issues involved and it is unlikely for the foreseeable future that the Upazila Parishad or other local government body will be given a direct rôle in these areas. Because they have not perhaps been highlighted in the past, there may be more work to do to identify the critical issues and ways to confront them.

5. THE RURAL NON-FARM SECTOR

Diverse livelihoods involve combining farm and non farm incomes. Nevertheless, the technologies and the markets for non-farm produce are both separate from those for agriculture. Even where the beneficiaries are the same, therefore, it may prove more practical to treat this as a separate sector.

This is no more than a first proposal and there will be a number of areas for discussion over how boundaries might be drawn between different parts of the programme. Rural water management, for example, involves both agriculture as a user of the water and local government over the management of the infrastructure. It is nevertheless felt that some division of responsibilities similar to that set out above will be necessary to make a practical reality of the RDS as a whole.

As far as possible, whatever programme structure is agreed should take full account of the existing organisation of Government of Bangladesh. The potential gains from seeking a major restructuring to allow a more integrated approach to the RDS are outweighed by the likely loss of momentum and of willing participation that might result from the attempt.

3.2 THE DEVELOPMENT APPROACH

The development approach adopted will be a determining factor in how the critical institutional issues are dealt with. Conversely, the size and shape of the institutional problem may determine which development approach is most likely to succeed. Where, for example, the public sector is very weak, it may be best to adopt an approach that emphasises work with NGOs and other civil society organisations. Where that is not the case, programmes implemented in cooperation with Government must take an approach that is consistent, not merely with Government policy but also with the public sector's capacity to sustainably fund and manage those programmes.

The Sector Wide Approach has been developed as a way of tackling these issues. Because so many earlier development programmes have proved not to be sustainable, the approach gives particular attention to ensuring the following:

- All national stakeholders, both Government and others, are not just supportive of the programme but fully in charge of it
- Levels of aid-funded development expenditure are compatible with Government's budgetary resources
- Government has the capacity needed to manage the programme
- All, or at least most, donor institutions are working together under the one programme

Typically, such a sector approach requires an institutional assessment which will address a number of questions, including:

- I. why is the sector important to the economy?
- II. what are the respective roles of public and private actors?
- III. what are the government's spending priorities in the sector?
- IV. are they affordable?
- V. what is the overall sector strategy?
- VI. is the sector a coherent and manageable unit?

The answers to these questions will be central to the prospects for positive institutional change.

In taking the RDS forward, an early decision is needed on how far the attempt should be made to adopt the sector wide principles. The ARDP includes some elements, such as the establishment of an Inter Ministerial Task Force, but it is believed that more will be required to ensure an effective sectoral approach. The decision itself will depend on an assessment of the need and of the potential for success.

The first of these seems clear. Bangladesh seems to be a very typical example of the situation that the Sector Wide Approach is intended to solve. It does not seem to be an exaggeration to say that current development programmes lack both Bangladeshi ownership and any likelihood of sustainability. In many sectors, Government activities have become almost entirely project-driven. Different donors are pursuing their individual approaches with a certain minimum coordination but with inadequate involvement by national personnel and poor prospects of being sustained once the external funding is withdrawn. There is certainly a need to address the institutional problems in the Bangladesh public sector.

The potential for success is not so easy to gauge but there are clear prospects for change. Government has, for example, begun to implement a sectoral programme in health and to take measures to bring its budgetary procedures under control. Competition from NGO and other private sector service providers is also bringing greater pressure for change. Nevertheless, change will be a lengthy process and a willingness to compromise and to accept temporary setbacks will be essential for all parties.

To sum up, there are two alternatives. The first is to attempt to bring about significant change in the way Government implements development, through some form of Sector Wide Approach. The second is to place the emphasis on more specific programmes to assist the poor while continuing to strengthen civil society as a counterbalance to and competitor with the state. The two are not mutually exclusive and a combined approach might prove the most productive of all, especially if that can lead to a widening partnership between Government and the NGO and private sectors; indeed that is one object of a full sector wide approach. What will not be effective is a programme involving Government organisations which does not address the institutional issues.

3.3 IMPLEMENTING THE STRATEGY

The simplest way forward will be to accept the ARDP, at least in its broad outline, and set project preparation in motion as quickly as possible. This does not mean that all of the issues raised in this report must be ignored. The project preparation programme itself could be strengthened and amended where necessary to ensure that they would be addressed.

If, however, it is accepted that some fundamental issues should be resolved before project preparation, then the questions of structure and approach will need to be addressed as quickly as possible.

An early consensus would be needed on three matters:

1. What should be the sectors and where will the dividing lines lie between them
2. Which Government, NGO and donor bodies are most active or wish to be active in each sector
3. What is the most appropriate development approach in each sector

If these can be agreed between the national and international stakeholders, then it will be possible to establish a taskforce for each sector relatively rapidly. Each taskforce would then be charged with taking the RDS forward in its particular area of action. If it is not felt appropriate to adopt the sector wide approach in a particular sector, then a different approach can be adopted according to the views of the stakeholders with the greatest interest in that sector.

If it is felt necessary, some overall coordinating body might be established to link the different taskforces/sectors but that might risk creating a body working at too high a level to be effective.

4 OPTIONS FOR DFID

To attempt to restructure and implement the RDS in its entirety as outlined above would be ambitious. It is only likely to succeed if a relatively small group of donors, who are confident of winning support within Government, decide to take the lead. Even then, it is unlikely that it will be possible to bring all relevant sectors together under the umbrella of the strategy. DFID's first choice therefore lies between taking the lead in building a consensus to attempt the RDS as a whole and limiting its aims to something less ambitious.

There are two less ambitious options. The first would be to limit DFID involvement with Government and give greater emphasis to the NGO sector and the second to work with Government and the World Bank on revising the ARDP but without major changes, either as part of or prior to project preparation. That might lead to an involvement in one or other of the potential sectors covered by the ARDP.

4.1 THE AGRICULTURAL SECTOR

While the balance between rice and crop diversification or between crops and livestock can be debated, there is no doubt whatsoever of the importance of agriculture to the vast majority of the rural poor and, through prices for staple foods, for the urban poor as well.

DFID has had a lengthy involvement in the sector, covering almost the entire history of Bangladesh. In ASIRP, it is currently supporting a major institutional development programme within the Department of Agricultural Extension, which is the largest department in the Ministry of Agriculture and, through its Block Supervisors, one of Government's few direct points of contact with the majority of the rural population. In the section on Sustainable Livelihoods the concept of a 'cross sectoral community worker' was mentioned. The Block Supervisors, who are sometimes required to carry out other tasks such as revising electoral rolls and assisting emergency programmes, are the nearest thing that Bangladesh has to a national cadre of such workers, although NGO field staff undoubtedly provide more intensive support where they are active. A second major DFID intervention in the sector is the Fourth Fisheries project, which is just starting.

Institutional problems within agriculture are as severe as anywhere else in Bangladesh. Three separate ministries and a great many departments and parastatals make up the sector. Extremely slow progress on the World Bank's Agricultural Research project is just one example of the difficulties. The robust performance of the agricultural sector of the Bangladeshi economy has already been described. It has been questioned whether this is because of Government's support or in spite of it. This is not a question that can be dismissed lightly, although detailed evaluations of DFID projects in the sector show positive results.

Government of Denmark is in the process of agreeing what may be termed a bilateral sectoral programme with GoB. This will place Danish advisers in planning units within the Ministries of Agriculture and Fisheries and Livestock. A similar unit is also to be placed in the Planning Commission. It does not, however, appear to be intended to make an effort to address the institutional issues within the sector.

4.2 THE LOCAL GOVERNMENT AND RURAL INFRASTRUCTURE

As development progresses, the failures of Local Government become an increasing obstacle to growth and the elimination of poverty, if not a direct burden on the poor. It has been argued above that programmes to tackle the functional structures and financial management of local government would be of benefit, to some extent regardless of how the national debate on decentralisation develops. In particular, to resolve the institutional issues surrounding rural infrastructure must be a priority.

DFID does not have a significant involvement in local government although it has been involved in efforts to improve the management of rural roads. However, the Municipal Services Project is addressing similar issues of capacity and increased participation in the urban sector. Time was not available within this study to investigate what other programmes are already being implemented in local government and any expanded DFID involvement would have to depend on that.

4.3 RURAL FINANCE

Rural financial services for the poor have been one of Bangladesh's greatest successes and their further development will be of great importance. A critical point may be approaching, which will determine the future of micro finance and of its relation to more formal banking institutions, and there are some clear and possibly pressing actions that need to be taken to ensure the health of the sector.

DFID has assisted some NGOs in the sector but is not believed to be involved in any major interventions. However, it is a very active sector and it would need to be established that there are gaps where additional DFID support would be useful.

4.4 RURAL GOVERNANCE

The Improved Realisation of Human Rights is one of the six themes of DFID's Country Strategy. The justification of this is clear from the evidence on the importance to the poor of rural governance – justice and security – as a separate issue from local government. It has already been noted that this has not been given great priority in the RDS.

It is inevitably a highly sensitive area. Any interventions could only be justified after careful consideration of how they can be made effective and acceptable to GoB at the same time. Here too it would be necessary to check what programmes are already underway.

Nevertheless, DFID might be found to have some comparative strengths in this sector, especially where current Bangladeshi law still reflects British law carried forward from before independence.

4.5 A NON – SECTORAL APPROACH

Even if it is only achieved in the longer term, the aim of a Sector Wide Approach is to establish a genuine working partnership between government, civil society and supporting donors. DFID's Country Strategy Paper sums up the institutional issues that have been highlighted in this report: "The prospects in the short term for fully effective partnership at national level appear limited for want of effective government commitment to achieve the elimination of poverty and undertake reforms needed to achieve it." The CSP does indicate that the situation varies from sector to sector but points out that some issues of public sector management are 'system-wide' and affect all sectors. For these reasons, a judgement has to be made on whether a Sector Wide Approach is feasible in any of the potential RDS Sectors.

A second question concerns targeting and impact. Is the attempt to overcome the institutional issues at the centre the most effective way to help the poor? Working with Government is, by its very nature, a somewhat indirect way to reach the poor. The same applies to programmes designed to promote economic growth. The contribution it makes to poverty reduction is unquestionable but programmes to stimulate growth are inevitably somewhat untargeted and indirect in their impact, even where they are concentrated in sectors of greatest importance to the poor.

For these two reasons, it is valid to consider what may be termed a Non Sectoral Approach. This might be done by identifying specific areas of greatest importance for the poor and establishing targeted programmes to tackle them. It is perfectly possible that a package of such targeted programmes would provide greater benefits to the poor than a coordinated Sector Wide effort in one major sector. A sample package drawn from the RDS might be:

- Reform of land tenure and property rights
- Targeted programmes for Tomorrows Poor
- Targeted programmes for the three different classes of Extreme Poor
- A programme to strengthen the regulation of Rural Financial Services
- Regional projects in pockets of extreme poverty

There would still be important work to be done with Government in this programme, on land tenure and financial services, and there is no reason why Government agencies as well as NGOs should not be involved in the targeted programmes. What this approach would not do, however, is address the central institutional constraints that prevent the Bangladeshi state from playing its proper part in rural development.

4.6 RECOMMENDATION

The preceding may be summed up in saying that there is one central question to be decided. Whether or not the time is ripe for a concerted effort to address the institutional constraints that affect state institutions in the key sectors that go to make up the Rural Development Strategy? It is impossible in the scope of this assignment to give a definitive answer to something that must ultimately be a matter of judgement. DFIDB is probably best placed to make that judgement, from its day to day experience of working with Government. Within the limits of its knowledge, however, the study team does feel that there is sufficient evidence to outline a way forward.

The recommendation is that DFIDB consider ways to build a consensus on restructuring the ARDP along the lines set out above and that it might wish to seek to take the lead in the Agriculture Sector. In addition, if during the process of developing consensus it becomes apparent that a Sector Wide Approach or at least some elements of it might be feasible, then the attempt to adopt such an approach would certainly seem justified.

There are four principal reasons for this recommendation.

- 1 **POVERTY IMPACT:** Between rice production, high value crops, fisheries and livestock, there can be few if any of the poor population of Bangladesh who do not have an interest in agriculture. Even a small percentage improvement in agriculture will yield greater poverty benefits than almost any other development.
- 2 **POTENTIAL FOR CHANGE:** The institutional barriers to improved agricultural services are severe. There are, however, a number of positive developments:
 - participatory approaches are more widely established within the ministries concerned
 - partnership with NGOs is beginning to become accepted at many levels, from the highest policy councils down to joint programmes in the field
 - at the same time, line agency staff are now aware of the competitive pressure on them from NGO services
 - the Sector Approach in the health sector is now established, with the result that at least some elements of resistance to the approach have been overcome and ways to resolve issues have been found
 - Government, with DFID support through RIBEC, is beginning to address the key question of budgetary control
 - Under the New Agricultural Extension Policy fora have been established at both national and Thana level for the coordination of activities within the sector. In particular, the EPIC committee might serve as a base for a Sector Wide task force.
- 3 **DONOR CONSENSUS:** Most donors are now seeking to work within a sectoral framework. At the same time, there are now relatively few donors with major programmes in agriculture, in particular the World Bank and DANIDA, making it easier to reach agreement.

- 4 DFID PRESENCE: DFID has a significant presence in the sector, through the ASIRP, RIBEC and 4th Fisheries projects. In particular, the first two of these are focussed on institutional reform and the management of change, thus providing a clear entry point from which to develop a Sector Wide Approach.

More generally, it is worth emphasising that the donor community is currently making a considerable investment to assist GoB to address the institutional issues that face it through sectoral approaches in health and education. Agriculture, together with Fisheries and Livestock, is the third great service ministry with an extensive presence in rural Bangladesh. To set a sectoral approach in motion in agriculture would add substantial critical mass to the whole process of institutional reform. Not to do so might risk the sheer weight of agriculture holding the process back by its non-participation.

5 ACTION POINTS AND TIMETABLE

If the above recommendation is accepted, then it will be important to take action quickly, so as to build the initial consensus and avoid Government and others making commitments that might conflict with the approach.

The following action points are set within a broad timetable covering the remainder of the year.

5.1 AGREE DFID STRATEGY – TO 30 APRIL 2000

DFID will need to agree that it wishes to pursue the recommended approach. In particular, it may need to review the proportion of funds its Bangladesh programme that it wishes to commit, since this will clearly affect the extent of its involvement.

5.2 BUILDING THE CONSENSUS – TO 30 JUNE 2000

There are four key stakeholder groups: the principal donors to the agricultural sector, the two (or three) ministries of the sector, the Ministry of Finance and the Planning Commission and the lead NGOs. Although many of these are represented on the taskforce charged with implementing the ARDP but it may be better to avoid opening the debate with the taskforce and with the wider donor community until the four key groups have been consulted.

1. The Principal Donors – There are two donors who have a major interest, the World Bank and DANIDA. The first is sponsor of the ARDP while the second has a sizeable programme in the sector and is currently agreeing its own sectoral approach with GoB. DFIDB may wish to consult further with these before deciding its own strategy, since it will not be practical to proceed without a clear and high-level agreement between the three.

2. The Ministries – It cannot be expected to win full support from the main agricultural ministries, Agriculture, Fisheries and Livestock and, possibly, Forestry and Environment, at this early stage. They will wish to see a firm proposal and to consult more formally with Government and others before committing themselves. Nevertheless, it will be important to include senior officials and to identify key sensitivities as early as possible.
3. A sectoral approach may affect the interests of both the Ministry of Finance and the Planning Commission. Once again it will be important to identify their sensitivities early.
4. Some care may be needed in consulting the major NGOs, to avoid causing resentment in Government. Nevertheless, they are major stakeholders and they may be able to give an independent view on the best way forward.

Should the result of these early soundings be positive, then it will be possible to make a more formal presentation to the ARDP Task Force and the other important donors. This may be the appropriate moment to endeavour to agree an approach for the RDS as a whole and, if there is the will to do so, seek to agree how the other, non-agricultural sections of the strategy can best be addressed.

The resources already committed for the development of a sector wide approach under Output 5 of the ASIRP programme could be made available to support this process of developing a consensus and subsequent work to plan the programme in more detail.

5.3 PLANNING – TO 31 DECEMBER 2000

Assuming that the overall approach wins support, then it is recommended that the planning phase be kept as short as possible. All parties will need to work rapidly. In particular, the World Bank may need to rework the ARDP proposal at an early stage. Within the agricultural sector, the first step will be to set up a stakeholder taskforce. This could well be based around the existing EPIC committee.

It is most unlikely that there will be sufficient level of consensus to allow a full Sector Wide Approach to be implemented in the agricultural sector in less than one or two years. The immediate priority will be to draw up a set of initial steps, if necessary relatively minimal steps, to provide a basis for further developments. It will be important to draw on the experience of the health sector programme to identify how this can best be done.

It will presumably be necessary to draw up plans for budgeting and other purposes. These should be based on a full institutional analysis for the sector. Even then, however, it must be recognised that what may turn out to be quite radical institutional reform can only be managed as a process. Programme plans must take this into account and ensure adequate flexibility.

5.4 CONCLUSION

It is acknowledged that the implications of these recommendations are wide ranging. Success is by no means assured and the final outcome may be some way away from what is envisaged as a Sector Wide Approach. Nevertheless, it is difficult to see an alternative way forward that does not, in effect, mean a failure to face up to the most important development constraint of all: the institutional weakness of Bangladeshi state services.

TERMS OF REFERENCE

Agricultural Services Innovation and Reform Project

Agricultural Sector Development Scoping Study

1. Timing

16 days (each) including travel

Late Jan/Feb 2000

2. Human Resources

2 person team familiar with agricultural sectoral approaches and an understanding of the World Bank. A senior Bangladeshi ASIRP Team Member familiar with the agriculture sectoral policy and GoB approaches will work with the team.

Tasks

In UK (3 days)

Critically review the World Bank produced draft Rural Development Strategy and project concept note for an Agriculture and Rural Development Programme (ARDP). Identify strengths, weaknesses and gaps in knowledge (to include social, economic and institutional issues).

Comment on the linkage between the two documents and on what basis, ARDP could be seen as towards a sectoral development approach.

In Country (8 days)

Consult with senior Government of Bangladesh officials in relevant ministries to identify GoB thinking and priorities concerning sectoral development issues including possibilities of moving towards a sectoral development approach in agriculture. (Probable: Ministry of Agriculture, Ministry of Fisheries and Livestock, Ministry of Forestry and Environment, Ministry of Finance, Ministry of Planning, DAE, BARC).

Consult with a range of bilateral and multilateral donors to review the current status of donor funded projects (including pipeline) and how they could support the proposed Rural Development Strategy and other sectoral development initiatives such as ARDP (Probable: DFID, World Bank, Danida, STC, CIDA, FAO, ADB, UNDP).

Hold discussions with WB on the RDS and ARDP in the light of issues arising from the desk review.

Identify the constraints and opportunities for the adoption of a "sectoral development approach" and define clearly the boundaries and characteristics of such an approach.

Identify broad possibilities for applying a Rural Livelihoods Approach to sectoral development and how this might be achieved in the context of existing/planned programmes.

Review Output 5 of the ASIRP logical framework and associated inputs/activities. Make recommendations for a timetable, process and schedule of Technical Assistance (and draft ToR) required to deliver this output. This will include exploring the possibility of supporting design and appraisal of ARDP and outlining how outputs from ASIRP could feed into the process.

Produce an issues paper covering the above points and present this to a small, informal workshop prior to leaving Bangladesh.

4. Outputs and reporting (3 days)

Production of an issues paper for discussion with GoB, donors and DFID (including ASIRP team and DAE)

A draft report within 2 weeks of leaving Bangladesh to be finalised within 4 weeks of leaving Bangladesh

ITINERARY

AGRICULTURE SECTOR DEVELOPMENT SCOPING STUDY

Study Mission Itinerary – Persons Met

9 February 2000 J.F. Morton, HTS Development Economist, travels to Dhaka via Emirates

10 February Preliminary briefings with ASIRP project team and Livelihoods Adviser, DFIDB

11/12 February W/E - Preparing preliminary review of RDS & ARDP

12 February Meeting - Charles Bevan, FAO Agronomist

13 February Meetings - K. Sparkhall, Head DFIDB, and staff
P de Vries, 1st Sec. (Rural Devt), Netherlands Embassy
Prof Rehman Sobhan, Centre for Policy Dialogue

J. Farrington, ODI Coordinator Rural Policy & Environment travels to Dhaka to join mission

14 February Meetings - Shawkat Ali, Secretary for Agriculture
R. Epworth, Snr Agriculturist, T.M. Tajul Islam, Agriculturist, the World Bank
M. Enamul Hoque, DG Department of Agricultural Extension
D.K. Chowdury, Joint Sec. Ministry of Fisheries & Livestock, Md Masudur Rahman, DG Fisheries and their staff

15 February Meetings – W. Meyer, Dy Resident Coordinator, Swiss Agency for Development & Cooperation
P.E. Schmidt, Counsellor and Mrinal K Chowdury, Agronomist, Royal Danish Embassy

16 February Meetings - G. Williams, Snr Manager. and R. Graham, Reforms in Budgetting and Expenditure Control Project
D. Cracknell, Economic Development Adviser, DFIDB
P. Thompson, Team Leader, Health Sector Project
C. Risner, Team Leader, ASIRP and members of team

17 February Presentation of mission findings to Head of DFIDB and staff

18 February J. F. Morton and J. Farrington depart for London via Emirates

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Danagro Adviser A/S	Agriculture Sector Programme Support Document, Volume I, II, III.	September 1998
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Dewan A. H. Alamgir	Microfinancial Services in Bangladesh	May 1999
DFID, Bangladesh	Bangladesh Country Strategy Paper	November 1998
DFID, Bangladesh	Poverty Issues in Bangladesh: A Strategic Review	May 1998
Diana Carney	Approaches to Sustainable Livelihoods for the Rural Poor	January 1999
Donald Mitchell' Tajul Islam	Promoting Growth in Bangladesh Agriculture	June 1998
ICDDR, Bangladesh	DFID Asia Regional Work Shop – Sector Wide Approaches in Health	September 1999
Kranti Associates	First Status Report – “Agriculture Sector Investment Project (ASIP)”	June 1999
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