

Evaluation of DFID Country Programmes: Bangladesh, 2000-2005

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Executive Summary

1 This report is an evaluation of DFID's country programme in Bangladesh over the period 2000 to 2005. DFID's aid to Bangladesh represents 16% of aid to Asia over the period and totals £386m. The evaluation had two main objectives: (i) to provide an account of the performance of the programme over this period; and (ii) to derive lessons for DFID in Bangladesh.

Context

2 In the last five years, Bangladesh's average annual economic growth has exceeded 5% and it has achieved rapid reduction in poverty incidence and good performance against health and education targets. However, per capita GDP is only \$418 and due to population growth, there remain 63 million poor. Growth and poverty reduction achievements are frustrated by lack of accountability, political instability, corruption and an over-centralised government. Service delivery levels are weak and as a consequence NGOs play a major role in delivering basic services to the poor.

Findings

3 The evaluation uses the so-called 'light' approach and is limited by the extent to

which the team was able to independently verify the evidence; no projects were visited in the field, no primary data collection took place, and no additional analytical studies were commissioned. The evaluation is based on two main criteria for assessing the performance of the Bangladesh programme: effectiveness (results, influence, contribution to outcomes) and quality (strategy, relationships, portfolio).

4 **Effectiveness:** DFID can take pride in its contribution to promoting growth, reform and poverty reduction in Bangladesh. This positive performance has come in two different ways: through direct assistance to the poor and through influencing others in order to improve overall aid delivery.

5 DFID has helped to improve the lives of millions of Bangladeshis, through investments in infrastructure, agriculture and fisheries, education and health, and through emergency relief. It has also made a major contribution to the PRSP process and through its catalytic role within the donor community and the Local Consultative Group machinery. DFID's positive image is due to its long history of engagement; the growing size of its financing envelope; the intellectual strength and commitment of individual staff;

and a willingness to engage in new and riskier reform areas.

6 This positive contribution is tempered by a lack of programme delivery evidence. Insufficient attention to monitoring and evaluation systems has made it difficult to establish how different projects have contributed to priority areas such as pro-poor employment, social services delivery or building greater voice that in turn meet poverty reduction goals. This is particularly critical in areas such as governance and budget support, where measuring changes in beneficiary lives is harder and more diffuse.

7 In overall development progress, Bangladesh has made remarkable progress on several MDGs - such as gender parity in education, consumption poverty and child mortality. Several other MDGs are within reach but will require special attention and concerted effort. Finally, some MDGs will challenge the country for some time (maternal mortality and environmental sustainability).

8 **Quality:** DFID's portfolio is balanced between sectors, partners and in scale. But it is being rationalised to reduce transaction costs and is moving to a programmatic or sector wide approach and a more mature engagement with government. Three turbulences - in staffing, in policy and in choice of partners - have weakened overall impact.

9 DFID's impact over the past five years would arguably have been greater had it had greater institutional memory as a result of longer international staff terms and a strong core of long-term nationals; had it experienced less pressure to respond to emergent central policy themes; had it put a greater emphasis on monitoring and feedback loops in the programmes; and had it continued to build on long-standing implementation partnerships.

10 DFID's achievements and innovations in Bangladesh are overwhelmingly due to country-level opportunities and choices rather than to implementation of a hierarchy of pre-specified goals and targets. This is reflected in what may be termed the 'iceberg' phenomena where the policy

agenda is presented above surface for public digestion while a large portfolio of projects and programmes is designed and implemented on a typically eight-year cycle that either lags behind or leads ahead of current strategy.

11 The main challenge for DFID has been the pressure to commit a growing financial envelope within a difficult political and reform context. This challenge will grow as the aid share of the national budget - and thus opportunities for reform-leverage - continue to shrink. DFID is addressing this challenge by working to increase average investment size, developing harmonised sector approaches, exploring new partnerships, and creating 'challenge-funds' to finance NGOs on a competitive basis.

12 The development of a joint strategy with the WB, ADB and Japan may succeed in strengthening donor influence and in streamlining donor programmes. Some partners argue that this streamlining of financial aid should be developed in parallel with other influencing avenues offered by international agreements on trade, security, human rights and immigration and based on a firm and unified donor approach.

13 DFID's leading instrument for increasing reform leverage is budget support. In Bangladesh, DFID sees sector budget support as part of a strategy of mature engagement. Many commentators however view Bangladesh's financial management regime as barely meeting the minimum acceptable criteria for this instrument and regard even sector budget support as high-risk.

Lessons and Recommendations

14 **Institutional development** depends on stable long-term relationships: especially in the area of government reform. In this context, DFID's internal incentives that encourage adherence to new but often short-lived policy initiatives appear to mitigate against giving primacy to long-term partnerships in country.

15 DFID Bangladesh's experience in supporting both pro-poor services and governance reform underscores the need to clarify investment objectives. Where the focus

is on institutional reform then it must plan for long-term support, counted in decades not years; and not expect short or medium term poverty impact.

16 **Budget support** though a potentially high-return investment requires very careful risk analysis, an in-depth understanding of the reform objectives and potential, and a coordinated programme of support from TA and other instruments, plus appropriate staff expertise in-country.

17 Without **focused and measurable outcomes**, DFID's impact will not be known. Given the focus on governance and on improving government capacity, it is critical to ensure that monitoring mechanisms are in place. While project outputs and purposes are effectively estimated, the contribution that they make to over-arching programme outcomes is less clear.

18 With these lessons in mind it is recommended that DFID Bangladesh:

- **follows a more rigorous internal appraisal process and preferably using external teams to both design and implement, especially with the move to higher risk investments;**
- **makes a better assessment of poverty impact by devising a better analytical framework to understand how DFID's investments impact on poverty and economic development, and then using this framework to clarify measurable outcomes and improve annual reporting;**
- **balances advisor time more evenly between upstream policy work and field-based implementation support;**
- **builds more effective country office communications to present the local context, strategies and results more convincingly;**
- **extends the country strategy to 5 or more years in order to align the project portfolio better;**
- **develops country level analysis to justify programmes that fall outside corporate policy (such as infrastructure);**

- **prepares a country level influencing strategy to determine results and enable monitoring.**

Management Response from DFID Bangladesh

(i) We welcome the positive tone of this report and take its recommendations in their intended spirit – that of making a good country programme better. However we feel that justice could not be done fully through a 'light touch' evaluation of a major programme.

(ii) One recurring critical theme is the short-term and inward perspective which DFIDB has allegedly taken and the limited institutional memory which has constrained its understanding of Bangladesh. The new 2006 results - based CAP will span seven years, which will better enable DFID to scale up its Programme and enter into a long-term partnership with Government (should either of these decisions be made), but also to adjust it in the light of annual reviews and changing circumstances. There have been serious staffing gaps and high turnovers in crucial parts of DFIDB, and there have been transaction costs incurred through downsizing and restructuring, but currently there are no unfilled UK-based posts, and we have recently recruited six SAIC to advisory posts. We are developing a better understanding of the political economy of Bangladesh and devoting increasing time to a deeper engagement with partners, though there are inevitable changes – e.g., particular NGOs may regret that they are no longer contracted without competition, but NGOs still handle a major share of Programme resources. We have also renewed our contact with many NGOs including some of those mentioned in paragraph 3.37 of the main report.

(iii) The CPE recognises that Bangladesh is a difficult working environment but, in commenting on individual parts of the programme, does not sufficiently take account of risk in relation to expected benefit. We know we are in a risky business with few 'easy wins', but traditional projects – even when successful in their own terms – have generally not brought about

fundamental change or lasting improvements: hence our increasing efforts to address governance limitations, although difficult to overcome, and to participate (but not uncritically) with Government and other donors in SWAs. In common with the rest of DFID, we are moving to a more focused portfolio of fewer, larger projects and programmes, but particular decisions on what to do and how to do it are taken with care in the light of specific circumstances. The CPE is clearly sceptical about budget support: we have used only sector budget support, and the fact that we have not yet fulfilled our 2004 prediction (paragraph 3.58 of the main report) indicates that we are not driven by preconceptions. Sector budget aid is also subject to rigorous fiduciary risk analysis. Sometimes the CPE's comments could be more explicit about the basis for

judgement, e.g. in reference to Programme "balance", or in relation to exiting from (traditional) livelihoods projects in favour of activities more clearly directed towards the extreme poor.

(iv) We are enthusiastically ensuring that our Programme is aimed at achieving tangible results or outcomes (on which we will be evaluated), with a reduced emphasis on mere process. We recognise that we need to do better on communicating our objectives and achievements to Government, other partners and the public, and are developing a broadly based communications strategy as part of the CAP. A key aspect will be the continuing need to target our influence, just as our financial resources, as effectively as possible to deliver these outcomes for the benefit of the Bangladeshi poor.



DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

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