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The Nordic Funded Rural Employment Sector Programme in Bangladesh, Volume 1: Main Report

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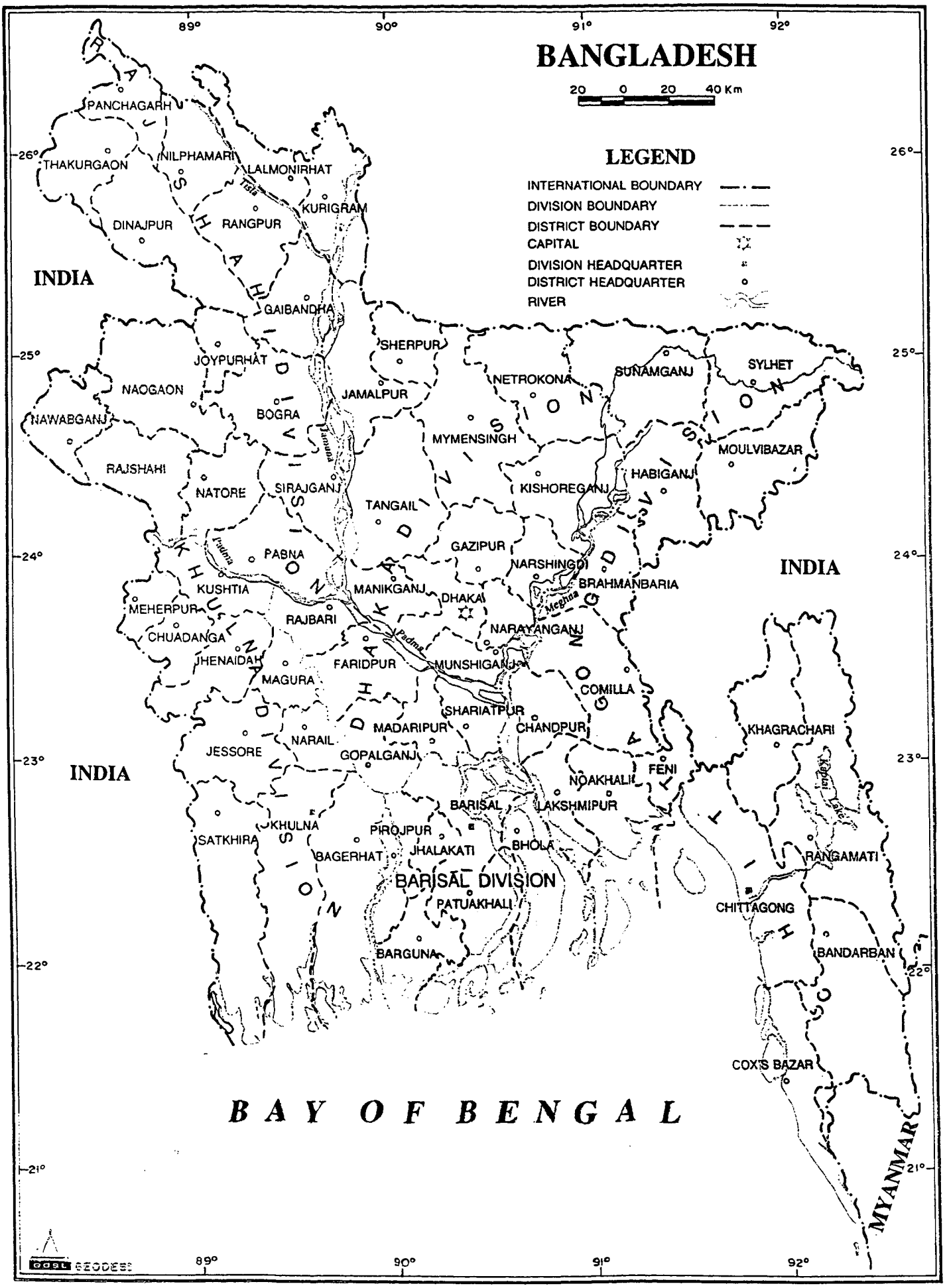
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ACRONYMS

ADAB	Association of Development Agencies in Bangladesh
ADB	Asian Development Bank
ASA	Association for Social Advancement
BARD	Bangladesh Academy for Rural Development
BIDS	Bangladesh Institute for Development Studies
BIS	BRDB Institutional Support
BRAC	Bangladesh Rural Advancement Committee
BRDB	Bangladesh Rural Development Board
BSS	*Bittoheen Samabaya Samity*
BWDB	Bangladesh Water Development Board
CDF	Credit and Development Forum
CIDA	Canadian International Development Agency
DANIDA	Danish International Development Assistance
ERM	Earth road maintenance
EU	European Union
FFWP	Food for Work Programme
FO	Field organiser
FRB	Feeder Road B
GNCC	Government-NGO Co-operative Council
GNP	Gross national product
GOB	Government of Bangladesh
HBB	Herring bone bond
HYV	High yielding varieties
IDA	International Development Association
IDP	Infrastructure Development Project
IRDP	Integrated Rural Development Programme
IGA	Income generating activity
IRWP	Intensive Rural Works Programme
ISP	Institutional Support Project
LFA	Logical Framework Analysis
LCS	Labour Contracting Societies
LGEB	Local Government Engineering Bureau
LGED	Local Government Engineering Department
MCO	Micro credit organisation
MFI	Micro finance institution
MPI	Management Perspectives International
MBSS	*Mohila Bittoheen Samabaya Samity*
NGO	Non-governmental organisation
NORAD	Norwegian Agency for International Development
O&M	Operation and maintenance
PEP	Productive Employment Project
PKSF	*Palli Karma-Sahayak* Foundation
PPP	Purchasing power parity
PRA	Participatory rapid appraisal
PTC	Production and Training Centres
RD 1 (etc)	Rural Development project I (etc)
RESP	Rural Employment Sector Programme
R&H	Roads and Highways department
RPAP	Rural Poverty Alleviation Project
RPP	Rural Poor Programme
RWP	Rural Works Programme
SDC	Social Development Committee
SEDP	Small Enterprise Development Project
SEK	Swedish crowns
Sida	Swedish International Development Co-operation Agency
SIDA	Swedish International Development Authority

SSWRS	Small scale water resource schemes
TCCA	Thana Central Co-operative Association
TIP	Thana Irrigation Programme
Tk	Taka
TOR	Terms of reference
TTDC	Thana Training and Development Centres
US	Unnayan Shamannay
USD	United States dollars
WFP	World Food Programme

Executive summary

Background

Poverty in Bangladesh is pervasive and endemic. Household expenditure surveys carried out by the Bangladesh Bureau of Statistics indicate that about half of the population could be classified as poor in the mid 1990s using this definition, while about a quarter of the population was classified as extremely poor. About 65 percent of all children in Bangladesh are malnourished. Poverty is primarily a rural phenomenon, partly due to a relatively low degree of urbanisation in Bangladesh with 80 percent of the population living in rural areas, partly due to a higher degree of incidence of poverty in rural areas than in urban. The number living below the poverty line has been reduced somewhat since the birth of the nation. However, the decline has been so marginal, that the number of people living in poverty in rural areas has increased due to the growth of the population, in spite of considerable urbanisation. A tentative estimate would be that between the mid 1970s and the mid 1990s, the numbers of rural poor have increased from about 44 million to 51 million. Land ownership, or lack of land, is a critical determinant of poverty in rural areas. Poverty is also to a large extent a gender issue: the most vulnerable group in Bangladesh (as in many other societies) is female headed households, i.e. households which have no male breadwinner. As the economy is traditionally male dominated, and women are culturally confined to the private domain, women without males have a strong disadvantage in the economy and on the labour market. Rural households headed by women are generally in this situation due to divorce, abandonment or death of the husband and/or father. Women constitute a considerable number of the 'hard core poor' in Bangladesh. For many so-called destitute women, begging and prostitution might be the only alternatives to starvation.

Both the state and the NGO sector in Bangladesh have closely identified themselves with rural poverty alleviation strategies as part of the process of nation-building since Bangladesh's independence in 1971. Amongst developing countries, Bangladesh stands out in terms of the high level of experimentation and innovation that has taken place in trying to bring about rural development and poverty alleviation. This has been so to the extent that Bangladesh's experimentation with a wide range of models has served as something of a laboratory for other developing countries facing similar issues. The lead in innovation was taken by the public sector in the pre-1971 independence period with the pursuit of the now famous *Comilla* .project from which a still valuable model for rural development emerged. From this model the dual strategies of public works and micro-credit as avenues for poverty alleviation emerged. The strategies were linked in the sense that micro-credit was to overcome the temporary nature of employment creation in public works programmes, and the public works would provide improvements that would trigger economic growth. As Government, with rapidly increasing levels of donor support, pursued a widespread programme of replicating the Comilla experiment throughout the nation in the form of the Integrated Rural Development Programme (IRDP) during the 1970s, the NGO sector took on the baton of innovation, particularly in the micro-credit sector in which it eventually developed the model followed today of providing credit to informal groups of landless persons (persons with less than 0.5 acres of land) in combination with group mobilisation and training in income generating activities which were to have simultaneous social empowering and beneficial economic effects. The NGOs came to focus their efforts on women for moral, practical and political reasons. Morally speaking, women appeared to be the hardest hit by poverty and therefore warranted a stronger focus. Practically speaking, women were and continue to be regarded as being a more secure prospect for the repayment of credits. From a political point of view, it was expedient to pursue female oriented programmes, since donor policies increasingly favoured this.

Following the formulation of the Strategy for Rural Development (RD) projects by the Bangladesh Planning Commission in 1984 and during the 1980s and 90s Government commenced a number of Rural Poor Projects (RPPs) projects supported by different donors

and under the umbrella of the Bangladesh Rural Development Board (BRDB), the institutionalised successor to the IRDP. Most of these programmes were aimed at assisting the landless through credit provision to co-operatives and/or through non-formal groups on the basis of the model developed by the NGOs. The issue of whether Government should or should not be involved directly itself in the implementation of poverty alleviation programmes is one that has been raised by the NGOs and the donor/lending community. It has been suggested that Government has no comparative advantage for various reasons, including the lack of ability to adjust, change and innovate owing to its bureaucracy. However, GoB continues to be of the view that it must be involved in poverty alleviation (in the sense of micro-credit operations), no matter how small its share is, for moral and political reasons. Relations between GoB and the NGOs have been poor partly as a result of the traditional NGO role of challenging the *status quo*, and partly owing to competition in the micro-finance sector and for donor funds. Although relations are better than in the past there is still much to be done to bring about much needed co-operation in a situation where resources are scarce.

Since Bangladesh's independence, the donor/lending community has financed most of the rural development and poverty alleviation efforts in the country. In doing so, it has wielded considerable powers in determining the shape and nature of poverty alleviation in Bangladesh. The impact of this on the institutional behaviour in both the GO and NGO sectors has been profound. Many of the key issues regarding the future of poverty alleviation strategies in Bangladesh today revolve around the relationship between Bangladesh poverty alleviation institutions and the donors/lenders.

Successive poverty alleviation efforts in Bangladesh have encountered structural constraints, particularly in terms of the structures of governance. During the 1990s the possibilities for overcoming some of these structural impediments to addressing poverty have expanded. Bangladesh has undergone some notable changes in the way that the country is governed. Free and fair elections have taken place and the observance of basic human rights such as the freedom of speech have improved. The complexion of local government is changing with the election of poor rural men and women into positions of responsibility. Recent land reform proposals are more far-reaching than ever in the past. Still, major changes in governance are required in order to create an environment conducive to sustained poverty alleviation.

The evaluation

The Nordic funded Rural Employment Sector Programme (RESP) and its predecessor the Intensive Rural Works Programme (IRWP) were initiated in the early 1980s and the support is planned to end in the year 2000. By then the external support will have reached about SEK 1 billion. While IRWP started out with joint funding from Denmark, Norway and Sweden, Denmark phased out its support in 1985. NORAD phased out its support in 1996. Since this time only Sweden has supported the final phase. RESP has emerged as a complex programme It includes a portfolio of rural infrastructure development (roads, markets, water schemes and other physical investments) which applies rural works as an employment generation tool, and micro-credit and technical services for social and economic empowerment and the enhancement of income generation through self employment. RESP has increasingly focused on institution building of the two major implementing public sector organisations which are recipients of the support, the Local Government Engineering Department (LGED) and the Bangladesh Rural Development Board (BRDB). RESP consists of four projects: the Infrastructure Development Project (IDP), the Institutional Support Project (ISP) to LGED, the Productive Employment Project (PEP or RD 5) and the Bangladesh Rural Development Board Institutional Support Project (BIS). In addition to the four projects, the Programme Co-ordination Unit (PCU) is also an element of RESP. The overriding objective throughout the programme has been to improve the living conditions of the poor in Bangladesh, defined as the landless. RESP's geographical focus has been two of Bangladesh's poorer regions, the greater Faridpur area in the West of the country and Kurigram in the North West. The target population of RESP was about 4 million at the height of the Programme in the mid-1990s.

An agreement was made in 1997 between the Government of Bangladesh, Sida and NORAD to evaluate the programme. Sida was given the responsibility of planning and initiating the evaluation which should cover the whole programme period, and not exclude consideration of the IRWP. The evaluation was to be broad based, assessing the achievements of the programme in relation to its original objectives and the government's objectives for the sector. The evaluation was to study the social, economic and institutional impacts of the programme against the objectives of reducing rural poverty and promoting gender equality. The process of the programme, the selection, design and implementation, should be analysed and Sida's role as the lead agency assessed. The institutional aspects were to be analysed, including topics such as capacity building and competence development in the counterpart organisations. According to the Terms of Reference, the evaluation should draw conclusions for the government's future programming in rural development and for future assistance to the rural sector in Bangladesh.

The evaluation was commissioned to Management Perspectives International (MPI), Stockholm and was carried out by a joint European and Bangladesh team over the period January - April 1998, with report writing during April - June 1998. MPI has provided the international team and selected its partner organisation in Bangladesh, Unnayan Shamannay (US), who provided the local team members. The MPI team members were Claes Lindahl (team leader), Julie Catterson (institutional specialist and team manager), Robert Andersen (civil engineer), Inge-Merete Hirshholmen (rural socio-economist), Shamima Nasrin Mili (gender specialist), and Petra Stark (research assistant). The Unnayan Shamannay team members were Atiur Rahman (US team leader), Farooque Chowdhury (operational specialist), Abdur Rob Khan (economist) and Shafiqur Rahman (PRA specialist). Katarina Larsson (gender specialist) provided support to the team during the inception phase.

The methodology was constructed around a series of evaluation matrices for impact at the community level, the institutional level, the policy level and aid management performance. Based on the methodology agreed during the workshop Unnayan Shamannay undertook a series of community studies during January and February 1998. These studies applied a variety of research tools such as focused group discussions, Participatory Rural Appraisal (PRA), spot surveys, and also used existing statistical information available through the programme. The joint field work of the team took place during March - April 1998. The field work was limited to the Greater Faridpur area for practical and logistical reasons, but covered all five programme districts in the area extensively. During the course of the field work a new approach was introduced to assess the dynamics of micro-credits applying what might be called a 'rapid anthropological approach'. The purpose of undertaking the village studies was to try to capture a realistic picture of the dynamics of micro-finance in a rural village. The results of these two studies differ markedly from the picture which emerges out of both PEP and NGO reports on the use of credit. This is likely to be a result of the fact that the formal questionnaires which these reports rely on tend to trigger 'pre-programmed' answers which will allow for continued access to credit. Given the broad terms of reference and also that RESP has emerged as an important programme in the Government of Bangladesh's rural development efforts, the evaluation has attempted to take both micro and macro approaches. It has attempted to place IRWP/RESP in a historical perspective and in the context of other similar programmes in Bangladesh.

Findings

After almost twenty years of running time, IRWP/RESP has achieved a great deal in terms of output at the project level. From an experimental rural works project with a shaky start, the programme has emerged as a comprehensive rural development programme with four distinct and relatively efficient projects, and with a good reputation amongst those who know of it in Bangladesh. The key question the evaluation has tried to answer is to what extent the programme has fulfilled its ultimate objective: the improvement of the standard of living of the target group, the landless poor, in a sustainable way. The answer is much less conclusive than for performance at the project level or for institutional achievement.

The bulk of the investments in RESP have been in rural infrastructure. If programme management is excluded and ISP is included, 80 per cent of the programme funds have been devoted to building, improving and maintaining roads, markets, water schemes and other physical structures. The infrastructure development under RESP has undoubtedly provided improvements by facilitating transport and access, reducing transport costs and time, and triggering economic activities. However, it is difficult to argue that provision of rural infrastructure as it has been carried out in IRWP/RESP is a poverty focused approach *per se* as such development by and large has not used poverty criteria in the selection mechanisms. As beneficiaries of such amenities, the poor are likely to benefit from such investments in line with their overall position in the society. Furthermore, the potential positive economic and social impact of some of these investments, such as markets and small scale water schemes, has to a large extent been negated by poor operation and maintenance. IDP has focused mainly on roads improvement whereas water development continues to be the area of highest potential sustainable economic benefits for the poor. The direct and indirect employment generated in RESP's rural works represents about 0.5 percent of the estimated labour force in the target group in the programme area and 15 percent of the annual increase of this labour force. Most of these jobs are unskilled, poorly paid and temporary. The sustainability of the IDP's job creation is largely dependent on continuous public works programmes, in their turn to a considerable extent dependent on donor financing. Nevertheless, due to the character of such work, the employment has been well targeted to the landless poor, and to a considerable extent to women who represent some of the most vulnerable members of rural communities.

The evidence from studies undertaken by the evaluation confirm the prevailing positive picture of the role of micro-credit in rural Bangladesh, but also indicate a more complex situation than that which is commonly portrayed. A part of this complex picture was captured by the two village studies performed under the evaluation. The evidence from studies carried out by the evaluation, indicates that micro-credits have a much more diverse use than the official picture portrays, including use for consumption purposes, repayment of former loans, and on-lending. With the popularity of micro-credits amongst donors, NGOs and GoB, as well as amongst the target group, there is a risk of a back-lash. A combination of a rapid increase in the supply of credit driven by donors and MCOs (micro-credit organisations), pervasive multiple membership in the MCOs, a potentially considerable use of credit to repay other loans, and investments in activities with limited opportunities for economic growth, might eventually create a 'bank bubble' with massive defaults as a result. Women, as the most vulnerable and powerless in rural Bangladesh, but the formal credit takers, are likely to be hit the worst by such a potential development. The evaluation is not forecasting that such a negative development will certainly happen, but indicating that it is a subject which is currently hardly discussed, even avoided, but meriting serious consideration. While the public works element of RESP has contributed to developing means to assist the poorest, it is notable that in almost all of the programmes for credit provision to the rural poor, including PEP, none appears to be seriously considering how to assist the poorest (the 'hard core poor') in a longer term perspective. The emphasis on disbursement targets and repayment rates as performance measures for both Government and the NGOs, as well as the pressure on the NGO sector to become self-sustaining are the likely reasons for this.

The investigations regarding gender under the evaluation showed mixed results of the programme for women. Overall, the effect appears to be positive if taken as cumulative with the effects of other MCO programmes in Bangladesh. On the other hand, some of the case studies of female PEP members in this evaluation show that at an individual level there are many stories of hardship and adversity for women brought on by the availability of micro-credit, particularly in cases where women are merely a front for the men to receive credit and where the men quickly desert, leaving the women indebted. In RESP it was found that the quality of training does not fulfil women's need for training to arm themselves against such adversity, mainly as the Field Officers, by their own admission, are not well trained on gender issues and find that they have little time to address the specific problems of women in the programme. The fact that there are very few women holding higher professional positions in PEP than at the field level means that there has been negligible opportunity to introduce

approaches which might be successful in assisting women to cope with the problems they face once they become credit takers.

The macro analysis of poverty alleviation strategies in Bangladesh in the evaluation concludes that the contribution to innovation is an important measure of success for poverty alleviation programmes. Under the IDP, IRWP/RESP has made some major contributions to the methods for reaching the poor. The introduction of Labour Contracting Societies under the IRWP must be recognised as an achievement of considerable magnitude in assisting the poorest and most vulnerable under IRWP/RESP. The value of this innovation goes far beyond the programme itself in the sense that it has become a preferred means of rural infrastructure development for most of LGED's clients. The innovative element of LCSs is their emphasis on social change, breaking to some extent the power structure in rural areas and the exploitative practices by the rural elite. Earth Road Maintenance and roadside tree plantations developed and encouraged under IRWP/RESP are other forms of innovation in the context of employment creation for the poor. This innovation lies in job creation often of longer duration at a low cost. While the micro-credit side of RESP has made considerable efforts to innovate, its experimentation has been largely unsuccessful. Another innovation which RESP has attempted to introduce is a functional linkage between infrastructure development and micro-finance activities. This linkage has worked less well than envisaged.

In institutional development the programme can claim a major achievement in terms of the development of a model which may be replicable in other cases as long as the basis for the model and the conditions for its success are well understood. The development of LGED must be considered unique, not only in the context of Bangladesh, but also in the context of developing countries overall. The existence of a performance-oriented, motivated and skilled engineering organisation is a very significant accomplishment in the developing world. This evaluation has found that two main factors - continuous and dynamic leadership backed by broad-based, flexible and long-term donor support for the 'education' of the organisation - have been vital. Another important feature established under IRWP/RESP is a linkage between practical implementation and institutional development. Although one important feature of the institutional support to LGED has been its broad-based nature (i.e. not linked to a particular project), the linkage to IDP through RESP has been valuable. A combination of a 'horizontal' institution building project with a 'vertical' implementation project, both with strong experimental features, has emerged. This is a unique feature of the model and appears to be quite effective. The model for institutional development introduced under the Sida support in BRDB is very similar to that introduced in LGED. The evaluation has found that at present there are a number of obstacles to making this model work in BRDB.

Amongst the findings on aid management, the evaluation found that the evaluations undertaken during the programme have not been given a chance to have an effect on the overall programme process. External evaluations are one of the few tools for feed-back in an industry in which such feed-back mechanisms are lacking, and in which measurements of cost-effectiveness are notoriously missing. There is a risk that donors, recipient countries, consultants, and others directly involved in the implementation tend to have common interests in sustaining and extending the aid. The voices of the 'target group' in terms of the delivery of these projects is generally weak or non-existent due to highly asymmetric power relationships.

Recommendations

The evaluation suggests broad areas for discussion and action between the various stakeholders in poverty alleviation in Bangladesh, based on the IRWP/RESP experience.

Addressing poverty

1. In order to improve the poverty orientation of rural infrastructure development, key infrastructure development institutions in Bangladesh, including LGED, require a strong

socio-economic impact analysis capacity as a first step. This could form an important area of development for the mutual benefit of both donors and their partner institutions.

2. Developing methods of impact assessment in micro-credit (as for rural works), beyond the standard surveys which have been frequently conducted in rural Bangladesh and which the poor are conditioned to answer in a certain way in order to continue to receive credit, will be important to adjusting approaches to micro-finance so that this mechanism for poverty alleviation has positive results.

3. This evaluation has led to the conclusion that by putting resources into the same types of activities and targeting the same group as the NGOs are, GoB may not be using its resources (and donor resources) in the best possible way to contribute to poverty alleviation. It has also found that there are a number of areas directly necessary to poverty alleviation in which GoB has a vital role to play. e.g. assisting the 'hard core poor' whom the NGOs are not presently working with, regulating the micro-finance market, improving the economic base of the nation, agriculture. A more holistic view of how to end poverty is required, and donors, who have provided the funds for anti-poverty activities, bear a clear responsibility for promoting this kind of holistic discussion amongst the main institutional stakeholders in Bangladesh.

4. Donors also bear a responsibility for setting clear, achievable and realistic objectives for their support. Poverty alleviation is a complex and wide goal, something of a vision which is served by fulfilling a number of objectives. The present equating of micro-finance operations with poverty alleviation is one example of the kind of fallacy that emerges from the confusion of objectives with the overall vision.

5. Promoting gender equity in Bangladesh is also a poverty alleviation strategy, as women tend to be amongst the most vulnerable to poverty. The evaluation found that strong gender-oriented training activities under micro-finance and other programmes can have a notable effect in terms of empowering women in the society. Considering how to promote gender know-how in the counterpart institutions so that they can in turn provide this service to a satisfactory level, could be an important contribution to promoting gender equity in Bangladesh.

Promoting democratic governance and institutional development

1. Considering and pursuing measures for strengthening both the supply (government) and demand (the people) sides of the democratic governance equation are vital if the institutional development model under RESP is to be replicated in Bangladesh over time. On the supply side, one example could be encouraging GoB to allow for continuous and dynamic leadership to emerge in institutions such as BRDB. On the demand side, promoting the rural population's understanding of what types of services it should be able to demand from GoB could be another measure.

The evaluation has also found that the social side of change brought about by programmes like RESP are more important than the economic effects themselves, which tend to be limited. Reviewing measures of promoting democratic governance in Bangladesh such as those suggested in the previous paragraph, could be another approach not only to institutional development but also to alleviating poverty.

Aid management and promoting sustainability

1. Donors should make sustainability and phase out an integral goal at every stage of the project or programme and make clear what is meant by these to the various stakeholders

2. Donors must recognise their role as the 'balancers' of diverse interests in complex programmes like IRWP/RESP. The importance of obtaining and using accurate information well, in as objective a manner as possible in order to make decisions becomes an indispensable skill to any donor in this context.

Lessons learned

Overall, the evaluation concludes that in the IRWP/RESP case the main focus of the aid (as in most other aid programmes/projects) tends to be on performance in terms of output rather than in terms of impact. The impact on poverty alleviation as such has not been the key focus of IRWP/RESP's substantial monitoring efforts. Throughout the programme there seems to be a discrepancy between what it is actually doing and the stated objective of poverty alleviation. One could question whether it is realistic to set poverty alleviation as an objective. Perhaps it is better stated as an overall vision which is served by various objectives which aid can strive to facilitate the achievement of. But overcoming the discrepancy is also about innovating and establishing socio-economic impact monitoring and analysis systems at the commencement of the aid, so that the interventions can be adjusted if they begin to drift out of the radius of the ultimate vision.

Sustainability has been a term which appears throughout the project documents of IRWP/RESP, but one about which there is unclarity amongst the various stakeholders. Does sustainability mean that of the programme itself or of its achievements? Moreover, the conception of sustainability as regards public sector institutions appears to be somewhat unrealistic. In an aid predominated, resource-poor environment it is unrealistic to expect that public sector institutions will become self-financing and non-corrupt in the near future. Donors will continue to play a pivotal role in the sustainability of any activities initiated and the institutions will continue to show instances of corruption (which is sustainability depleting). The LGED example has shown that a managed dependency on donors combined with performance orientation (concern with the quality of output rather than with the level of corruption *per se*) should be seen as goals which will serve institutional sustainability.

The poor phase out of RESP casts a shadow over a programme with some notable achievements and overall good performance. Achieving good phase out and ultimately good programme management is the donor's responsibility and one which is essentially about finding the right balances. The various considerations regarding aid management discussed in the evaluation are, in many ways, contradictory to one another and complex to weigh out in a manner which brings about a satisfactory outcome, especially over an extended period of time with changing staff responsible in the donor agency. Maintaining staying power, but not skating over important points flagged in evaluations which might slow the momentum of a programme for a time is one balance that needs to be achieved. Maintaining staying power without, at an early stage of the programme, neglecting questions about how and when to phase out is another very difficult balance to attain. Having the conviction to continue with a programme sometimes in the face of tough criticism, but not allowing its momentum to destroy the need for learning, change and process orientation is another. The natural interests of all of the stakeholders involved in a long-term programme with a successful reputation like IRWP/RESP will work against the attainment of such balances, and it is up to the donor to orchestrate them to achieve the best possible outcome for sustainable development.

Chapter 1: Introduction

1.1 Background to the study

The Nordic funded Rural Employment Sector Programme (RESP) and its predecessor the Intensive Rural Works Programme (IRWP) were initiated in the early 1980s and the support is planned to end in the year 2000. By then the external support will have reached about SEK 1 billion. While IRWP started out with joint funding from Denmark, Norway and Sweden, Denmark phased out its support in 1985 followed by NORAD in 1996. Since 1996 only Sweden has supported the final phase. RESP has emerged as a complex programme It includes a portfolio of rural infrastructure development (roads, markets, water schemes and other physical investments) which applies rural works as an employment generation tool, and micro-credit and technical services for social and economic empowerment and the enhancement of income generation through self employment. RESP has increasingly focused on institution building of the two major implementing public sector organisations which are recipients of the support, the Local Government Engineering Department (LGED) and the Bangladesh Rural Development Board (BRDB). The overriding objective throughout the programme has been to improve the living conditions of the poor in Bangladesh, defined as the landless[1]. RESP's geographical focus has been two of Bangladesh's poorer regions, the greater Faridpur area in the West of the country and Kurigram in the North West. The target population of RESP was about 4 million at the height of the Programme in the mid-1990s.

While limited geographically, the Programme has emerged as one of the Government of Bangladesh's most important rural development efforts. It has focused simultaneously on rural works and rural infrastructure, and on self-employment and empowerment through a system of micro-credit provision which was innovated by the Government of Bangladesh under the Comilla model and GoB's 1984 Strategy for Rural Development (RD) Projects, and by Grameen Bank. RESP is a unique programme in taking both of these approaches as well as providing a significant and broad-based institutional support to the key organisations implementing them.

The programme has been independently evaluated twice before, in 1985 and in 1989. In addition, a series of studies of different aspects of the programme using external evaluators was carried out in 1992. These evaluations came to quite different conclusions. The 1985 evaluation was a devastating criticism of IRWP, recommending that the Nordic donors pull out of the planned. The main theme in this critical study was that IRWP did not reach its objective of poverty alleviation. It concluded that the socio-economic conditions in Bangladesh made any attempt in such a direction fruitless, and that the planned RESP was unlikely to improve the situation. The 1989 and 1992 evaluations did not challenge the basic view of the earlier evaluation, but saw the working conditions as a given for the donors under which the best efforts should be made. The 1992 studies also pointed to the increasingly positive achievements under the programme. In fact, by the late 1980s RESP was considered a success, not least due to its institutional development effects.

1.2 The purpose of the study

An agreement was made in 1997 between the Government of Bangladesh, Sida and NORAD to evaluate the programme. Sida was given the responsibility of planning and initiating the evaluation which should cover the whole programme period, and not exclude consideration of the IRWP. The evaluation was to be broad based, assessing the achievements of the programme in relation to its original objectives and the government's objectives for the sector. The evaluation was to study the social, economic and institutional impacts of the

[1] The landless are technically defined as those owning less than 0.5 acres, including the homestead.

programme against the objectives of reducing rural poverty and promoting gender equality. The process of the programme, the selection, design and implementation, should be analysed and Sida's role as the lead agency assessed. The institutional aspects were to be analysed, including topics such as capacity building and competence development in the counterpart organisations. According to the Terms of Reference, the evaluation should draw conclusions for the government's future programming in rural development and for future assistance to the rural sector in Bangladesh. The TOR are included in Annex 1.

1.3 Methodology

1.3.1 The team and the approach

The evaluation was commissioned to Management Perspectives International (MPI), Stockholm. The basis for the study was a detailed approach designed by MPI based on the TOR, as is further elaborated below. The evaluation was carried out by a joint European and Bangladesh team over the period January - April 1998, with report writing during April - June 1998. MPI has provided the international team and selected its partner organisation in Bangladesh, Unnayan Shamannay (US), who provided the local team members. The MPI team members were Claes Lindahl (team leader), Julie Catterson (institutional specialist and team manager), Robert Andersen (civil engineer), Inge-Merete Hirshholmen (rural socio-economist), Shamima Nasrin Mili (gender specialist), and Petra Stark (research assistant). The Unnayan Shamannay team members were Atiur Rahman (US team leader), Farooque Chowdhury (operational specialist), Abdur Rob Khan (economist) and Shafiqur Rahman (PRA specialist). Katarina Larsson (gender specialist) provided support to the team during the inception phase.

The methodology of the evaluation was based on the assumption that RESP directly or indirectly intervenes at three different levels: 1) at the rural community level; 2) at the institutional level, and 3) at the level of policy formulation, and that these interventions influence one another schematically, as is described below.

For each of these levels, a matrix was developed identifying principal indicators of impact.

1.3.2 The Stockholm workshop

The proposed methodology was the subject of a two day workshop in Stockholm during January 1998. During this workshop representatives of the Government of Bangladesh, NORAD, Sida and Hifab - the implementation consultant for RESP - participated. For a list of participants and the agenda of the workshop, see Annex 3. The workshop led to a modification of the approach, and also to the decision that the study should not provide recommendations to the donors on the future planning of Nordic-supported rural development.

1.3.3 Community studies

Based on the methodology agreed during the workshop Unnayan Shamannay undertook a series of community studies during January and February 1998. These studies applied a variety of research tools such as focused group discussions, Participatory Rural Appraisal (PRA), spot surveys, and also used existing statistical information available through the programme. The community studies covered both the Greater Faridpur area and Kurigram district, generally selecting a couple of 'with project' villages and 'without project' villages for comparative purposes. The studies covered programme interventions throughout RESP, but did not cover investments during the IRWP. The community studies used the key programme interventions as the focal points for the selection of villages and the selection of

method, e.g. the assessment of the impact of roads was approached differently than the impact assessment of markets.

1.3.4 The joint field work

The joint field work of the team took place during March - April 1998. The field work was limited to the Greater Faridpur area for practical and logistical reasons, but covered all five programme districts in the area extensively. The team worked in various groupings to cover as many programme sites as possible. The sites visited included both those suggested by the project office and some randomly selected by the team. The actual route of the evaluation team in the field was plotted with the assistance of the GIS unit of LGED and is to be found at the end of this chapter. The methodology applied during the field work was a combination of structured interviews with local stakeholders, villagers and officials. In addition to the field visits, the team undertook a large number of interviews in Dhaka with representatives of the government, donors, NGOs and other organisations. These interviews included not only organisations directly related to RESP, but also other programmes including those implementing other BRDB projects and other micro-credit schemes. For summary of sources consulted see Annex 2.

1.3.5 Rapid anthropological village studies on micro-credit

During the course of the field work a new approach was introduced to assess the dynamics of micro-credits applying what might be called a 'rapid anthropological approach'. The studies were undertaken in two randomly selected villages based on criteria agreed between the team members. They were conducted on two separate occasions by two different two-person Bangladesh teams. Each of the teams spent several days living in these villages and speaking with various members of the villagers. The team members did not disclose the purpose of their study, nor associate themselves with any organisation and also did not make use of formal questionnaires. Rather, they participated in discussions amongst the villagers and observed the day-to-day activities with an emphasis on the use of credit. The purpose of undertaking the village studies was to try to capture a realistic picture of the dynamics of micro-finance in a rural village. The results of these two studies differ markedly from the picture which emerges out of both PEP and NGO reports on the use of credit. This is likely to be a result of the fact that the formal questionnaires which these reports rely on tend to trigger 'pre-programmed' answers which will allow for continued access to credit. The studies are presented in Chapter 5.

1.3.6 Documentation

IRWP/RESP has provided a considerable amount of programme information over the years. Its progress reporting is very comprehensive, and the project office has carried out a large number of studies of the different aspects of the programme. A very ambitious impact monitoring and evaluation system was initiated in the late 1980s which provided some studies before it was reduced to a more limited approach. In general, RESP must be considered a very well documented programme, although a systematic approach for impact assessment is still missing. In addition to the programme's own reporting, the external evaluations mentioned above have provided important historical data and views on the programme.

1.3.7 Reporting

Two wrap-up seminars took place at the end of the MPI team's visit in Bangladesh: one presenting the preliminary results of the study to representatives of Sida and NORAD, and

one involving the counterpart organisations LGED and BRDB, and the RESP technical advisers.

The report writing has been carried out between April and June 1998. Besides using the material from the community studies, the field visits and the rapid anthropological village studies, it has drawn upon a large number of documents and reports, not least the ample documentation provided by the Project Office. For a list of documents, see Annex 2. A first draft of the report was circulated in June to all members of the team and to Sida. Based on the comments on this draft, this second draft has been produced. After consultations with other stakeholders including the counterpart organisations, a final version is planned for September 1998.

1.4 The approach: Micro and macro focus

Given the broad terms of reference and also that RESP has emerged as an important programme in the Government of Bangladesh's rural development efforts, the evaluation has attempted to take both micro and macro approaches. It has attempted to place IRWP/RESP in a historical perspective and in the context of other similar programmes in Bangladesh. The macro analysis has lead to a comprehensive review of Bangladesh's rural development strategy. During the programme period there has been a significant evolution of poverty alleviation efforts, especially the spectacular growth of micro-credit programmes based on the Grameen Bank concept, to the extent that this is today a global innovation in poverty alleviation with Bangladesh as its home and its foremost exponent. As PEP is one of many hundreds of similar programmes today, the cumulative macro effects of these interventions are at least as important as the impact of PEP as such.

1.5 Structure of the report

The report consists of the main report and a supplement containing background information gathered during the evaluation which the report has drawn upon directly as well as comments submitted to the evaluation team following circulation of the draft final report and the responses of the evaluators to key comments. The supplement contains the results of the community studies, the technical evaluation of the IDP, findings of the cost-effectiveness study, comparative information on the NGOs and PEP gathered during the studies, and the comments/responses already mentioned.

The full comments submitted to the evaluators have been included in the Supplement in the interests of openness and transparency. Subsequent to the receipt of these comments, the report was revised to address any factual inaccuracies which the comments noted. However, most of the comments constitute points of view on the IRWP/RESP and on the approach to the evaluation. While the evaluators feel that it is important that these alternative points of view are acknowledged with the report, they reserve the right to maintain the points of view originally presented in the report and which were formed during the course of the evaluation.

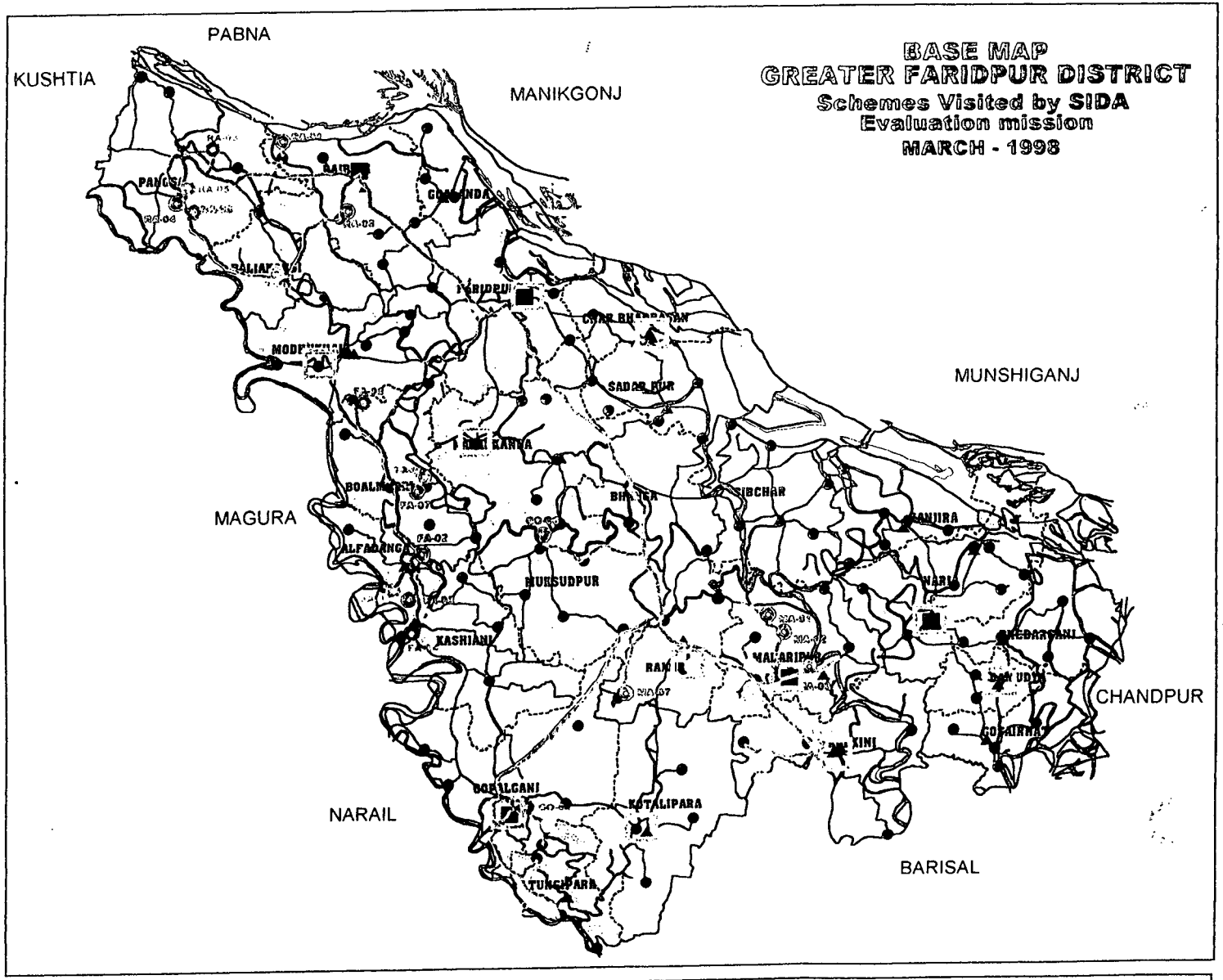
The main report is presented in four sections in addition to this introductory chapter. The first section, including chapters two and three, provides the setting for the programme: the scope of poverty in Bangladesh, its root causes and manifestations. It gives a background to the rural development efforts in Bangladesh since the days of the Comilla experiments in the 1960s in East Pakistan, the achievements and the issues, and how the historical background has influenced the policies under which RESP emerged.

The second section, (chapter 4), gives an account of the almost twenty-year development process of IRWP/RESP, the donors' decision-making driving this process, issues that emerged and how they were dealt with or not dealt with. It traces the evolution of the process style programme, issues in donor management and phase out problems in expectation of the end of donor financing in the year 2000.

The third section deals with impact assessment. Chapter 5 is an assessment of the Infrastructure Development Project (IDP), the project with the longest duration and in which most of the financial resources have been spent. This chapter assesses IDP's three main investments: roads, markets and water schemes. It discusses the performance in outputs under these investment programmes, the impact of the investments, who benefits from the investments, and the sustainability issues involved. It also discusses the employment effects of the project seen in the context of rural employment in the project area, and highlights the innovation in poverty focused employment under the programme, the Labour Contracting Societies (LCS). It finally raises the question of whether rural infrastructure is an effective strategy for poverty alleviation. Chapter 6 is an assessment of the Productive Employment Project (PEP) which was incorporated in the programme in 1986. This chapter paints a broad picture of the evolution of micro-credits in Bangladesh and places PEP in this perspective in terms of scope, approach and its comparative strengths and weaknesses in relation to other micro-credit programmes. The Chapter assesses the achievements in outputs under PEP, its impact, who benefits, and the issues of cost effectiveness and sustainability. Chapter 7 is devoted to gender. While gender has been 'mainstreamed' in the report and discussed in almost every aspect of the programme, this chapter gives a perspective on the issue, to a large extent based on case material. Chapter 8 is an institutional assessment of the two organisations which have implemented the programme and which have been provided institutional strengthening through the Institutional Support Project (ISP) and the BRDB Institutional Support project (BIS).

The last section of the report, Chapter 9, summarises the key findings and highlights the main issues emerging from the evaluation which could give stimulus to future discussions and the improvement of approaches to poverty alleviation in Bangladesh.

The subject covered by the study is broad and complex. An unfortunate but unavoidable result of this is that the report is long in terms of pages. Nevertheless, it is the evaluation team's hope that it has given a fair and accurate picture both from both the micro and macro perspectives.



LEGEND

ADMIN. BOUNDARIES

- International Boundary
- Divisional Boundary
- District Boundary
- Thana Boundary

SOCIO ECONOMIC INFRASTRUCTURES

- Thana Hq
- District Hq
- Growth Centre

PHYSICAL INFRASTRUCTURES

- National Highways
- Feeder Road Type-A
- Feeder Road - B (Pucca)
- Feeder Road B (Katcha)

NATURAL FEATURE

- Wide River
- Char Area
- Water Bodies

- PEP Groups
- Tree Planting
- Road Rehab
- Bridge
- SSWRS
- Growth Center
- ERM
- Route By IDP Eval

N

10 0 10 Kilometers

Prepared By : GIS UNIT

LOCAL GOVERNMENT ENGINEERING DEPARTMENT

Section 1: The Programme setting

Chapter 2: Rural poverty and unemployment in Bangladesh

2.1 *The paradise of nations*

The historical account of the nation today called Bangladesh is one of wealth and prosperity. In the 16th century, the Moghuls called it,

> *Paradise of all the world from which the bread flows.*

When the British conquered India in the 18th century, Bengal was portrayed as the 'Golden country', the granary of the Empire. Calcutta, the centre of Bengal and the capital of India, was to become the second most important city to London in the Empire. Dhaka was at that time the world's centre for cotton textile manufacturing[1]. These images are in stark contrast to that of Bangladesh at the birth of the nation in 1971. Bangladesh was to become known to the world community as a country of endemic poverty, ravaged by famines and the proverbial basket case. From the time of its independence, Bangladesh became synonymous with poverty.

The basis for Bengal's wealth was the fertility of the delta of the three major rivers in the continent: the Ganges, the Brahmaputra and Meghna, a natural system of irrigation and soil rejuvenation which has attracted mankind since time immemorial. But the very attractiveness of the fertile land created during the 20th century the highest population density of all nations. This combined with the regular devastating cyclones, floods and droughts, appeared to turn modern Bangladesh into the Malthusian prophecy of a growing population outstripping its ability to feed itself and resulting in a chronic state of starvation. In an analysis of rural Bangladesh in the mid-1980s one author expresses a commonly held view:

> *Today there is hardly any country in the world where so much poverty is concentrated in so small an area and where the outlook for improvement is so bleak for such a large group of people... If things continue in the same manner as now in Bangladesh, it is difficult to find historical or contemporary parallels to the extent of the catastrophe which will hit millions of people.*[2]

Bengal's 'fall from paradise' was caused by more reasons than a Malthusian negative balance between population and land. The history of colonialism is a controversial one, but British colonial rule undoubtedly affected Bengal negatively in more than one way. Bengal was the leading nation in the 18th century in textile production and a strong competitor with the emerging industry in England. The historical account of the British undermining colonial production in order to protect England's industries is well documented, even strongly criticised in Britain itself. Thus, the transformation from an agricultural based economy to a pre-capitalist industrial one which had begun in Bengal in the 18th century was obstructed by the colonial power. Bengal was forced back into primary production in a situation where the carrying capacity of the land was at a critical state. Britain also systematically extracted from Bengal's agricultural production to finance its colonial venture in India and the industrialisation process at home. The *zamindari*, indigenous landlords and fiefs loyal to British crown, and rewarded with land for the collection of taxes and political control in rural areas, were established by the colonial power.

By the 20th century, Bengal had become severely impoverished, culminating in the famine of 1943 where it is estimated that as many as five million people died of starvation. The partition of Bengal between India and Pakistan in 1947, left East Bengal a semi-colony under Pakistan.

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[1] For an historical account of Bengal see Novak, James, *Bangladesh - Reflections on the water*, Dhaka: University Press, 1994.

[2] Jansen, Erik, *Rural Bangladesh: Competition for Scarce Resources*, Oslo: Norwegian University Press, 1986.

These political-historical facts are essential to understand why East Bengal reverted to poverty, contrary to the common evolutionary processes in human history in which adverse conditions in natural resources tend to positively transform economies. One of this study's themes is that a key factor preventing Bangladesh from throwing off the fetters of poverty is the maintenance in independent Bangladesh of the straps for extraction and control that were established by the colonial power. While the institution of the *zamindari* has been abolished, the form of governance has not changed much. These colonial systems inherited by the Bengali elite and the indigenous bureaucracy after the colonial era, pervade Bangladesh's governance today.

2.2 *A turning tide?*

While the image of the basket case sticks in the international mind, the social and economic evolution of Bangladesh since its independence is considerable, judging by official statistics. Bangladesh continues to be one of the poorest nations in the world, but GNP per capita has doubled over the last twenty years and is currently USD 275 (1996). Bangladesh is no longer one of the absolute poorest nations in the world, at least according to the official statistics. During the mid-1970s Bangladesh together with Bhutan and Cambodia were ranked at the bottom in the income league of nations. Now those positions have been taken over by a number of Sub-Saharan Africa nations, with a current GNP per capita less than half of Bangladesh's. Measured in Purchasing Power Parity (PPP), Bangladesh belongs to the upper echelon of the low income countries, and is at the same level as India.[3] The economic growth rate has gone from a negative position in the 1970s, to a steady 4-5 percent per annum since the early 1980s. With a decline in population growth rate from 3 percent per annum in 1970s to below 2 percent today, there is increasing room for real per capita growth. From a state of recurrent famines, Bangladesh was successful during the 1970s and 80s in increasing its food production through expansion of the area under irrigation and the introduction of High Yielding Varieties (HYV), until it reached near self-sufficiency. While Bangladesh continues to exist on the margin of providing sufficient food for its population, the famines of the 1960s and 70s seem to belong to the past. Bangladesh's success in export-oriented garment manufacturing during the last decade is well-known, and the overall industrial growth rate has been in the order of 6-7 percent during the last decade. Bangladesh is emerging as one of the developing countries with the fastest growing export sectors in the world, comparable in terms of growth to Thailand and Korea for the period 1990-95[4]. The emerging industries have contributed to a rapid process of urbanisation, not least to Dhaka, a city which currently is experiencing one of the fastest growth rates in the world and an on-going construction boom. Its potentially considerable resources of natural gas, lend weight to the argument by some informed observers that Bangladesh might be the first country to emerge from poverty in South Asia[5].

In terms of social indicators, Bangladesh is one of the poorest nations in the world, but there is a clear trend of improvement as indicated in Table 1, below.

[3] *World Development Report 1997*, World Bank: Washington DC, 1997.
[4] Ibid.
[5] View expressed by Mahbub ul Haq in various forums.

Table 1: Social indicators for Bangladesh (1981 - 1996)

Demography and Health:	Gender	1981	1996
Population (millions)	Total	90	123
Population growth rate (percent)	Total	2,4	1,7
Use of contraceptives (percent of age 15-49)	Female	22	49
Infant Mortality Rate (percent per 1000 births)	Total	111	77
Life Expectancy (in years)	Male	55	60
	Female	54	59
Daily per capita calorie intake	Total	2,190 (1985)	2,270
EPI coverage (percentage of one year olds)	Total	1	77
Persons per physician	Total	7,800	4,900
Education:			
Adult literacy (percent)	Male	40	79
	Female	19	38
Primary school enrolment (percent)	Male	56 (1985)	79
	Female	44	79

Source: *The Fifth Five Year Plan 1997 - 2002*, Dhaka: Planning Commission, GoB, 1997.

Looking over an even longer period of time, the improvements have been quite dramatic. In the early 1960s, an East Pakistani had an average life expectancy of less than 40 years and the infant mortality was double that of today's. At that time less than a quarter of the adults could read or write, and only every third child was enrolled in primary school.[6]

2.3 The level of rural poverty

While social indicators show improvements for Bangladesh over the last few decades, poverty in Bangladesh is still pervasive and endemic. While Bangladesh might have escaped the plight of regularly recurring famines, a very large percentage of the population lives on the threshold of food sufficiency. A common definition of poverty is the extent to which a person can meet his or her minimum daily calorie intake. In Bangladesh 'moderate poverty' is someone who can obtain 90 percent of such intake (2,250 calories per day). An 'extremely poor' person is someone who can only obtain 80 percent of that intake. Household expenditure surveys carried out by the Bangladesh Bureau of Statistics indicate that the about half of the population could be classified as poor in the mid 1990s using this definition, while about a quarter of the population was classified as extremely poor. About 65 percent of all children in Bangladesh are malnourished. Poverty is primarily a rural phenomenon, partly due to a relatively low degree of urbanisation in Bangladesh with 80 percent of the population living in rural areas, partly due to a higher degree of incidence of poverty (as defined above) in rural areas than in urban.

Various studies have tried to assess the long term trends in poverty in Bangladesh. According to these, there has been a slightly declining trend in poverty over the last thirty years. Studies concluded that there was a seriously worsened poverty situation in the early 1970s during and after the war of independence and culminating in the famine of 1974, as compared to the 1960s. From the late '70s until the mid 1980s there was a modest but steady improvement, followed by another reversal to increased poverty from the mid 1980s, particularly during and after the severe floods in 1987 and 1988.[7]

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[6] *The Fifth Five Year Plan 1997 - 2002*, Dhaka: Planning Commission, GoB, 1997.

[7] See,the discussions in Hye, Hasnat A.: *Below the line. Rural Poverty in Bangladesh* ,Dhaka, 1996, and Sen, B., *Poverty and policy* in Centre of Policy Dialogue: *Growth or Stagnation? A review of Bangladesh's development 1996*, Dhaka: University Press, 1997.

The changes in (rural) poverty during the 1990s are subject to much debate. For example, The Bangladesh Institute For Development Studies (BIDS), which has conducted panel surveys in a representative sample of Bangladesh villages since 1987, claims that there has been a decline in rural poverty from 59 percent in 1989 to 52 percent in 1994. Similarly, a Nutrition Surveillance project which has been in operation since 1990 argues that the degree of chronic malnutrition amongst children (stunting) had declined from 70 percent in 1990 to 62 percent in 1996. However, other studies claim that there has not been any improvement at all, and possibly even a deterioration during the 1990s. In general, researchers seem to conclude that the degree of improvement in the situation as a percentage of the population living in poverty conditions has been slower during the last decade (mid 1980s to mid 1990s), than during the previous period.

The conclusion from the above seems to be that poverty in Bangladesh in terms of the share of the population living below the poverty line has been reduced somewhat since the birth of the nation. However, the decline has been so marginal, that the number of people living in poverty in rural areas has increased due to the growth of the population, in spite of considerable urbanisation. A tentative estimate would be that between the mid 1970s and the mid 1990s, the numbers of rural poor have increased from about 44 million to 51 million.[8]

There are also indications that there has not been a similar relative decline in the numbers living in 'extreme poverty' indicating: a) a rapidly growing number of 'hard core poor'; and b) an increased polarisation in Bangladesh society. The persistent problem of 'hard core poor' in Bangladesh, constituting perhaps a quarter of the rural population or some 25 million people, is increasingly on the agenda in various development forums. As is discussed later in this study, while government and non-government programmes, including the IRWP/RESP, *de facto* focused on the (moderately) poor and have had some considerable successes, the hard core poor are largely ignored. This group of people has been particularly hard hit by the liberalisation and structural adjustment process which Bangladesh has undergone since the early 1980s.

It is no wonder that people involved in and responsible for programmes of poverty alleviation in Bangladesh have been disappointed with the results. This disappointment is succinctly expressed by Hasnat Abdul Hye, one of the leading thinkers in the Bangladesh public sector on the issue of poverty:

> *Improvements in the life of the few cannot hide the injustice of the failure to provide the basic needs of life for the majority of the population. The failure becomes a national shame, when it is realised that the main promise of the hard-won independence in 1971 was a better life for everyone and social justice for all.*[9]

2.4 *The anatomy of poverty*

Much has been written on poverty in Bangladesh. Without attempting to be exhaustive, the following attempts to sum up what might be called the anatomy of poverty.

Poverty is primarily a rural phenomenon. While the cities, and, in particular, Dhaka certainly have a considerable and growing number of poor in the slums, Bangladesh is still a country with relatively low urbanisation. The majority of the poor reside in rural areas. About 85 percent of the poor in Bangladesh are rural dwellers.

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[8] The calculation is based on the following:

	mid 1970s	mid 1990s
population	80 million	120 million
rural population	91%	82%
rural poor	60%	52%
number rural poor	44 million	51 million

(data sources: World Bank and poverty surveys)

[9] Hye (1996), p.1.

Land ownership, or lack of land, is a critical determinant of poverty in rural areas. The importance of land is reinforced by the high population density, the low ratio of land to population, and the high degree of utilisation of arable land, leaving little room for expansion. 1991 estimates of landlessness show that 56.3 percent of the population hold less than 0.5 acres of land. If anything, this number is likely to have increased since this time. The intensity of the struggle for land amongst the poor cannot be exaggerated, and transition in and out of poverty is generally associated with losing land or the ability to gain land. Landlessness is generally used in poverty targeted programmes as the key criteria.

Poverty is not a static phenomenon: people and households move in and out of poverty for a variety of reasons. Significant transitions of such a nature take place due to crop-failures, sickness, extraordinary expenditures etc. Village studies have shown the often considerable structural changes in Bangladesh villages in terms of social and economic fortunes. The combination of fairly stagnant number of poor in the population in the long term, and the short-term transitional nature of poverty in Bangladesh might be explained by the very large numbers of people living on the margins of poverty, vulnerable even to small variations in agricultural production, availability of jobs, and extraordinary costs for health care due to sickness.

There is an on-going stratification in Bangladesh at two levels. At the village level the competition over land is intense and decisive for poverty. At the macro level, the structural adjustment which Bangladesh has pursued since the early 1980s promotes dynamic forces in the economy which rapidly distance the winners from the losers. Bangladesh's volatile natural conditions (recurrent floods, cyclones and droughts) contribute to the movements in and out of poverty. Natural disasters contribute to impoverishment for those at the threshold of poverty through the destruction of harvests and/or homesteads. River erosion is a critical element reducing arable land and land holdings in some areas of Bangladesh.

To a large extent poverty is a gender issue: the most vulnerable group in Bangladesh (as in many other societies) is female headed households, i.e. households which have no male breadwinner. As the economy is traditionally male dominated, and women are culturally confined to the private domain, women without males have a strong disadvantage in the economy and on the labour market. Rural households headed by women are generally in this situation due to divorce, abandonment or death of the husband and/or father. Women constitute a considerable number of the hard core poor in Bangladesh. For many so-called destitute women, begging and prostitution might be the only alternatives to starvation.

2.5 *The economy of the landless*

In the 1960s, at the time when much of the focus in East Pakistan was on the expansion of agriculture to increase food production, Rehman Sobhan identified the landless as a growing class of poverty, and a potentially explosive social force:

> *The group of landless or near-landless villagers is growing in size... This group cannot sustain itself on its own holding. They therefore either hire land or hire themselves out as wage labourers to richer farmers or on some constructional projects. They usually face six months unemployment in a year when they constantly face starvation for themselves and their families. Many of them migrate to the towns to seek a living as unskilled labourers or merely as beggars. As a class they remain completely outside the orbit of all programmes of institutional reform or agricultural uplift scheme. Even the new-style co-operatives which hold out so much hope in Comilla, have nothing to offer to this class. They seem condemned to this state of limbo, a potentially explosive class that is constructed in the rural areas, if they continue to be left outside...* [10]

Rehman Sobhan wrote this during the 1960s at the time when the world experienced a revolutionary movement. Since then his prophesy on landlessness has become a reality, but

[10] Sobhan (1968).

the politicisation of this class has not resulted in a revolution. On the other hand, the government and donors have increasingly shifted their attention to this group, possibly even at the expense of pursuing agriculture-based growth. The Comilla experience has flourished and died while much of the focus in rural development and poverty alleviation currently is on the class Sobhan found to be neglected in the 1960s.

With the high degree of landlessness in Bangladesh, off-farm sources of income are critical to the livelihood of the majority of people. Only a small percentage of rural Bangladesh households can live on their land alone. Village studies show the fragility of such sources of income, and the complexity of livelihood systems for the rural poor and their coping strategies out of extreme poverty and/or starvation[11]. The most extreme coping mechanisms amongst the landless include begging, living on charity from wealthier households or relatives, sending off children to work in other households, prostitution and starvation. These strategies are applied permanently or temporarily by a not small percentage of the rural population.

Paid temporary labour on others' farms, especially during harvest season, is a well established source of income for the landless. Studies on agricultural wages in Bangladesh have shown that real agricultural wages increased considerably during the 1970s until the mid 1980s, but have been stagnant since then, even showing a slight decline during the 1990s[12]. This coincides with the rapid increase in agricultural production during the 1970s and 80s, and stagnation, and even decline in production in the 1990s. On the supply side, there are indications that after the expansion during the 1970s, the supply of such job opportunities has stagnated. Thus, temporary agricultural work is becoming a less and less likely sustainable means of livelihood for the landless. Poverty studies also show that households that have agricultural wage labour as their principal source of income suffer a very high incidence of poverty.

Rural works has been a government strategy for provision of temporary income and employment to the rural poor in Bengal throughout this century, a policy pursued also by the government of Bangladesh since the birth of the nation. The justification for rural works is to combine provision of off-season employment to the poorest, at the same time developing a rural infrastructure that will enhance agricultural and other forms of rural production. This philosophy was also the foundation for the programme under review in this study, the Intensive Rural Works Programme, later renamed the Rural Employment Sector Programme and the support provided by the Nordic donors for almost twenty years to the programme. Rural works programmes have been subject to much criticism for promising more than they can deliver in terms of poverty alleviation. Their role for poverty alleviation and employment creation is also a lead theme in this study.

Poverty, lack of land, and a limited supply of even temporary wage labour has led to a significant amount of self-employment in rural Bangladesh. To a large extent such self-employment is related to primary production: the landless use homestead and the marginal land they own for a variety of productive purposes such as raising poultry, cow rearing and vegetable production. The importance of traditional agricultural processing, such as rice husking, is a source of income for the landless as is petty trading and trading in agricultural products. Avenues for self-employment have been discovered in rural development efforts by government and non-governmental programmes, most notably through the Grameen Bank in the 1970s. Bangladesh today might be considered a laboratory of various micro-finance credit schemes tailored to promote self-employment amongst the landless, and replicated world wide. The concept has attracted tremendous attention in the order of about one thousand NGOs. Micro-finance schemes and self-employment amongst the landless has become something of a panacea. The 'success' of most programmes from a credit operation point of view (in terms of repayment), and signs of the empowerment of the poor (especially women) are well documented. In spite of the attention the schemes attract, much less is

[11] See the insightful village studies in Jensen (1986), op cit.

[12] Sen (1997), op cit.

known of how these schemes affect the rural economy and especially the economy of the poor.

Credit has always been a key issue for the poor in Bangladesh, both as a means of coping with distress and as a source of distress. Anthropological studies of rural Bangladesh have shown the pervasive use of various forms of informal systems for credit amongst the poor in almost all situations of life, to the extent that the poorest occasionally themselves act as creditors to those in even more distress. Akhtar Hameed Khan, the founder of the Academy for Rural Development in Comilla, claimed in the 1960s that nearly half of all rural families live with debt as a more or less permanent part of their life. For the landless, this percentage is possibly much higher. The vulnerability of the poor, the proximity of their poverty to starvation, and the volatile environment and its effect on agricultural production, makes credit an indispensable tool for survival. As such it also exploited by those with resources:

> *All political movements and struggles in this country for the last two hundred years have been motivated by two factors: One was the exorbitant rent charged by the zamindars, the landlords; the second was the high rate of interest charged by the mohajons, the money lenders .*[13]

The innovation of micro-finance schemes in Bangladesh, which many believe is in the process of making the *mohajons* extinct in the same way as the traditional *zamindars* have disappeared, is one of the most interesting features of the subject under review. The Nordic funded IRWP/RESP has been a part of this process.

[13] Hossain, in Khandker et al, p.373.

Chapter 3: Poverty alleviation strategies in Bangladesh

This section considers key themes in the development of poverty alleviation strategies in Bangladesh. In doing so, it explores the context in which IRWP/RESP emerged, the competitive poverty alleviation environment in which it has been implemented and the challenges which it and other poverty alleviation efforts in Bangladesh have faced and continue to face . The key themes considered here are:

1) The long-standing nature of rural development efforts by the public sector.
2) Rural development strategies as part of nation-building.
3) The importance of innovation in rural development in Bangladesh.
4) The shift of innovation from the public sector to the non-governmental sector.
5) Rural works and micro-finance as two interrelated sub-strategies of poverty alleviation.
6) The increased focus on women.
7) The importance of innovation in rural development in Bangladesh.
8) The pivotal role of donors/lending agencies in poverty alleviation.
9) The supply-side emphasis in poverty alleviation programmes.
10) Structural constraints to poverty alleviation.

3.1 The long-standing nature of rural development efforts by the public sector and rural development as nation-building

The historical focal point for the public sector's rural development efforts in Bangladesh, the co-operatives, are part of a tradition reaching back to colonial times. The enactment of the Credit Co-operatives Act of 1904 made the co-operatives statutory organisations under the colonial administration. This act was replaced by the Co-operative Societies Acts of 1912 and 1940. The co-operatives were borne out of the dual objectives of protecting the poor peasants from the exploitation of the landlords and money-lenders, and alleviating poverty. The key means for meeting these objectives was seen as solving the credit problems of the rural poor.

The two processes of independence (1947 and 1971) which the geographical region known as East Bengal (and which eventually became Bangladesh) experienced during the post-WII period gave both a new impetus and *raison d'être* for rural development and poverty alleviation. Strategies for developing rural areas and addressing the problems of the rural poor became not only a means of alleviating human distress in the post independence periods, but also a matter of national security and thus an integral part of nation building. With the end of colonial rule in 1947 the new Pakistan strove to improve the social and economic conditions of the people partly through an effort to reconstruct village life. According to A.H. Khan, known as the father of the Comilla model of rural development (discussed further below), government efforts during the post-1947 partition period were about building new symbols of the nation. Whereas the presence of the colonial administration in rural areas had been symbolised by the police station and the rent collecting office, the new nation required new symbols which were about encouraging people to help themselves. In the case of the Comilla model, Khan had envisioned one of these new symbols to be the *Thana* Training and Development Centres (TTDCs - see below). The identity between the state and rural poverty alleviation programmes had thus been established from the start of both the new East Pakistan and, later on, the new Bangladesh.

The emergence of Bangladesh's NGO sector in the post-independence period after 1971 also closely tied these emergent organisations to a nation-building and poverty alleviation identity. The instance provided by the Bangladesh Rural Advancement Committee (BRAC), by now the largest developing country NGO in the world, demonstrates the way in which the Bangladesh NGOs' identity was intertwined with nation-building. In a situation where a nascent government struggled with its onerous responsibility of establishing a new country, civil society elements stepped in to assist in the relief efforts. BRAC's founder, a Bangladesh

executive of a British corporation, F.H. Abed, decided to return to Bangladesh to assist in providing relief to the ten million refugees who fled to India during the war and were returning to start a new life in war-torn villages. Abed formed BRAC with a group of nationalistic youth, and after one year of operation decided that longer-term efforts would be required. BRAC thus began in 1973 to launch programmes which were focused on improving living standards through increased self-reliance. Eventually BRAC came to see itself as an intermediary between the poor and national strategies, urging the mobilisation of services and inputs, demonstrating how to reach the rural poor and lobbying for protective legislation. Today, BRAC, Proshika and at least another 1000 NGOs, have become an undeniable national political force in the sense that, by virtue of the number of people they have reached and their coverage of the country, they have become symbols of national advancement.

The shared identity of Government and the NGOs in nation building and poverty alleviation has resulted less in co-operation than it has in rivalry and suspicion. Unfortunately, this appears now to have, to some extent, compromised the efforts of both parties to attain their stated goals. Although during the 1990s there have been sporadic efforts to bring about co-ordination, if not co-operation, it has not yet been possible for the dilemma of shared identity to be converted to advantage.

3.2 The importance of innovation in rural development in Bangladesh and the shift of innovation from the public sector to the non-governmental sector

Amongst developing countries Bangladesh stands out in terms of the high level of experimentation and innovation that has taken place in trying to bring about rural development and poverty alleviation. This has been so to the extent that Bangladesh's experimentation with a wide range of models has served as something of a laboratory for other developing countries facing similar issues.

The lead in innovation was taken by the public sector in the pre-1971 independence period. 1953 saw the first comprehensive programme of village development, known as V-Aid. V-Aid was designed as a self-help programme which would take place through the creation of community organisations by local leaders. V-Aid established training institutions in Peshawar and in Comilla for its functionaries. Though it was not deemed to have been a success, it became the precursor of the now-famous Comilla experiment through the establishment of a *Thana*[1] Training and Development Centre.

The Comilla project, which commenced in the early 1960s, was based in Comilla Kotwali *Thana*, an area of about one hundred square miles, which the Comilla Academy (at the time the Pakistan Academy for Rural Development, PARD, now the Bangladesh Academy for Rural Development, BARD) was to use as its social laboratory. In fact, the whole *thana* was virtually entrusted into the hands of the Academy for its development[2]. The importance given to the Comilla experiment needs to be understood in the context of the constant preoccupation during the sixties with food grains production in development planning and programming. Comilla was seen partly as an effort to encourage farmers by promoting the use of modern inputs such as fertiliser, pesticides and modern agricultural practices through co-operatives. It attempted to do this through groups since small and fragmented farms posed serious obstacles to introducing new technologies [3]. The Comilla experiment took the form of experimental projects including the co-operative system for supporting small farmers, the expansion of rural physical infrastructure and the utilisation of ground water for irrigation

[1] The word *thana* means police station and the *thanas* were originally established as such. The term has been used in the general meaning of an administrative unit (an administrative sub-division of a district). From 1982 to 1992 the *thanas* were known as *upazilas*.

[2] Ahmed, T. and Sultan, K.M.T. in *Rural Development in Bangladesh: Strategies and Experiences* (ed. Quddus), Kotbari, Comilla: BARD, 1996, p.200.

[3] Hye, Hasnat Abdul, *Below the Line: Rural Poverty in Bangladesh.*

purposes. It also experimented with rural administration in an effort to facilitate the provision of services and supplies to the rural people. This resulted in the creation by Government order of the Comilla Kotwali *Thana* Council (1960) and the Kotwali *Thana* Central Co-operative Association (KTCCA) (1961).

The Comilla model of rural development which emerged from this experimentation thus included four main components. These were: 1) an infrastructure development programme consisting of a Rural Works Programme (RWP) initiated in 1960; 2) *Thana* Training and Development Centres for the reorganisation of the rural administrative system at the local level, to co-ordinate with nation building departments and *thanas* initiated in 1961- these became the *de facto* focal point for all development activities (for the *Thana* Council and for other nation-building departments) and provided training on almost all aspects of agricultural modernisation; 3) a two-tier co-operative system operating through village and *thana* levels with the *Thana* Central Co-operative Association (TCCA) becoming the main focus for their operations (initiated 1961); 4) and a *Thana* Irrigation Programme (TIP) forming part of the infrastructure development programme. Within the two-tier co-operative system credits to farmers and the rural poor was one of the vital services.

The Comilla model was unique in the sense that it represented a middle way between capitalist and socialist models of economic development. On one hand, there was no extreme social engineering involved; on the other, it was based on strong government involvement. This is perhaps not so surprising given the diverse contributions to developing the model from Michigan State University, Cambridge University and the experiences of Japan, Taiwan, Israel and China.[4] It represented a significant departure from previous rural development attempts in Bangladesh in a number of ways.

There are three salient features. First, it focused on bringing about peoples' participation in their own development through decentralised rural administration and the promotion of peoples' organisations, and the creation of linkages between the representatives of peoples' organisations and officials of government departments. In decentralising rural administration to bring it closer to the people, it blended a traditional system of local government with a new administrative tier (the *Thana* Council) rather than creating totally separate structures (as V-Aid had) in order to bring about the participation of villagers. By developing a cadre of institutional leaders in every village, it relied on the rural people to bring about change rather than on educated, indifferent outsiders. The organisation of small co-operatives at village level and their federation at *thana* level proposed by the model, showed that it acknowledged the lack of harmony between large proprietors, peasant proprietors and landless labourers and pointed to the need for structures appropriate for mobilising villagers to help themselves. Second, it emphasised the integration of rural works with agricultural development programmes, as well as the capability of the villagers to undertake drainage, flood control, irrigation and road works. Third, it gave primacy to education, organisation and discipline through training as a means of motivating rural families to become 'deatomised' by establishing the TTDC.[5]

Many of the intentions and unique features of the Comilla model continue to be central to the diverse efforts to develop the rural areas in Bangladesh today. This is not least because the public sector in the new Bangladesh institutionalised Comilla as a national model for rural development and, through the Integrated Rural Development Programme (IRDP) which commenced in 1971, replicated it throughout the country. The nation-wide institutionalisation of the Comilla approach was taken a step further with the establishment of the Bangladesh Rural Development Board (BRDB) in 1982. BRDB assumed from IRDP the mantle of leadership in promoting and serving the two-tier co-operative system. The speed of replication and institutionalisation of the Comilla model in the new Bangladesh without an evaluation of achievements in Comilla Kotwali *Thana* being carried out prior to the replication of the model, was to a great extent the consequence of an urgent need to address food

[4] In Ahmed and Sultan (ed. Quddus), p. 203.
[5] Sattar, M. Ghulam, *Comilla Models of Rural Development: Significance and relevance* in Ahmed and Sultan (ed. Quddus).

shortages in the post-independence period. It was not surprising that the IRDP project document of 1970 placed the main emphasis on the importance of building up agriculture.

It was during the 1970s that the transfer of innovation and dynamism began to take place from the public sector to the NGO sector. The rapid changes of approach which took place in BRAC, and which are well documented, provide a good example of how the NGO sector took the baton of innovation from the public sector which, for political reasons, became very rapidly wedded to a programme of widespread replication. After a year of relief work in 1973, BRAC decided to take a longer term position in the area known as Sulla where it had been providing relief assistance. Initially it in fact borrowed the IRDP model to launch an integrated rural development programme with activities in agriculture and horticulture, fisheries, adult education, health and family planning, vocational and other training programmes. But by 1974 BRAC began to question the approach since it found that engendering a village-wide community spirit for development was very difficult because villages are made up of different social groups. BRAC was delivering services, but the community response was weak. Thus, BRAC decided to alter the co-operative model of Comilla and the IRDP which focused on the farmers, and launched a co-operative programme for the poorer sub-groups: women, fishermen and the landless.

While it would be wrong to say that Government ignored these poorer groups at this time, it had neither the political will nor the resources to integrate the landless in as comprehensive a way as BRAC and others were able to do. Its political commitment to the farmers through the two-tier co-operative system and the extent to which it had promised to replicate the Comilla model throughout the country tied Government to a certain approach. It is also important to understand that during the 1974-8 period BRAC had made some important ideological and methodological choices which Government could not: ideologically, that development was about empowering the rural poor; methodologically, that organised groups for the poor were the key means to empowerment.[6] Government was bound by the First Five Year Plan of Bangladesh (73-78) which gave a central role to agricultural production rather than to the landless poor. The Plan did foresee a modification (and extension) of the IRDP, envisaging broader based village co-operatives comprising both landowners and landless, proportional representation of the landed and landless in the management of the TCCA and measures to create productive work for the landless through a land reform programme and the management of machines and equipment. However, most of this was ignored and the original 1970 programme document for IRDP retained primacy. The exception to this was the World Bank financed RD 1 (Rural Development 1) commencing in 1976 through which the landless got official support. RD 1 took place in seven *thanas*, but its emphasis on pond fisheries ran into problems because of difficulties in obtaining the timely lease of ponds and the scarcity of fingerlings. Government had commenced innovative pilot projects for women's co-operatives sponsored by the World Bank in 1975 with the longer term objective of mainstreaming women's co-operatives into the activities of the IRDP, but the NGOs were faster not only to 'mainstream' the idea of working with women's groups into their programmes, but to see women's groups as a key to rural development overall.

Many of the criticisms of Government's slowness to adopt viable strategies for assisting the landless in the rural population overlook the fact that Government's responsibilities were to the whole population and that it had a responsibility to ensure that agricultural production improved. After all, agriculture forms the base for development in Bangladesh's agrarian society and is vital as a source of income for both farmers and the vast majority of the rural labour force. This was one of the basic premises of the Comilla model which has been shown to be true in the heavily agrarian-dependent nature of the income generating activities (IGAs) which are promoted through various programmes for the landless today. But it was the lack of innovation and adaptation to realities in the Government's approach to rural development overall that became a problem. The IRDP had attracted many donors to support multi-sectoral development projects with IRDP as the lead agency. Thus the project came into the position of implementing a number of projects which did not focus on the two-tier co-operatives, either for farmers or the landless. Less and less time became available to

[6] Chen, Martha Alter, *A Quiet Revolution: Women in Transition in Rural Bangladesh*, Dhaka: BRAC Prokashana, 1986, pp.13-15.

develop innovative management in the co-operative system, a factor which became one of its greatest weaknesses.[7] The importance of continued experimentation and innovation in Bangladesh's rural development and the pitfalls of expanding too quickly are well demonstrated by this experience.

As Government expanded under the IRDP with the support of the donors, the NGOs began to develop a new orientation which, over time, was to provide the lead model for all rural development in Bangladesh, NGO or GO. The NGOs' new orientation was very much guided by their conviction that existing power structures both in rural areas and in Bangladesh overall, would not allow for benefits to accrue to the mass of rural poor and thus was not conducive to development in Bangladesh overall. The NGO's experience of overall community development had shown that this approach benefited mostly the rural elites. Out of this experience, emerged a number of key features. The key feature was a target group approach in which the NGOs would enable themselves to reach the poorest by proactively encouraging the formation of socially homogenous functional groups of landless men and women. This non-formal group formation (rather than co-operative formation) was to serve two main functions. One was to create group savings which would eventually allow these groups access to credit which would be used as capital investment in income generating activities. The other was to bring about social consciousness amongst the rural poor so that they would be empowered to defend and represent their own interests in the face of other, more powerful social groups. This change in orientation emerged between the second half of the 1970s and the early 1980s.

It would be wrong to portray the NGO community as being united in their approach to pursuing these innovations. The Grameen project, which was launched by M. Yunus in 1976 gave stronger emphasis to the need for making credit available to the rural poor than any other NGO. Frustrated by the *financial apartheid* of professional bankers, Yunus set out to show that the poor were creditworthy establishing the Grameen Bank in 1983. In the strong belief in the innate creativity of the rural poor, Yunus shunned the idea that there is a need for extensive training and social consciencisation. Other NGOs attributed greater importance to training, and the proactive raising of social consciousness on the premise that credit in itself would not be enough for the poor to realise its benefits. Indeed, some amongst the NGO community have totally relinquished the provision of credit as a viable approach to raising the living standards of the rural poor, claiming that it is purely replacing the feudal system in rural Bangladesh with an exploitative capitalist system. One NGO interviewed during the course of the evaluation (Nijera Kori) is deliberately involved solely in social empowerment and training on the basis of this belief.

By the early 1980s it could be said that four approaches to poverty alleviation co-existed in GO and NGO programmes: relief and rehabilitation; community based development; integrated area development; and target group based development. However, the trend was toward target group orientation which was accompanied by a move from high yielding variety induced agriculture oriented programmes to non-farm activity based schemes and the promotion of self-employment rather than wage employment. Under donor pressure, government adjusted to the changes being brought by trends in the NGO sector. As early as 1974, the IRDP had started enrolling landless people into agricultural co-operatives (known as the KSS), formed women's co-operatives (the MSS) and also organised non-agricultural societies. Under RD-1, IRDP's first experimental programme for the landless, co-operatives for landless poor rural men and women were formed (the Bittoheen Samabaya Samity, BSS for men and the Mohila Bittoheen Samabaya Samity, MBSS, for women). However, until the early 80s, the focus remained on agriculture and on the farmers in the KSS. The incorporation of a Rural Poor Programme (RPP) into the activities of BRDB when it was formed in 1982, eventually led to BRDB managing the largest number of poverty alleviation programmes in the Bangladesh public sector.

In 1984 the Bangladesh Planning Commission prepared and published a sectoral policy paper which continues to constitute GoB's Strategy for Rural Development Projects today. The three components of the strategy were:

[7] Hye, p.150.

- the development of physical infrastructure including roads, storage and markets;
- irrigated agriculture, minor drainage and flood control works;
- production and employment programmes for the rural poor.

The Strategy also defined the institutional responsibility for the three components: local government bodies were responsible for the development of physical infrastructure with technical support from LGED; BRDB and the Ministry of Agriculture in association with the Upazila Parishad were responsible for the development of irrigated agriculture; and BRDB in collaboration with the Upazila Parishad were responsible for the production and employment programmes with the NGOs taking up these activities in areas not covered by BRDB.

Under the RPP, a number of projects supported by different donors, including PEP or RD 5, were commenced during the 1980s and 90s. A tabular summary of BRDB's project portfolio in micro-finance rural development projects (as of 1997) is to be found in Chapter 5. Most of these programmes were aimed at assisting the landless through co-operatives and/or through non-formal groups on the basis of the model developed by the NGOs, although RESP combined infrastructure development which had been commenced under the Nordic-sponsored Integrated Rural Works Programme (IRWP) with an NGO-style programme called the Productive Employment Project (PEP). Although each of these poverty alleviation programmes had its own special characteristics, the basic approach to poverty alleviation through employment generation remained the same. RESP had been able to contribute the idea of using Labour Contracting Societies (LCSs), largely groups of destitute women, rather than regular contractors for its infrastructure component in order to add to the employment generated under the programme. The LCSs are discussed further in subsequent chapters.

During the 1980s and particularly during the 1990s the NGOs grew in number and size and diversified their activities in ways that Government, with its resources spread increasingly thinly, was unable to do. The innovations by BRAC and Grameen are particularly striking. In order to attempt to address the dual problems of market access for the products of the rural poor generated out of IGAs as well as its own sustainability as an organisation, BRAC developed a number of commercial operations which are connected both to domestic and export markets. Through its *Aarong shops*, an experiment which BRAC commenced in 1978, it has successfully been able to market traditional Bangladesh handicrafts and fabric designs in Bangladesh and abroad, providing assistance with the adaptation of traditional designs to modern tastes, training for artisans and the testing of new products for diversification.[8] The Aarong shops are modern and well staffed. Grameen has diversified to become a family of eighteen companies, opening up possibilities for the rural poor which could only be described as visionary. These include efforts to provide telecommunication and other communication services to the rural poor and to manage their savings in creative ways through US management investment firms. The sheer size and momentum of BRAC and the Grameen family in combination with this visionary element have made them formidable forces in changing conditions for the rural poor in Bangladesh. The establishment and management of some 52,000 non-formal schools which are to serve as springboards from which children can jump into formal education is another dramatic innovation by the NGO community.

In 1991 GoB established the Palli Karma-Sahayak Foundation (PKSF), which essentially is a managed window for channelling World Bank loans to the NGOs.[9] Although in theory PKSF has been established to assist

> *non-government, semi-government and government organisations, voluntary agencies and societies, local government bodies, institutions and groups of individuals*[10],

[8] Lovell, Catherine H., *Breaking the Cycle of Poverty: The BRAC Strategy*, Dhaka: University Press Limited, 1992, p.71.
[9] One of the main motivations for this was the government's dislike of the fact that donors continued to channel large amounts of 'free' funds into the NGOs to be used as credit, while the donors simultaneously paid all the costs and the NGOs therefore earned about 30 percent interest.
[10] *Palli Karma-Sahayak Foundation (PKSF): Annual Report 1996-7* (January 1998).

its main partner organisations are the large NGOs and Grameen. By strict vetting of the applications which it receives, PKSF can, to an extent, both assist in regulating against malpractice in the market for credit to the rural poor as well as promote continued experimentation and improvement. In this sense, PKSF is, in itself, a GoB innovation of the 1990s which could point to an important role for Government in an effective strategy for poverty alleviation in Bangladesh in future.

The issue of whether Government should or should not be involved directly itself in the implementation of poverty alleviation programmes is one that has been raised by the NGOs and the donor/lending community. It has been suggested that government has no comparative advantage for various reasons, including the lack of ability to adjust, change and innovate owing to its bureaucracy. However, as Hye has pointed out:

> *...the government is of the opinion that it has a moral and mandated obligation to have a significant programme for poverty alleviation for which it cannot completely abdicate the role in the area. The prevailing mood and trend is towards greater government-NGO collaboration.*[11]

Increased GO-NGO discussion and collaboration is taking place in various forums: through discussions in the Government-NGO Co-operation Council (GNCC), through sporadic collaboration with NGOs in the implementation of infrastructure, micro-finance and non-formal education programmes, through efforts by the Bangladesh Rural Development Board's Institutional Support Project, BIS (under RESP III), to bring about joint discussions about addressing key issues in poverty alleviation such as sustainability, and through other measures. Improvements in GO-NGO relations during the 1990s and beyond will be pivotal to continued innovation and improvement in poverty alleviation strategies by both parties, by allowing each to define roles in which they have a comparative advantage.

3.3 *Rural works and microfinance programmes as two interrelated sub-strategies of poverty alleviation*

Since the Comilla experiment, the combination of rural public works and micro-finance have been seen as two interrelated sub-strategies for achieving poverty alleviation. The Rural Works Programme (RWP) commenced in 1961, was seen by Khan as

> *...an attempt to tackle two fundamental problems: construction of a network of roads, drainage channels and embankments and provision of employment during the dry idle months to the landless labourers.*[12]

The *Thana* Irrigation Programme (TIP), another component of rural works under the Comilla model, aimed at encouraging farmers to form irrigation groups which would identify and access underground water sources using tubewells in the dry season.

Khan's premise was that the breakdown of the interrelationship between the RWP, the TIP and the co-operatives would result in the undermining of the whole rural development effort through the Comilla experiment:

> *If the Works Programme falters, or the Irrigation Programme weakens, the co-operatives will also wither away. The lands of farmers not saved by roads, not protected from floods, not irrigated during the winter, will mostly be in distress. Loans may help them to survive but can not make them prosper. In course of time such loans will become bad debts.*[13]

Anti-poverty programmes in Bangladesh since this time have been aware that credit, infrastructure and appropriate technology, whether to poor farmers or to the landless, are

[11] Hye, p.53.
[12] A.H. Khan quoted in Sattar, A.G., *Comilla Models of Rural Development: Significance and Relevance* in Quddus (ed.), p.109.
[13] ibid, p.112.

mutually dependent factors in stimulating the rural economy. Knowledge of this linkage between infrastructure provision and micro-finance activities (for farmers and the landless) has also been expanded. Under the IRDP, irrigation played a pivotal role in the TCCA/KSS system, expanding membership improving financial viability, increasing production and the demand for training.[14] Under RD-1, the government programme model which was to become most popular - mainly roads rehabilitation combined with micro-finance activities for the landless - emerged.

The limitations of rural public works as a poverty alleviation strategy became known during the experiences of the 1960s and 70s. One of these was that rural public works could not guarantee that their benefits would accrue to the poor. Rather, it was difficult, if not impossible, to ensure that the benefits accrued to the poorest. In fact, in a number of cases it was found that the benefits could be distributed unevenly,

> *...so that inequality of income and asset ownership is further accentuated thus bringing about an increased polarisation in the countryside.*[15]

Another often cited limitation is that rural public works, although useful as a short-term measure to combat rural unemployment, cannot provide a substitute for longer term measures to expand employment opportunities.

The Comilla experiment had been especially successful through the TIP in the sense that the

> *...diffusion of modern irrigation technology has been the single most important contribution of the new co-operatives*[16].

Despite this, throughout the 1960's and onwards, the emphasis on irrigation decreased substantially and the emphasis on roads increased. Although the importance of good roads to improving the rural economy could not be understated in Bangladesh (or elsewhere), political factors and rural power structures appear to have been more important in determining the direction of infrastructure development in Bangladesh. One author summarises the underlying reason for the increased predominance of roads projects in Bangladesh:

> *The predominance of road projects in the Rural Works Programme has already been commented upon by many. This is true of all regions in Bangladesh. It clearly reflects the interests of wealthier farmers, administrators and politicians. Therefore, the national authority had no choice but to accept it as inevitable.*[17]

A survey of four sample areas in Bangladesh with the objective of evaluating the Rural Works Programme was undertaken by Rehman Sobhan during the mid-1960s. It found that the majority of villagers felt that Union Council Chairmen were spending money arbitrarily and not effectively in order to solve their problems. For instance, they claimed that the roads and embankments constructed under the Programme did not save the land from floods. The low quality of roads and embankments, the absence of a logical planning process, the arbitrary selection of roads continued to be problematic into the 1980s, as the 1985 evaluation of the Nordic-sponsored Integrated Rural Works Programme (IRWP) showed (Chapter 4 elaborates on this further). Today roads continue to be, perhaps more than ever, the most significant aspect of infrastructure development supported by Government to date, despite the continued need for efficient flood protection and irrigation. This is perhaps a reflection of a mixture of factors: the long-standing political motivations; the emergence of the Local Government Engineering Department (LGED) as an efficient deliverer of roads rehabilitation during the 1990s; LGED's attractiveness to donors wishing to show qualitative and timely outputs in their country portfolios; the shift in focus of government-supported rural development activities to the landless. Yet the importance of promoting irrigation schemes is

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[14] Hye, p.130.

[15] Alamgir, M., *A Review of the Public Rural Works Programme of Bangladesh 1960-78* in Chowdhury, Omar Haider (ed.), *Rural Public Works Programme in Bangladesh*, Bangladesh Development Studies, Volume XI, Numbers 1&2 (March-June 1983), p.26.

[16] Hye, p.130.

[17] Alamgir in Quddus (ed.), p.29.

clearly spelt out in the *Report of the Task Forces on Bangladesh Development Strategies for the 1990s*:

> *An estimated 6.2 ml acres of land are currently irrigated, which is only about half the area potentially irrigable. The earliest possible realisation of this potential by providing ownership of the newly installed irrigation equipment to the poor is likely to contribute more to the reduction of poverty in the present condition of Bangladesh than perhaps any other growth-oriented policy... Incoroboration of the landless groups in the management and ownership of irrigation schemes such as DTW represents a unique opportunity of linking growth and equity in what could have been otherwise viewed primarily a growth-oriented policy.*[18]

The difficulty of involving landless groups in irrigation must be recognised. NGOs such as BRAC and Proshika as well as others such as Grameen, CARITAS and CARE have tried for over a decade to develop viable models. Due to the lack of success, most have moved onto other activities.

The Food for Works Programme (FFWP) which was initiated during the floods and famine of 1974 with the support of the World Food Programme (WFP) is exemplary of the major historical pitfalls and benefits of rural works programmes in Bangladesh. It is also important to mention here since today it has become the largest development project in Bangladesh with more than 60 NGOs implementing a range of schemes, five government line ministries involved and generating about 72 million work days annually[19]. It differed from other rural works programmes in the sense that payment was made in the form of wheat. FFWP was known to have acted as a powerful instrument to keep the local political system in check and provided the main financial source of political patronage in both national and local politics. The resource wastage and misappropriation of food grains was well known. Moreover, while food aid provided and continues to provide considerable short-term benefits - food aid continues to be the largest resource available on a continuing basis to support the creation of seasonal employment - the long-term benefits to the rural poor are considered to be very negligible. The reasons frequently cited for this are that there is no formal institutional framework for the routine maintenance of rural infrastructure in Bangladesh, the infrastructure itself is not likely to benefit the rural poor directly since they are not involved in the planning process and are regarded mainly as a source of labour for rural works, and there is a lack of simultaneous effort to generate opportunities for longer term employment.

The *Report of the Task Forces on Bangladesh Development Strategies for the 1990s* (1991) provides a balanced picture of the usefulness of rural infrastructure schemes in alleviating poverty. It states clearly that,

> *FFW and the Road Maintenance Project (RMP) have, despite many shortcomings, helped contain the worst effects of unemployment in rural areas, especially in the slack season (and thus need to be seen as an essential) part of an all-out assault on poverty.*

On the other hand, it rejects the idea of guaranteeing continuous employment to the rural poor through such schemes[20] on the grounds that:

> *To offer guarantee of employment in this situation is to give an open license to project-makers to cook up wholly useless earthwork projects (e.g. the same road being laid and relaid year after year), or even harmful projects (e.g. roads that block the normal channels of drainage).*[21]

As has already been mentioned, poverty alleviation in Bangladesh is generally focused on the two-pronged strategy of micro-finance and rural infrastructure development and the interrelationships between the two. The wider vision of a comprehensive approach to poverty alleviation presented in the Task Forces Report appears not to have materialised to date as a result of the concentration of resource allocation in micro-finance and rural infrastructure

[18] *Report of the Task Forces on Bangladesh Development Strategies for the 1990s*, "Policies for Development" (Volume I), Dhaka: University Press Limited, 1991, pp.27-34.
[19] Hye, p.121.
[20] A discussion stimulated by the existence of an Employment Guarantee Scheme in the Indian state of Maharashtra.
[21] *Report of the Task Forces on Bangladesh Development Strategies for the 1990s*, p.35.

programmes. This includes: 1) support for direct capability-raising programmes (education/health) which, continue to be regarded as mere social services and are usually squeezed out in resource allocation; 2) growth-oriented programmes with a strong immediate impact on poverty through the trickle-down mechanism; 3) Targeted special employment schemes for the poor. It will only be possible to pursue this kind of comprehensive vision if the key GO and NGO players in poverty alleviation in Bangladesh have the will to co-operate in a practical manner.

3.4 The increased focus on women

As mentioned already, efforts to organise poor rural women's groups (originally co-operatives) in order to deliver credit and other benefits to them was originally commenced by GoB under the IRDP in 1975. However, this was a limited effort and it became the NGOs which took forward research and experimentation into the problems of poor rural women. The emergence of female-targeted programmes appears to have been the result of a combination of forces: first, the recognition that

> *...women bear the greatest burden of human deprivation in South Asia....(and) poverty has a woman's face*[22];

second, the recognition through NGO research in Bangladesh that women play a vital, yet largely unrecognised role in the rural economy and therefore can make a strong contribution to making poverty alleviation programmes work; third, women's liberation movements in the industrialised donor countries placed the recognition and promotion of women increasingly high on the donor agenda.

The rapid increase in the focus of poverty alleviation programmes on women in Bangladesh is both practical and political. On the practical side, women are regarded as being a lower credit risk (i.e. the are more likely to pay back in a timely manner), and thus offer GOs and NGOs providing credit a more secure prospect on the return from their micro-finance programmes. On the political side, both GOs and NGOs managing poverty alleviation programmes are heavily supported by aid agencies requiring female sensitive programmes. The latter two motives, have raised questions of how appropriate this increased focus on women in poverty alleviation programmes in Bangladesh is to solving their problems. In most of the micro-finance programmes the majority of borrowers are women. What this means for the women themselves is in question in a society which remains largely patriarchal and in which

> *...a son is future; a daughter is nothing*[23].

Destitute female households, in particular, have been singled out as an important target of anti-poverty programmes, as they belong to the most vulnerable poor group. Destitute (widowed or deserted) women, with few, if any, other survival prospects, are the main providers of labour for rural works schemes which often involve a level of physical exertion which may be difficult for these women to sustain physically, particularly as they are frequently undernourished. Such programmes can often provide high figures on numbers of female employed, but it is questionable whether such programmes are, in fact, 'gender sensitive'.

Although aid agencies purport increasingly to be supporting gender-oriented policies which take into account the social relationships between men and women, in their implementation through GOs and NGOs in Bangladesh, these policies appear, in many cases, to have become female only focused and sometimes for short-term, supplier-focused gain (i.e. loan recovery and the attraction of donor funds). The consequences for women are unclear: on

[22] Ul Haq, Mahbub, *Human Development in South Asia*, Karachi: Oxford University Press, 1997, p.28.
[23] BRAC female field staff quoted in Chen, p.54.

one hand the overall benefit in terms of social empowerment for women appears to be quite significant; on the other hand, women become the target of new social ills (e.g. indebtedness) as they more easily qualify for micro-credit.

3.5 *The pivotal role of donors/lending agencies in poverty alleviation*

Since Bangladesh's independence, the donor/lending community has financed most of the rural development and poverty alleviation efforts in the country. In doing so, it has wielded considerable powers in determining the shape and nature of poverty alleviation in Bangladesh. The impact of this on the institutional behaviour in both the GO and NGO sectors has been profound. Many of the key issues regarding the future of poverty alleviation strategies in Bangladesh today revolve around the relationship between Bangladesh poverty alleviation institutions and the donors/lenders. A few are mentioned here.

The increased orientation of donors/lenders towards poverty alleviation has brought with it an overwhelming focus on the landless. While GoB maintains a commitment to farmers' co-operatives through BRDB's Main Scheme (see Chapter 8), this scheme is virtually defunct with very meagre resources to support it. The deregulation of the economy during the 1990s has brought with it the expectation within the donor/lending community that the private sector will be stimulated to provide the needed inputs to agricultural production. While fertiliser distribution has improved since it has passed into the hands of private traders, seeds continue to remain a major problem. Overall, agricultural production has stagnated during the 1990s, although it must be acknowledged that production using minor irrigation has continued to increase mainly due to the manufacture, promotion and distribution of shallow tubewells by the private sector. Yields continue to be low by international standards as a result of weak farming practices, inefficient use of inputs and poor soil management. Underpinning this is a lack of resources and know-how with which to cushion agriculture against droughts or floods. The lack of well-functioning extension services continues to be a major problem in this regard. The lack of progress in agriculture during the 1990s is a serious issue in a country whose economic base is in agricultural production and in which both the landed and the landless rely on a healthy primary sector for their livelihoods.

The extent to which decision-making in the public sector regarding strategies for rural development and poverty alleviation has been affected by individual donor/lender preferences is reflected in the proliferation of poverty alleviation programmes of different shades and the lack of a Bangladesh government model or typology for poverty alleviation such as the Comilla model, for instance. As has already been mentioned in this chapter, the IRDP of the 1970s became a project managing a collection of projects, each with its own requirements, according to the sponsor. This not only created management/capacity problems within the IRDP, but it also resulted in a rapid drifting of ownership of development from Bangladesh to the donors/lenders. A 1986 article by Rehman Sobhan on "Aid Dependence and Donor Policy" enunciates the situation eloquently:

> *For the last 15 years in Bangladesh...both the vision and its execution have emerged from the donor community. The bureaucracy has gradually, but willingly, surrendered its authority over policy formulation to the donors. This disuse of their professional skills, along with the diminution in the exercise of authority, has made the bureaucracy into receptacles and then transmission agents for donor advice to the GoB. This reluctance of the bureaucrats...to take greater charge over the direction of public policy, has served to weaken the public authority of the political leadership which depends on the bureaucrats for policy advice...Thus it appears that if, today, ...Bangladesh were to seek to forge an independent direction in its economic policy, it would find that its capacities for autonomous action have become atrophied by disuse.*[24]

The failure of the public sector to continue encouraging experimentation and innovation based on its Comilla experience seems in part to be the result of a heavy donor dependency

[24] Sobhan in *Project 2015: Aid Dependency: Causes, Symptoms and Remedies*, Stockholm: Sida, 1996, p.120.

and the concomitant felt need to chase the diverse preferences of the donors/lenders. According to one Bangladesh author,

> *...it is now being cynically suggested that given the all-pervasive nature of involvement of the donors in the poverty alleviation programmes with each donor sponsoring the model of their choice, it will be most appropriate to classify the programmes by respective donors underwriting them.*[25]

This type of situation, in which the public sector's focus has been more or less on chasing donor funds has resulted in a slowness on behalf of all parties to deal with the question of how to make poverty alleviation efforts sustainable beyond donor/lender support. The focus has been more on how to get donor/lender projects and retain them rather than on how to achieve lasting solutions to the poverty situation.

The dependency nature of the NGO-donor/lender relationship and donors' efforts to change the nature of the relationship appears to be having a major effect on the emphasis of poverty alleviation strategies and the focus of the main NGOs delivering them. The emphasis on credit disbursement levels and repayment rates has become increasingly strong as the donors have placed pressure on the NGOs to become ever more self-financing. If all Bangladesh NGOs operate somewhere on a spectrum between consciencisation and micro-finance, the majority are moving towards the micro-finance end. There is an emerging concern within the NGO community that their important social mobilisation/change role, so strongly felt since their inception in the 70s and 80s, may be lost in the struggle to become financially self-sufficient organisations. Indeed, some are saying that the larger NGOs are on a path to become something like banks, along the lines of the Grameen model. In turn, many questions are being raised about the actual impact in rural communities of micro-finance provision in which the pressure to disburse large amounts of credit rapidly (without knowledge of actual demand) and to achieve high repayment rates is the main motivating factor. A survey by the NGO Task Force undertaken in 1995 showed that complex issues of development are not a priority amongst most NGO staff. Rather organisational setup and budget are the paramount issues. Whether this is a negative or positive feature and whether this is a phase of NGO development remains to be seen.

The rivalry which has existed between Government and NGOs is partly a traditional rivalry which exists world-wide of an existing order versus forces of change. However, in Bangladesh this rivalry has been strongly exacerbated by the fact that Government and NGOs are performing the same function in poverty alleviation and thus compete with one another for an ever larger slice of the donor/lender pie. The perception by either side that donor decision-making on whom to fund means an inevitable gain for one side and a loss for the other is a reflection of the high degree of donor dependency on both sides. The shortage of resources in Bangladesh for poverty alleviation would logically suggest that co-operation between the two parties would make greater financial sense, but the nature of the relationship with the donors has encouraged a slackness in perceiving the necessity for this. The irony of this situation is that the donors have endeavoured, in some areas, to promote co-operation between the government and the NGOs.

3.6 The supply-side emphasis in poverty alleviation programmes

This theme has various dimensions including that discussed above (i.e. the donor-driven nature of poverty alleviation programmes). A few other dimensions of the supply-side nature of these programmes are discussed briefly here.

> *...a deliberation on the nature of interventions of the anti-poverty programmes in Bangladesh will expose that all of them are primarily supply driven where credit emerges as the most major*

[25] Bhattacharya, D., *Rural Poverty Alleviation in Bangladesh: an Overview of Programmes*, in Quddus (ed.), p.374.

> *input. The marginal intervention by the programmes which we notice on the demand side remained restricted to providing marketing facilities.*[26]

Since the Comilla experiment, there has been the assumption that offering inputs to rural groups, whether farmers or landless groups, would automatically create demand both amongst the groups for these inputs and amongst consumers for the output. The 1991 *Report of the Task Forces on Bangladesh Development Strategies for the 1990s* pointed out that the poor were mostly deprived of various GoB inputs, as they had no means of making effective demand and no suitable receiving mechanisms at the grass root level. The Report therefore saw the NGOs' role in social mobilisation for creating demand.[27] However, since this time the NGOs have themselves become very focused on the supply of credit and other inputs for practical reasons already discussed above, and therefore have not been able to play as strong a demand-creation role as they might have otherwise.

At another level, the NGOs have been very innovative in creating demand for the outputs of rural poor income generation programmes. BRAC's and Grameen's operations to link the rural poor to national and international marketplaces stand out as a unique demand creation measure amongst the proliferation of efforts to assist the rural poor but which focus mainly on the delivery of credit. GO programmes have not been able to achieve this level of innovation in terms of creating demand for output.

The heavy supply emphasis of the programmes, particularly of GoB programmes, has been detrimental to achieving self-reliance and sustainability in alleviating poverty. The fate of the two-tier co-operative system in Bangladesh is exemplary. Although the first Five Year Plan of Bangladesh envisaged self-managing, self-reliant primary societies with measures giving the TCCA a supervisory role and calling for proportional representation in their management in order to encourage grass roots participation, the co-operatives became increasingly dependent and poorly managed as a result of a lack of political commitment of government to making them more independent. The supply of inputs and central control of the two-tier co-operative system represented a system of political patronage damaging to achieving self-reliance.

The Grameen approach to poverty alleviation is premised precisely on the idea that poverty alleviation programmes should remain as simple as possible, shunning all supply-driven perks and relying on the creativity of the rural poor for sustainable results. Grameen's founder, Mohammed Yunus, cites the extensive training programmes provided under GoB and some NGO micro-finance programmes as an example of entirely unnecessary, supply-driven perks, which are destructive to developing a culture of responsibility and self-reliance. Furthermore, Grameen claims that the type of training provided is not in demand, but that attendance is usually motivated by the fact that it is a necessity in order to obtain credit.

> *Pay a penny or at least promise to pay a penny...*

for the training should be the principle, according to Yunus. Whether Grameen has been able to crack the problem of sustainability through this approach remains in question.

3.7 Structural constraints to poverty alleviation

Successive poverty alleviation efforts in Bangladesh have encountered structural constraints, particularly in terms of the structures of governance, which, some say, have effectively destroyed their achievements in terms of creating mechanisms for eradicating poverty on a sustainable basis.

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[26] Bhattacharya, in Quddus (ed.), p. 372.
[27] *Report of the Task Forces on Bangladesh Development Strategies for the 1990s*, p.78.

The experience of V-aid, which continues to be relevant to subsequent poverty alleviation efforts in Bangladesh, was that the absence of strong, local leadership, the lack of linkages with nation-building departments and the development of a dependence syndrome as a result of subsidies from the government, destroyed the self-help spirit of rural communities. The two-tier co-operative system of the Comilla experiment became, under the rapid expansion of the IRDP and without strongly developed local management, totally dependent on its political masters in Dhaka. The institutionalisation of the Comilla model into the structure of central government under the IRDP brought with it hierarchy, detailed procedures and a repetition of the use of external agents (central government officers) who were ill-equipped and disinclined to penetrate real local issues. The TCCAs thus inherited a legacy of external dependence and a paternalistic attitude in which they were treated as part of a development project of the Government which had no detailed and time bound plan of action to attain self-reliance and self-management.

A.H. Khan's criticism, below, of the Comilla experiment's fate points to the continuous Bangladesh theme of partisan use and abuse of local government. Here he refers to the government of President Ayub (1959-69).

> *The first programme we dabbled in was local government. It was then supremely important because it happened to be our president's favourite concubine...he wanted to put down the townees and lift up the rustics. He aspired to find a political base in the countryside...His basic democracy made the local councillors electors of president and parliament. Local government can hardly survive such inflation. It was an attempt to cover the sheep of local government with the bull of national politics. The poor sheep died an unnatural death.*[28]

The RWP, in particular, was notorious for creating a system of patronage through local government, eroding self-reliance and peoples' participation, and instead promoting a system of dependency on the centre and the promotion of individual self-interest amongst local bureaucrats.

The constant shifts in local government depending on the government in power, and the use of local government as a mere pawn by the centre, have kept the expression of rural poor needs and demands weak. However, the elections in the spring of 1998 of members of rural poor groups to local government (including women), may indicate a change in this situation, as long as local structures are not yet again shifted with a change of government. But sustained improvement in local government's ability to act as a voice for the poor also depends on change at the centre, which has remained fairly static and in the mould of the paternalistic, bureaucratic, highly centralised, and resource-extraction oriented colonial administration. The vicious cycle of inefficiency and negative corruption which has developed in the Bangladesh civil service has been the object of much analysis - since 1989 there have been five major reports and numerous donor-supported and internal studies on individual sectors - but little has been achieved to address the situation thus far. A Public Administration Reform Commission established in 1996 is to consider ways in which to improve administrative efficiency.[29]

A 1974 Planning Commission evaluation report of the IRDP discussed a collusion between rural and landed elites which prevented the poorer (in this case, farmers), from benefiting from the government programme. In this context, the IRDP co-operatives became known as 'Kulaks clubs'. The issue of land reform is regarded in Bangladesh as another major structural obstacle to solving the country's poverty problem. Hye acknowledges the vested interests which stand in the way of achieving more equitable distribution:

> *It is concluded that given the prevailing socio-economic and political power structure, prospects for major land reforms in Bangladesh are not bright. However, some help can be given to the landless, if the government-owned land is distributed among the landless and the*

[28] A. H. Khan quoted in Ahmed, Tofail and Sultan, K.M. Tipu, "The Comilla Rural Administration Experiment and Decentralised Administration in Bangladesh", Quddus (ed.), pp. 204-5.
[29] *The Dancing Horizon: Human Development Prospects for Bangladesh*, Dhaka: a UN agencies publication, 1997, p.36.

near-landless. But here too collusion/alliance between the power elite and the bureaucracy often work against the interest of the rural poor.[30]

On the other hand, the usefulness of land redistribution to eradicating poverty has been seriously questioned on the grounds that: 1) even a radical land reform programme stipulating a land ceiling of up to 10 acres would only add 0.37 acres to the size of land currently owned by rural land-poor households; 2) landless households would be completely excluded from such a land redistribution programme. The emphasis of those who minimise the importance of land reform to poverty alleviation in Bangladesh is therefore on non-agricultural and non-crop income.[31] The point remains that in an economy which continues to be agrarian-based for almost any downstream income-generating activity, achieving strong performance in the agriculture sector is paramount.

During the 1990s the possibilities for overcoming some of these structural impediments to addressing poverty have expanded. Bangladesh has undergone some notable changes in the way that the country is governed. Free and fair elections have taken place and the observance of basic human rights such as the freedom of speech have improved. As has already been mentioned, the complexion of local government is changing with the election of poor rural men and women into positions of responsibility. Recent land reform proposals are more far-reaching than ever in the past. From these points of view, the likelihood that self-reliance and sustainability can be promoted amongst the poor is higher than in the past, but still in a situation where major changes in governance are required.

[30] Hye, p.180.
[31] *Report of the Task Forces on Bangladesh Development Strategies for the 1990s*, Vol. 1, p.31.

Section 2: The evolution of the programme

Chapter 4: IRWP/RESP: History & evaluation of aid management

4.1 IRWP (1980 - 1985)

4.1.1 The programme and its origin

In 1977 the Government of Bangladesh began surveying one hundred *Flood Prone Thanas* with the support of the World Bank. The survey resulted in two project ideas, one focusing on rural infrastructure, one on employment. The World Bank declined support to these ideas after which GoB approached the Nordic donors[1]. These showed interest in the infrastructure project, which would become the Intensive Rural Works Programme (IRWP).

IRWP was based on the experience of the Rural Works Programme of the 1960s and 70s. While the Rural Works Programme had been a major GOB undertaking in the 1960s, accounting for a share of 5-12 percent of East Pakistan's annual development budgets, this share had declined to 1-3 percent in the 1970s after the independence of Bangladesh. IRWP was perceived as a means to change this trend and to revitalise the Rural Works Programme[2]. IRWP's dual objectives were to improve infrastructure and thereby enhance agriculture production and to create off-season employment. The infrastructure would primarily be embankments, drainage canals and water resource schemes such as re-excavation of derelict tanks, and, in second place, roads, markets, go-downs, and water and sanitation. The focus of the Programme was the hundred *thanas* around the rivers Padma (Ganges), Jamuna (Brahmaputra) and Meghna, which flood during the monsoon period[3]. The *thanas*, located in twelve of Bangladesh's districts, covered about a quarter of the population and an equal share of the land area. GoB, which had included the programme in its Two-Year Plan for 1978-80, saw the Programme as its main plank in rural development, with an anticipated ten to twenty fold increase in resources for rural works. It was to be implemented over a ten year period.

In 1977 Sida had expressed interest in increasingly supporting projects which focused on the poorest in Bangladesh and, in this context, discussions were held concerning the hundred *thana* project. A formal request was made by the government to Sida in 1979 for a one year pilot project, and similar requests were made to DANIDA and NORAD. In 1980, Sida, together with the other Nordic donors, decided to provide support for a two-year planning phase of the IRWP with a total allocation of SEK 3 million. While the government had contracted a number of local consultancy firms to produce plans for implementation of the programme, the donors had various questions concerning the programme design. A British consultancy firm - Sir M. MacDonald & Partners - was contracted to undertake the implementation of the planning of the project.

The pilot phase resulted in a three year project for the period 1981/82 - 1983/84[4]. The target group would be the landless and marginal farmers with holdings of less than 0.5 acres, estimated to comprise 65-70 percent of all rural households. Geographically, the project would focus on 40 *thanas* in eleven districts, i.e. an effort to cover more or less all districts under the hundred flood prone *thana* project. In 1982 the three donors appraised the project and signed agreements for parallel financing. Sweden, financing 50 percent of the project, would act as a lead agency, Denmark provided 30 percent and Norway 20 percent.

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[1] Hye (1996), op cit.

[2] *Insatspromemoria för IRWP*. Stockholm: Sida (1978).

[3] The flood prone *thanas* were divided in two categories, those flooded up to 2 metres during the monsoon and those flooded between 2 and 3 metres.

[4] Budget years July - June

At the conception stage, the donors had profound questions of the likelihood that the IRWP would fulfil both the objectives stated by government (infrastructure improvement and seasonal employment), but more so of whether it could fulfil the overall donor objective of reaching the poor. Many problems were discussed including: poor governance and corruption; the difficulties in reaching the poor due to the prevailing socio-economic stratification in rural Bangladesh; the tendencies in agricultural based rural works to increase inequality, and the weaknesses in past efforts of this nature in Bangladesh[5]. During the planning process of IRWP and during the early stages of implementation, the Nordic donors influenced the programme to include a greater social content, stronger poverty orientation and equity. The donors also to a certain extent included considerations of gender aspects, although gender at this time was not a key developmental objective. The donors also put pressure on the government to incorporate co-operation with NGOs.

As noted by a later evaluation mission, these objectives were not necessarily shared, or fully shared, by the Government of Bangladesh, neither at the central level, nor at the local level.[6] The annual discussions between the donors and the government often reflected quite different objectives. The government wanted expansion of the investments, while the donors expressed concerns regarding social orientation and accountability. These annual discussions were seen as cumbersome by all parties.

The implementation of IRWP started in 1981. The original project period was extended first by one year to mid-1985, then as bridge financing for another year from mid-1985 to mid-1986. The total allocation to IRWP for 1981 to mid-1986 was MSEK 150 of which Sweden financed about MSEK 100. In an annual review mission in 1983 questions were raised over the project's ability to generate long-term employment. As a result, some experiments were to take place concerning self-employment through savings and credit during the last year of IRWP. The experiments, partly influenced by the government's new Strategy for Rural Development of 1984, were efforts to emulate the on-going NGO experiments of social mobilisation combined with savings and micro-credits which the Grameen Bank had pioneered in the 1970s. They were embryos of what would become a major element in future generations of the programme under the Productive Employment Programme (PEP).

4.1.2 DANIDA's role

An appraisal by DANIDA in 1982 identified a number of issues for its participation. In the view of the mission, the project was plagued with various management, organisational and financial issues. In addition, the distribution of benefits resulting from the project was in question. The appraisal mission argued that, given the political and economic power system of rural Bangladesh, the benefits of almost any type of intervention tend to accrue to the better off one way or another. For example, the selection of infrastructure investments by the *Thana* and *Union Parishads* (councils) tended to be controlled by the 'strong men' of the UP where the larger landowners dominated[7]. The Project Committees that implemented the projects were also controlled by these 'strong men' resulting in the misappropriation of funds, underpayment of workers and other misdeeds. The institutional arrangements to counteract the dominance of the elite, such as special provisions to promote the interests of the landless and for the protection of their rights, often were circumvented or not implemented. The appraisal stressed that the project needed to introduce what was called 'massive target group participation' methods in the planning of the infrastructure and also to promote educational and mobilisation efforts amongst the poor, techniques that some NGOs had been successful in promoting. The appraisal mission stressed that the IRWP should be more closely linked to the government's on-going Integrated Rural Development Project which had been

[5] See for example: Asplund, D.: *The Public Works Programme in Bangladesh*, Stockholm 1979; de Vylder & Asplund: *Contradictions and distortions in a rural economy. The case of Bangladesh*, Sida, 1979; Sida: *Policy comments on IRWP*, Dacca, 1980

[6] De Vylder, S. et al: *Evaluation of the Intensive Rural Works Programme -IRWP - in Bangladesh*, Sida (1986).

[7] The Thana Parishad (council) is made up of the Chairmen of the Union Parishads.

experimenting with co-operatives for the landless to promote off-farm income generating activities[8].

With considerable reservations the appraisal mission suggested that DANIDA participate in IRWP, but that DANIDA should pay particular attention to the issues raised by the appraisal. While most of the recommendations eventually were integrated into the project design, the first suggestion of enhanced participation by the target group in planning of infrastructure has been repeated many times since but with marginal change to date.

DANIDA took an independent position on IRWP, and included hedging through the introduction of special advisers to work exclusively for DANIDA on the project. Overall, the co-operation between the donors in IRWP had its problems, and, in particular, DANIDA questioned Sida's role as lead agency. DANIDA was also critical of the rapid rate of expansion of the project. It is not surprising that when the early results of the project emerged with obvious problems in rural construction, DANIDA decided to terminate its involvement in IRWP in 1985. In the words of one of DANIDA's advisers:

> *When the DANIDA officials saw the pictures of bridges standing in the middle of a river with no connection to either side they made a fast decision to pull out. LGEB was not allowed to build bridges over 20 meters and they believed the promises of the local authorities that they would take care of the connections. But, of course, they never did. Never have pictures had such an effect...*

While DANIDA pulled out of IRWP, it has pursued other projects with a similar approach to IRWP, also using the same implementing agency. DANIDA has been financing one of the larger rural infrastructure projects under LGED, RD-16, since 1990.

4.1.3 The 1985 evaluation

An evaluation had been planned for 1984 which would form an important input for further decision making by the donors. However, the evaluation was postponed for a year. In the meantime planning for a new phase of the programme had commenced and by the time the evaluation took place in 1985, an appraisal of the new project had already been carried out. An agreement had been reached by the donors and the government to finance a revised programme, now called the Rural Employment Sector Programme (RESP). The evaluation, carried out by a five person team, provided a devastating critique of IRWP. It recommended in no uncertain terms that the Nordic donors should not finance the planned RESP and that all preparations of the new programme should be terminated. Concerning a continuation the evaluation stated:

> *The Mission has failed to understand why RESP should be expected to be more successful than IRWP in addressing the problems of rural poverty, unemployment and inequality. Several aspects of RESP, such as the proposed co-operation with Bangladesh Rural Development Board (BRDB) and the heavy emphasis on feeder roads, 'pucca' structures and office buildings in Dhaka, may in fact indicate the contrary.*[9]

The 1985 evaluation criticised IRWP on a number of grounds. The most important were:

- IRWP had overall failed to reach its major objectives, partly due to poor performance, partly due to utterly unrealistic objectives.
- IRWP's impact on agricultural production - one of the key objectives - had been marginal, if not negatively marginal. While infrastructure for enhanced agricultural production was a key objective in the project plan, such investments had been given low priority in implementation, and were replaced mainly by roads construction.

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[8] DANIDA: *Appraisal report of IRWP*, 1982

[9] Ibid., page 5.

- The employment generation under IRWP had been far below the targeted figures, and limited in terms of long-term employment; job-creation corresponded to less than 0.5 percent of the employment required in the *thanas*.

- Jobs had been created at a very high cost at 10 times the per capita income of Bangladesh (per job created), making RESP non-replicable. The stated objective of the project that 70 percent of the total project cost should be for wages to the target group had no bearing on the reality; the mission estimated this share to be in the order of 10 percent.

- The objective of target group participation in scheme selection and planning had been unfulfilled. Such participation was considered unrealistic by the evaluation as the local government bodies lacked mechanisms for such participation.

- Most of the benefits of the project had accrued to the relatively better off and IRWP had contributed to accentuation of inequalities in income and ownership of resources. The stated objective of a transfer of assets to the poor had not at all taken place.

- The quality of the infrastructure created by IRWP was sub-standard. Scheme preparation and implementation very often comes close to disaster, combining inadequate design and poor workmanship, including outright cheating with materials quality and quantity.

- The monitoring and recording system in IRWP was of very poor quality; and it was not possible to define what had been built.

The mission concluded that the key reason for the failure of IRWP was the environment in which it was taking place:

> *It is the Mission's opinion that the environment (of Bangladesh), in particular the local power structure into which IRWP has been inserted, makes it difficult for any development programme to reach the rural poor...*

Corruption and misappropriation

The 1985 evaluation paid considerable attention to the issue of misappropriation and corruption. It made quantitative assessments of the 'leakage', arriving at an estimate of 15 to 27 percent of the total project cost. This was about double the estimated direct wage benefits to the target group in IRWP. The forms of corruption reported by the 1985 evaluation mission were of many kinds. For example, underpayment to workers, cheating by the Project Committees by overstating the number of workers involved, less work and occasionally no work, use of less materials than stated, bribes by contractors and double payment of schemes financed by several donors. The explicit analysis and description of the corruptive practices were the most controversial elements of the 1985 evaluation. However, the evaluation was not alone in its concern about misappropriation. Such concern had been expressed from the outset by the donor review missions and also by the project staff. The mission did not claim that IRWP was more prone to corruption than other similar programmes in Bangladesh, but rather saw the leakage in IRWP as a manifestation of a systematic problem in governance in Bangladesh. The systematic leakage of donor funds appears to have been the key reason for the evaluation's assessment of poor performance and its recommendation that the Nordic donors pull out.

Aid management

The 1985 mission was critical of the way that the donors had managed the IRWP, and especially of Sida which had played the lead role. Unrealistic objectives had been set by both the donors and government. The donors had provided poor management in the sense of making contradictory and shifting demands, and had been "chronically late" in negotiations, thus delaying project implementation and bringing it out of sync with the labour seasons.

However, in the view of the evaluation mission, the most critical failure was the donors' neglect of follow-up on a large number of conditions set by themselves in the Plan of Operations or during Annual Review Meetings. The evaluation claimed that the donors had systematically given double messages in the sense that future support had been made conditional on the fulfilment of the conditions, yet these the force of these conditions were undermined by the continuation of support and even the addition of funds. Many of these conditions were at the essence of the programme, such as the share of benefits to the poor, financial monitoring, participation by the target group in planning and selection of schemes; and others. Rules and regulations established in manuals, guidelines on accounting procedures and other matters were, according to the evaluation, systematically neglected and by-passed due to vested interests. The evaluation concluded that:

> *... few of the conditions set up by the donors during IRWP's four years of existence have actually been fulfilled, and the entire concept of conditionality has thereby lost all credibility. If non fulfilment of previous conditions for future support is rewarded by an expansion of the Programme, as has normally been the case, the donors themselves bear a heavy responsibility when performance criteria are not met...* [10]

Institution building under IRWP

In the midst of this storm of criticism, the 1985 evaluation also noted some achievements. For example, the Earth Road Maintenance programme using groups of destitute women for basic maintenance of roads was considered a successful model, reaching a clear poverty group at low overhead costs. The experiment with the so-called Labour Contracting Societies (LCS) were also considered innovative and encouraging, i.e. labourers hired directly by the project and not through contractors or the project implementation committees, reducing the exploitative nature of conventional rural works. The mission also noted the success in the institutional capacity building under the project. The project had initially been implemented by the Works Programme Wing within the Ministry of Local Government, but in 1984 this was formed into the Local Government Engineering Bureau (LGEB) under the Ministry. In view of the evaluation, the Ministry's *engineering capacity had been strengthened considerably... and the institution building objective of IRWP has been accomplished to a considerable extent.*[11] Thus, IRWP had played a fundamental role in the creation of LGEB.

The 1985 evaluation claimed that the considerable technical assistance provided under the project had been critical for upgrading LGEB. Initially, the donors had under-estimated the need for technical assistance, but when implementation problems emerged, the donors responded in a flexible manner and expanded the technical assistance staff. This expansion led to a situation by 1985 in which the donor funded non-permanent staff of LGEB at its headquarters (129 persons) was more than twice the size of the permanent staff of 56, with no signs that the government eventually would absorb these additional staff. The mission raised the issue of sustainability given the limited government contribution to the project and the large scale technical assistance. These are concerns that have remained with the programme ever since.[12]

The evaluation also argued that, while the professionalism of the training under IRWP was commendable, the key constraints for LGEB were not technical know how, but the question of incentives and accountability within the government organisational environment. In the view of the evaluation:

> *As long as the major problems are related to lack of incentives for good performance, and lack of sanctions against incompetence or corruption, there is an upper limit to the possibilities of improving the overall performance of IRWP...*[13]

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[10] de Vylder et al, op cit, page 41

[11] de Vylder et al, op cit, page 23.

[12] ibid., page 99.

[13] ibid., page 24.

The evaluation created considerable controversy both in Bangladesh and amongst the donors. While we are not in a position to judge the validity of the findings of the 1985 evaluation, we have referred to it at length of two reasons: 1) it is a bench-mark for RESP; and 2) it raised some fundamental questions in relation to the donors' stated objectives.

4.2 RESP I (1985 - 1990)

4.2.1 An expanding programme

Sida and NORAD ignored the strong recommendation by the evaluation to end financing of the programme and continued with the preparation of RESP. While some of the criticism by the evaluation was considered by the donors to be overstated and in itself both unrealistic and unfair given the relatively short time during which the Programme had been running, the main reason for disregarding the advice was that that the donors had made a commitment to the Programme. The preparation of the new programme was too far advanced. In the view of Sida the consequence of the evaluation for the Programme was that:

> *...the detailed planning of RESP was somewhat slowed down as the very critical evaluation of IRWP was presented and its consequences discussed.*[14]

A basic reason was also that IRWP's problem was seen as a manifestation of the overall situation in Bangladesh rather than a poorly designed project. Hence, should the Nordic donors be involved at all in Bangladesh and attempt to fulfil their mandate of reaching the poor, these were the conditions they would have to deal with. The donors were under pressure at home to focus more on the poor in Bangladesh and, given the environment in the country, there were no good alternatives to IRWP.

Nevertheless in Sida's decision memorandum in 1986 for RESP, the analysis of the overall objective of the project was strongly influenced by the 1985 evaluation. The ambitious goals of IRWP were toned down. The rural poor were maintained as the target group, but RESP did not claim to change the rural power structure and affect economic stratification. Hence, the benefits for the poor would mainly be indirect through an improved rural infrastructure and agricultural production (leading to more jobs) with the potential that the new PEP component might have more direct beneficial effects. Sida hoped that RESP would,

> *...contribute to improved living conditions for the majority and possibly reduce the very uneven distribution which normally is associated with agricultural and infrastructure development in Bangladesh.*

However, the decision memorandum was very frank in stating that,

> *RESP would not reduce the economic gaps and therefore would not fulfil the Swedish aid objective of increased equality.*[15]

The Rural Employment Sector Programme started in October 1986 and was planned for a three year period until July 1989 with the financing of Sida and NORAD. The total allocation for the three year period was MSEK 150 of which Sida would contribute MSEK 75. RESP was a substantially different programme to IRWP. First, it was functionally divided into two separate projects:

1. an Infrastructure Development Project (IDP) which was largely a continuation of the old IRWP; and

[14] *Insatspromemoria - Stöd till Rural Employment Sector Programme*, Stockholm: Sida (1986). Translated into English here.
[15] Sida (1986), op cit, Page 5.

2. a Production and Employment Project (PEP) which was a much expanded version of experimental self-employment activities under IRWP based on social mobilisation, savings and credits. A new feature was a co-ordination unit, called the Central Planning and Monitoring Unit.

Second, the implementation was divided between two government bodies:

1. the Local Government Engineering Bureau which had been responsible for the IRWP and under RESP was to be used as the mechanism to implement IDP, and

2. the Bangladesh Rural Development Board responsible for PEP.

Both these organisations fell under the Ministry of Local Government & Rural Development, but under different divisions. While the Nordic donors had considerable experience of LGEB as the vehicle for IRWP, BRDB - sprung out of the Integrated Rural Development Programmes of the 1960s and '70s, was an untried entity for Sida and NORAD. BRDB was seen by the donors as a poorly functioning organisation with a questionable record in the co-operative movement, but had been given the go-ahead (if not the formal mandate) by the government to act as the central body in the new style rural development programmes focusing on the landless.

Similar to the IRWP, the new project included a considerable amount of institution building. However, the institution building in BRDB was seen as being rather limited as the donors saw BRDB more as a formal counterpart than as the real implementing agency for PEP. In Sida's decision memorandum, it is stated that PEP would have *...considerable independence from BRDB.*

Third, the project was narrowed down considerably to three districts and 22 *thanas* as compared to eleven districts and 40 *thanas* under IRWP.[16] The focus of RESP would be two districts in western Bangladesh in the Greater Faridpur area, Faridpur and Madaripur, and the Kurigram district in the north. The number of sub-projects was also expected to be reduced from several thousand to a few hundred. Means to control the resource flows by the donors were introduced. RESP had taken note of the criticism by the evaluation that the objectives of enhancing agriculture through water schemes had been replaced largely by road building, and foresaw a considerable increase in water schemes under RESP. It had also taken note of the fact that no assets had been transferred to the poor as envisaged, and increased attention was to be given to this under RESP.

Fourth, the technical assistance which had been considerable in IRWP, was increased even more so under RESP, partly to add the financial monitoring and quality control aspect, and partly to support the experimental PEP. The implementation of the considerable technical assistance component of the project was contracted to a Swedish consultancy firm, Hifab. RESP would become one of the company's first major aid management contracts overseas. Hifab would maintain this contract throughout the Programme period.

PEP was to a large extent untried territory for BRDB. While BRDB inherited a considerable legacy in rural development, its mandate was to work with the co-operatives, both for farmers and for the landless. Under PEP, the project focused on informal groups without any intention of creating co-operatives. The model which PEP pursued was more in line with that of the NGOs, emulating many of the experiences in a government-run rural development programme. The diffusion of 'technologies' was aided by the fact that IRWP/RESP was supported by donors which actively were supporting many of these NGOs, and therefore had an intimate knowledge of them.

PEP was an ambitious approach. It not only emulated savings & credit through informal groups, with various forms of social development,.skills development, marketing and market information for income generation, but was also, in theory, linked to a major infrastructure

[16] The sub-divisions in Bangladesh are currently called *thana*, but were called *upazila* in the past. In this report, the term *thana* is used throughout.

programme. The ambition was set at the outset in the Plan of Operation, to be innovative, flexible and un-bureaucratic, and responsive to the needs of the target group. It was a first attempt under the umbrella of BRDB to undertake such a programme, and a series of similar projects funded by other donors followed. PEP had considerable teething problems and fell during very short of its targets during its first years. It required not only development of new methods, but recruitment of new technical assistance staff, and training of new categories of staff, such as the field staff responsible for group formation.

4.2.2 The 1989 evaluation

Limited impact assessment value

A joint mid-term evaluation of RESP was planned for 1988. The intention was that it should

> *...be the basis for a decision concerning a potential continuation of the support to the programme.*[17]

However, the same planning process as for RESP I was also in the making for RESP II. The evaluation was postponed to 1989 and by then planning of a second phase of RESP for 1990 - 1994 was already well underway. A commitment for a continuation had already been made. While not precluding impact assessment, the detailed terms of reference given the mission had little resemblance to an evaluation and mainly focus on various technical and administrative issues in the programme, both the current and planned. It is noteworthy that none of the key issues brought up by the 1985 evaluation is reflected in the Terms of Reference for 1989, except misappropriation.

As an independent assessment of a major, and controversial, programme, the 1989 evaluation was not given much leeway. From the formulation of the terms of reference, it was clear that the donors did not want a repetition of the 1985 *intermezzo*, but used the evaluation as a tool to improve the design of the new planned phase. At the outset the evaluation mission, comprising a team of seven persons of which four were selected by the donors, made the intention of the donors to continue as the premise of its approach. While recognising the criticism made in the 1985 evaluation that,

> *...poverty oriented programmes in Bangladesh have immense difficulties in creating real socio-economic progress for the target group.*

the 1989 evaluation stated that it was of the opinion that,

> *....the reality of the rural power structure is a given within which the donors have chosen to operate, presumably being aware of the situation, and that it is better to make the attempt to reach the lower strata than not to make the attempt at all*[18].

The evaluation focused on administrative and management issues, the composition of investments and also technical details under the different components of the project. As such, it acted more as a 'pre-appraisal' than as a mid-term evaluation. Its willingness to play the constructive role was expressed in 62 recommendations concerning RESP's design.

When the evaluation occasionally attempted to make an assessment of impact, the result was basically negative. It questioned the positive long-term impact on the target group of road construction and growth centres; it believed that growth centre construction could have a negative impact on smaller markets (and presumably people using them); it saw the short-term employment and wage benefits to the target group as limited and furthermore declining due to a different composition of investments; it claimed that fish-pond re-excavation either

[17] Sida (1986), op cit, page 15.
[18] Hawkesworth, N. et al, op cit.

mainly benefited the better off, or had a low or negative impact on the target group; it argued that most Income Generating Activities started under PEP had a low or negative return and that PEP had so far provided few benefits.

In general, the 1989 evaluation noted that the distribution of benefits was a serious issue. The short term wage benefits as percentage of the overall investments had declined in RESP as compared to IRWP (when they were estimated to be 9-13 percent) and that RESP as a whole was a very expensive programme with more than half of its expenditures absorbed by staff costs. It stated that PEP could not be regarded as a success, and suffered from bad design with few benefits for the target group.

In spite of the above, the 1989 evaluation claimed that RESP was a better project than IRWP. There were two reasons: 1) LGEB's rural infrastructure work was of better quality; and 2) misappropriations were probably less as a result of the introduction of financial control systems. In respect of the latter, the evaluation argued that:

> *The quality of work, with some exception of course, has improved, and if the price and quality of work is by and large acceptable it can be assumed that misappropriation is at a relatively low level, and it may be impossible to push it much lower...*

Continuous positive institution building

The 1989 evaluation confirmed and reinforced the positive view of institution building in LGEB noted in the 1985 evaluation. For example, it noted that:

- the quality of the structures and earthwork were close to the highest level ever reached in Bangladesh[19];
- considerable improvements in the financial control procedures as compared to IRWP;
- the system for planning, reporting and monitoring of progress is of high standard;
- performance and progress of training is quite impressive.

By 1989 the successful institution building process of IRWP/RESP in LGED clearly had emerged. It was a success that over time would become increasingly obvious, and attract a large number of donors to the organisation for implementation of an expanded portfolio of projects. The World Bank would eventually herald LGED as a resounding success story in governance. In short, LGEB was to become a shining example of 'government that works', not only in Bangladesh but in developing countries in general. In hindsight, it could be argued that it was understandable if the donors did not want to be side-tracked by difficult questions concerning impact on the poor when such a success in development was in the making and when Sida and NORAD were in the forefront as donors.

Similar to the 1985 evaluation, the 1989 mission also perceived the Labour Contracting Societies (LCS) concept as a successful formula for reaching the target groups and for implementation of work. For example, earthwork done by the LCSs is of a

> *...remarkably better quality than work done by contractors and project committees.... Higher quality of work combined with an increase in daily labour income, skill development and consciencisation form together a strong base for further strengthening of this implementation model.*[20]

The evaluation also noted that LCS was a concept being adopted by other programmes.

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[19] Hawkesworth et al, op cit, p. 42.

[20] ibid., p.47.

While basically positive towards the development in IDP, the 1989 evaluation also reiterated earlier concerns of some institutional issues:

- Impact monitoring was less than satisfactory and analysis undertaken by IDP socio-economic staff in the field were too shallow to be of any real use. In terms of PEP no impact monitoring was attempted. The mission took note of an ambitious system being put in place, with, *inter alia*, a benchmark survey of 7,000 households. The evaluation had reservations whether such a complex system could be sustained.

- There was a very high dependency on technical assistance staff or staff paid for by the project which was considered to be highly unsatisfactory; the expenditure for technical assistance and expatriates was considered excessive.

- No or very limited participation of the target group in identification and planning of rural infrastructure, and decisions were taken by 'rural influentials' and more based on political administrative grounds than technical/economic;

- Physical planning (for example, production of *Upazila* Plan books) was not used to set priorities.

- The cost per person year of job created(Tk 49,000) was too high; and the short term direct benefits to the target group small as compared to costs.

PEP's teething problems

The evaluation endorsed the IDP component of RESP, but was quite critical of the achievements under PEP. It took note of the fact that PEP had been in operation for only two and a half years when the evaluation took place but questioned the level of ambition expressed in a large number of objectives and activities. ,The evaluation claimed that these had slowed down progress. Furthermore, the evaluation criticised PEP for inadequate training of its staff, sometimes poor quality training, insufficient recruitment of staff (especially female field staff), too many staff with know-how in group formation and too few in rural income generation, too conservative an approach to IGAs, unclear job-descriptions, unclear command structures, poor co-operation by technical assistance staff and government staff, no policy on how to use group savings, and the lack of a system for impact monitoring.

While the evaluation commended PEP for an effective target group orientation through its screening process, it was critical of PEP's low degree of gender sensitivity. Thus, the mission claimed that PEP was largely planned with males in focus. A manifestation of this was PEP's inability to recruit female staff. Nevertheless, the ratio of 40 percent of female group members was regarded as an achievement considering the fact that the target in PEP was 30 percent. In this context, it might be noted that the NGOs which were operating similar savings and credit programmes tended to have 80-90 percent women amongst their members. The low degree of female participation in the PEP groups as compared to the NGOs at this time is particularly noteworthy since by the late 1980s gender equality had become a key objective of the donors in general.

The evaluation also claimed that the cost per group member to run the Programme was exceedingly high in comparison to Grameen Bank (and others) and also BRDB's co-operatives for the landless. In the view of the evaluation:

> *PEP will not be able to compete with Grameen Bank, Proshika or BRDB as concerns cost effective mobilisation of groups, savings and the provision of credit to the landless poor.*

Based on the assessment of cost-effectiveness, the 1989 evaluation recommended that the organisation of the landless for credit should be done through NGOs:

> *...other organisations that already have proved their ability to work cost-effectively with the landless poor ...PEP as such should be discontinued.*[21]

This far-reaching recommendation, resembling the language of the 1985 evaluation, did not permeate the report, however. Rather, in the summing up, the evaluation made a series of recommendations on how PEP should be strengthened in the planned RESP II and better integrated into the mainstream of BRDB.

4.3 RESP II (1990 - 1995)

4.3.1 Progamme design

After a year of bridge-financing for further refinement of RESP II, a new phase was agreed by the donors in 1990. RESP II was to be for a three year period from mid-1990 to mid-1993, involving an allocation of SEK 225 million, of which Sida would account for SEK 120 million, NORAD the balance. The new phase had the same overall objective and same target group as the first phase. In quantitative terms the targets for RESP II were: 1) (short-term) employment generation from infrastructure work of 5.6 million days of which half were to be for women; 2) and formation and mobilisation of 2,250 informal groups of 45,000 members for human development and self-employment. RESP II had an extended geographical area as compared to RESP I, adding the Gopalganj district in the Greater Faridpur area, but Kurigram would be phased out during the project period.

RESP II contained three sub-projects: a continuation of IDP and PEP, and a new component for institution building in LGEB called the Institutional Support Project (ISP). The latter was basically a continuation and expansion of such activities included earlier in IDP. The difference was that since LGEB had attracted increasing numbers of donor funded projects, the institutional support provided under RESP II was seen as an overall institutional support mechanism, influencing and using the experiences of these projects. The emergence of a challenging capacity building process was in the making. RESP was becoming a small and geographically limited investment programme as compared to other donor funded projects using LGEB as the implementing agency. RESP, on the other hand, would have considerable influence on capacity building in LGEB through the institutional support provided to the organisation. In terms of donor influence, Sida/NORAD had during RESP I, and would continue to have during RESP II, an extraordinary influence on the overall direction of LGEB considering that amongst LGEB's main project funders were ADB and the World Bank.

The new phase of RESP continued the earlier heavy focus on technical assistance, both local and international, and the very high degree of donor financing of about 95 percent of the total costs. It was recognised by Sida that RESP,

> *...is an expensive programme in relation to its results so far achieved, and the programme cannot continue along the same lines unless the employment effect is considerably increased.*

At the same time, the donors argued that programmes in Bangladesh,

> *...have difficulties to reach quality and efficiency, and that even a simple road construction requires intensive technical and administrative control... Thus, a high cost for control will always be needed.*[22]

In its internal decision memorandum, Sida makes explicit the common view in the donor community and amongst expatriate staff that unless (government) organisations implementing externally funded projects are tightly controlled, the leakage in the form of misappropriation will be high. The high cost of external consultants, especially foreigners,

[21] Hawkesworth et al, op cit, p. 66.

[22] Sida: *RESPII. Förslag till beslut om ny fas 1990/91-1992/93*, Stockholm, 1990

had become an issue in the negotiations between the donors and the government. The latter wanted reduction in these inputs, disagreeing that expensive control was required to maintain quality and reduce leakage, and rather use the resources for the expansion of the investments.

4.3.2 The 1992 studies

The donors did not undertake a mid-term evaluation of RESP II, but commissioned a series of separate studies of the programme in 1992. These studies comprised:

1. a review of IDP;
2. a review of ISP;
3. an evaluation of the impact of technical assistance;
4. a study on the financial control within RESP;
5. a series of studies related to PEP, including a study on the institutional arrangements, the IGA and credit operations in PEP, and a comparative study on PEP and other government and non-government poverty alleviation programmes.

The studies were conducted by separate teams of international and national consultants, the latter appointed by government, the former appointed by the donors.

The IDP study

In the study of IDP the authors acknowledged the significant institution building that had taken place in LGEB during the eleven years of Sida/NORAD support. In their view this support had largely made the organisation into a unique feature in the Bangladesh government context:

> *Historically, RESP as a whole and IDP in particular have played a far wider, more important role than their field-level outputs of infrastructure alone. IDP and its forerunner, IRWP, have been pioneering projects. In the early 1980s IRWP was the first internationally-funded project to pick up the dwindling Rural Works Programme.... As such (the project) has formed the platform of support for and credibility of LGEB/LGED on which the current portfolio of major internationally-funded infrastructure project and programmes have been based. In this process, RESP has also been a 'market leader' programme, chartering a course for other international development assistance agencies to follow.*[23]

While the 1992 study of IDP recognised the considerable achievements, it concluded that IDP was beginning to lose its role as a pioneering project. It had lost its innovative character and had turned into a straightforward implementation project. In the view of the study several factors had contributed to this: a) the creation of the institutional support project to LGED under RESP which had taken over much of the institutional pioneering role of IDP; b) the physical transfer of the headquarters of IDP to Faridpur, making IDP more insulated and less able to influence the organisation; c) the emergence of many other projects in LGEB, most of them larger in size which had begun to take over the role of systems and methods development; d) the predominance of engineers in IDP's management,

> *...which has fuelled the trend towards a specific and somewhat narrow interest in hardware, engineering design and output within the project area.*

A key reason for the critique of IDP was that it still was a highly technical assistance dependent project and as such costly as compared to the increasing number of other projects implemented by LGED. All in all, by 1992, RESP had a staff of 400 reimbursable government staff, about 315 local technical assistants and 13 expatriates. While this high level of technical assistance contributed to high quality work and good quality supervision,

[23] Alam, D. & Relf, C., *RESP: The efficiency and organisation of IDP*, Dhaka: DIPM, UK & Kranti Associates, 1992.

the numbers of Technical Advisers had, according to the study, also created several negative effects including:

- a by-pass syndrome - the Technical Advisers had tended to substitute for the role of LGED rather than to rely on and work through LGED staff;
- and inward looking tendency, focusing on IDP rather than LGED;
- a question of what might be left behind after withdrawal

In summary, IDP compared negatively to other projects since, according to the study,

> *...among these other RD projects, integration with LGED is built into their design rather than being a target to achieve in parallel with output targets as in the case of IDP.*[24]

The same quality as was produced in IDP in terms of rural infrastructure could be achieved with less technical assistance, as was proven by other projects.

The findings of the IDP study were contradicted to some extent by an evaluation of the impact of the technical assistance support, undertaken during the same year. The study acknowledged the fact that RESP was heavily dependent on technical assistance and also took note of the government's critical view of this fact, especially the large number of expatriates. In the view of the evaluators, the technical assistance was largely necessitated by the fact that,

> *...the objectives of PEP and IDP are far more ambitious than those of other Rural Development Programmes handled by LGED and BRDB... and ...quality control is much stricter in IDP than in other comparable projects.*

Without the technical assistance, the project would not produce the same output.[25]

The PEP study

The studies on PEP concluded that by 1992 the project,

> *...had made good progress over the last three years... and is now a significantly more effective organisation for meeting its primary objective of improving the economic and social situation of its target group of landless men and women... In a sea of mis-management of projects by the government of Bangladesh (PEP) has the potential to stand out.. as a success story .*[26]

In fact, the progress was so good that the perception of PEP from the outside was that it was not a government run project but a kind of an NGO operating largely outside the government structures both at the headquarters level and at local level. PEP's position in BRDB was basically a formal one, with little overall interaction. The authors questioned whether there was any demonstration effect of PEP to BRDB, and hence whether PEP had any institution building role at all. In the view of the authors, rural development in Bangladesh had become a *rent-a-thana* approach by donors wanting to experiment according to their desires, a process facilitated by the government's accommodating attitude. This is also reflected in the mood within the project management:

> *We started at arms length from BRDB in a decentralised way - RESP had no faith in BRDB at that time. We saw ourselves as pioneers. Up to the 1990s there was a misunderstanding between RESP and the government of Bangladesh. The TA did not acknowledge the BRDB ownership. Originally BRDB didn't interfere because they didn't think it was their project.*

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[24] Alam & Relf, op cit, p. 2.

[25] Norbye, O. & Ali A., *RESP: Evaluation of the Impact of the Technical Assistance Support* , Bergen: Chr. Michelesen Institute, 1992.

[26] McGregor, A. et al: *PEP Evaluation Studies*; Bath, 1992.

Triggered by the views of the PEP evaluation, a new element of institution building in BRDB was introduced in 1994, called the RPP Task Force. The objective of the Task Force was to assist BRDB in developing, harmonising and co-ordinating the increasing number of rural development programmes under the organisation.

The impact on the target group

The 1992 evaluation studies had relatively little to say about the impact of the Programme on the target group, i.e. to what extent the programme was fulfilling its overriding objective. Furthermore, what they said, tended to question the existence of major positive impact, especially under IDP. The study noted that in terms of employment,

> *...IDP is still only a contribution to the 'mosaic' of different types of employment on which the rural poor depend.... IDP cannot have been expected to do more than make a partial contribution to a holding operation against the spread and deepening of rural poverty.*

Downstream benefits to the rural poor from the roads rehabilitation were limited due to a generally well developed roads network in rural Bangladesh and because benefits from transport savings and incremental traffic would be captured by the better off. It considered that the potential benefits of the water schemes often were lost due to generally non-functional operation and maintenance, and that the land-holding pattern in the area strongly favoured the better off. Similarly, the study argued that the benefits of the market improvement generally were negated by a very poor state of maintenance of the improved markets. The study also identified various negative impact of the project such as agricultural land lost due to roads construction.

The 1992 study took note of the severe criticisms regarding the mal-distribution of benefits from the Project by the 1985 evaluation. The authors did not contradict those findings, but found that the donors had become more relaxed and sanguine about such concerns, partly as they had become more accepting of a trickle-down effect, rather than being too concerned about directing benefits to the poor, partly as PEP had become an alibi for poverty orientation in RESP.

4.3.3 The extension of RESP II

RESP II was planned for a three year period, but was extended to five years by adding a second phase of RESP II in 1993. An added allocation of SEK 164 million was provided for the additional two years, of which Sida contributed SEK 94 million and NORAD the balance. This second phase was largely the same as the first. The justification was that,

> *RESP was a well defined, organised and implemented programme which deserved continuous long-term support. This view was supported by various evaluations and also by the appreciation shown by Bangladesh.*[27]

The project was in an expansion phase, especially concerning PEP, which was increasing its membership rapidly. The Programme was also expanded to a new district in the greater Faridpur area, Shariatpur. All in all, six districts would be covered, as Kurigram, contrary to the earlier decision, had not been phased out. A new small technical assistance component was included, called the Rural Poor Programme Task Force. This was an institutional development project for BRDB. The Rural Poor Programme had become a collective name for a new generation of donor funded projects under BRDB focusing on the landless and using group mobilisation, savings and credit as the main interventions. While PEP (or RD-5 in BRDB's terminology) was the first of them, several projects which followed were financed by ADB, CIDA and the EU. The purpose of the RPP Task Force was to work with BRDB's management to learn from the RPP experiences and assist the management to develop a

[27] *Insatspromemoria, tvåårig förlängning av RESP II*, Sida: Stockholm, 1993.

more streamlined BRDB approach. Thus, from a programme management point of view, RESP was trying to replicate its model from LGED in BRDB.

4.4 RESP III (1996 - 2000)

4.4.1 Disagreement between Sida and NORAD

Even before the extension of RESP II to 1995, the donors had indicated their willingness to continue RESP into a third phase that would take the Programme to the year 2000. Such planning was initiated inside RESP already in 1992. As the planning of the new phase took longer than expected, one year of bridge financing was agreed for July 1995 to June 1996. During this time, disagreements between Sida and NORAD concerning the Programme escalated, leading to a situation where Sida alone would finance RESP III. While NORAD had played a rather passive role as a co-financier during most of the RESP period, by the mid 1990s, the organisation was taking a more active interest.

A reason for the disagreement was that NORAD and Sida were operating under different modalities. NORAD was under increasingly strong pressure from the Norwegian government in terms of accountability for aid money, requiring stronger conditionality in reporting. Specific incidents involving the violation of agreed guidelines in the use of funds under the IDP noted by an auditor's report, caused NORAD to suggest that it may reduce funding to the Programme. Sida, on the other hand, was more concerned about continuing the momentum of planning and programme preparation for RESP III and was concerned about the delays that would be caused by replanning as a result of a potential NORAD reduction. Ultimately, the disagreement between the two donors reflected differences in the level of emphasis placed on monitoring and the degree of donor interference to ensure accountability in a programme during implementation. The Agreed Minutes of the Sida/NORAD meeting of 21 and 22 May 1995 clearly voice this difference.

> *Sida: ...the last years seem to have shown that there are differences in the way we look at the donor's role in management of agreements including monitoring and follow-up and how we would interfere in programme operations during the course of implementation.*
>
> *NORAD:...the last years have shown that the agencies' degree and manner of implementation of the strategies seem to be different. This is especially manifested in the agencies' different understandings concerning recipient responsibility versus interference in the programme. NORAD also said that there seems to be a difference of opinion and practices concerning assessments of performance and the degree to which these should be discussed at the quarterly meetings and the ARM.*[28]

The final decision to abandon the parallel financing was taken by Sida, basically informing NORAD that Sida alone would support RESP III. The disagreements between the donors has created some ill-feelings on both sides in spite of 15 years of co-operation in a programme that has been described by some as a success. NORAD is pursuing a similar project as PEP with BRDB in the greater Kurigram area. Overall, the incident described above showed Sida's strong commitment to maintaining the momentum of the Programme, which could override potential concerns of financial mismanagement and monitoring.

The third phase of RESP III had strong similarities to RESP II, albeit with a slightly lower annual budget than RESP II as a result of the loss of NORAD as a donor. The latter was partly compensated for by an increase in funding from Sida. The frame for donor support in RESP III was SEK 210 million. A new feature was the inclusion of a soft loan of SEK40 million for IDP activities. In RESP III, the RPP Task Force had been made into a separate project, the BRDB Institutional Support (BIS). Therefore RESP III was comprised of four different projects and a co-ordination function. From an aid management point of view, the

[28] *Agreed minutes from the Sida/NORD meeting on 21 and 22 May 1995*, Embassy of Sweden, Dhaka, p.4.

project also included a Logical Framework Analysis (LFA) and an independent Advisory Team that would monitor the Programme throughout its implementation.

4.4.2 The current situation

RESP III is currently (May 1998) half way completed with about two years left before its planned end. IDP - soon 20 years old if IRWP is included - is very much an established project operating within LGED. In terms of an implementation project it has become a very small part of LGED, accounting for about 5 percent of LGED's annual budget for implementation of rural infrastructure projects, and even less if other projects are included. Even within the Greater Faridpur area, IDP accounts for only about a third of LGED's operations. Furthermore, as IDP is phased out its output is declining. With the evolution of LGED as a successful organisation and its strong attractiveness to the donors, it is difficult to argue that IDP any longer plays a unique role, but rather has become marginalised as a development project in the LGED context.

ISP - on its 8th year of implementation - is well-established at LGED's headquarters. ISP plays a unique role in LGED as compared to other donor funded technical assistance projects in LGED in the sense of its comprehensive support. With the status of LGED in Bangladesh today, and within the donor community, it is a prestigious role to play.

PEP - in its 12th year - is an established 'institution' in the greater Faridpur area. With a membership of about 140,000, it has emerged as one of the largest micro-finance programmes in the region together with Grameen Bank and BRAC. PEP, or RD-5, is one of BRDB's eight projects with a similar orientation.

BIS, the newest of the RESP components with 4 years of operation (including the period of support to the RPP Task Force), has over its relatively short period of time, established itself in BRDB as a 'think tank' operation, producing a number of comparative studies and hosting workshops with the objective of enhancing BRDB's capacity in RPP performance.

4.4 3 The sustainability issue

While the RESP of 1998 appears to be very much 'business as usual', the programme is also affected by an intensive discussion about how to sustain the achievements of RESP, particularly the PEP. Officially, Sida has maintained that RESP III is the final phase, and the focus of this phase is to secure sustainability after Sida's withdrawal. Nevertheless, unofficially Sida has also left an opening for the future, indicating that some form of support to some of the individual components beyond the year 2000 might be possible.

The advisory team monitoring the implementation and with a mandate to focus on sustainability, suggests in its most recent report to Sida (March 1998) that Sida should rethink its phasing out. A reason for this, according to the team, is a change in government's policy for rural development:

> *The Five Year Plan (1997- 2002), with its strong emphasis on democratic local governance and participatory bottom-up planning, and its definition of alleviation of poverty in rural areas as synonymous with development, provides a conducive and supportive environment for pursuing the RESP concept. Against this background it appears justified to suggest that Sida reviews its plan to discontinue the RESP concept after 2000.*[29]

The advisory team suggests that Sida provides additional support to PEP for its institutionalisation through continuous technical assistance. It suggests that the support for BIS is maintained beyond the year 2000 as *BIS plays a critically important role in the development*

[29] Öjermark, P. et al, *RESP III, Report Sida Advisory team, Draft*, Dhaka, 1998.

of a co-ordinated and effective BRDB rural poverty alleviation programme...[30] There are also suggestions for the continuation of ISP activities.

Phasing out of a twenty year programme in which the donors have financed up to 95 percent of the total cost is a difficult process, especially as the Programme has been seen to perform well. The phasing out is complicated by mixed messages from the donor and its advisory team. It is no wonder that RESP currently is characterised by strong lobbying by the institutions and key staff for continuous support by Sida, a discussion that in many ways overrides any serious consideration of long-term sustainability.

4.5 Summing up

4.5.1 Overall dimensions of the Programme

Summing up the different phases of IRWP/RESP, the donors will have allocated the equivalent of nearly SEK 1,000 million by the year 2000 in nominal terms. Sida will have provided SEK 650 million (current value) of this. IRWP/RESP is Sida's largest ever rural development programme. Table 2, below, gives the distribution of the allocations in the different phases in the five components comprising RESP. In terms of financial allocations, IRWP/RESP has clearly been mainly an infrastructure investment programme. IDP alone accounts for 65 percent of the total donor support, and nearly 80 percent, if ISP is included and the overall management and co-ordination by PCU is excluded. The institutional support to BRDB, on the other hand, is a small part of the programme, accounting for less than 2% of the total programme cost.

Table 2: IRWP/ RESP components and financial allocations (SEK million)

	IRWP	*RESP 1*	*RESP II*			*RESP III*	*TOTAL*
Components	*1981-85*	*1986-90*	*1990-93*	*1994-95*	*1996*	*1996-2000*	*1986-2000*
IDP	150	120	140	87	48	90	635
PEP	-	25	39	36	19	59	178
ISP	-	-	30	26	14	32	102
RPP/BIS	-	-	-	3	2	11	16
PCU	-	9	15	13	6	19	62
TOTAL	150	154	224	164	89	210	991
Average/year	30	39	75	82	89	53	50
Financing:							
Sida	104	75	120	94	45	210	648
NORAD	58	79	104	70	44	-	355
DANIDA	18	-	-	-	-	-	18

The financial allocations per annum to IRWP/RESP increased from its inception to the mid-1990s, peaking in 1996, and thereafter it has declined. The geographical coverage of IRWP/RESP has had a similar change with the exception of the first phase. In IRWP, the coverage was extensive with 40 *thanas* in 11 districts. The Programme was concentrated in RESP to allow better supervision to 21 *thanas* in three districts in RESP I. A gradual expansion took place during RESP II, first to 22 *thanas* in four districts during 1990-93 and during the extension of RESP II up to 36 *thanas* in six districts. The project peaked in coverage as well as budget and output in 1995-96. Due to the loss of NORAD as a donor, it was scaled down in RESP III to cover 27 *thanas* in five districts. The planned phase out from Kurigram which was supposed to take place in the early 1990s, did not take place until RESP III. The wider coverage was generally in IDP, while PEP has had a smaller coverage. The

[30] ibid.

Programme has had a core of two districts which have been subject for support all throughout the IRWP/RESP, namely Faridpur and Madaripur.

Table 3: Number of thanas covered by RESP in different stages of the Programme

	RESP 1	*RESP II*			*RESP III*
Districts	*1986-89*	*1990-93*	*1993-95*	*1996*	*1996-2000*
Faridpur	8	8	8	8	8
Madaripur	4	4	4	4	4
Rajbari	-	1	3	4	4
Gopalganj	-	-	5	5	5
Shariatpur	-	-	-	6	6
Kurigram	9	9	9	9	-
Total	*21*	*22*	*30*	*36*	*27*

4.5.2 Some lessons from the programme evolution

The following are some key findings from the historical review of IRWP/RESP:

The programme has been truly process-oriented. It originated as a small pilot scheme and has over the soon 20 years emerged to a complex programme with five different projects, addressing both infrastructure issues, institutional development and micro credit. The evolution has been based on learning in the earlier phases. The donors have displayed considerable flexibility in design and redesign of the programme.

From what appears as a very troubled programme (IRWP), highly criticised by an external evaluation, the programme has increasingly being described in positive terms by the external evaluations. It is portrayed as a success story in many respects, especially the infrastructure elements. In particular, the Nordic donors seem to have played a unique role in assisting LGED to become an institutional success story. It appears that the donors also have influenced the implementing organisation, LGED, towards a greater 'social' content in its infrastructure development.

The donors' use of external evaluations leaves some questions. The issue is less that the donors decided not to follow the 1985 evaluation's advice to phase out, but the timing of the evaluations. Evaluations are in theory stock-taking prior to decisions on continuation, but *de facto*, such decisions were taken before the evaluations took place. As such the evaluations turned out to be quite 'toothless.' While officially commitments by the donors are made for only a few years at a time, there is a momentum for long-term co-operation in which external feed-back only marginally can influence.

The overall objectives of the programme by the donors (Sida) have changed little over the programme period, except being more explicit through the use of LFA. However, there seems to be *a de facto* change of objectives towards institution building, and less emphasis on direct impact on the poor. It could be argued that what was a means towards the ultimate objective: developing an organisational capacity, has become the dominating objective

The critical issues at the design stage of the programme raised by the donors and also brought up by the 1985 evaluation: whether it is possible to reach the poor in the framework of Bangladesh's social and political environment, has lost its emphasis in the donors' decision making over time. This is not because the issue has been resolved, but due to a greater concern for institution building objectives as discussed above. The strategic

questions which occupied the donors and the first evaluators have increasingly being replaced by more narrow operational issues.

IRWP/RESP seems to indicate serious problems of joint donor funding by the Nordics. DANIDA's pull out at an early stage seems to have had less to do with questions of the merit of the approach of IRWP as such, and more of donor management and profiling. Likewise, the NORAD-Sida controversy in the mid 1990s seems to have been triggered by leadership problems for the programme. It might also reflect different conditions the donors operate under. It is noteworthy that both DANIDA and NORAD have pursued similar projects through the same institutions as RESP after the phase out of IRWP/RESP.

The programme has been entrusted to one Swedish consultancy group since the beginning of RESP. In view of the considerable number of local and international technical advisers administered by the group, the consultant has developed a very strong position. The consultant seems overall to have performed its task well. However, its 'monopoly' which seems to have been maintained without competitive bidding of the different phases of the project is a questionable practice.

The Nordic donors have created to a large extent a 'by-pass' in RESP. While the programme is implemented by government institutions, the provision of ample technical advisers as well as a large share of the budget, makes a smooth take over of the programme by the government very difficult. This issue, identified already in IRWP, continues to be an issue. The programme also applied quite different approaches to the two counterpart organisations. While IDP was a distinct LGED operation, RESP explicitly made PEP autonomous of BRDB. IDP influenced LGED's development, while PEP seems to have much less influence on BRDB.

Section 3: Programme performance and impact analysis

Chapter 5: IRWP/RESP: Programme performance and impact analysis in infrastructure development

5.1 *The strategy for rural infrastructure*

In line with the experiences in Comilla during the 1960s, IRWP set out as a rural infrastructure programme focusing on water schemes for the purpose of enhancing agriculture production. Roads, markets and other infrastructure development were considered to be secondary. However, already from the beginning of IRWP the bulk of the investments were directed towards roads, while water schemes accounted for the minority of the investments. After the 1985 evaluation which had criticised the discrepancy between the objectives and the reality, the donors reiterated the importance of water schemes in the design of RESP. Nevertheless, roads continued to be the focus of the rural infrastructure investments until, in the third phase of RESP, water schemes were excluded altogether.

The experience in IRWP/RESP reflects a broad issue in Bangladesh's rural works programmes since the 1960s, as has already been discussed in Chapter 3. Political factors at the local level, problems of vested interests and maintenance in water schemes and expediency in construction favour roads to the extent that feeder road rehabilitation and maintenance has become the mainstream of LGED's operation, not just in RESP, but in general. On the other hand, throughout the history of rural works in Bangladesh the potentially high economic return of water schemes through agricultural development has been stressed, while the importance of roads often has been questioned. *Ex-ante* cost-benefit analyses undertaken in RESP also point towards much higher potential returns on water schemes than on roads.

The Nordic donors acquiesced in the fact that RESP largely turned into a rural roads programme, and since the mid-1980s there has not been any major debate on the issue. It appears that this shift was accommodated by the increasing focus on institution building in the Programme and the reduced attention given to the impact on the rural poor. Hence, no thorough analysis has been undertaken under RESP of what importance (rehabilitation of) rural roads plays in the rural areas of Bangladesh, their impact on the rural economy and the distribution of benefits from road works other than direct employment. While water schemes were the subject of simple cost-benefit analyses in their selection and decision making, the selection process of rural roads does not contain such analysis, but is largely the result of a political/administrative decision making process at the *thana* level.

The Government's Rural Development Strategy published in 1984 took note of the preference for roads in rural works programmes and established a rationale for spatial development besides the employment aspect. Thus, the strategy was based on the concept of development of 1,400 'growth centres' which should be linked by a good roads network. The rural infrastructure element of the strategy became the *modus operandi* for LGED. The decentralisation policy of GoB in 1982 gave the *thanas* the responsibility for the growth centres, the feeder roads and rural roads, the limited capacity of the *thanas* made LGED the *de facto* implementing agency for most of the rural infrastructure.

5.2 *The composition of rural infrastructure in the programme*

The infrastructure development under IDP has consisted of the following:

1. Roads
- Feeder Road B (FRB) rehabilitation and improvement of earth to all-weather roads, including bridges and culverts
- Rural roads category 1-3 reconstruction, rehabilitation and upgrading, including foot bridges and culverts

- Road maintenance of FRB and rural roads repair and routine maintenance
- Tree plantations along road sides

2. Growth centres/markets
- sheds
- internal roads and connecting roads
- water & sanitation
- drainage
- open and closed sales areas

3. Small scale water resource schemes
- flood embankments
- water control structures for drainage, flood-control such as sluices and regulator
- re-excavation of drains and canals

4. Other infrastructure and building materials work
- pipe casting and culvert installations
- building materials/action research
- functional buildings

The achievements in terms of physical outputs during RESP 1 and II, and the targets for RESP III are as follows:

Table 4: The physical achievements of RESP infrastructure development

Components	Units	RESP 1-II	RESP III
Feeder roads			
Earth work	km	129	-
Pavement	km	248	115
Bridges/culverts	meters	3550	697
Maintenance	km	182	286
Rural roads			
Earth road maintenance	km	6360	1571
Rural road bridges	meters	3678	828
Road side tree plantations	km	817	204
Growth centres	no.	66	24
Water resource development	catchment area (ha)	32,857	-
Other			
Structural maintenance	no	2641	126
Pipe coasting and culverts	no.	4020	500

Source: RESP project office

This chapter will focus on three of these infrastructure developments, roads, growth centres and water resource development. It is concluded with a discussion of the employment generation in infrastructure development.

5.3 Rural and feeder roads

5.3.1 Background

The extremely high population density of Bangladesh with 800 persons per square kilometre and rural production based on very small landholdings has created a rural economy with a high degree of transactions manifested in intense trading of goods and services. The traffic level in rural Bangladesh is quite high and largely in the form of 'manpower intensive' types of transports such as head-loads, cycle rickshaw vans, bullock carts and others. The

importance of a road network to facilitate transactions and to stimulate a higher degree of diversification and division of labour is evident. Bangladesh has a well developed road network with the highest intensity of roads in relation to land area among developing countries in Asia at 70 km per 100 square kilometre[1]. However, 95 percent of these roads (in terms of length) are feeder roads or roads of lesser quality and so the comparison might not be fully justified.

Roads in Bangladesh are classified in nine categories, as is shown in Table 5. Of these, the five upper classes are the responsibility of the Roads and Highways Department (R&H), and the lower four, i.e. FRB and Rural Roads types 1-3, are the responsibility of LGED.

Table 5: Classification of roads in Bangladesh

Road category	Connecting nature	Traffic volume (loaded vehicles) per hour both ways	Shoulder to shoulder width (feet)	Pavement (feet)	Each shoulder width (feet)	Department responsible
National highway "A"	Capital city to divisional headquarters and main regional centres	600 and above	40	22	9	R&H
National highway "B"	Capital city to divisional headquarters and main regional centres	200-500	40	18	11	R&H
Regional highway "A"	District HQ to district HQ and important business/ industrial centres and region to region	200-500	36	18	9	R&H
Regional highway "B"	District HQ to District HQ and important business/ industrial centres and region to region	50-200	36	12	12	R&H
Feeder road "A"	District HQ to thana HQ/highway to thana HQ	50-200	30	12	9	R&H
Feeder road "B"	Thana HQ or highway to growth centre and rural markets	Less than 50	24	12	6	LGED
Rural road "R1"	Thana HQ to Union	Less than 50	16	12	6	LGED
Rural road "R2"	Growth centre to village	Less than 50	12	12	6	LGED
Rural road "R3"	Village to village	Less than 50	8	12	6	LGED

The network of rural roads (feeder roads and rural roads) in Bangladesh was primarily constructed in the 1960s and '70s through rural works programmes such as Food for Work.

[1] World Bank & Government of Bangladesh: *Bangladesh - Rural Infrastructure Strategy Study* , Dhaka: University Press, 1996.

There has been little change in the network since 1983: over the period 1983-93, the increase in feeder roads was only 1 percent.[2] After the early 1980s, the focus on rural road works has been improving and rehabilitating the system by improving road embankments, surfacing earth roads with bricks or tarmac, and constructing bridges and culverts.

A survey of rural roads in 1993 found that over 85 percent of the FRB type were in good or average condition, and only 14 percent poor, with a similar distribution for Rural Roads 1-2. Yet, of the FRB, nearly 80 percent were not surfaced and only 7.5 percent were bitumen paved. A problem with the road system is the gaps in the drainage systems due to the needs of many bridges and culverts as a result of the flat country and frequent flooding. The structure density in Bangladesh is 0.5 drainage structures per kilometre of FRB and rural roads as compared to, for example, China and Indonesia which have a density of 2-3 per kilometre.[3] The low density of drainage systems causes various problems such as water logging on nearby farms and damage to the roads during floods. In general, the geophysical conditions of Bangladesh make the cost of building roads one of the highest in the world and more intense maintenance than usual is required.

FRB are of three different basic designs:

1) Earth roads with a surface of soil and sand collected from fields alongside the roads. These roads have low load bearing capacity and require ongoing routine maintenance.

2) Herring Bone Bond paved (HBB), using bricks as pavement placed in a pattern which has given name to the construction. The HBB roads, using local bricks, have a rougher surface than a bitumen topped road, are cheaper to construct, but have lower load bearing capacity and high maintenance costs. Due to the abundance of locally produced bricks, this was a common construction until recently, but the design has now been abandoned for tarmac surfaced roads.

3) Flexible Macadam Roads, with a base of sand and aggregate mix, the latter consisting of crushed clay bricks, layers of crushed bricks and with a surface of bitumen.

5.3.2 Performance in outputs

Under RESP since 1986 some 300 kilometres of FRB have been rehabilitated in the five districts of Greater Faridpur and in the Kurigram district, including the construction of 3,200 metres of bridges. In addition to the rehabilitation of the feeder roads, RESP has so far maintained 7,500 kilometres of rural roads.

While the quality of the construction under IRWP was subject to much criticism in 1985, the assessment of the road rehabilitation under RESP is much more positive. As indicated by earlier evaluations in 1989 and 1992, and as confirmed by the technical assessment in this evaluation, the quality of LGED's work is generally high. The following are some conclusions on the technical aspects of the roads construction undertaken in this evaluation based on site inspections of twelve roads randomly selected in four districts amounting to 650 kilometres. Details of sites visited and inspected in the evaluation is provided in Annex 3.

- The inspected roads, bridges and culverts built under RESP were generally in good condition. However, due to heavier traffic than anticipated when the roads were built, some feeder roads rehabilitated in the 1980s are now in poor condition and in need of rehabilitation. There is a general experience in Bangladesh that improved roads are exposed to heavier traffic than what they initially were planned for.

- The overall impression of the road network in the districts is that the roads are well maintained.

[2] World Bank & GOB (1996), op cit.
[3] World Bank & GOB (1996), op cit.

- A comparison with bridges constructed under IRWP showed considerable improvements. Earlier bridges tended to be of poor quality, due to poor quality of construction, materials and labour. This, and reduced quantity of materials like cement and steel as compared to that required according to specification, has in many cases led to very poor structures, which are often partly collapsed. Bridges recently built are of good quality.

- The quality of workmanship seen during the evaluation was good, sometimes excellent. The skills developed by both local contractors and LCSs are impressive, especially for the LCSs. However, the selection mechanism of contractors leaves much to be desired, sometimes resulting in serious delays in implementation and a need for intensive supervision by LGED staff.

- The development of the *Macadam* technique using burned and crushed bricks is very interesting. The roads' flexible construction has proven to be of excellent quality.

- The system of supervision by the District and *Thana* engineers, for example by using a scheme control book, is effective for quality control. The materials testing at the (RESP financed and innovated) district laboratories is of good quality and is run by competent staff This has contributed to improved road quality.

While it is difficult to attribute a change over an almost twenty year period to a particular programme, it must be concluded that RESP has played an important role in this quality upgrading of LGED's rural road construction. This has been achieved through a variety of inputs such as training, intense supervision and technical development (such as quality testing). While IRWP/RESP has played an important role, as is further discussed in Chapter 8, it is unlikely that these achievements would have taken place without the unique leadership and management of LGED since the birth of the organisation.

As a result of the increasing number of donor funded projects, LGED has expanded its output from a level of about 90 kilometres per annum of rehabilitated feeder roads in the period 1985-90, to about 600 kilometres per annum in 1990-95. With an annual production in IDP of about 30 kilometres of rehabilitated feeder roads in the 1990s, RESP has become a minor donor accounting for about 5 percent of LGED's road rehabilitation work. Its influence on the performance of LGED has naturally declined considerably.

Over the duration of RESP, IDP has had a considerable number of technical assistance staff (see Chapter 8), solely working with the infrastructure programme. While the roads programme has been implemented through LGED's structure, the management has to some extent been foreign through IDP's expatriate staff at the headquarters in Faridpur and in the Districts. It could be argued that IDP represents not a 'normal' output of LGED, but a production system with considerably more resources for design, supervision and monitoring than would have been provided if the government alone would have implemented the programme. Furthermore, while RESP has transferred and innovated certain technical skills to roads construction in Bangladesh, its most important role for improved performance has probably been through much more intensive supervision.

The 1985 evaluation concluded that the degree of misappropriation was of a magnitude that it made a programme focusing on the poor impossible to implement. The 1985 evaluation also saw roads of poor quality, funds for rural roads which had ended in the pockets of a local elite, bridges half way over a river without connections to land, and concrete structures that were soft as sand due to cheating on cement. RESP responded to these findings by tightening the control over funds, introducing financial control systems and providing additional resources for supervision and monitoring. As compared to 1985, LGED is today undoubtedly delivering good quality infrastructure. The technical assessment of the organisation is that its work is as good as anything that can be found not only in developing countries but also in the industrialised countries.

5.3.3 Impact of roads

While the institutional development in rural road construction is undisputed, the question of whether a better feeder road network leads to improvements in the standard of living of the poor is less easily answered, i.e. does the road programme contribute towards the overall objective of the Programme? Two forms of impacts should be considered in this context: 1) the impact of rehabilitation and maintenance in the form of direct employment and indirect employment in the construction industry involved; and 2) impacts of a rehabilitated and improved road on the local economy in the form of facilitated economic transaction, reduced transport costs, improved access to services, changes in land values and other factors. Potential negative impacts should be taken into account. For example the transfer of productive agriculture land for the use of roads, increased frequency of accidents, increased pollution and other consequences. The impact of maintenance besides direct employment generation might be seen as the savings in ' opportunity cost' or the lost benefits due to a road in poor conditions as a result of neglect of maintenance. The discussion in this chapter on impact will deal with both aspects 1 and 2.

Increased traffic volumes

RESP has undertaken some monitoring of changes in road use before and after rehabilitation through traffic counting. A bench mark survey was undertaken in 1989, to be followed by regular impact monitoring afterwards. This approach had both serious weaknesses in design and in implementation. First, the benchmark was undertaken while construction already was ongoing and thus there are questions as to the reliability of the data. Secondly, the regular impact monitoring was abandoned shortly afterwards as the methodology was claimed to be too cumbersome. However, a follow up survey was conducted in 1992 with the selection of four roads[4]. The study indicated an expansion in traffic afterwards as compared to before, especially motorised traffic, and rickshaw vans and bicycles, while there was stagnant or declining traffic on-foot or by bullock cart. The passenger load by motorised transport had increased five to tenfold, and by rickshaw van three to fourfold. The overall increase in person transport and in goods (in tons) was about 50 percent. In person transport, on-foot was still the dominant mode. As a check, the 1992 study used a non-improved 'control' road which indicated that the changes seem largely to be due to the improvement.

The study also indicated a certain reduction in transport costs in all modes of transportation. For example, the cost/mile by bullock cart and by ricksaw van had declined by 30 percent and by truck by 25 percent. Prices were calculated in current Taka, and therefore the real decline was even more. The study also assessed development along the road in terms of new shops and institutions. Comparing the 'before' and 'after' the following pattern emerged:

Table 6: Results of a 1992 RESP survey of impact of road construction

	Numbers before	Numbers after
Markets	11	12
Shops	48	187
Tea stalls	17	28
Bank branches	13	14
Social clubs	10	16
Mosques	40	44
Schools	14	19
Health clinics	6	7
Government services	8	8

The findings in the RESP study can be compared to more elaborate impact monitoring in the multi-donor financed RD-7 project implemented by LGED from 1988 onwards. The type of road rehabilitation is similar to that of IDP. In a sample of twelve feeder roads in the RD-7

[4] RESP PCU) *RESP - Effects and impact of IDP 1*, Dhaka, 1993

project, the volume of passenger traffic measured in passenger kilometres per day increased by 174 percent in the first year after completion. The change in freight intensity, measured in ton kilometres per day, was 71 percent. As a result of the road improvement, there was a clear shift in modality from on-foot traffic to non-motorised and especially to motorised traffic. For example, the passenger traffic on foot declined by 8 percent, while non-motorised forms increased by about 200 percent and motorised traffic by nearly 800 percent.[5] In freight traffic there was a dramatic shift from head loads on-foot and non-motorised traffic to motorised. The most significant changes in the upgrading of an earth feeder road to a hard surfaced one is that buses and trucks start to operate, dramatically increasing the volume of passenger traffic and freight. The 'losers' in transport due to upgrading for earth to hard surface are the bullock-cart transport both for freight and passengers and transport by foot.[6]

Field study case: Impact of a feeder road

Abdus Sobhan is a rickshaw puller. He was going to Rajbari through the Bagmara-Dhua Para feeder road. We wanted to know what changes had occurred in his life since the improvement of this road. He said: "There was no rickshaw plying on the road before the improvement was done. The condition of the road was so bad, pot holes and knee-deep mud in the rainy season. And with the earning of rickshaw-pulling I have mortgaged-in 20 decimals of land".

The interpretation of these changes in traffic is that either a deviation of traffic from other roads or means of transport takes place, or the road improvement triggers a dramatic increase in economic and social activity in the area. We have no quantitative data reflecting such changes, but the overall impression from case studies in the evaluation is that both factors are at play: the density of the road network in rural Bangladesh is so high that generally users have several options available. An improved road might mean a reduction in transport length of perhaps a few kilometres, hence upgrading of a certain road leads to the transfer of transport from other roads. However, improved roads also tend to trigger economic and social activity in the micro environment, reflected in the opening up of an area for increased transaction for example with traders plying the area, the establishment of shops along the road side, and other such results. In exceptional cases improved roads might change the transport pattern in an area dramatically.

Reduced transport costs

The World Bank has calculated the transport costs in passenger and freight for different types of feeder roads in Bangladesh as follows:

Table 7: Transport costs in passenger and freight for different types of feeder roads and mode of transport (1995)

	Goods (Tk/ton km)			Passenger (Tk/ km)		
	Bitumen	HBB	Earth	Bitumen	HBB	Earth
Truck	4.7	7.1	13.8			
Bus				0.4	0.5	1.3
Rickshaw van	17.6	20.9	25.7	0.8	1.1	1.6
Bullock cart	22.5	26.1	32.3			

Source: World Bank

If these data are used as indications of reductions in transport costs due to improvements of the roads, it implies a decline in freight cost per ton kilometre for non-motorised transport by about 30 percent and in passenger traffic by about 50 percent. Using the difference in

[5] The survey is referred to in World Bank and GOB(1996), op cit.

[6] These findings of the RD-7 survey were similar to a post-project survey in the Swiss financed LGED implemented RD. Corresponding terms of effects were also indicated in an ADB funded project, see ADB: *Study of the Socio-economic impact of the Serajganj Integrated Rural Development Project* (1994).

Field work case study: Carrying cost

Mostafa, a construction worker living by the side of the Pangsha-Bliakandi feeder road, described the benefit of the road with an example: before the road was paved it used to cost Taka 15 to carry one maund (about 36 kilograms) of goods. Now it is only Taka 3.

modality in transport from an unpaved road to a bitumen feeder road, the average cost per ton freight would decline from Tk 18 to Tk 8, i.e. reducing the cost by 55 percent.[7]

The savings in transport costs are significant enough to make the road rehabilitation an economically justifiable undertaking. Thus, in the RD-7 project referred to above, the calculated economic rate of return on the investment was 22 percent, spread between 14 and 45 percent dependent on the road.[8] It should be noted that such calculations do not take deviations from other roads into account, which are likely to reduce the rate of return.

Studies in RESP

As a step in the evaluation of IRWP/RESP studies were undertaken of two randomly selected FRBs improved during the programme (1986-97), one in Kurigram and one in Madaripur. Both roads had been improved from earth roads to brick carpeting, i.e. the HBB design. 'Controls' were used in the form of one non-improved earth feeder road in each district. The study, using various types of interview techniques such as Participative Rural Appraisals (PRA), found a series of changes attributed to the rehabilitation of the roads. The major findings are indicated below.

- The improved roads triggered construction of rural roads connecting to the feeder roads from surrounding villages and market places, some of these were earth roads and some metalled.

- Various 'service institutions' have been established along the roads and in particular at the nodal points, such as shops, mini markets, primary schools, *madrashas* (Islamic religious schools), mosques and NGO offices. Much less had happened along the non-improved roads.

- Some 'industries' had been established along the improved roads such as saw mills and brick fields; besides these, there were more job opportunities in local transports such as rickshaw vans, in shops and trading.

- Respondents claimed considerable reduction in time and hardship in transport leading to better access to regional markets, growth centres, service facilities such health clinics, schools, government and non-government offices.

- There were 'technology changes', not only in increased availability of motorised transports, but also in a change from thin-wood wheels to tyre based wheels for bullock carts.

- The respondents claimed improvements in security due to the road rehabilitation: the law and order situation improved through increased police patrolling and an overall increase in the use of the road at night, leading to a decline in robbery and an improvement in women's' sense of security outdoors.

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[7] The calculation is as follows:

	Before		After	
	Share of traffic	Price/ton	Share of traffic	Price/ton
Truck	47%	13,8Tk	73%	4,7Tk
Bullock cart	37%	32,3Tk	8%	22,5Tk
Rickshaw van	15%	25,7Tk	16%	17,6Tk

[8] World Bank & GOB (1996), op cit.

- There was considerably increased social interaction as people more easily can move to places of congregation such as markets, and nearby villages; there was increased social mobility for women, making them less dependent on men for shopping and other activities.

- The increased social interaction from the improved road also had effects on the prevailing power structure. According to the people: when communication systems were not improved and the villages isolated, the people did not interact and took much for granted. Now, with greater interaction, the common people interact and express opinions. The local elite are more prone to meet with people and listen to them. Local government has become more responsive to local needs.

- No views concerning any negative impact were expressed amongst the respondents.

The full result of these studies is given in the Supplementary report.

5.3.4 Who benefits?

While some assessments have been made of the impact of improved rural roads in Bangladesh in projects implemented by LGED, no comprehensive distribution analysis exists, i.e. the extent to which the target groups of many rural development programmes, the landless, women, etc. benefit. In the context of a new World Bank financed project through LGED, such a system is being put in place. Results from this effort are not yet available. The following is a synthesis of various studies. A discussion of the direct employment effects as a result of the construction, either directly in the construction or in the construction industry, is discussed later in this Chapter.

Field work case study: The rickshaw-van puller

As we were passing through a road which is from Baliakandi to Rajbari, we stopped to see the repair work. A rickshaw-van was passing. We rode the rickshaw-van and started gossiping with the rickshaw-van puller. Our topics were as usual - how much he earns, what are is working hours, whether he owns the rickshaw-van or not, how much land he owns, etc. It emerged that he owns the rickshaw-van. He has no land. He reared the poultry of other people. The arrangement was 50:50 of the profit. It was his wife who mainly looked after the poultry. In this way they earned money, made some savings and bought the rickshaw-van. Now they are earning more. According to the rickshaw-van puller the paved feeder road has made traffic movement easier and more. So the earning of the persons involved with transportation.

The increased traffic and the shift in modality from non-motorised forms of transport to motorised forms have certain economic consequences for the landless as operators of transport. First, as operators of non-motorised means they are losers in a relative sense as the shift to motorised transport takes place. This loss might be off-set by the increase in rickshaw van transport, a means of transport which poor men engage partly as operators of vans owned by others, partly as own operators. Combining the effect on the decline in bullock cart transport and the increase in rickshaw-van transport, the data from RD-7 indicates no major change before and after road rehabilitation has taken place. However, the results from case studies point in a different direction: one of the 'growth industries' triggered by an improved road is rickshaw van transports. The significance of this means of transport in rural Bangladesh is considerable.

A common investment under micro finance credit schemes such as PEP is also in rickshaw vans. Also women participate in such investment, often on behalf of a husband or a son, but occasionally as an entrepreneurial activity, renting the van to others. Our conclusion is therefore that the improved road is likely to a have marginal positive effect on the rural poor in their capacity as owners and operators of transport means.

The poor are also users of transportation to markets, services, relatives, and to sources of employment. The reduction in transport costs as a result of an improved road impacts also

on the poor. In general, the landless of Bangladesh are dependent on a multitude of sources of income such as agricultural labourers, petty trading, gifts from the better off, transfers from relatives working in the cities, and even begging. All of these income sources are facilitated by increased mobility, including the exchange with the cities (and visits by better off relatives). It must be concluded, cheap and easy transport is essential for the poor of Bangladesh. Poor women are also winners in this context: while women generally are confined to the private sphere in rural Bangladesh, i.e. not involved in marketing and procurement, the poorest category of women, especially those without male bread winners, are forced into economic activities outside the home as traders and labourers in construction work. They are dependent on the available means of transport and its cost, hence also dependent on the quality of rural infrastructure.

Improved road networks are likely to stimulate agricultural production to a certain extent, for example, through easier transport to the market place and lower input costs. The landless might indirectly benefit from added seasonal employment in agriculture, and to some extent as own producers (on homesteads, as share croppers). From a distribution point of view, it is likely that the majority of such benefits accrue to the better off. Nevertheless, increased production and diversification of the rural economy is critical for a group dependent on sources of income other than their own land. Hence, there is likely to be a 'trickle down' effect through any improvement in the regional production base. Women, with an integral role in the rural economy, but mainly village based are beneficiaries of such a process. For example, a common source of additional income in a poor household is the production of chicken, eggs, vegetables, milk, rice husking and other activities generally carried out by the women. Enhanced agricultural production is a stimulus for such production due to higher purchasing power in the local economy. If an improved road leads to lower consumer prices for and better access to essential goods such as kerosene and salt, the poor benefit possibly more than the better off in relative terms (with better access to more distant markets and better bargaining power in trading). Women, generally in charge of the household economy and using coping strategies at the threshold of poverty, might particularly benefit from such cost reductions of essentials[9].

As improved road conditions are likely to lead to higher land values, the landless are also losers, partly as they cannot claim any windfall profit, partly as the cost of land rent increases for share cropping. It also means that the cost of buying into land increases, i.e. the social stratification is likely to be reinforced.

5.3.5 Is roads rehabilitation a good strategy for addressing the problems of rural poverty?

In summary, most evidence points to the fact that improved rural transport contributes to economic and social development in Bangladesh. However, the quantification of such benefits are difficult and sometimes probably overstated, especially as traffic assessments before and after neglect the diversion of traffic from other roads. The landless are beneficiaries from the impact of such development both directly and indirectly in a 'trickle down' effect. Mobility is essential for the poor in Bangladesh for survival. In terms of the distribution of benefits, all of the evidence points to the fact that the share for the poor is small as compared to other beneficiaries. Hence roads do nothing to create improved equality. It would be a miracle if it was otherwise. The rural road construction in Bangladesh is not oriented towards poverty reduction or to a certain target group, but to an overall economic investment in rural areas. Roads are not chosen so they benefit certain target groups, but the selection generally reflects the prevailing socio-economic system at the local level in which the so called 'elite' has a disproportionate, if not paramount influence. In the view of an LGED official discussing the selection:

> *Everybody is poor in Bangladesh. We cannot go wrong in the selection...*

[9] For a description of the typical division of labour between men and women in poor rural households in Bangladesh, and survival and coping strategies, see Jansen, Erik, 1986 op cit:.

It is questionable whether they in fact could do more: Roads are investments that do not easily target certain benefits to certain individuals - they are open for all to use and exploit socially and economically. As Bangladesh does not have obvious geographical pockets of poverty, at least not in the broad areas RESP selected to work in, and the poor are everywhere, targeting roads to benefit the poor is virtually an impossible task. Furthermore, since the 1980s, road building has meant improving existing roads. Thus the possibility of targeting roads is even less. In short, a roads construction programme has to live with the prevailing socio-economic stratification of the country.

While there obviously is a diminishing return on investments of improvements in feeder roads at some point in time, turning earth roads into all-weather roads seems to be a secure investment option in Bangladesh once an effective apparatus for undertaking the work has been established. However, it would be a fallacy to define it as a poverty oriented approach. Road development leads to overall improvements in the transport sector, nothing more, nothing less.

It is also questionable whether the often repeated position that the roads construction should be subject for 'participatory planning' involving the target group has any value. Feeder roads, stretching through a number of villages, do not easily lend themselves to participatory planning, nor are they easily targeted for participation by the 'beneficiaries' in maintenance. The situation is different for rural roads, especially categories 2 and 3. However, such roads are not being targeted by RESP other than in maintenance.

5.4 Growth centres

5.4.1 Background

One of the key concepts in the government's rural development strategy of 1984 was the concept of the growth centre. As a part of the strategy, the Planning Commission had identified some 1,400 'growth centres' over the country. A growth centre is basically an existing market place chosen to be the focal point for government investments in rural economic and social infrastructure. As such they were selected using different criteria such as revenue potential, trading volume, population served and distance to neighbouring growth centres. The preferences of the local authorities were also taken into account. Each *thana* should have as least two and a maximum of five growth centres. In 1993, an additional 700 growth centres were identified by the government's Planning Commission using similar criteria and making the total number 2,100. The objective of growth centre development was, according to the government, to integrate the development of physical infrastructure within a *thana* in order to support and stimulate the conditions for exchange of goods. The concept was also seen as a mechanism to improve maintenance and operation of the centres and markets through the generation of local resources.

5.4.2 Performance in outputs

Growth centres became an integral part of IRWP's investment in rural infrastructure. This was continued under RESP despite the fact that few in the donor community believed that rehabilitation of growth centres would be directly beneficial to the target group particularly since the wage labour content was low and thus created little direct employment. Sida and NORAD tried to minimise the allocation for growth centre development on these grounds, but with little success. LGED's role in the context of growth centres was limited to upgrading the market place, basically by providing drainage, paved roads inside the market, open and covered sales areas, garbage pits, drinking water and latrines at the market place. The growth centre concept is part and parcel of most other rural infrastructure projects implemented by LGED. By the mid 1990s, some 750 centres had been provided with an

upgraded market place, i.e. about 40 percent of the total.[10] In RESP 66 Growth Centres were provided with an upgraded market.

The quality of the design and construction of the LGED's work at the market place in the growth centre was assessed by the evaluation. The structures built by LGED are generally in fair condition. The use of the HBB design for internal roads is adequate due to low loads and leaves a good impression. Plastered platforms and sheds for fish and farm products sometimes with corrugated iron sheets on light roofing structures are suitable, and easy to clean. However, the drainage in concrete ditches covered by RCC slaps is vulnerable to pollution if not properly cleaned and maintained. As they tend to be used as garbage pits and sanitary recipients, they are useless as drainage structures. Tube wells and sanitary facilities established tend to be poorly maintained and are often out of order. In short, LGED undertakes its task of market upgrading in a professional manner, but the issue of maintenance - a task beyond LGED - is critical. This is further discussed below.

5.4.3 The impact of market upgrading

As a part of the impact monitoring system under RESP a study of a three selected improved centres was carried out in 1992[11]. The assessment used bench mark data assembled before the improvements. The time between the bench mark and the survey was about three years. The study concluded that comparing the 'after' situation with the 'before' there was:

- a considerable increase in the number of permanent shops in the market. Overall, growth was about 100 percent, but certain types of shops such as food stalls and repair shops for rickshaws had increased two-fold or more;
- a significant increase in capital investments in the permanent shops, with an overall increase of about 150 percent. Growth took place particularly in bakeries, launderers and furniture shops;
- the number of days that shops stayed open had doubled in the shops at the market;
- an increase in number visitors of about 30 percent during market days. The three markets had an average of 7,000 visitors on a market day prior to the upgrading, and 9,000 after the improvements had been made;
- an increase in the 'command area' i.e. the distance from which sellers and buyers travelled to the market;
- an increase in the land value adjacent to the markets by about 30 percent;
- an increase in the number of service facilities such as bank branches (90 percent); social clubs (200 percent); co-operatives (100 percent) and schools (30 percent), but no change in the number of government services such as health centres, family planning clinics, agriculture extension offices and police offices.

Studies carried out during the evaluation assessed the impact of upgraded markets in two designated growth centres. Centres in Madaripur and in Kurigram were selected, with controls in the form of non-upgraded markets in two growth centres in the same districts. The case analysis, using various forms of interviews with market users and operators at the markets, found that the improved market generally had attracted more sellers. In one of the upgraded markets, the number of shops had increased by more than 100 percent a few years after the construction as compared to before, and also the quality of the permanent shops

[10] World Bank & GOB (1996), op cit.

[11] *RESP II - Effects and Impact of Infrastructure development projects IDP 1*, Dhaka: RESP/PCU, 1993.

had improved. More goods were available than before, and as a result of more sellers, prices tended to be lower than before the improvement and the control markets. The improved markets had also attracted more services. Thus, these studies confirm the findings of the 1993 study above.

5.4.4 Who benefits?

Available studies do not permit an analysis of to what extent an improved market at a growth centre benefits the target group. Few of the target group have access to a permanent shop at a market, but might avail themselves of open market space. An increase in service shops also means a certain increase in employment, for example in cycle repair, blacksmithing and arranging food stalls. Cursory visits to upgraded markets show that a high percentage of such informal employment is undertaken by children. Increased market activity also has spin off effects on the local transport systems, not least rickshaw vans. An increased supply of goods, and potentially lower prices benefit the poor. Whether an upgraded growth centre might have a negative effect by taking away business from more local markets, and hence negatively impact on certain people, as was claimed in the 1989 evaluation has not been established. In theory, the poor should be less mobile than the better off, and hence are losers in such a trend. However, this assessment is hypothetical.

Market transaction is to a very high degree a traditional male activity in rural Bangladesh. Most sellers are men, and also almost all shopping, including food items, is done by men. This is a cultural phenomenon which slowly is changing, but it is still rare to see a women at a market place, whether as a vendor or as a buyer. Women who visit the markets, either for selling or buying, are generally from female headed households, i.e. a widower or abandoned woman forced into economic activities by their 'low' social position. Trading at a market is an economic activity taken up by such women as reflected under micro-finance schemes such as PEP. Under RESP an effort to stimulate the integration of women at the market place has taken place through the establishment of 'women corners', i.e. sheds that exclusively are for female vendors. It is reputed that in such places women have been forced out by the existing traders and only during 'official' visits - such as foreign missions - are women placed in the stalls. These are rumours which the evaluation mission tried to confirm through unannounced visits at the markets, but without success.

The available studies on impact of market improvement combined with interviews during the study lead to the conclusion that the type of market upgrading undertaken by LGED in IRWP/RESP, at least in some cases, has had a considerable effect on the functioning of the market. This is reflected in the increased supply of goods and services, but perhaps not in a commensurate increase in demand (reflected in number of visitors). The findings also seem to indicate that the government's concept of the growth centre as a nodal point for public investments in social services is not working well. While the private sector responds to the improved facilities, the government service providers do not.

Like roads, it is not possible to target growth centres for the poor. Like roads, they are likely to benefit according to the prevailing socio-economic situation in Bangladesh. Women, although seemingly not involved in trading activities at the market place except in rare cases, are integral to the rural village economy both as producers and as consumers. To the extent a market triggers an increased transaction, they are affected indirectly. The Project's efforts to intervene in the traditional market system by providing 'women's corners' is commendable, but is unlikely to have any significant impact on traditional roles in the society.

5.4.5 Operation and Maintenance

The issue of maintenance of the markets at the growth centres is as old as the concept of growth centres and has been an issue in IRWP/RESP from its inception. Earlier evaluations have commented on the poor quality of maintenance at the markets in expressive language:

> *Hand pumps stand idle for want of replacement washers, handles or hinge pins can be out of action for want of grease... The image of blocked drains in every improved market is one of the single most powerful reminders of the gulf between the values and priorities off those who design development projects and those who are the supposed beneficiaries...*[12]

The studies carried out under the this evaluation and cursory observations during the field visits confirm this view. Only the concrete slabs provided under the Project seem unaffected by major decay but even this is a matter of time. The problems of maintenance of markets is nothing particular to IRWP/RESP, but other projects implemented by LGED focusing on the same type of investments have found similar problems.[13]

The operation and maintenance system of a market is complex and largely an unchanged heritage of the colonial system. It is in its practical functioning more geared to the extraction of resources from the local economy by various parties, than assuring proper operation of a market place. The markets are supposed to be managed by the local government (Union Parishads) through a two-tier system of union market management committees, composed of what often is referred to as the 'local elite' and headed often by the UP chairman, and at a higher level, the *thana* market management committee. The markets are leased out on an annual basis to the highest bidder who collects charges from the vendors and stall-owners for use of the market. These market charges are fixed by the government within the district and based on volume of trade. The leaser in his/her turn is supposed to maintain the market on a daily basis. The union market management committees are supposed to supervise the lease-holder and undertake regular maintenance. The proceeds from the selling of the leases are distributed between the local government, the *thana* market management committee and the central government. Fifteen percent of the lease value goes to maintenance by the union market management committee.

The above is the model. It functions poorly in basically every locality. The lease holder tends to neglect his/her duty of daily maintenance, and the union and *thana* market management committees neglect their duties of supervision, management and regular maintenance. The market management committees are not elected in a democratic way, but are clubs of local elite and generally different people than those using the markets. The lease holder is usually a rich person in the locality who is well connected to the local elite. While the leases are supposed to be auctioned in a proper way, the prevailing system in Bangladesh of extraction and misappropriation apply also to the markets. Leasing a market is a lucrative business. Calculations have shown that a leaser often gets one hundred percent or more net return on his investment over a year, the amount he or she has to pay off to various stakeholders not included. The cost of a lease varies, but Tk 200,000 is a common figure. Neglecting maintenance adds to the profit, and as the auctioning system tends to be more driven by the pay-off systems than effectiveness of market maintenance, the leaser looses nothing. The way the system functions is a mockery of the many formal rules that regulate the leasing procedures.

The problems of the corrupt and ineffective maintenance systems of markets in the growth centres are known to everyone, including LGED and the donors. Evaluation missions and other outsiders have from time to time recommended that the O&M system should be addressed, and if no change takes place, that further funds for development of markets be cancelled. Most recently, the Sida Advisory team repeated this recommendation in March 1998. Those recommendations have not been acted upon. Growth centre development has been and continues to be business as usual in IRWP/RESP, and the poor quality of the markets shortly after their constructions equally usual. In a formal sense maintenance is not the duty of LGED and thus none of its concern. While this is true for LGED it is should not be true for RESP. However, the lack of action, is a reflection of one of the underlying themes of this evaluation: IRWP/RESP is an output oriented project driven by various physical and disbursement targets, rather than impact and effect considerations.

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[12] Relf & Alam (1992), op cit, page 28.

[13] See for example ADB's assessments of the Serajganj IRDP and the North West RD project, 1994.

5.4.6 Are upgraded markets an effective strategy for poverty alleviation?

Our general view is that improved markets generally have limited impact as compared to an upgraded road. Market development tends to be a spontaneous process, as manifested in the numerous markets in basically ever road corner of Bangladesh. The 'growth centres' in the government's strategy are based on existing, often century-old places for transaction. While the concept of establishing nodal points for development is old and proven, the poor maintenance of the upgraded markets is an indication not only of a non-functional and possibly quite corrupt practice by government, but also of the low value attached to the improvements by the users. Furthermore, one of the critical ingredients of a growth centre is missing: the provision of a compete set of government services. Thus, the government has taken a simple strategy in its growth centre development through allocating some limited donor funded physical infrastructure development to traditional market places. Growth centre upgrading has little to do with a poverty targeted approach, as advocated by the donors.

5.5 Small Scale Water Resource Schemes

5.5.1 Background and objectives

The main organisation undertaking water control schemes in Bangladesh is the Bangladesh Water Development Board (BWDB). There is a division of function between BWDB and LGED so that BWDB undertakes mainly the larger flood protection and irrigation schemes often commanding areas of over 10,000 hectares, while smaller schemes are the responsibility of local governments, in which LGED plays an essential role as the only organisation at this level with a technical capability. Small Scale Water Resource Schemes (SSWRS) were intended as an essential element of the IRWP/RESP programme from its inception and were considered the focus of infrastructure development. However, due to the complexity of the schemes, limited implementation took place under IRWP. During RESP a 'Water Cell' was established in LGED to facilitate design and implementation, and progress was also speeded up.

The Water Resource Schemes implemented by LGED mainly consist of constructions of flood embankments, canal excavations for drainage control or irrigation, construction of regulators and small sluices for irrigation or drainage. The flood embankments are sometimes an integral part of LGED's road construction. The schemes implemented by LGED have generally been with command areas of a few hundred hectares and up to a few thousand.

The objective of the water schemes is dual: to improve the resource utilisation and enhance agriculture, and to create employment in the implementation stage as a form of public. Agricultural production would be improved by the reduction of crop damage due to flooding, and/or by improving the irrigation opportunities. Improved water management would allow for increased cropping intensity, introduction of High-Yielding Varieties (HYV), and crop diversification. The enhanced agriculture production would, in turn, increase employment in agriculture. Water schemes in a country which is crossed by some of the largest rivers in the world and which has experienced regular floods since time immemorial is of course no novelty.

5.5.2 Performance in output

LGED's role in water schemes is that the organisation undertakes planning, design and construction while the operation and maintenance of the schemes rests with users. Under RESP, schemes were to be selected where: at least half of the land benefiting from the scheme was owned by farmers with holdings of less than 2 hectares; where the cost-benefit ratio was above, where other categories of people such as fishermen would not be adversely

affected by the scheme; and where there were good prospects for operation and maintenance.

LGED has an elaborate procedure for the identification and appraisal of the schemes, including technical, hydrological and socio-economic surveys. The surveys assess land holdings and cropping patterns, as well as potential user conflicts. Participative techniques are used to a limited extent in these surveys. So called 'simple' cost-benefit analyses of the schemes are undertaken by LGED, using the expected reduction in crop damage and increased crop intensity as benefits, but not including any potential negative effects such as obstruction of transport, fishing, etc. Schemes with a cost-benefit ratio of less than two are in practice not carried out.[14]

Technical assessments of the project's performance in terms of planning and implementation of the water schemes are generally positive. IDP has played an important role in this, as the technical capacity in LGED initially was quite limited, and IDP to a large extent operated as a 'by-pass'.[15]

Under RESP I and II schemes with a total area of about 32,000 hectares have been implemented. Water schemes have accounted for about 10 percent of IDP's expenditures during the period 1990/91 - 1995/96. It was the third largest type of investment in financial terms after roads and markets. In RESP III, small scale water resource schemes were excluded and LGED's continuous involvement in such construction takes place under a major national ADB funded programme specialising in water resources, the Small Scale Water Resources Development Project (SSWRD).

5.5.3 Impact of the small scale water resource schemes

RESP has undertaken several impact analyses of the SSWRSs on a sample basis comparing 'before' and 'after' situations. A study in 1992, using benchmarks from 1989, found that the annual cropping intensity in the sample schemes had increased by 20-30 percent through improved irrigation facilities[16]. There was also an increase in the use of HYV paddy. The study found no significant effect in terms of yields, and an attempt to analyse the net return to the farmers which had benefited from the schemes as compared to non-project farmers found few differences. The study explained this by the fact that it had taken place in a 'flood-free' year. Yet, comparing the net return to the farmers after the schemes as compared to before, there was in incremental net return of about 35 percent as compared to the benchmark, or Tk 2,6 million, as compared to an IDP investment of Tk 7 million in the schemes. Assuming an economic life period for the construction of 20 years (used by LGED in its cost-benefit analysis), no negative economic effects were found. Since the year studied represented an average, the schemes clearly had a good economic rate of return.

An assessment in 1992 by an external consultant indicated a similarly positive impact of water schemes. The consultant found that as a result of enhanced production, the employment in agriculture had increased by 45-65 workdays per annum, or in the order of 15-20 percent. Due to the likelihood of safe yields, the land within the improved schemes had increased considerably, or by at least 20-25 percent, and share cropping had increased after implementation[17].

Two water schemes in Madaripur and Kurigram selected at random by this evaluation gave a different result, however. While the Kurigram scheme had functioned well, and provided benefits from increased cropping intensity, the Madaripur scheme was a disaster. The drainage system had functioned well for only a year and thereafter water logging through

[14] Skoglund, E.: *Evaluation of Small Scale Water Resource Schemes in RESP*, Stockholm, Royal Institute of Technology, 1992

[15] Skoglund 1992 op cit.

[16] RESP/PCU: *Effects and impact of Infrastructure Development Project*, Dhaka 1993

[17] Skoglund 1992, op cit.

sedimentation in the canals became a problem. This reduced the cultivable area to the extent that about 75 percent of the formerly cultivated land had became unusable. Farmers had to shift to other occupations and/or migrate, and the water logging created health hazards in the area. The community blamed LGED for the problems and for not having consulted them in the design. Both case studies found problems in maintenance. In the Kurigram scheme, which had worked well for several years, the canals had started to silt up and the sluice gate become in-operative. Thus, the project was very unlikely to have a twenty year economic life as assumed in the appraisal.

5.5.4 Who benefits?

Water schemes are not neutral in terms of impact. When functioning as envisaged, they benefit according to landholdings. Larger landowners cannot be excluded from benefits and the problem of selected schemes that benefit mostly very small owners is considerable, if not impossible. The landless do not benefit at all, except from employment in construction, and potentially due to an increasing demand of agricultural labour. The investment per acre is considerable in some of the schemes, implying a direct subsidy to the landowners as no contributions are required. As indicated above, a reduction in share-cropping (due to higher profitability of the land) might mean a direct negative impact on the landless. Other forms of negative impact might occur for local fishermen, generally belonging to the poorest in the rural community.

5.5.5 Operation, maintenance and sustainability

The case studies under the evaluation found serious problems with maintenance. While Committees had been established in both cases, they were inoperative. This is not a new finding in Bangladesh: operation and maintenance in water schemes has plagued IRWP/RESP during its whole duration and is not an issue in small schemes alone but in BWDB schemes as well. The problem reflects on the one hand, the complex interest structures in flood control schemes with winners and losers, and on the other, the tendency in Bangladesh that members of user-committees are not necessarily the users, but local 'influentials' with the consequence that such committees have low democratic content. Hence, poor function is difficult to change. Not only are flood control structures often not maintained as O&M committees are unable or unwilling to collect the limited resources needed for maintenance, but sometimes constructions are damaged on purpose as they create negative effects for certain groups, for example fishermen.

A large number of the small scale water schemes implemented by the project are affected by this problem, and the case of the non-functioning scheme in Madaripur is not an exception. The project has tried to address the O&M problem in several ways. A special working group on maintenance was established in 1993, which recommended field staff for O&M and a budget for maintenance of SSWRS. The project has established a cadre of Community Organisers for O&M; undertaken rehabilitation of schemes such as re-excavation, clearing of siltation and other maintenance work; O&M committees have been provided with training; women have been included in O&M work; and O&M has been made a part of project monitoring. In spite of some improvements, O&M continues to be a problem in the water schemes. Inspection carried out during the evaluation mission clearly indicated the problem. Thus, sluices controlling hundreds of acres are left to become inoperative lacking grease and paint. O&M of water resource schemes is not a technical issue. Rather, it is a complex sociological one. The continuous problems have contributed to the decision of phasing out SSWRS under RESP III.

5.5.6 Are small scale water resource schemes an effective strategy for poverty alleviation?

SSWRS are ineffective in directly targeting the poor. If anything, they contribute to a more stratified rural economy. However, enhanced agricultural production is the key to increased rural prosperity which indirectly will benefit the landless. Such impact will be derived not only from an increase in demand for labour, but also an increase in purchasing power in rural areas, and therefore a demand for many of the products and services produced by the landless. A major concern in rural Bangladesh is the stagnation of agricultural production since the mid 1980s. Thus, the total volume of agricultural production in the mid-1990s was largely equal to that of the mid-1980s as indicated in table 8, below:

Table 8: Agricultural production in Bangladesh 1985/86 - 1994/95 in metric tons[18]

	85/86	86/87	87/88	88/89	89/90	90/91	91/92	92/93	93/94	94/95
Rice	15,0	15,4	15,4	15,5	17,9	17,9	18,3	18,3	18,0	16,8
Other food crops	5,5	4,2	4,5	4,0	4,2	4,5	4,5	4,6	4,6	4,5
Jute & cotton	8,7	6,8	4,7	4,4	4,6	5,3	5,3	4,9	4,5	5,3
Total	29,2	26,4	24,6	24,0	26,7	27,7	28,1	27,8	27,1	26,6

Source: World Bank: *Annual economic update - Recent Economic Developments and Medium Term Reform Agenda of Bangladesh*, Washington DC 1996

It is difficult to perceive a major reduction in rural poverty in Bangladesh which is not propelled by dynamic agricultural growth. Rural works such as road buildings can contribute to the economy, but such growth has limited impact. While non-farm employment plays a certain role, such sources are also dependent on a lead-sector such as agriculture. Thus, the failure to address the problems of operation & maintenance is a major set-back in the effort to attain the project's poverty goal.

5.6 Employment through rural infrastructure investments

Public funded rural works using labour intensive methods has been an important instrument in creating rural employment especially in the agricultural off-season in Asia throughout this century. Employment was one of the justifications of for IRWP when it was conceived, and has also been a key objective of IRWP/RESP since its inception.

5.6.1 The demand for employment

In the most recent census (1991) the total population of the five districts in the Greater Faridpur area was 5.6 million, and 1.7 million in the Kurigram district. Of these about half owned landholdings of less than 0.5 acres, according to the official statistics, distributed in the districts as indicated below:

[18] Jute and cotton in 1,000 bales

Table 9: The population and the landless in the RESP area

District	Population 1991	Population owning less than 0.5 acres	
	Million	Percent	Million
Greater Faridpur area	5,63	50	2,81
Faridpur	1.56	52	0,81
Madaripur	1.11	51	0,57
Rajbari	0.87	56	0,49
Gopalganj	1,10	39	0,43
Shariatpur	0,99	52	0,51
Kurigram	1,68	59	0,99
TOTAL	7.31	52	3,80

Source: Bangladesh Statistical Yearbook.

RESP has not maintained the same programme area and target population for its duration, but has expanded from three districts and 21 *thanas* in the late 1980s (RESP I), to reach its maximum coverage in the latter part of RESP II (1995-96) of 36 *thanas* in all the six districts above, and declining to the five districts of Greater Faridpur and 27 *thanas* during RESP III (1996-2000).

Taking Bangladesh's population growth into consideration and excluding the urban population, the Programme's 'target group' of rural poor with less than 0.5 acres landholding can be estimated at 3 million as an average for RESP in the 1990s.

The official labour statistics of Bangladesh show a very low percent as unemployed, and also a low percentage of the women as part of the labour force. However, we can assume that amongst the landless a very high degree of both adult men and women are involved in various income generating activities, but few of them are easily caught by conventional labour surveys, or counted in the labour force. The survival strategy amongst the poor in Bangladesh is generally a multitude of sources of income such as cash products from the homestead or leased land, selling of agricultural labour especially in the harvest season, various forms of petty trading and other services, artisan work, periodic migration for work to urban areas or other parts of Bangladesh and temporary works in rural industries such as brick fields or road constructions. Formal sector work is limited.

Women and children are integral parts of the village and family economy. Women are by tradition generally confined to the home or the village and are in charge of small livestock, post harvest processing and some artisan work. Women without a male income earner in the household due to death or sickness of a husband, divorce and abandonment, and with no grown male children, a father or brothers to turn to, are forced to participate in the rural economy beyond their traditional roles, for example, in trading and on road works.

Based on the above, we defined the labour force in the Programme area as the population above 15 years of age in households with less then 0.5 acres. As an average for RESP this would imply about 1.5 million persons. It is a labour force that is growing at about 3 percent per annum, or by 45,000 persons.

5.6.2 Employment creation in RESP

Employment is created in several ways in RESP. First, the rural infrastructure work is to some extent focused on labour intensive methods generating direct employment. These jobs are generally of short term character. Second, the maintenance programme of rural roads and the tree plantation programmes creates considerable direct employment often of longer duration. Maintenance is a highly labour intensive form of investment under RESP. Third, the rural infrastructure construction triggers employment in the related local construction industries such as brick manufacturing and brick crushing (to make the base for roads), sand excavation, manufacturing of culverts and pipes, transport of materials to site, etc. Fourth, rural infrastructure development tends to create employment in various service industries such as retailing, transport and in agriculture. Fifth, PEP - the micro finance project of RESP - is generating self-employment as is discussed in Chapter 6. These aspects of employment generation are further discussed below (and, in relation to PEP, in Chapter 6) in relation to a) the demand for employment in the Programme area; b) its potential impact on the livelihood of the beneficiaries and c) the sustainability of such employment.

5.6.3 Direct employment in rural infrastructure development and maintenance

The direct employment generated in the construction of rural infrastructure and maintenance under IRWP/IDP has varied between 0.3 million and 2.5 million person days per annum, according to the project office's reporting. In the 1990s, there was a rapid growth of employment from about 0.9 million days in 1990/91 peaking in 1991/92 at about 2.5 million days, but thereafter declining to the current level of about 1.2 million. The average number of days of employment per annum during the 1990s is 1.5 million[19].

Table 10: Direct employment in RESP (1989/90 - 1996/97) in person days per annum

IDP: Employment creation over time by gender			
Year	Male	Female	Total
89/90	800705	1061360	1862065
90/91	215165	668860	884025
91/92	1236209	1214539	2450748
92/93	937000	1124000	2061000
93/94	846000	868000	1714000
94/95	1018000	828000	1846000
95/96	615000	809000	1424000
96/97	528000	721000	1249000

Comparing the employment generation in IDP with that of IRWP, there has been a shift towards longer term employment and also considerably more employment for women. Both of these aspects have been achieved through labour intensive schemes such as Earth Road Maintenance (ERM), tree plantations and the use of Labour Contracting Societies (LCS). While most of the employment days generated in IRWP were short term on infrastructure projects implemented by contracts and project implementation committees, RESP has today more of a balance with perhaps half of the employment being of longer duration. The direct employment of women has increased from an estimated 10-15 percent in IRWP to nearly 60 percent currently.

[19] The 1985 evaluation seriously questioned the official data provided under IRWP as overstating the employment generation by at least 50 percent due to the high degree of misappropriation and other factors. We have not undertaken a similar analysis as the 1985 evaluation, but use the official figures at face value. The reporting and the monitoring is also much improved under the IDP as compared to IRWP.

The high share of employment for women is exceptional given the traditional structure of the labour market in Bangladesh, reflecting RESP's concerted efforts to create employment exclusively for women. Women involved in rural works represent a special social phenomenon in rural Bangladesh which Nordic donors have played a significant role in promoting. As noted earlier, only economic necessity would make a woman in Bangladesh take up employment on a road site and much of the employment generated under the Programme is focused on 'destitute' women.

Employment creation differs considerably between different types of infrastructure development under RESP. In relative terms, the construction part of rural infrastructure has a rather limited employment aspect as direct wages account for a small share of the investments. For example, in the FRB rehabilitation, the direct wage share is 10-15 percent of the investment costs, excluding RESP's overheads. In maintenance of earth roads, on the other hand, the wage share is nearly 100 percent, excluding RESP overheads. The bulk of the direct employment in RESP is also to a large extent in maintenance work.

5.6.4 Earth road maintenance

Earth Road Maintenance (ERM) - simple maintenance using no mechanical equipment and women as labour - was begun under IRWP. The model is that a woman who is part of a female crew, maintains half a mile of an earth road. This model is designed to give 'destitute' women employment at a low fixed income, currently Tk 37 per day. The women are generally employed for at least a year. In RESP, the ERM programme accounts for a considerable share of the direct employment days generated, or 30-40 percent during the 1990s. As the wage level is the lowest in IDP, the share of the wage bill is considerably less. For example, in 1994/95, ERM provided 36 percent of all direct employment in days, employing 2,200 women on an annual basis. This was achieved through an expenditure of Tk 19.5 million, of which 99 percent were wages, representing 10 percent of IDP's investments for the year, and 4 percent of the total RESP allocation for the same year.[20] Some 2,000 kilometres of earth roads were maintained per annum in the 1990s, and the assessment of the quality of work is generally good.

ERM was taken up by CARE International in the early 1980s based on the experiences of IRWP, and has since been made into a nation-wide programme with Canadian support (the RMP or Rural Maintenance Programme). In the CIDA/CARE programme a system of long-term employment in combination with compulsory savings and training in income generating activities has been established, and the Programme has showed some success in bringing formerly 'destitute' women out of absolute poverty. By the end of a period of road works, these women are able to initiate self-employment with the result of enhanced status in the village, sometimes manifested in their election to the local government assembly. Reputedly, the work in ERM might also enhance their status on the 'market for re-marriage'. RESP has tried similar savings schemes, but has not institutionalised the system, as under the CIDA/CARE programme. It has only recently been decided that the operational procedures followed in the RMP would be adopted for ERM workers of IDP in relation to saving and training.

Poorly nourished women involved in heavy physical labour, sometimes carrying head loads of up to 30 kilos in an often strenuously hot climate, sometimes forced to live in simple makeshift tents along the road side and remunerated for a day's work with the equivalent of USD 0.75, should perhaps not be a source of gratification for a donor. The realities of Bangladesh, however, are such that there is no shortage of candidates for such work, rather a competition for the work that is offered, manifested in long lines for queuing when women are selected for such jobs. LGED is also promoting ERM as one of its success stories. Even the critical 1985 evaluation considered the ERM as one of the few positive aspects of IRWP:

[20] *RESP II. Annual progress report 1994 - 1995*, Dhaka: RESP PCU, 1995.

The routine maintenance programme can definitely be called a success... Even a marginal employment effect cannot be overlooked in a social setting like the one in rural Bangladesh. The mere fact that women's schemes can be implemented is a step forward, despite the temporary character of the job... Another positive effect is the high motivation of women participating in the schemes... and the demands for fair payment raised by the women are also encouraging signs.[21]

5.6.5 Tree plantation

A similar activity as the ERM with the purpose of generating employment for women through limited investments is the tree plantation on road slopes. This has the triple objective of a) creating female employment, b) preventing erosion and stabilising road shoulders, and c) providing additional benefits from the harvesting of the trees. RESP uses two models, with and without care-taking of the trees by the labourers. In the latter case the women are employed to take care of the trees for two years after they are planted. The scheme created annual employment for a few hundred women in the mid 1990s with an average wage level similar to the ERM programme, or currently Tk 35-40. As is further discussed in chapter 6, road side tree plantations using female labour is also a direct wage employment programme by PEP, but using a different model in which PEP groups are given the right for harvesting the trees on a 'share cropping' basis with the local government over a 15-20 year period. IDP has introduced a system of benefit sharing of tree plantation by the beneficiaries for which purpose agreements are being signed by all the parties including the beneficiaries.

5.6.6 Labour Contracting Societies

Both ERM and tree plantation are based on Labour Contracting Societies (LCS). The LCS is an innovation under IRWP/RESP which has contributed to added employment and female employment. Like ERM, it has been replicated in other programmes and projects. The concept of LCS was brought up as an idea by Sida staff already during the late 1970s as a potential concept for Bangladesh's rural works, based on a model applied in a project in Maharashtra in India in the early 1970s. In the early 1980s, IRWP commissioned a study by Proshika on the concept, and in 1983 experiments started in IRWP. The LCS implies that the government body in charge of rural works contracts directly an organised group of workers. Such groups of between seven and thirty landless persons, both male and female, are organised by LGED, BRDB and NGOs. The groups are provided with skills and awareness training of four days' duration. The concept behind the LCS is to by-pass the traditional mode of contracting, either through a private contractor or a so-called Project Committee. The direct contract eliminates the often exploitative relationship that exists with such arrangements, and thus increases the wage share to the workers. As the experience has shown, the quality of work generally also goes up due to higher motivation by the workers. The wage differential between an LCS group and a contractor has been estimated to be as much as 100 percent for similar type of work, but is normally more like 30-40 percent, party due to elimination of the middleman and partly due to high productivity and daily work output.[22]

When the LCS concept was tried in IRWP it was resisted to a large extent by the local elite as represented, for example, by the *Union Parishad* chairmen. The reason was believed to be that the project committees had been lucrative sources of income for the local elite, and also means of political control. However, the concept of LCS has been accepted, not only in projects by LGED where it is implemented in a number of donor funded projects, but also in projects by other organisations in Bangladesh such as the Bangladesh Water Development Board. RESP has increasingly applied the LCS in its infrastructure development, and of contracts annually awarded, often 80-90 percent are with LCSs. In terms of contract value,

[21] De Vylder et al (1986), op cit, page 52.
[22] Reif & Alam 1992, op cit.

the share is much smaller, as the major investments in road rehabilitation, construction of bridges, etc. are generally awarded to regular contractors.

In the earlier stages LCSs were engaged for simple work such as earth maintenance, but as the Programme has progressed and the LCSs have gained experience and training, the range of work has expanded to include pipe casting and culvert installations, feeder road rehabilitation and tree plantations. By the mid 1990s, IDP was using LCSs for all maintenance work and road side tree plantations as a principle, and of the contracts signed by LGED in IDP, about 90 percent were with LCS groups, and the balance with contractors. Some 25,000 labourers were involved in about 1,200 LCSs in the mid 1990s[23]. Most of the LCSs last for a short period, one or two contracts, but some LCSs have become semi-permanent features. Thus, there are LCSs that compete for contracts in open bidding.

LCS is a popular model for donors, but there are issues surrounding their sustainability. LCS has been a more costly means of implementing projects for the agency concerned as the LCSs need to be formed and trained, and also to be supervised more intensively due to the small size of the contracts.[24] As an engineering organisation with a mandate to implement a large portfolio of projects, it is understandable if the organisation preferred other modes of contracting. However, LGED claims that the cost-effectiveness of the LCS in comparison to the contractors has improved over time since many LCSs are already formed and require less supervision. Still, LCSs are not included as a standard option in LGED regular contracting rules and continue to be used only on donor funded projects. There is also the cynical view of some working with LGED that the LCSs are less popular as the system does not allow the same opportunities for extraction as dealing with contractors or project committees.[25] During the evaluation field trips, the team experienced several encounters where LCS members claimed they had not been paid properly, especially that the last payment was withheld, and in some instances that the LGED staff had demanded payments to allocate a contract to an LCS. This is not to argue that misappropriation and cheating is a common phenomenon in RESP, but most observers tend to agree that it exists.

As the LCSs have proven not only a means to cater for the poor, but also as a means for undertaking good quality work, the LCS should be considered an innovation by the IRWP/RESP which has caused a structural change in Bangladesh in line with the basic objectives of the Nordic funded project. It is an achievement of considerable magnitude.

5.6.7 Indirect employment

In so far as evaluation team has been informed, no studies have been undertaken in RESP of the indirect employment effects in the construction industry as a result of the Programme. While the maintenance programmes have a very limited spin off effect in terms of additional employment, the rehabilitation work on roads, constructions of markets and small water resource schemes have such effects. These occur particularly in brick manufacturing and crushing in road construction and in the transport sector which provides the materials to sites. A highly tentative estimate of this effect is that RESP might have created indirectly somewhere in the order of half a million person days per annum of employment due to the infrastructure development in road rehabilitation, market construction and water schemes.[26]

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[23] LGED: *Report on the Workshop in LCSs*, Faridpur, 1994; RESP: Various progress reports.

[24] The contracts with the LCS are generally not exceeding Tk 0,1 million

[25] The LCS are maintaining own bank accounts for payment, and payment is made by cheque to avoid risks of misuse.

[26] The calculation is based on the following:

1. an annual yearly budget for IDP construction of about Tk 150 million (1990- 97-);
2. the share of feeder road rehabilitation, market construction and water schemes estimated to 60% of the total direct investment under IDP (average for 1990-97);
3. an estimate that the local materials cost and transports of these constructions accounted for 50% of the total cost;
4. the wage factor, including transports, of these materials is 50% of the price charged for materials and transports;
5. the average daily wage level is Tk 50 (quoted wage in 1997)

i.e. 150,000,000 x 0,60 x 0,50 x 0,50 = Tk 22,500,000/50 = 0,45 million days

Translated into full annual employment, this would imply some 1,500 year jobs (based on 300 days' work per annum). This indirect employment is largely male, in contrast to the direct employment, although the private sector also employs women to some extent, for example in brick crushing. We can assume that the indirect employment effect is largely oriented towards the target group as the work is poorly paid, physically demanding, mostly temporary and of low status.

5.6.8 Supply vs. demand for jobs

The direct and indirect supply of employment in RESP in rural infrastructure construction and maintenance can be estimated to about 3 million person days per annum when the programme was at its maximum investment level in the early 1990s, while an average figure for the 1990s would be about 2 million person days, and the current level is about 1,5 million days. A translation into person years is misleading, given the structure of the supply of employment in rural Bangladesh, but the peak provision of jobs represents some 10,000 person years (based on 300 days), the average for the 1990s would be about 7,000 year jobs and the current level (1996/97) about 5,000. The job creation translated into person-years compared to the estimated target group labour force in the project area of 1.5 million persons, gives a figure of about 0.5 percent, i.e. every 200th person in the labour force in the target group can rely on RESP for work as an average for the 1990s. Comparing the annual direct and indirect employment in RESP's infrastructure work, expressed in person years of work, with the annual growth of the labour force in the target group, the project could be said to have provided about 15 percent of this to new job-seekers with employment.

As noted above, the trend in direct and indirect employment creation in the project peaked in the early 1990s and has declined considerably since, to the extent that the employment generated currently (1996/97) is about half of that in 1991/92. With the parallel growth of the labour force, RESP has provided an increasingly declining share of the required jobs. At the current level, it can be estimated that IDP is providing about 0.3 percent of the labour force with jobs annually in the Greater Faridpur area.[27]

5.6.9 The impact of employment on poverty

Employment directly or indirectly in rural works construction is, as mentioned above, generally a source of income which is not attractive to others than the very poor. The wage levels for the bulk of the employment created are at the lower end of the labour market - lower than what is offered in seasonal agriculture employment. Furthermore, the wage level has not kept up with inflation and the discrepancy between the going market rates and what is offered in rural works for unskilled labourers has widened. The experience in RESP - when trying to stimulate the linkage between IDP and PEP - is that formed PEP groups tend to be uninterested in taking up jobs in rural works construction. Most men try to find self-employment of the kind promoted in micro-finance schemes which are more lucrative economically and more attractive socially than rural works. Women, if not from female headed households, avoid rural works as socially downgrading, except, perhaps tree plantation. While the self-selection mechanisms in favour of the poor, in-built in RESP's rural works, is good for a programme targeting the poorest, it is questionable what it contributes in terms sustainable poverty alleviation. The past evaluations of IRWP/RESP have been quite pessimistic on this matter. The 1985 evaluation saw the jobs created as marginal to needs and very temporary:

> *... the kind of short term employment may provide poor families with some more meals for a few weeks, but reduces neither their poverty nor their dependency. It does not create assets*

[27] Calculation based on the following: Population in the Greater Faridpur area 5,7 million in 1991, estimated at 6,6 million in 1997; target group 52% = 3,4 mill. 'Labour force' estimated at 50% of population = 1,7 million. Growth per annum of labour force 2,5%=42,500. Workdays created 1996/97 1,3 million directly and 0,2 million indirectly = 5,000 year equivalent jobs.

> *that might help the rural poor to alleviate their dependency and permanent poverty. The poor have been provided labour and been given money for a limited period of time, but the long term benefits that may have been created by the construction work have accrued to others.*[28]

The 1992 evaluation was not much more positive:

> *The study produces no evidence of the (short term employment) benefit enabling people to change their survival strategies in any significant way. Indeed, IDP cannot have been expected to do more than make a partial contribution to a holding operation against the spread and deepening of rural poverty....*[29]

In general, these findings are also true for the late 1990s. The number of people that have been provided with skills and experiences that might provide an avenue out of poverty are few, and limited to some well trained LCS groups. However, it must be recognised that poverty in rural Bangladesh is so pervasive for such a large number of people that marginal sources of income can make a considerable difference. Generating some two million person days of work per annum is not negligible.

Could the donor resources spent in RESP have been made more cost-effective, given the overall objectives of the programme? The following suggest that this is likely:

1) The project has far from maximised the direct employment generation in its use of resources in IDP: the bulk of the investments in RESP II were allocated to infrastructure with a low level of (direct) labour content such as feeder road rehabilitation, bridges and culverts, and markets. Furthermore, there has been a declining employment impact of the project since the early 1990s.

2) In RESP's labour intensive activities such as ERM the project seems to have been less effective in creating a long term impact than, for example, the CIDA/CARE programme which more systematically has focused on savings and skills development.

3) The institutional development of LGED through RESP has focused on technical aspects for improving the engineering capacity of the organisation, while little has been done to strengthen LGED as an organisation that addresses economic problems of the poor, employment, etc. The project has been engineering driven, rather than socially driven.

In conclusion, while IRWP was innovative in the early 1980s when the basic elements of labour intensive works were pioneered, the impression is that RESP has not made employment generation its leading objective, but that engineering and institutional aspects have had a stronger influence. From LGED's point of view this is understandable and probably also good: as an engineering organisation, earth road maintenance and road side tree plantations offer a limited challenge. The development of LGED into a well performing rural infrastructure engineering organisation is of great value to Bangladesh, also reflected in the current massive donor support to the organisation. For a donor funded project with employment and poverty alleviation as its stated overall objective, this evolution creates a problem.

However, as is recognised by LGED's leadership, RESP, besides contributing to building the technical capacity of the organisation, also has added a social dimension to LGED. While not fulfilling the poverty and employment objectives of the programme, RESP has nevertheless contributed to the development of an infrastructure engineering organisation which takes an unusual interest in the social dimension of its works and applies large scale social innovations such as the LCS. This is further elaborated upon in Chapter 8.

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[28] de Vylder et al, op cit. page 48

[29] Relf & Alam 1992, op cit. page 26

Chapter 6: RESP: Programme performance and impact analysis in micro-finance

6.1 PEP in a broader perspective

PEP, or in BRDB's terminology RD 5, is today one of many micro-credit schemes in Bangladesh. When the project was introduced in 1986, it reflected a dynamic evolution in rural development in Bangladesh. This process started with the Comilla experiment during the 1960s. RD 5 was far from an early attempt in micro-credit supply (see Chapter 3 regarding the evolution of poverty alleviation strategies in Bangladesh). By the mid-1980s the evolution of micro-credit delivery to the landless in the NGO sector was very rapid and diverse. Nevertheless, RD 5 played a certain pioneering role in the government sector as the first project using non-formal groups similar to Grameen and the NGOs. RD 5 was also an ambitious and comprehensive micro-credit scheme and has been different from other similar programmes in this respect. An assessment of RD 5, its impact, cost-effectiveness, what it has achieved as an experimental project and also what its future role might be, must be seen in the broader context of micro-credits in Bangladesh. This chapter will try to portray this framework and assess PEP in this context.

6.1.1 Micro-credit: a global innovation of Bangladesh

Micro-finance is one of the most important innovations in poverty oriented rural development world-wide. It has Bangladesh as its origin and it is in Bangladesh that this innovation has been replicated most widely and in the widest variety of forms. An example of the global success of this Bangladesh innovation is the Micro-credit Summit in Washington DC in 1997 in which the concept received a world wide endorsement and a target was set to provide micro-credit to 100 million people by the year 2005. Another manifestation of the world-recognised success of Bangladesh micro-finance is the Grameen Trust, which is supporting the replication of the Grameen Bank concept, today operating in over 40 countries.

The innovation of micro-finance is threefold: a) it has developed a model of lending without collateral with very good rates of repayment, often close to 100 percent; b) it has become a major source of social and economic change amongst the rural poor, not least manifested in the changing role of women in traditional societies; and c) it is highly replicable both globally and in Bangladesh.

There are three types of micro-credit organisations (MCO) in Bangladesh:

1) the Grameen Bank, initiated as an experimental project in 1976 by Muhammad Yunus, and registered as a bank in 1983, and now the leading MCO not only in Bangladesh, but world wide;

2) micro-credits provided by Bangladeshi NGOs; and

3) government operated micro-credit projects, primarily through BRDB.

Over the last decade, micro-credit operations have become so widespread in Bangladesh that NGOs are now largely associated with credit. NGOs which in the past had a different orientation, have tended to shift towards credit, some of them to become *quasi* banks, while others combine the approach with their more traditional mandate of awareness raising and social mobilisation[1]. This process has coincided with pressure from the donor community for

[1] ASA, the Association for Social Advancement, is an example of this. ASA, which was established in 1978, did not believe in credit as an effective weapon to fight poverty, but focused on awareness raising, social mobilisation and organisation of the rural poor to protect their rights. In 1987 ASA initiated credit on an experimental basis, and has since1991 turned into a streamlined credit organisation and also one of the most financially successful NGOs.

sustainability of donor supported programmes. Credit provided at commercial rates is a means to create sustainability and reduce the dependency on donor support, and therefore it has become as a long-term survival strategy of the NGOs. Some observers warn against risks of a 'mono-culture' of micro-credit and that the World Bank and other funding agencies are pushing multi-sectoral, social development oriented NGOs into the narrower function of profit-based micro-credit for the purposes of financial viability.[2]

Micro-credit is very much a 'growth industry' in Bangladesh. It has become the largest source of formal credit in rural Bangladesh, accounting for about two thirds of the total institutional credit in rural areas.[3] As micro-credits almost without exception are targeted at the landless, this success raises the question of what is happening to the other half of the rural population, the farmers, on which the growth of agriculture depends.

6.1.2 The Grameen Bank and the NGOs

It is estimated that over a thousand NGOs in Bangladesh are involved in micro-credit focusing on the landless. Grameen Bank (regarded as a bank and not an NGO), with 2.2 million members in 40,000 villages alone has an annual lending of about USD 400 million. BRAC, the largest NGO in Bangladesh, has 2.2 million members in about 32,000 villages with an annual disbursement of USD 170 million[4]. Proshika has 1.3 million members, and ASA, the fastest growing large micro financing NGO in Bangladesh expanding at a rate of 40 percent per annum, has 0.6 million members in 10,000 villages and is disbursing USD 40 million annually[5]. There are no comprehensive data of the NGO sector, but the Credit and Development Forum (CDF) which is a network of micro-credit NGOs in Bangladesh, informs that 360 of its members have a total membership of almost 7 million persons.[6] If Grameen Bank, other NGOs, and the government's micro-credit programmes are added, a figure of 10-11 million members is a conservative estimate. MCOs generally have the same target group, the rural landless[7], and most of them also operate under the principle that only one person per household is covered, generally the woman. Thus, all of the 10 million rural landless households in Bangladesh are theoretically covered by the micro-credit institutions.[8] Yet, estimates of coverage range from 25-45 percent, indicating a pervasive multiple membership[9].

The cumulative disbursement of Grameen Bank is now over USD 2 billion while BRAC has a cumulative disbursement of USD 500 million, and ASA and Proshika in the order of USD 100 - 150 million each. Grameen Bank alone is larger than the total lending to agriculture through the conventional banking system. The total cumulative disbursement by the MCOs should be in the order of USD 3 billion. There is no readily available data on the annual lending by the MCOs in Bangladesh, but a broad estimate would indicate in the order of USD 700 - 800 million. Not only are the MCOs major banking operations in Bangladesh, they are also important employers. Grameen has a staff of 12,000, the NGOs reporting to CDF have a combined staff of 50,000, while BRDB's staff working on micro-credit based projects is about 7,000.

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[2] Wood, G. & Sharif I, *Who needs credit? Poverty and finance in Bangladesh*, Dhaka: University Press Ltd, 1997.

[3] Sobhan, R.,*The political economy of Micro-credit*, in Woods & Sharif.

[4] *Annual report*, Dhaka: BRAC, 1996.

[5] Alamgir, D., *Achieving financial viability by a large MFI - the Association for Social Advancement in Bangladesh*, CDF Case studies 1, Dhaka: CDF, 1997; and Bruntrup, M., *Impact assessment of the Association for Social Advancement (ASA)*, Dhaka, 1997.

[6] CDF, *Micro-finance Statistics of the NGOs*, Dhaka, 1997.

[7] The most common definition of the 'target group' for these schemes is members of rural households who own less than 0.5 acres of land.

[8] Calculated as follows: total population of Bangladesh is 120 million of which 82 percent rural; 56 percent own less than 0.5 acres according to official statistics and the average household size is 5.5 members (120 mill.x0.82x0.56/5.5=10 mill.)

[9] Gibbons, D., *Financially sustainable micro-finance institutions for the poor*, Issues paper No 2 for Bank-poor, Kuala Lumpur, 1996 claims 20 percent coverage, while the World Bank sponsored study on Grameen, BRAC and RD 12, claims a 45 percent coverage.

The membership in the MCOs is to a large extent female. Grameen Bank's members are 94 percent women, BRAC has a membership of 95 percent women, and ASA nearly 99 percent women. The overall membership in the NGO's credit operations constitute to over 80 percent of women as reported by CDF. While the NGOs with few exceptions are focusing on women in their micro-credit operations, the government operated schemes have generally a more mixed membership as further elaborated below. Amongst those RD 5 stands out as one with the lowest share of women.

The strong focus on women in the Grameen Bank and the NGOs appears to be an anomaly in a traditional strong male dominated society in which women, through the institution of *purdah*, are confined to the private domain and are rarely visible in economic activities. There are several reasons for this: women are more accessible for group formation and group meetings required by the micro-credit operations; with better repayment records than men, women are a lesser risk from a banking perspective; women have been targeted by the MCOs in line with the social objectives of the organisations, sometimes reinforced by donor policies. However, a high degree of female borrowers does not necessarily mean a high degree of female operated economic activities. It has been noted in various studies that while the loans are taken by women, the use of credit is to a large extent controlled by men. For example, a study reported that two thirds of micro-credits provided by Grameen Bank, BRAC, Proshika and BRDB fully or partly were controlled by men, while the women provided the formal link to the credit organisation.[10]

> ***Field work case study: why women join...***
>
> *A female group of about 25 women in Shariatpur under four days of awareness training in PEP was asked why they joined PEP. Most of the women responded that they had joined because their husbands asked them to. When asked what they would use the credit for, most of them said for their husbands' business. These included cultivation, rickshaw pulling and small trade. However, some of the women said they would apply for credit for their own purpose. Most of those were widows or abandoned women, but also a few younger women. They said they would use the credit to improve the trade they were already running, such as shop-keeping and trade in rice and vegetables, but some of them would also try to start new businesses such as sewing.*

The growth of micro-finance in Bangladesh is phenomenal. Between 1985 and 1994 Grameen Bank alone expanded annually by 30 percent in membership and 40 percent in disbursements, and increased its disbursements from 1 to 2 billion in little more than 2 years.[11] CDF reports a growth trend for the larger NGOs of 20 - 30 percent recent years. The growth of the micro financing operations in Bangladesh has been facilitated by generous donor funding and tailor-made soft credits for micro-credits. Grameen Bank's expansion was to a large extent facilitated by considerable donor funds, and the budget of an organisation such as BRAC is still 55 percent funded by grants[12]. The emergence of soft-loans under PKSF (see below), has also expanded the resources available to the micro-credit organisations. However, the Grameen Bank and the larger NGOs are increasingly self-financing. Grameen Bank is today not dependent on donor funding and mobilises capital on commercial markets. ASA, which besides Grameen is one of the most specialised micro-credit organisations in Bangladesh, is self-sufficient in its credit operations, has a record of profit-making for newly opened branches within a year, and is overall making a profit.

The evolution of the micro-credit organisations is dynamic. Since the take-off of the schemes in the mid-1980s, Grameen Bank and the larger NGOs are expanding the credit programmes from the original small, one year credit to a variety of credit lines such as housing loans and entrepreneurship loans, often with sizes of loans many times the traditional micro-credit. Grameen Bank has emerged as a large commercial player in Bangladesh with a number of subsidiary companies, and BRAC is expanding into international operations. These

[10] Goetz, A & Gupta, R., *Who takes the credit? Gender, power and control over loan use in rural credit programmes in Bangladesh*. IDS working paper no 8, Brighton, 1994.

[11] Khandker et al, *Credit programmes for the poor: Household and Intra-household impacts and program sustainability*. Dhaka: BIDS and World Bank, 1996.

[12] It should be noted that this constitutes BRAC's total budget, not the credit oriented Rural Development Programme.

Table 12: A Typology for the service of Micro-credit Organisations

Organisation	Micro-credit	Social mobilisation	Skills training	Market linking	Employment
'Minimalist'	x				
Empowerment focused	x	x			
IGA focused	x	(x)	x	(x)	
'Maximilist'	x	x	x	x	
RD 5	x	x	x	x	x

6.3.3 Minimalists vs maximalists

There is a debate in Bangladesh regarding the different approaches to micro-credit: on the one hand the 'minimalists' argue for credit alone; on the other, the 'maximalists' argue for the need of combining credit with other interventions.

A loan alone, it can be shown
Will on its own,
increase the wealth, improve the health,
of micro clients.
No rocket science, God own creation.

A loan alone, it's widely known,
Is often blown.
Without support, plans will abort.
So show the way, give TA,
building skills, reducing spills.

(von Pischke 1997 in the Internet)

The minimalists argue that micro-credit programmes cannot afford to add services such as human resource or skills training if they are to be sustainable and not donor dependent in the long run. The members know their own best and make rational choices. The key aspect is to contradict the imperfections in the credit market by which the poor are excluded from formal credits due to the conventional banks' attitude, thus having to rely on landlords and money lenders. Social power structures are altered and greater equity brought about through changes in womens' social position, change by giving the poor access to credit at reasonable costs, and by providing discipline in savings and lending.

The maximalists argue that the prevailing socio economic power structures in Bangladesh, especially the patriarchal system and the institution of *purdah,* requires more than credit to change. Financial services must be accompanied with various forms of awareness raising, social and political consciousness-raising, non-formal education, and other measures. Discussants with intimate knowledge of Bangladesh, such as Geoffrey Woods, see the move towards the minimalist approach as a neo-liberal conspiracy, triggered by organisations such as the World Bank:

> *(The change) offers an alibi for donors as well as nervous host governments to withdraw from a broader analysis of poverty into a narrower, neo-liberal conception based on poor people's financial liquidity. It turns its back upon decades of structural analysis about the social and economic inequalities embedded in transforming political economies, and adopts panacea labelling of the poverty problem in ways which are non-threatening to classes on dominance, globally and nationally.*[21]

RD 5 is an example of a maximalist approach, although the focus is less on the social empowerment aspect and more on income generation.

[21] Wood & Sharif, 1997, op cit, pp 36-37.

6.4 The objectives and achievements of PEP

6.4.1 The objectives of PEP

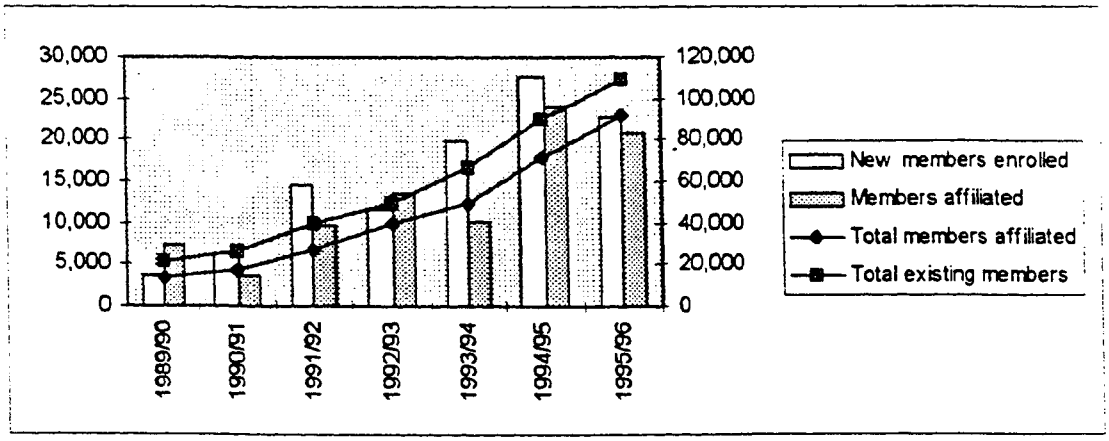
The development objective of PEP is *to create a sustained livelihood for the rural poor* by generation of a *substantial increase in income and empowerment of the rural poor.* The increase in income is to be achieved through mobilisation and the development of cohesive and viable groups, which are expected to engage in short term wage employment and self-employment activities financed either through own savings or through credit provided by the project. The increased income is also to be generated through the improved utilisation of resources and the promotion of innovative income generating activities, the development and transfer of new appropriate technology, skills training and marketing support. The empowerment of the rural poor is to be achieved through group training and group development.

The objective of PEP is similar to that of all development projects irrespective of whether they are being implemented by NGOs or the government. The strategy for achieving the objective, with its focus on employment including wage employment, is different from other NGO projects, which rarely, if at all, include short term wage employment.

6.4.2 Group development and membership

Group development includes mobilisation of rural people who meet the target criteria, the formation of cohesive and viable groups, awareness raising and the establishment of regular savings amongst the group members. Figure 1, below, shows the progress during the 1990s in RD 5 in terms of enrolled members and affiliated members. A group is affiliated when it is eligible for credit. As indicated in Figure 1, RD 5 had a slow build up of membership from its start until 1991/92 after which the expansion has been rapid. It is currently adding about 25,000 new members per annum. The decline in total numbers of members 1995/96 is explained by the withdrawal of the project from Kurigram.

Figure 1: Progress in membership enrolment in RD 5 1989-96

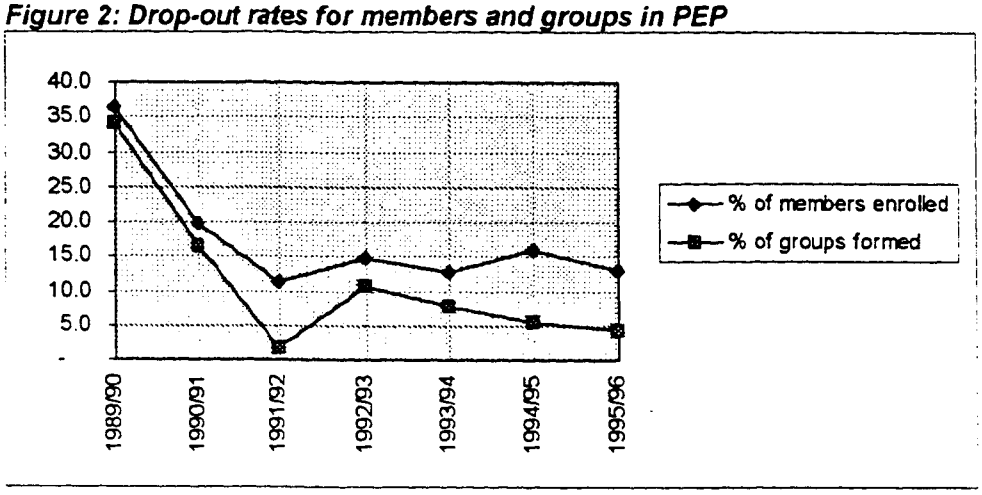


As of June 1996 a total of 5,430 groups with 109,609 members had been enrolled and 4,508 groups with 91,621 affiliated. The data for 1996/97 shows a total of 5,430 groups with 110,970 members. This covers only Greater Faridpur and is exclusive of Kurigram.

6.4.3 Dropouts

Dropouts of groups and members can be used as a measure of the quality of group formation and the field staffs' attendance to the groups. According to RESP's progress reporting, drop out was a major problem in the earlier years but has been kept at a lower level in recent years as indicated in Figure 2 below.

Figure 2: Drop-out rates for members and groups in PEP

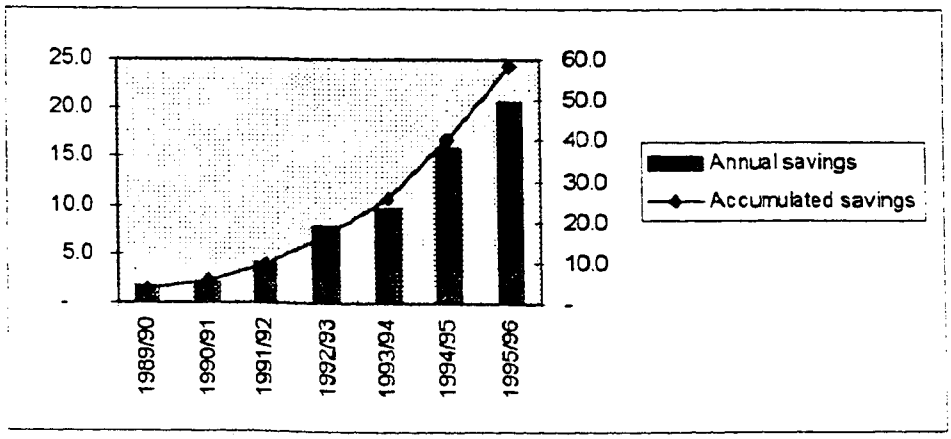


Dropout is considered a serious problem as it destroys the group's cohesiveness and increases the cost of group development. According to the official data, RD 5 has in recent years achieved a rate which is commensurate with the more successful MCOs. For example, the drop out rate of ASA is about 12 percent and the entire group drop out was about 4 percent in new units in 1996, more or less the same level as RD 5 after 1991/92.

6.4.4 Savings

Accumulated savings in RD 5 have increased from Tk 3.4 million in phase I to Tk 58.6 million at the end of phase II. The average savings deposit per member has increased from Tk 163 to Tk 535 and savings per group has increased from Tk 3,300 to about Tk 10,800. The rapid expansion of savings in the project from 1991/92 onwards is shown in Figure 3, below:

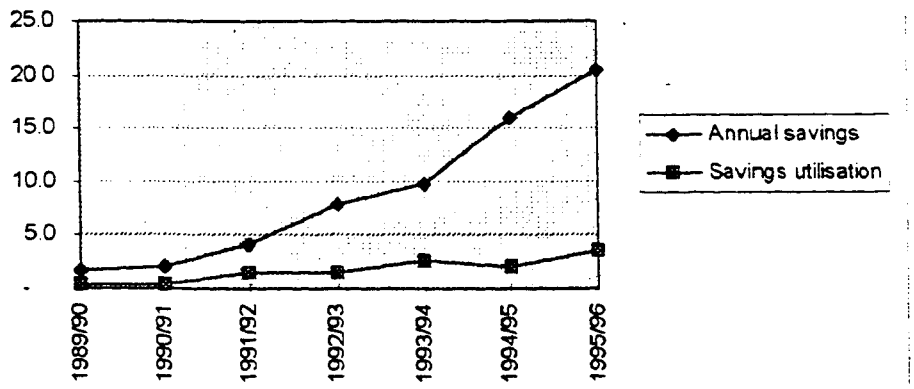
Figure 3: Savings in RD 5 1989-96 (Tk million)



Savings deposits by far exceeded the targets of the project. The average savings deposit is Tk 4 per member per week while the compulsory rate is Tk 2 per week. This shows that the rural poor are in need of an organisation where they can deposit their savings. This has also been observed by ASA which has established savings schemes for the villagers.

Out of an accumulated savings deposit of about Tk 59 million only some Tk 3.5 million is used for IGAs, which is about 6 percent of the deposits. Thus, PEP is not successful in promoting the utilisation of the members' savings for credit purposes. This is a result of the savings and credit model used by PEP according to which all credit activities are through the banks and savings accounts are considered the groups/ members private accounts. In PEP the group members have to approve of their savings being used for credit delivery. This model is different from most MCOs in which the organisation pools the savings resources of the members, and hence can revolve the savings for credit purposes. Thus, in ASA savings together with instalments are collected by the field staff and deposited in ASA's account, which is used for credit delivery. The utilisation rate of savings in ASA is close to 100 percent. The reason for RD 5's use of a 'banking model' different from the NGOs and Grameen Bank, is the objective that the project should operate as a bridge between the rural poor and the conventional banks so that members eventually can 'graduate' out of PEP to using regular banking services. The intention is that the banks get accustomed to the rural poor, recognising them as a group with high repayment records. As will be discussed later, this model has not worked according to plan. As a result, considerable savings have been accumulated which earn interest for the members, but which are poorly used for revolving credit, as indicated in Figure 4, below:

Figure 4: Savings and savings utilisation in RD 5



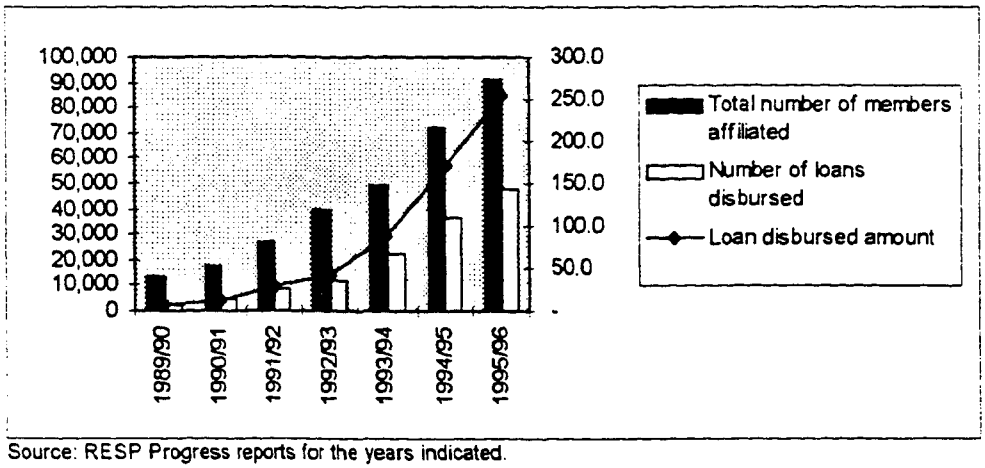
Source: RESP progress reports for the years indicated.

6.4.5 Loan disbursement

The annual number of loans disbursed increased from about 3,500 in the late 1980s to 47,500 by 1996, and the credit amount increased from Tk 6 million to about Tk 254 million over the same period. The average loan amount has increased from Tk 2,212 to Tk 5,335.

The growth of credits disbursed in the 1990s is indicated in Figure 5, below.

Figure 5: Loan disbursements of RD 5, 1989-1996



Source: RESP Progress reports for the years indicated.

As can be noted above, in one particular year less than half of the affiliated members take a loan. This is to some extent in contrast to many other MCOs in which the ratio of issued loans to membership is higher. It is known that some MCOs are putting pressure on the members to take loans as a means of expansion of the organisation and also to increase its sustainability. While PEP is not insulated from such pressures, the organisation - being a donor funded project with little real demand for self-sustaining operations in its interests - has probably felt less pressure to expand as rapidly as many other MCOs. Added to this might also have been the basic 'graduation' philosophy behind PEP. Thus, there is a debate in RD 5 of how many loans a member should be eligible for until he or she has 'graduated'. Some of the more bank-oriented MCOs do not engage in such a debate, but a member is in principle free to take as many loans as he/she wants as long as the repayments are met in a timely manner.[22] There are variations to this. For example, CODEC has a phase out policy for village organisations. Groups formed in a village take over all monitoring of group development, savings and credit disbursements, and loan recovery while the credit fund is supplied by CODEC.

An issue in this context is that there are no data regarding interest income from the credit transactions in RESP's progress reporting. If the recorded credit disbursement is 50 percent from the project and 50 percent from the banks, an interest income of about Tk 20 million in 1996/97 should have accrued. In general there is a lack of transparency in the progress reporting from this perspective.

6.4.6 The use of credit

The use of credit for income generating activities is the corner stone of the MCOs, not least RD 5 with its strong effort to stimulate IGAs. The credits are to a large extent used to support already ongoing income generating activities (IGAs) by the loan takers and it is therefore difficult to determine the growth of IGAs as a result of the credits. These activities are also in most cases maintained after the loan has been repaid. Most of the rural poor and landless are involved in several types of income generating activities of a temporary or permanent nature simultaneously, further complicating a separation of what the micro-credits contribute to in the rural economy. In addition, credits are not always used for what they are said to be used for. Nevertheless, below is the distribution of the use of credits for different IGAs as officially reported by RESP.

[22] It is obvious that such a principle is contradictory to the 'poverty criteria' as members through the micro-credits are supposed to be alleviated out of poverty.

Table 13: Use of credit for Income Generating Activities in RD 5 1991/2-1995/96

IGA	No. of loans		Loan amount	
	('000)	Percent	Tk mill.	Percent
Primary production				
Livestock (cow & cattle rearing)	25,5	20,7	109	19,3
Paddy & other cultivation	11,5	9,3	58	10,2
Poultry & duck rearing	1,0	0,8	4	0,7
Fish culture	0,5	0,4	2	0,4
Agriculture processing				
Paddy & pulse husking	21,3	17,3	91	16,1
Other food processing	1,3	1,1	6	1,1
Other production				
Crafts (carpentry, mason, weaving, etc.)	3,5	2,8	16	2,8
Trade and services				
Small trading & shop keeping	52,1	42,4	251	44,2
Rickshaw van	6,1	5,0	28	5,0
Boating	0,2	0,2	1	0,2
Total	*123,0*	*100*	*566*	*100*

Source. RESP *Progress reports*

As indicated above, the use of credit in RD 5 is to a large extent for trade, accounting for nearly half of the credit disbursed. Such trading is often agriculture based such as trading in rice, pulses and vegetables, but also includes shop-keeping and trading in consumer goods. Trading is an IGA in which both men and women take part and is a particularly important IGA for women with sole responsibility for the household economy. Livestock accounts for about a fifth of all credits and includes activities such as the rearing of milk cows, cow fattening and the purchase of bullocks for ploughing. Livestock has a dominance of female borrowers in RD 5. Rice husking is the third most common IGA in RD 5. This is a simple form of income generation activity almost entirely carried out by women and often a 'first' credit activity as it involves very low risk. Cultivation IGAs cover a broad variety, from paddy on own or rented land to fruit tree cultivation in the homestead. The distribution amongst women and men depends to a large extent on the type of cultivation. Paddy, for example, is almost entirely for men.

The average loan under RD 5 for 1991-96 is Tk 4,600. As can be derived from the table above, there is little difference in loan size from IGA to IGA. However, over time the average loan amount has increased from about Tk 2,600 in 1991 to Tk 5,300 in 1996. This reflects the fact that there is an increasing number of second and third time borrowers in the portfolio.

A comparison is made below between RD 5 and ASA for 1996-97. While trade is the most common IGA in both schemes with nearly half of the credit disbursements, RD 5 is more agriculture based than ASA. The latter scheme, on the other hand, has a considerably higher share of credit in crafts and transport services than RD 5 as indicated in Table 14 below. This might be a reflection of the strong emphasis in RD 5 on training and support services for agricultural based production.

Table 14: Comparison of RD 5 with ASA in credits for IGA (percent of total credit disbursed 1996-97)

IGA	RD 5	ASA
Trading	44,3	44,0
Rice husking	16,4	0,5
Livestock	15,7	15,0
Cultivation	13,9	5,1
Crafts & processing	4,2	18,7
Rickshaw	3,7	10,3
Poultry & small livestock	0,9	1,9
Fish culture	0,7	2,2
Other	0,2	2,3

Sources: RESP *Progress reports 1996/97* and Bruntrup et al.: *Impact assessment of ASA*, 1997

The finding that trade accounts for a high share in RD 5 and ASA is in line with many other MCOs.[23]. An assumption in micro-credit schemes is that the members would begin with traditional and well known IGAs, and with increased experience and economic resources move towards more advanced micro enterprise ventures. RD 5 has promoted such a development through its training and support services. Case studies give examples of such development, but a more common pattern seems to be diversification towards a larger number of different (traditional) IGAs over time. This might be explained by a deliberate low risk strategy of rural households, but also reflects the increased involvement of women in the household cash economy. Women, generally confined to the village due to *purdah* and home responsibilities, can more easily undertake village based IGAs with limited demand on their time such as animal husbandry.

The pattern of graduation towards more 'advanced' IGAs has been noticed in MCOs such as Grameen and ASA. This could possibly be explained by the fact that these bank-focused organisations have a more rapid turnover of loans per member with no upper limit on how many loans a member can take. It raises the issue of relative effectiveness of faster disbursed credit versus concentration of training and other support services.

6.4.7 Training

RD 5 is providing considerable amount of training. It can be estimated that on an annual basis the project is currently providing about 200,000 person days of training mostly through short term courses of a few days' duration. The bulk of the training is for social mobilisation, accounting for two thirds of the person days, while the balance is for various types of skills training for income generating activities, as indicated below. There appears to be an overrepresentation of women in the training, especially in skills training, given the gender balance in the project.

[23] See for example Matienzo, R., *Loan profitability and impact in the RD 12 project*. Dhaka, 1993.

Table 15: Training provided under RD 5 1991/92 - 1996/97

Type of training	*Duration*[24]	*Annual average 1991/92-94/95*		*Annual average 1995/96-96/97*	
		No.	*percent women*	*No.*	*percent women*
Social mobilisation					
Awareness raising	4 days	20,000	55	22,000	55
Family law and gender issues	3 days	4,500	75	3,000	75
Leadership training	3 days	2,700	55	4,500	70
Account keeping	5 days	1,000	50	1,400	60
Literacy		1,300	75	–	
IGA planning & management	1 day	7,300	55	12,500	60
Skills development					
Short term	4 days			9,000	70
Medium term	15 days			100	95
Long term	50 days			30	80
Total		6,000	60	9,200	70
PTC members	135 days	60	75	160	75

Source: RESP Annual progress reports, 1994/96; 1995/96 and 1996/97. Figures have been rounded off.

The short-term skills training provided under the project is heavily focused on traditional agricultural activities as noted in Table 16, below:

Table 16: The supply of short term IGA training in RD 5 (1996/97)

Type of training	No. of trainees		Of which women (percent)
		Percent	
Livestock rearing	3,262	36	71
Homestead cultivation	1,839	20	95
Poultry rearing & vaccination	1,618	18	
Fish culture	856	9	
Other cultivation	850	9	8
Food processing	539	6	100
Horticulture	196	2	72
Bee keeping	22		100
Total	9,182	100	74

Source: RESP: *Progress report 1996/97*, Dhaka, 1997.

The supply of skills training in the IGAs only partially overlaps with what the micro-credits are used for. Thus, trading accounts for 45 percent of the IGAs but no training is provided in this. On the other hand, poultry, for example, attracts less than 1 percent of the loans, but accounts for nearly 20 percent of the short term IGA skills training. This mismatch between the skills training and the actual use of micro-credits has been a persistent problem for RD 5. To some extent, it reflects the ambition of the project to promote production-based employment rather than services. However, no trend towards such use of credits can be noticed.

[24] Data for 1995/96 and 1996/97.

6.4.8 Action Research, and Production and Training Centres

Action Research is an effort by the project to test and evaluate new and improved IGAs. It is a practical type of work in which the project subsidises and supports one or several members to undertake a new style project. PEP provides the budget for the project, covers the cost of failure, and provides the skills training and other services. The project enlists the support of relevant government departments to provide the technical support and training, assesses the outcome, identifies problems and tries to find solutions. In the case of success, the member is supposed to repay the investment as a loan. Examples of action research undertaken by the project are prawn cultivation, cultivation of grapes, sunflower, mushrooms, betel leaves and cotton, quail production, floriculture and food processing such as vermicelli production. The research goes on for one to two years, and, if successful, the project tries to disseminate the learning to other members and districts. The number of Action Research projects carried out in the 1990s is given in Table 17 below.

The action research is often imaginative and ambitious. As the members directly benefiting from these activities are few, the justification for the action research is replication of the promising IGAs. There are examples of such successful research projects, but the overall impression of the evaluation mission is that the spread effects (so far) are limited. New IGAs tend to require additional support services, such as marketing services, input supply and others, and thus become quite staff intensive. In the view of the mission, there is a risk of a paternalistic approach to such projects in the sense that the beneficiaries are treated as passive subjects dependent on RD 5 for success.

The Production and Training Centres (PTCs) were introduced in 1992 as a part of the Action Research. Their purpose is to introduce new skills and new IGAs. A PTC is usually a simple shed in which the training and production takes place, and products might be displayed. The project provides production and training facilities (such as kilns for ceramics, machinery for carpentry), undertakes training over three to four months of selected members, provides designs, assists in product development, and sometimes supplies raw materials. The project is currently running about 20 PTCs, in bamboo works, jute weaving, ceramics and carpentry, involving a couple of hundred members as indicated in Table 17, below.

The impression of the mission regarding the PTCs is similar to the Action Research. These are ambitious undertakings, staff and technical assistance personnel are often highly motivated and enthusiastic, but it is questionable whether the results are commensurate with the inputs since there are relatively low number of enterprises that appear to be self-sustaining. One bamboo product PTC visited gave the impression that, in view of the limited results of the training, the project had taken responsibility for production to the extent that to it planned market the products in Dhaka as the local buyers showed limited interest in the products, while the few remaining trainees acted as semi-employed staff to the project.

Table 17: Action Research and PTCs in PEP

	Total	closed	concluded	suspended	ongoing	replicated	PTC in operation cumulative	
							No	Members
1989/90	10	1	2		7			
1990/91	22	2	3	2	15	8		
1992/93	25		7	3	15	18	7	
1993/94	24	1	7	1	15	11	10	
1994/95*	44	1		2	20		16	198
1995/96*	51	2		1	29		21	156

* in 1994/95 and 1995/96 19 AR were completed

6.4.9 Marketing support

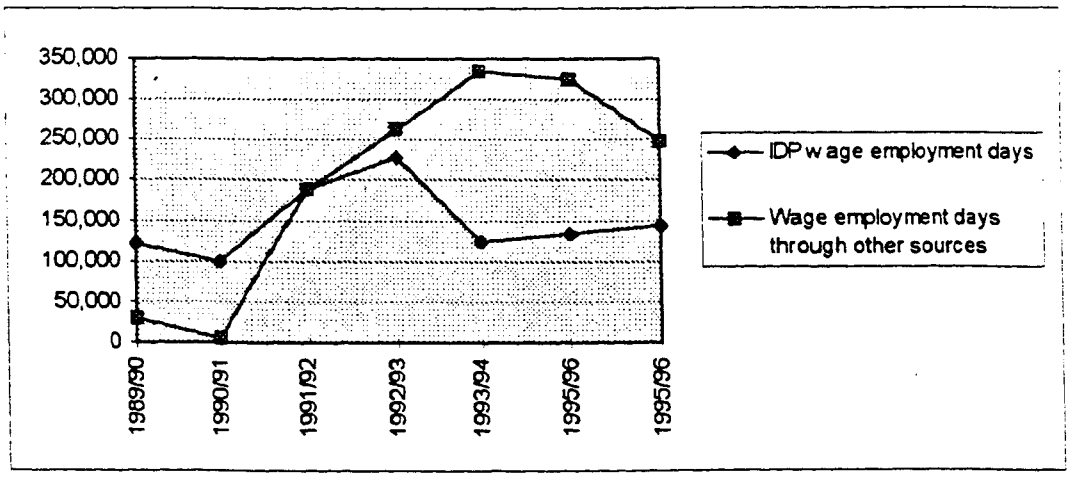
The project has provided active support to members to assist in marketing, especially of the new style products introduced. Project staff act as brokers, for example contacting shops and other marketing outlets in Faridpur or Dhaka on behalf of the members. The project also sometimes provides the producers with raw materials and other inputs. In this context, the project also uses BRAC's *Aarong* for design of craft products and *Aarong's* market outlet on a sub-contractual basis. Marketing assistance might also include marketing surveys, the provision of packaging materials, the display and sale of members' products at rural fairs and so on. During the evaluation, the team was told that and idea within the project is to set up a display centre/shop in Faridpur and possibly in Dhaka to be run by the project for the benefit of the member producers, especially for products that do not have a ready market in the local community, such as handicrafts. The project staff also contemplated providing input services to the producers, such as raw materials not readily available in the locality.

6.4.10 Direct employment creation

RD 5 is a unique micro-credit based programme in the sense that the project also attempts to create direct employment for the group members aside from stimulating self-employment. This approach emanates from PEP's origin as a complement to the rural works employment programme of IRWP. As far as is known, no other micro-credit based rural development project has this function, except the EU financed RD 9 which is similar to RD 5, as it operates in combination with a rural infrastructure project, RD 8.

The most important activities are fish pond re-excavation, tree plantation and care-taking of trees, and earth road maintenance. The latter type of work is in relation to the IDP. According to RESP reports, the annual employment generated for PEP groups is shown in Figure 6, below.

Figure 6: Direct wage employment generation by RD 5



As indicated above, the average annual employment is about 0.4 million days per year, of which 45 percent is generation through IDP works. The income generated in 1995/96, according to RESP's reporting, was Tk 5 million through the IDP wage employment and Tk 16 million through other schemes. These figures gives a daily rate of about Tk 35 in IDP schemes and Tk 64 in the other schemes. Overall, the earthworks for women in IDP belongs to the lowest paying wage employment in Bangladesh, whereas the wage levels for other

forms of direct employment created in PEP correspond to the market rate for agricultural works.

Fish pond excavation has a dual objective under RD 5. It creates direct employment in the establishment stage, and leads to an IGA in fish culture. Derelict fish ponds are leased by the project from the Government or private owners, in the case of the latter generally over an eight year period. The ponds are re-excavated by the project using the World Food Programme's Food for Work programme, PEP funds or Sida's Environment Fund, employing to the extent possible PEP group members as labourers. The ponds are stocked by fingerlings of carp and prawn with the support of the project. Embankments are generally leased as well for plantation of banana and other fruits. Members maintain and harvest the ponds and the embankment plantations, either in groups or as individuals. Technical assistance is provided by relevant government departments. After the lease period is over, the pond is returned to the owner in the case of private ponds. The operational costs of the ponds are carried by the group members through savings or micro-credits.

Field work case study: The economy of fish pond cultivation

A common share cropping arrangement of fish ponds in Faridpur seems to be that the share croppers provide the fingerlings, the required maintenance and undertake the harvest at their own expense. The harvest is then shared equally between the owner and the share croppers. As compared to a PEP 'rented pond' - when the Project leases the pond over an eight year period from the owner against re-excavating the pond - this would mean a cut in revenue by half, should a group pursue fish cultivation after the lease has expired.

Fishpond development has been a rapidly expanding activity and by the mid-1990s 10,000 members were involved in about 500 ponds with an average size of 0.5 acres. While fish pond cultivation is a traditional male activity, the project has introduced 'women ponds' with some success. The follow up of the project has shown considerable returns to the members. Fish and prawn cultivation is generally a profitable undertaking in rural Bangladesh. Earlier attempts by the project to focus on government owned ponds were unsuccessful, basically as these lucrative ventures were prematurely taken over by rural elites.

Fishpond re-excavation is a complex issue: on one hand, the project manages to provide both short term employment during the re-excavation and a good income over some years for the leasees. On the other hand, at the end of the lease the benefits accrue to the owner, usually a member of the 'rural elite', and the group members are back in a situation similar to the one pre-project. Furthermore, the group members which have harvested the pond without paying the rent, have operated in a 'distorted economy' as the fish cultivation has been highly subsidised by the project. While this might be justified as temporary relief, it is likely to affect the members' interest in pursuing fish cultivation post-project, for example as share croppers, as the returns are considerably lower.

Road side tree plantation is an important employment creating activity by the project. It is undertaken in co-operation with the WFP and the Department of Forestry. The project arranges leases of the planted road sides for 15 to 20 years in which the groups have the right to harvest the trees during this period and share the return with the leasing authority, the local government or *Union Parishad*. The project has introduced new varieties such as medicinal species for road side plantations to increase the return. The tree plantations provide year around employment for some members since they require care taking. This is an interesting example of the project's efforts to add resources to the rural economy, (by introducing better yielding species), transfer benefits to the poor, (there is a strong interest in the right to these trees, reflecting the value of these undertakings), and target women.

As note above, direct employment creation is a unique feature for PEP. This is one of the reasons that the link between IDP and PEP has been termed an important innovation in RESP. The concept of linking infrastructure development based on rural works and income generating activities based on micro-credits has not been replicated by other programmes or projects. It has been tried by the EU financed RD-8 and RD-9, which operates under similar

conditions as RESP, but the projects are moving away from this concept. While it is an interesting example of creating synergy between two different types of projects, it is questionable how sustainable this approach is in a non-project context.

6.4.11 The costs and cost-efficiency of RD 5

An effort was made in the evaluation to assess the distribution of the project cost for the various types of services undertaken. These calculations were based on the actual costs of RD 5 and made for three years to allow a comparison of efficiency. The years selected were 1987/88, when the project had just started, 1991/92 as a mid-term and the most recent available year, 1996/97. In the calculation all costs were included, both direct and indirect, the latter based on best estimates by PEP staff in terms of allocations to various functions. Depreciation of fixed assets was included based on reasonable rates of depreciation for different items. The costs of expatriate staff directly working with RD 5 were excluded in order to allow a cost analysis relevant for a post-aid scenario. Also PEP's share of RESP's overhead was excluded. The cost analysis has not included the cost for the credit fund, nor for staff development which cannot be allocated to any function. Details of the study are presented in the Supplement to this report.

The study shows that, overall, RD 5 has become more efficient in its output as measured in unit cost in group formation, savings and credit administration, and various forms of training comparing 1992/93 with 1996/97, while the comparison with 1987/88 gives a more mixed result.

Table 18: Unit costs for different RD functions (Tk in current value)

Function	Unit	1987/88	1992/93	1996/97
New groups formed	Group	3,042	1,507	1,305
Group administration (savings and credit)	Group - one year	3,030	3,924	1,062
Credit administration	Loan	n.a.	333	387
Awareness training	Person	n.a.	428	383
Short term skills development	Person	261	450	378
Leadership training	Person	n.a.	306	288

The cost structure of RD 5 divided between the different functions is presented in Table 19, below.

Table 19: The cost structure of RD 5 in 1996/97

Function	Total cost 1996/97 (mill. Tk)
Group preparation	*10,7*
(group formation)	1,8
(awareness training)	8,9
Savings and credit administration	*24,6*
(group maintenance)	6,0
(credit administration)	18,6
Human resource development	*4,1*
(leadership training)	1,4
(family law and gender training)	0,9
(book keeping & accounting training)	0,5
(health and nutrition training)	0,9
(needs based & other training)	0,4
IGA development	*16,3*
(promotion and marketing)	9,2
(training IGA management)	0,7

(skills training short-term)	3,5
(skills training medium and long term)	0,1
(PTC)	2,4
Resource development and wage employment	*8,3*
TOTAL	*64,0*

As can be seen, the basic micro-credit operations account for about 55 percent of the total cost of RD 5. Human resources development - other then what is included in awareness training in relation to group formation - accounts for a small share of the cost, or about 6 percent, while the balance is for IGA development and direct employment generation. An essential question must be raised as to whether the added services to micro-credit operations in RD 5, accounting for nearly half of the costs of the project, are justified in relation to their output.

6.5 The impact of micro-credits

6.5.1 The general evidence of impact

There are an overwhelming number of studies in Bangladesh of the micro-credit schemes, some in the form of descriptions of the NGO success stories, some in the form of studies applying scientific methods in assessment of the impact of these schemes[25]. The impact of micro-credit programmes tends to be expressed as social and economic empowerment . This includes enhanced self-esteem and self-respect, reduced social and economic vulnerability, increased self-reliance, which in their turn impact positively on literacy, health and others. Examples of such effects are:

- The reduction of household economic vulnerability. The availability of credit is essential to meet the precarious nature of existence for the poor due to ill health, crop failures, natural disasters, extraordinary costs related to illness or provision of dowry. Long-term membership in MCOs correlates positively with a higher degree of food security.

- The empowerment of women. Group activities around savings and credit reduce the isolation of women, create female solidarity and create change in social norms in rural Bangladesh. Women who are members of MCOs generally have a higher stake in decision making in the family and society than non-members. Long-term membership increases the magnitude of the empowerment. Overall, membership in MCOs improves gender equity.

Field work case study: Men's attitude to female participation in PEP groups

A female group in PEP training were asked if their husbands had objected to their membership. A few said that their husbands initially had been reluctant, but eventually had given sway. The reasons for the reluctance were several: the husbands considered it as a loss of status to have their wives working for money and leaving the village; there was a loss of status as the better off in the village looked down on womens' participation in an activity such as PEP; there were social problems for the women leaving the village for four days for training by themselves. However, the opportunity for the family to have access to credit eventually overcame such hesitancy on behalf of the men. Asked if their husbands were members of PEP groups, few indicated that they were. Asked why they didn't become members but sent their wives, the replied that it is difficult for the men to participate in regular meetings due to their involvement in work.

[25] See, for example: Alter Chen, M., *A quiet revolution - women in transition in rural Bangladesh*, Dhaka: BRAC, 1993; Lovell, C., *Breaking the cycle of poverty - the BRAC strategy*, Dhaka: University Press, 1992; Khander et al, *Credit Programs for the Poor: Household and Intra-household impacts and programme sustainability*, Vols. 1 & 2, Dhaka: World Bank & BIDS, 1996.; Wong et al. ,*Experiences and challenges in credit and poverty alleviation programmes in Bangladesh - the case of Proshika*, in Wood & Sharif; Chowdhury & Alam, *BRAC's poverty alleviation efforts - a quarter century of experiences and learning*, in Wood & Sharif.

- Improved social conditions such as better health, a higher degree of contraceptive use, reduced physical abuse of women; improved literacy rates.

- Empowerment of households to deal with the local elite, such as landlords, money lenders and local authorities.

In terms of economic changes, micro-credit studies generally find that members have improved household income as compared to before their participation in micro-credit schemes and compared to control groups. They also show an increased level of employment, better savings records, more ownership of assets, etc. Such economic indicators tend to correlate positively to the length of membership. Better household income and employment opportunities in their turn correlate positively with the better nutritional status of children and other indicators.

The strongest evidence of impact in studies of micro-credit is in the social transformation of women. While difficult to prove a direct causal relationship, it might not be a coincidence that there is a strong trend towards 'modernisation' in Bangladesh society in spite of various fundamentalist reactions. This trend is the reverse of what is happening in many other predominantly Islamic societies in Asia. Observers of Bangladesh often point to this social transformation process of women as the most dramatic change over the last decades. There are obviously many causes of such a change process, but the social mobilisation movement linked to micro-credit might be one of the most significant. Members of micro-credit organisations have become a considerable force in Bangladesh, and a force which promotes modernisation and political emancipation. Likewise, the dominating MCOs are becoming political forces which cannot be neglected, forces which very much lean towards gender equity.

Based on findings in the field and the interpretation of studies carried out under the project, our impression is that RD 5 displays similar effects as have been noticed in other MCOs. Thus, RD 5 reinforces the overall very positive impression of the effectiveness of micro-credit as a means for social and economic empowerment.

6.5.2 The impact of PEP in project surveys - summary of results

A monitoring system was established in RESP in 1987 for continuous impact monitoring of the various aspects of the project. The system was overly complicated, using some 1,000 variables, and was abandoned after a few follow up efforts in the late 1980s. This was unfortunate as the opportunity to follow the progress based on bench marks was lost.

A survey was conducted in 1991-1992 involving 2,000 respondents[26]. The study found that surveyed male PEP members who had received credit had on the average a 33 percent higher income than members without credit, and a difference of about 130 percent for women with and without credit. The study could not claim any evidence that male members who had received training under the project in planning, management and/or skills development had done better than those not provided training, whether provided with credit or not. In fact, if anything, training had a slightly negative impact. On the other hand, there was a marked difference for women with training compared to without. The amount of training correlated broadly with income whether the women had received credit or not. The study indicated that a woman provided with micro-credit and training might more than triple her income as compared to a without situation, as indicated below:

[26] RESP/PCU Evaluation section: *Assessment of PEP 1991-92*, Dhaka, 1992. The study compared its findings with a similar survey carried out in 1989-90. However, methodological problems made the comparisons highly questionable and the conclusions from these findings are not discussed here.

Table 20: Marginal contribution of credit and income to PEP members 1991-92
(Per head monthly income expressed as a percentage of the income of members who did not receive any training or credit)

Category	*Male*		*Female*	
	With credit	*Without credit*	*With credit*	*Without credit*
All training	129	104	339	154
Only planning and management training	133	93	323	181
Only skills training	130	100	284	142
No training	136	100	246	100

Source: RESP/PCU Evaluation section: *Assessment of PEP 1991-92*, Dhaka, 1992, table derived from Table 04-04.

The study contributed to the broad evidence in Bangladesh that in relative terms micro-credit has a much greater impact on women than on men. However, given the prevailing socio-economic conditions in rural Bangladesh where women have a very low income, the absolute growth is limited. In the case material female incomes rose from a level of about Tk 150 per month 'without' to Tk 500 'with', while the income for males 'without' was about Tk 900 and rose to Tk 1,200 'with'.

In 1993, RESP undertook an in-depth analysis of the use of PEP credits on a sample of 50 members representing a broad selection of IGAs.[27] This study found that the micro-credit to a very large extent was used for on-going income generating activities of the members. It also confirmed the overall economic pattern of rural Bangladesh with households involved in a number of activities to generate income. The micro-credit had, to some extent, increased this diversification from an average of 3.4 IGAs per household 'before' to 4 'after'.[28] In spite of considerable skills training and action research in PEP to diversify the self-employment, very little is translated into new style economic activities.

Field work case study: The reasons for becoming a PEP member

Men from three newly formed PEP groups in the Madhukhali Thana under training were asked why they joined the groups. They all claimed access to credit as the main benefit. All except one intended to apply for the upper level of a PEP loan for a first time borrower. Most of them wanted to invest their loans in the business they were already involved in such as leasing or buying more land for the cultivation of vegetables, establishing working capital in trading, purchasing a rickshaw rather than renting one. Only a few wanted to try a new business. These were sharecroppers and sellers of manual labour who wanted to buy a milk cow or invest in a rickshaw van.

The study found that the training element of PEP was comprehensive - all but one of the fifty in the sample had received various forms of training, with about half in skills development and IGA planning, and a third in leadership skills. While the training was appreciated by the members for providing psychological uplifting, morale and confidence boosting, and had taught the members to deal with others in the society, the value of the skills training was much more doubtful. The study concluded that only ten percent of the members who had received skills training applied their skills and used the credit in the IGA for which the training was intended.

A study commissioned by the project in 1995 compared 'old' and 'new' PEP group members, where 'old' meant members that had been enrolled for seven to eight years prior to the study, and 'new' meant members just enrolled and who not received their first loan[29]. The study found the occupational structures of the old and new group quite similar except in the sense that trading was considerably more common amongst old members both for men and for women, as indicated in Table 21, below.

[27] RESP/PCU, *Impact of PEP funded IGAs*, Dhaka, 1994.

[28] Other studies, for example an impact study of ASA, have found up to ten IGAs carried out by one household.

[29] Murshid, K. & Banu, A., *An assessment of Impact of PEP*, Dhaka: BIDS, 1995.

Table 21: The occupational status of old and new PEP group members (percent)

Occupation	Male		Female	
	Old	New	Old	New
Farmer	8	5	-	-
Agricultural labourer	21	22	-	-
Artisans (carpenter, mason, etc)	5	29	-	-
Fishermen	1	3		
Trading	45	25	25	1
Rickshaw puller	9	9	-	-
Maids	-	-	7	9
Housewife	-	-	63	80
Other	8	7	5	8[30]

Source: Murshid, K. & Banu, A., *An assessment of the Impact of PEP*, Dhaka: BIDS, 1995.

The study compared a number of variables for the old and new groups such as education, health, access to land, ownership of livestock, income, savings, dowry, temporary migration (in search of work) and the participation of women in decision making. It found overall a positive relationship between the old group versus the new, except for dowries (in the sense that the old group paid more).

In 1997 a survey was carried out by the project with the purpose of assessing the impact of the micro-credits under PEP[31]. Some 227 loan takers were surveyed using a stratified sample to cover a wide variety of IGAs. The survey calculated the return on the capital and on family labour. It found that there was a great variety in return on both capital and labour. In terms of return on family labour, the return ranged from a near zero for animal husbandry loans such as goat rearing, milk cows and beef fattening, while fish culture and small trade, including shop keeping, had a return of over Tk 100 per day. Excluding the animal husbandry projects, all of the surveyed IGAs had a return to labour above the going rate for agricultural labour - used as the opportunity cost of male labour - estimated at Tk 50 per day. The study confirmed a general hypothesis in micro-credit schemes, that self-employment tends to have a better return than wage labour in Bangladesh. The low return to labour in the case of animal husbandry loans was explained by the authors: these activities generally are carried out by women as part-time tasks and these women have very low or no opportunity costs of their labour.

The study confirmed earlier assessments in PEP that the skills training provided poorly fitted what the loan takers actually use the loan for. Less than 20 percent of the skills training was considered relevant. However, the skills training had been instrumental for loan takers to take up IGAs for which they lacked previous experience, such as jute bag sewing and jute weaving, and also bamboo works. Nevertheless, the authors saw the skills training provided as excessive.

BIS undertook a study in 1998 assessing the effects of income generating activities in all of BRDB's Rural Poor projects, including RD 5[32]. The study was based on a sample of 130 cases, representing 13 common IGAs, (10 cases for each IGA), and a control group of 25 members without loans. The study confirmed the common finding that the landless are involved in more than one economic activity, with a mean number of three. For about half of the respondents, the activity for which they received loans was full time work, while it was part time for the balance. The study has calculated the return to labour for the thirteen IGAs and found a daily return (called profit per day) ranging from near zero to about Tk 150 with Tk 80 as an average. The low returns were found for animal husbandry projects, (goat rearing, cow rearing, beef fattening), while the high returns were found in artisan work

[30] The original table includes a counting error, hence the total does not equal 100 percent.

[31] Gray, S. & Shasuzzaman, M., *The impact of loans and comparative data on family profiles - a socio-economic study*. Dhaka, 1997.

[32] BRDB/BIS, *Profitability and effect of some popular Income Generating Activities in seven Rural Poor Projects of BRDB*. Dhaka, 1998 (draft).

(handicraft, tailoring, wood carpentry) and with agriculture in between (plant nursery, horticulture, vegetable cultivation, etc.). Animal husbandry is typically a female IGA, while artisan work is typically male. Unfortunately, the study did not include the most common of all IGAs under micro-credit, small trading and rice husking.

While the study uses too small a sample to draw conclusions for RD 5 specifically, it indicated that RD 5, together with RD 9, appears to be the most training intensive of all BRDB's projects. The study attempted to assess indicators such as economic and social empowerment measured in food intake per day, shortage of food, savings, decision making, use of family planning, use of latrines and awareness of the environment. It concluded that the micro-credit had contributed to economic and social empowerment through positive contributions to these parameters. For example, over 90 percent of the female respondents claimed an improved status in decision making in the family after credit as compared to before, while 80 percent of the respondents claimed an improved decision making position in society.

6.5.3 Some conclusions on impact

The impact assessments undertaken by RESP and BIS have used survey methods and comparisons of 'before' and 'after' based on recalls by the respondents. There are methodological weaknesses in this as the respondents generally do not keep records of their income generating activities, but also might have a reason to bias their answers. As long as credit is attractive, and there are eligibility criteria for receiving credit (beyond a repayment record), the answers are likely to contain a bias. Furthermore, as most credits are used for already on-going activities there are problems in assessing the marginal impact of a credit in a context where book-keeping is rare. Nevertheless, there are some basic findings of the surveys, some of which confirm other studies in Bangladesh. These are elaborated below.

Micro-credit tends to impact on women more pronouncedly than on men. A reason for this is the social setting: enrolment in a group to receive micro-credits generally implies a considerable social change for the woman. It breaks her traditional role and exposes her to various forms of training and task-oriented interaction between group members, field organisers and the external world. The economic position of the woman changes as she becomes responsible for a loan whether this loan is *de facto* used by her husband or not as she has to interact with the MCO. Training and credit both promote such social change, and apparently with synergy when combined. Chapter 7 on Gender impact discusses the diverse effects of MCO programmes, and especially PEP, on women. The findings described here coincide with most other studies of micro-credit impact. The unusually high share of men in RD 5 as compared to almost all other MCO programmes, save RD-12 which has a 50/50 divide between men and women, is especially difficult to understand in this context. It is not clear whether RD 5 has chosen a more or less effective strategy than most MCOs to promote gender equality in this respect. Serving both men and women in equal numbers in order to promote gender equity and to avoid jealousies might be valuable, although it does not appear as though RD 5 originally chose this unusual approach in Bangladesh as a deliberate strategy. Since 1996 gender equity has by decision of the Annual Review Meeting (ARM) for RESP been promoted in such a way that women and men should both attend gender equity training classes.

The reaction to social change in rural Bangladesh..

"Much has changed in the village to the better. The roads are so much better, there are schools... Women are involved in groups and participate and make money. It is good for development. But when they get to heaven they will be punished. It is against the will of Allah."

(An old man discussing a PEP group)

"I don't think we should see the female PEP group now. It is meal time and they are cooking. If the men don't get their meal it might mean that some of the women will be beaten."

(A woman PEP Field Organiser)

Breaking the traditional role

"We are often told that the credit groups were the first time women ventured to find out what their villages are like.... The groups are the first time women start to develop an extra-kin identity, the first time she gets to know someone outside her kin group. This identity is the first step through which she breaks her traditions, gains confidence in dealing with money, in dealing with people..."

(S. Hashemi in Khandker et al, Credit Programmes for the Poor, 1996.)

RD 5 is a training intensive project, possibly one of the most training intensive of all in Bangladesh, especially in terms of skills training for income generation. Studies carried out under the project seem to conclude that such training has low relevance and impact on men, while being essential for women. Skills training under RD 5 is poorly targeted, and training of men appears overall to have low to no value. While skills training seems to have some impact on women, it appears that it is the social awareness training that is most essential. The skills training in RD 5 is to a very large extent focused on economic activities which the impact studies have shown to have the lowest return per day of labour. To what extent the project has influenced the members to choose such low return ventures as compared to better paying ventures is difficult to judge. Interviews with loan takers tend to show that they listen only to a limited extent to project staff regarding what to do, but a bias in skills training towards lower returning IGA's nevertheless constitutes a problem. Overall, the studies cast doubt over keen efforts to provide skills training for income generating activities under RD 5. Our hypothesis is that RD 5's highly ambitious approach to enhancing income generation and employment amongst the members by upgrading skills, introducing new IGAs and providing active marketing support is not particularly effective.

To a very high degree micro-credits under RD 5 are used for activities which the loan takers are already involved in and for traditional economic activities in rural Bangladesh. This is in line with the experience of other MCOs in Bangladesh. The credits are mainly used for up-grading existing self-employment activities by adding working capital, procurement of assets previously rented, etc. or investment in activities other villagers already are engaged in. In spite of considerable efforts by the project, the pursuit of new ventures is limited. Micro-credits seem to act as an alternative to other sources of informal credit, and are cheaper and more readily available, reduce the cost of credit in the rural economy, and also increase the supply. This does not preclude a dynamic change process as increasing numbers of people are becoming involved in micro enterprises. Micro-credits can be very good economics, as indicated in this text box.

The economics of micro-credit

A common income for a rickshaw van puller in rural Bangladesh is Tk 75 - 100 per day. Many operators rent their vans. The going rate for such rents is Tk 15-20 per day. By buying a van for Tk 5,000 using a micro-credit, with an interest rate of 20 percent, the puller can pay off the loan, including interest, within a year from the savings in rent.

According to the studies, there is a considerable spread in terms of return per day to labour between the different IGAs. The main difference seems to be whether women are involved or not, indicating quite different opportunity costs for men and women. In spite of low returns, female oriented IGAs such as small livestock and rice husking continue to be popular, indicating that such ventures are part-time occupations using time for which there are low or no opportunity costs involved, while male IGAs require a higher than market rate of labour to be attractive. As most of the IGAs are traditional with well established markets, there is probably low uncertainty in terms of returns. Hence the variation in return on labour is not explained by risk. Another explanation as to why low returning IGAs attract micro-credits is that the credits are used in a much more diverse way than what the official statistics show and what studies based on conventional surveys generally reveal. Micro-credits might be diverted to other more important needs or lucrative ventures, such as re-lending to others, procurement of land, use for consumption, or for repayment of another loan. These are

important uses from the loan taker's point of view. Hence, the return on the official IGA is less relevant as long as it allows such diversion. Thus even zero return might be acceptable.

The overall claimed return per day for the male-oriented IGAs is well above the prevailing market rate for unskilled wage labour, for some of the surveyed activities two to three times above it. While the efforts to calculate the return on the micro-credit investment either to labour or to capital is difficult (as most credits are used for already on-going activities and there are great difficulties in calculating the marginal change), the studies nevertheless confirm a general finding in Bangladesh that men involved in micro-finance, whether loan takers themselves or through their wives or mothers, tend not to be available for agricultural work to the same extent as non-member households. This is also confirmed by staff working in LGED, as expressed in the following statement:

> *The male members of PEP groups generally don't want to take jobs in rural works programmes. It is too poorly paid, too strenuous. They don't want work that pays 35-40 Tk a day when they can make perhaps Tk 100 in self-employment.*

Self-employment also tends to have a higher social status than hired work, further reinforcing this labour replacement. Micro-credit seems both to be selective in the sense that households with a slightly higher social position are attracted to the programmes, and that the micro-credit helps the households to reduce their dependency on wage labour. RD 5 is probably typical for many micro-credit schemes in Bangladesh from this perspective. The effect in this direction is in contradiction to the overall trend in Bangladesh of stagnation in rural agricultural wages. Hence, in spite of the large volume of micro-credit it is questionable to what extent this has affected the wage level in the rural economy. This is a part of the micro-macro paradox further elaborated upon below.

Micro-credits provided under RD 5 seem to generate a certain degree of employment outside the household. This should be of no surprise. The concept of self-employment in rural Bangladesh is a simplification: the rural economy is a complex exchange of labour in informal market systems where almost every household is demanding and supplying short-term, temporary labour. As further discussed in the next chapter, micro-credits play an intrinsic role in this system beyond what is normally found in micro-credit surveys. Mini-enterprises providing short-term employment could be considered potentially important economic change agents as some of them are likely to expand due to the entrepreneurial instincts of the operators.

The high share of trading, and trading related activities such as rice husking, and other services under the RD 5 credits and other MCOs, raises the question of the overall effect of these credits on the rural economy. Trading is unlikely to play a growth role in the rural economy, but is dependent on other sectors for growth. At the same time, the agricultural sector in Bangladesh - making up the basis of the rural economy - has experienced sluggish growth for most of the 1990s. How can micro-credit be sustained in such an environment without leading to declining returns of the self-employment activities supported by the credits? This appears to be a 'micro-macro paradox' identified by several observers in Bangladesh, but which has not been addressed adequately[33].

> ***Field work case study: A success story in Madaripur***
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> *A PEP group told the story of a successful member during a PRA session. Mrs B. lived in a thatched roof house. She took her first credit of Tk 3,000 for rice trading. After repaying the first loan, she got a second loan of Tk 4,000 which she used to buy her son a rickshaw van. Her third loan of Tk 6,000 was used for a milk cow. She repaid the loan from sales of milk and then she sold the cow for Tk 9,000. She used the money to improve her house. She got a fourth loan of Tk 7,000 to expand her rice trading business, and a fifth loan for the same business. She is now an established rice trader, and much better off. The PEP members do not want to disclose her name. This would mean that the credit would dry up.*

[33] See, for example Osmani, R., *Limits to the alleviation of poverty through non-farm credit* in *Bangladesh Development Studies*, Vol. 17, No. 4, 1989 and Sobhan, R., *The political economy of micro-credit*, in Wood & Sharif.

6.5.4 Who is benefiting from micro-credits?

Albeit targeted at the poor and landless, micro-credit is generally are not reaching the poorest of the poor in Bangladesh, but tending to benefit the 'middle' or 'upper' stratifications of poor people. This is probably true for all main stream micro-credit schemes, except for a few that especially target the 'hard core poor'.[34] There are a number of reasons for this:

- The poorest are self-excluding from the micro-credit programmes due to problems in living up to the regular savings requirements in these schemes, and also due to the need for immediate paid work for survival.

- Groups exclude the poorest as bad risks in credits that depend on a group as security for the loans.

- The MCOs tend to focus on the less poor amongst the poor to reduce risk of default and to meet disbursements targets. According to some observers, the dominating MCOs such as BRAC and Grameen have moved away from the poorest to the less poor under pressure to be self-sustaining.[35] As many MCOs have institutionalised incentive schemes amongst their employees to meet disbursement targets, the tendency of selecting the better off in the target group is pronounced.

From the perspective of targeting the less poor, RD 5 is a main stream MCO. It operates under the same condition of maintaining a low default rate and ambitious disbursement targets. Given its strong focus on IGAs, there is a tendency to focus on the more dynamic in the rural setting. Studies have also indicated that members of RD 5 groups are better educated, have fewer illiterate women, have fewer female-headed households amongst the members, and educate as well as vaccinate more of their children than the control groups. There are considerable similarities in RD 5 to, for example, Grameen Bank from this point of view.

Membership in MCOs is attractive as credit is made available at considerably lower interest rates than in the informal market and is more convenient than through the conventional banking system. This would imply that people above the criteria for eligibility would try to become members as well. Studies in the late 1980s indicated that in RD 5 as many as 25 percent of the group members did not fulfil the eligibility criteria, but were better off. However, RESP claim that the project has 'weeded out' members that do not fit the criteria so that this percentage has declined to only 1 percent in 1991.[36] Other sources question this, as Field Organisers are under increasing pressure to mobilise groups and expand lending.

The difficulties in reaching the hard core poor are a persistent problem in micro-credit programmes. Without any hard data, general estimates for Bangladesh indicate that this is a considerable group of people, in the range of 20 to 25 percent of the population, or 25 million. To a large extent, this group will include female headed households, accounting for perhaps 10 to 15 percent of all households in Bangladesh. While the problem is widely recognised in the NGO sector, and many workshops discuss it, the NGOs are under external and internal pressure to reach higher degrees of self-reliance, driving them in the opposite direction. They recognise this and collectively believe that the government should have a comparative advantage in this context, with less need for financial viability, and a political mandate to be concerned with a social safety net for the poorest. While RESP played, and continues to play, an innovative role in designing interventions aimed at the hard core poor in the IDP part of the project through the Labour Contracting Societies, PEP has done little in this direction.

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[34] There are an increasing number of such specialised schemes, for example by BRAC (Income generation for Vulnerable Group Development), CODEC (tailored for poor fishing communities).

[35] Hulme, D. & Mosley, P., *Financing for the poorest of the poor? Financial innovation, poverty and vulnerability*, in Wood & Sharif.

[36] RESP, Assessment of PEP, 1991-92.

6.5.5 Political impact

While there is a strong focus in RD 5 on the employment and income aspects, the socio-economic effects might in the long term be equally, if not more, important. There are indications that membership in micro-credit organisations foster political awareness and willingness to participate in the political process by the members. An example of this is provided by the recent local elections.

Elections were held in December 1997 for local municipality government at the level of the *Union Parishads*. In the Greater Faridpur area, elections were held in 309 Unions in the 5 districts. 315 PEP members, of which 130 were women, were candidates in the election in 130 of the unions. A third of the candidates were successful, of which 46 were women. In 25 of the Unions there are now two or more elected PEP group members. The political participation of mobilised rural poor is a step in a structural transformation as the *Union Paridshads* generally are dominated by the rural elite. This event in Faridpur was not an isolated phenomenon, and a similar process occurred in many other parts of Bangladesh with members of other mobilisation programmes. For example, the CIDA funded Rural Maintenance Programme (RMP) implemented by LGED and CARE, which uses an extended concept of the LCS focusing on destitute women, saw 36 crew members elected.

6.6 Impact assessment by the evaluation

6.6.1 Community studies

In an attempt to understand the role micro-credit plays in rural Bangladesh, the evaluation used various methods. First, it undertook four community studies in Madaripur and Kurigram using techniques such as Participative Rural Appraisal (PRA). The participants were asked to assess different aspects of PEP and also to compare PEP with other forms of credit such as those provided by the NGOs. The study result provides an overall very positive view held by the group members of the programme. According to the group members there were improvements in resource mobilisation, the creation of economic and social safety nets, social and political empowerment with reduced dependency on the village elite, the development of leadership and entrepreneurship, improvement in the livelihood of the members, equity between social classes and gender, enhanced employment, and other benefits. In turn, these have improved health, the schooling of children, the use of family planning, the reduction of intra-family violence and the reduction of out-migration in search of jobs. The effects appear greater for female participants than for men. The participants rated PEP as being superior to other forms of micro-credit.

The study also found that the sustainability of the programme - as perceived by the group members - is low. They express a need for continuous credit, training in IGA and book-keeping at least for another ten years. They argue that the informal money lenders are likely to return if the project is withdrawn.

6.6.2 Two anthropological village studies

As a second means of understanding the dynamics of micro-credit, the evaluation undertook two anthropologically inspired village studies in Faridpur district. In these the local investigators did not disclose their identity, nor informed the project officials of their studies. They spent several days in each of the randomly selected villages. These village studies provided a new view of the use of micro-credits. They indicate considerable overlapping of MCOs in the villages where people tend to be members of several MCOs, a pervasive form of re-lending of micro-credits amongst the villagers, and the use of credit in a much more diversified form than is officially reported. Re-lending seems to take place to the extent that there is a perception amongst the villagers that members of MCOs have taken over the role

of the informal money lenders, charging interest rates approaching those of the *mohajons*. If these findings are representative, a similar process resembling that which took place with the institutionalised credit in the co-operative sector might be at hand in micro-credit as well. This means that a substantial part of institutionalised credit is not ploughed into productive ventures, but is used in the informal lending system at high interest rates. While such diversion was not unknown, our hypothesis is that it takes place on a much grander scale than is officially acknowledged.

The village studies are presented *in extenso* below. The villages' names are kept anonymous to avoid any potential repercussions from the MCOs against the group members.

Case study 1: A village in Madaripur

A cloud was looming over our heads as we were walking towards our destination. Passers-by were curious about our identity and the purpose of our visit. "Are you NGO-people?" they asked. We declined and said we wanted to learn more about village life. We sat for a while at a tea stall nearby a market place. Over a cup of tea we participated in a casual discussion. The main topic of the discussion was initiated by the villagers. This was credit. We again had to stop at a small grocery shop as soon as we entered the village because of the rain. We saw two persons who were busy with filling up some pass books. It turned out that one of them was a Field Organiser of PEP. The pass books were of the group members. We inquired about other PEP group members and collected names of some of them.

On the way we came across a number of fellow travellers some of whom were also PEP group members. They took us to the house of a member of the PEP group. The member had been involved with a PEP group for seven years and greeted us cordially. We gave our identity and told him about the purpose of our visit. A number of persons, male and female, gathered there spontaneously. After some primary exchanges an informal discussion started. We first started by listening and then continued to ask them more questions as we became more friendly. They too were putting facts and arguments before us in response to our queries. Some were sitting beside us, some standing and some were reclining on bamboo poles. We tried to gather some primary knowledge about the village

We learned that the village has about 800 persons with a number of clans, and two clans in particular wielding more power than others as a result of their economic status. Five persons are now working abroad and remitting foreign exchanges. Four of the villagers are working with the police force, posted in different parts of the country. There is a school teacher. Five of the villagers are staying in Dhaka, working as rickshaw pullers and vendors. There are a number of persons who repair umbrellas and visit far away districts in connection with their vocation. There are three mosques and two grocery shops. But there are no schools, neither government-run, nor NGO operated. The religious clergies who run the mosque have differences of opinion on some issues and one mosque has been closed down. There are Grameen Bank and BRAC groups. A few months ago a local organisation cropped up, initiated by some local organisers. They are now organising groups with the assurance that if a saving is made the group members will be provided with credit. In the last *Union Parishad* election a woman of the village was elected in the reserved seat for female members.

According to official statistics the size of the village is about 130 acres, including homesteads, crop fields and ponds. Electricity transmission lines have been extended to about half the village though the number of households with electric connections is less than half of the total number of households. Now there are six TV sets in the village, three of which are battery operated and the rest are run by electricity. The first TV set was brought in three to four years ago. A Bangladesh Bureau of Statistics publication says that the literacy rate in the village is about 14 per cent. There are about 60 tube-wells in the village compared to only three twenty years ago.

The PEP group members invited us to join them for a lunch. We declined their offer politely and we left the place. We then moved to another house. We met a number of persons in this house who were not members of any NGO. They were middle farmers, by size of land. As the discussion centred on cultivation and especially jute cultivation they showed us a small bag of jute seed produced in the Maharashtra state of India. The local traders are selling the seeds on credit. The price of each bag is Tk 150. But the buyer would have to pay Tk 200 after a few months if he purchases it on credit. The persons with whom we were talking showed no interest in NGOs. They said, "we need no credit". We asked about the occupation of the villagers. They said that most of the villagers were engaged in the

trading of paddy and jute. In the rainy season they carry jute by boat. They buy jute from different smaller rural markets and sell to a near-by jute trading centre. "And the poor who are involved with the NGOs and PEP?" we asked. The farmers were a bit reluctant to speak on this matter. They said that many of them are mortgaging-in land and lending money at a higher rate of interest.

As we started to walk we saw a man standing beside a tree. He wanted to know who we were. It came out that he, Kashem, was a rickshaw puller working in Dhaka. About two weeks ago Kashem has come back to his home. His wife is a member of a Grameen Bank group. She has taken credit from the Grameen Bank, but she has re-loaned a part of that credit to another person. The amount loaned out is Tk five thousand. The borrower will give in kind ten maunds (about 36 kg = 1 maund) of paddy to her after seven months. She will get paddy equivalent to Tk two thousand. By the ninth month the borrower will repay the principal amount which is Tk five thousand. We then asked him how his wife repays the regular instalment: "I send money from Dhaka", he answered. "She pays the instalment from that money. We have to deposit the instalment whatever it costs, even if it requires selling our homestead or utensils. This is true for both the Grameen Bank and BRAC". As we were talking two other villagers joined us. Again, the discussion turned on the groups organised by the NGOs and other interventions. Saheb told us that members of those groups lend money, charging higher interest. The NGO money is being recycled in the informal money market.

From credit we wanted to know about the yield of wheat in the current season. They said that due to unfavourable weather this year the yield of wheat was not good. Then we wanted to know the value of land. They told as that the value of land was increasing. According to them, since money was coming from abroad and from other places like Faridpur, the price of land has been rising. Now a piece of land is sold at Tk 80,000. About a decade ago the value of the same land was Tk 30,000 to 40,000. There were four irrigation pumps a decade ago. Now there are about twenty of them. The cropping pattern has also changed. About ten years ago only paddy was cultivated in low lands. There was also cultivation of jute, pulses, etc. For the last 7 or 8 years wheat is also being cultivated. But the yield has not been increasing, rather declining. Earlier yields of *Boro* paddy were 30-35 maunds per *Bigha* (44 decimals), now the yield is 20-25 maunds. The yield of wheat was 12-15 maunds per *Bigha*, now it is 8-10 maunds. The yield of jute was 10-12 maunds per *Bigha*, now it is 8-9 maunds. On the other hand, the use of chemical fertiliser and insecticide has been continuously increasing.

We began to move around the village. Three village women were processing wheat. We stopped and asked if any one of them was involved with an NGO. Two of them were not, but one informed us that her mother was involved with one such group. After a few minutes her mother joined us. Her name was Razia, a member of the PEP group. She invited us to her home. A number of men and women gathered there. They informed us that some of them were involved with PEP. They were eager to know whether we had come from the PEP office to see their performance. Our reply was that we were not from the PEP office. We told them that we were there to learn about the community and the NGO and other groups, not only PEP. Razia's husband informed us that he had to give a dowry during her daughter's marriage. The money for the dowry was arranged by selling a cow and taking a loan on interest from another fellow group member. The rate of interest was 6 per cent monthly. Razia has also taken credit from PEP. With that money she repaid the loan and with the rest of the money she has leased some land. We asked her how she was paying the instalments. She informed us that she had three sons and they are all working. She is paying her instalments regularly by taking a part of her sons' income.

Swarupjahan, another female PEP group member present told us that at the initial stages the village elite and clergies threatened them that if they joined the groups they would not be buried properly after their deaths. The powerful leaders of the village said: "You have become clever after getting training". But the group members did not care. Swarupjahan told us that she has given a loan to another member from the money she has got from PEP. She is receiving interest on that loan. But she took the credit for the purpose of trading. She also informed us that she was a member of a PEP group as well as of a BRAC group. Swarupjahan said: "If we don't take interest we cannot pay the instalment".

We discussed the social structure of the village. We were told that the rich of the village do not have a positive attitude towards the group members. They often make derogatory comments. The female members view is that the rich should live as they want and they (the female members) would not go to them to seek any favour. After more talks we left the home along with Razia's husband, Sheik Sadek. He repairs umbrellas. Along with Sheikh Sadek we went to the bazaar which is about a quarter kilometre away from the village. The market sits five days a week. There we took tea and rented a rickshaw van. One young man was also a passenger of the van. He enquired as to our identity. After some preliminary exchanges he asked whether the PEP authority would give credit to his younger brother who has joined a PEP group. At that point the rickshaw van puller had also asked the same question. It seemed that everybody was in need of credit.

There was rain and high wind on the next day. It was early morning. We took shelter in a house, the home of Shahanara. She, along with her maternal grandfather and a cousin, was sitting on the veranda of their home. They were just passing time on a rainy day. After some usual exchanges we joined their gossip. Her husband is now working in Saudi Arabia. In order to go abroad her husband had to arrange a large amount of money, about Tk 200,000. Shahanara borrowed the money from different sources, including relatives and members of the Grameen Bank and the PEP group members. The interest rates ranged from 6 to 10 per cent a month. As she has to repay the loans and interest she failed to repair her home. Rain water was dropping in through the thatched roof. She is a member of the Grameen Bank group. She said that providing loans on interest is the usual practice of the NGO and group members. Her grandfather and cousin supported the statement. They declined to give the names of those persons who are in the money lending business and charging interest rates on the credit which they were providing to others with the money taken from the NGOs and PEP. Shahanara informed us that one of their group members left the group without repaying the full amount to Grameen Bank.. Other members had to repay that money collectively. Sometimes the members borrow money from other sources to pay their instalments and for that borrowed money they also have to pay interest. Shahanara also works as a volunteer under the guidance of a health and family planning worker and she earns Tk 50 per month distributing contraceptives. Now-a-days she argues with the Grameen Bank official who comes to collect the instalments of the Grameen Bank group members. Once the Grameen Bank official was scolding her. She retorted in a similar tone. She said, "Now-a-days I don't even fear the police". Her father is a big landowner and he sometimes helps her. According to Shahanara her father and uncles mortgage-in land but do not indulge in the money lending business.

After the rain stopped we got out of Shahanara's home and started walking. But the rain started again shortly and we entered another house. There we met a housewife who was not interested in *samity* groups organised by NGOs or PEP. But her husband is a member of a PEP group. We also met Nur, a farmer. He said that now the rich cannot coerce the agricultural labourers to do extra work. He said that the wage rate was Tk 30 a day and the working hours were from eight in the morning to twelve noon. If a farmhand works for an entire day the rate doubles. During the peak period the wage rate is Tk 60 and the working hours from eight in the morning to two in the afternoon.

As we continued our walk through the village we met two village leaders. They said that the NGO and PEP groups have done very little to bring change in the village. The village leaders said that the community responds in a manner as the NGO and PEP authorities would like to hear. On the micro-credit, they thought that imparting training to women was not fair. They also stated that even the middle farmers seek loans from the group members and pay interest to them.

Are all members of the NGO and PEP engaged in the money lending business? There was no way of measuring the extent in a short period. But most of the people we met said that the money lending business was rampant. Many are, of course, engaged in trading with the money taken as credit from the NGOs and PEP. Some of the villagers said that in the weekly meetings of the groups the only issue effectively discussed was credit, rather than urgent issues such as health or education, or tree plantation.

As we were returning from the village, the evening had already passed and it was pitch dark, with heavy showers and thunder storms, unusual in spring.

Case 2: A village in Faridpur

We set out for Faridpur in mid-April. We selected the village based on the following criteria:

- involvement of PEP in this village since 1991;
- both male and female groups exist;
- involvement of other NGOs, i.e. BRAC, SDC, SEDP and Grameen Bank.

The shops at the market place in the village were found most informative and we spent ample time with the villagers there. After collecting primary information about the village, we made a tour of the village to acquaint ourselves with household positions and with the villagers. As the weather was very hot we approached a house for drinking water, and sat for a while, starting a conversation. The villagers were very open and as we did not have any connection with Government or the NGOs, even the group members felt free to discuss credit and other related matters. We spent four days in the village. On the basis of information provided by the villagers, we also visited certain persons but did

not mention that we had been referred to them. The Assistant Headmaster of the high school and some group members helped us to obtain additional information.

After visiting the village, some statistics about the village were collected from the Union Council and the Thana Statistic Office. We also visited BRAC, SDC, Grameen Bank and SEDP from where they operate their activities in the village. The PEP Thana office could not provide information as their FOs live at Union level and the Thana office does not have proper documentation. The team had to travel back to the Union in order to collect information from the FO.

The village has a population of about 1,200, in total 240 households. The approximate area is 300 acres. The literacy rate is 30 percent of which 35 percent is male and 25 percent female. The inhabitants are Muslim, but seven percent are Hindu belonging to a specific caste called *Pramanic*, barbers by occupation. Most of the villagers are agricultural farmers. The poorer sections of this village population are involved in small trading, pulling rickshaw vans and working as agricultural labourers.

The village has a government primary school, one high school, four of BRAC's non-formal primary schools, five mosques and one local market. The highway lies on the south-west side of the village. The village is very neat and clean in general. Many houses have new tin roofs which the villagers claim are the outcome of joining different NGOs. People now have cash in hand which they are utilising to improve their housing condition. Families living in thatched houses six or seven years ago now have tin shed houses. Some members said that though the price of rice has gone up, they are not worried any more. Childrens' enrolment in the schools has increased over the last few years. The villagers appreciate the quality of BRAC schools and remarked that their education system and quality is much better than the government primary schools.

Five credit organisations are working in the village: PEP, BRAC, SDC, SEDP and Grameen Bank. Almost all of the target people are members of more than one organisation. All of the individuals we met said that they were members of at least three *samities* (groups). A few persons also receive credit from SEDP. These are comparatively larger businessmen, having shops at the market .

PEP started its activities in the village in 1991. The project has organised five female and five male groups with a membership of about eighty each. One female group with twenty members dropped out in 1996. The total credit disbursement during 1997-98 in this village amounts to Tk 320,000 for females and Tk 310,000 for males. The Social Development Committee (SDC) has one male and six female groups in the village with a total membership of 13 males and 130 females respectively. The credit outstanding in this village is Tk 38,000 for males and Tk 342,000 for females for the 1997-98 financial year. BRAC has been working in the village since 1991. Presently they have two female groups with 80 members. BRAC also disbursed credit to its members and the total outstanding is now Tk 220,000. Grameen Bank started their activities in the village in 1996. At present they have three centres with 24 small groups. The total number of members of Grameen Bank in the village is 120 and all of them are female. During 1997-98 Grameen disbursed Tk 980,000.

According to the above, about 500 persons, of which 400 female and 100 male were provided with credit of Tk 1.9 mill. and Tk 0.9 million respectively by different NGOs and PEP. The accumulated number of members of different NGOs is much higher than the total number of households (240) in the village. Moreover, all households do not fall under target group. Many females who live at the fringe of the village also enrolled their names with other groups in the adjacent villages.

It is very difficult, or all most impossible, to segregate a single organisation's involvement from overall credit investment, as a member has taken credit from several organisations during particular periods of time. Most of the credit provided to the female members is being utilised by their husbands. Females are seen only as a way of getting credit. Amongst widows, divorcees or women abandoned by their husbands, some tried to invest credit in activities which they are acquainted with. Traditionally, there are some 'women prone' jobs in rural Bangladesh and women of the village are not excluded from these types of occuptation. They include small scale poultry rearing, cow/goat rearing and paddy husking besides the daily household work. Only one woman is running a very small grocery shop in the village within her dwelling house. Though four NGOs have been working in the village intensively for a long time, there is no significant change in womens' involvement in economic activities other than the few women working at BRAC's water sealed latrine production centre. Even women in the village feel that they should not work outside as long as they have an alternative. It is non-prestigious for a woman to work outside her home. Women who have male members to support, hand over the money for investment with the understanding that money must be provided for credit instalment repayments.

According to the villagers, very few members undertake the activity as per their proposal for taking credit. They said that about 10 percent of the total borrowers invest money in the activities they proposed to but the remaining 90 percent invest the money in non-proposed activities. In most cases where the borrowers are very poor, they invest part of the credit in any income generating activity which they can manage and think safe, and use the rest for consumption. Sometimes they consume all of the money and default. The default rate amongst male borrowers is higher than for females. That is why all NGOs are interested in organising female only groups.

Discussions with group members and villagers reveal that the males have invested the credit funds on the purchase of rickshaw vans, small trading such as vegetable trading, rice and wheat trading, seasonal crops trading and paddy husking, cow rearing, purchasing bulls for ploughing, grocery shops, repairing or building homes, consumption, and re-lending. The female members are using credit by handing it over to their husbands or sons, cow and goat rearing, poultry, making puffed rice or flat rice, purchasing vans for rent, repairing or building homes, consumption and relending.

We found that many group members, especially female, are taking credit from several organisations and giving it to others who do not fall into the target group and need more capital for their own business. Different systems are followed for relending. These are outlined below:

System 1:

The borrower meets all credit instalments with a normal NGO rate of interest and after repaying all of the instalments, the original amount is refunded to the lender. For example, if a member of a group takes a credit of Tk 5000 and hands it over to a borrower, he or she will provide money to pay the instalments of the lender and after 11 months when all instalments with interest are re-paid, the original Tk 5000 is to be refunded to the lender. If the borrower is unable to refund the money he or she will have to continue to pay instalments at the equivalent amount (Tk 500 each month) until he refunds the initial amount. This is the most common and popular system followed in this village.

System 2:

Some women give their credit money to grocery shop owners on the condition that the owner will provide the instalments with interest and also a fixed amount of daily consumable goods like rice, pulses, oil etc. free of cost to the lender until all instalments are paid.

System 3:

In some cases the group member on-lends the credit money at a higher interest rate of up to 150 to 200 percent. This system is for shorter periods of time, between two and six months.

System 4:

Some influential people, i.e. members of the Union Council or local elite/leaders also use group members for borrowing money from NGOs. They obligate the member by providing money for meeting initial costs like an enrolment fee, savings, etc. The members borrow money from the NGO and hand it over to them. The lender is provided with saree *'ungi'* and other clothing, besides the repayment of the instalments.

System 5:

In an emergency, the borrower can get money from the lender on a daily interest basis. For example, for short term loans, the borrower has to pay Tk 10 per day for Tk 1000.

The above mentioned types of money investments also involve risk. Some women are being cheated by the borrowers and cannot take any action or create pressure as the arrangements are generally secret and there is no written evidence or witnesses of them. Sometimes this can lead even to the death of a member in the form of suicide, as had happened in a nearby village. This incident created some impact on women who are in this business and they became much more careful.

How common is the re-lending? In the village it is common that a woman is a member of three or four *samities*. A woman we spoke to who is a member of all four organisations, recalled ten names of group members who are utilising credit for the lending business. She said, *at this moment I can tell you at least ten names, but there are many who are doing this. If you count percentages it will be 20*

percent to 30 percent of total borrowers who are doing this money lending with the full or partial credit amount.

The people at the market place also supported this claim and said that it is even higher. They estimated the range to be between 30 and 40 percent. One villager made this comment: *Now-a-days the number of traditional mohajons (money lenders) has been reduced but the samity members are now in the same business. Before the money lenders were the rich people and now poor people are becoming money lenders.*

6.6.3 A potential critical macro issue in micro-credit

The case studies indicate that the group members act in a more complex manner than the official perception indicates. The members are most likely making rational decisions concerning the use of credit. In particular, there seems to be an exploitation of the supply-demand gap, allowing quite high interest rates. However, there is a macro issue at stake. Micro-credit supply is expanding rapidly, possible at a rate of 20-30 percent per annum, triggered by the demand for credit, the strong competition between MCOs, the perception of micro-credit as a panacea for rural poverty alleviation, fuelled by external financing from donors. This, in combination with potentially pervasive re-lending and re-payment of loans out of new loans, creates conditions for a possible 'banking bubble' in rural Bangladesh when and if the expansion of money supply levels off. If such a phenomenon were to emerge, the social collateral aspect of the system could act as a strong negative force by putting social pressure on borrowers who are defaulting, possibly with major human disasters occurring as a consequence. This type of outcome has already been experienced, as case study 2 indicated. Micro-credits which have led to empowerment, could disempower. A potential banking bubble would also trigger galloping defaults, which, to judge from other credit schemes, are likely to be met by massive debt write-offs. This, in its turn, would make micro-credit a non-option for poverty alleviation in a short period of time.

We are not in a position to determine how extensive the recycling of loans is within the rural sector and how high the risks of the banking bubble are. However, the village studies carried out under this study highlight a situation of which there is officially little acknowledgement and which there is resentment to discuss. It indicates a need to look into these aspects much more carefully, possibly with the result that there is a need to introduce some kind of regulation of the micro-credit market, similar to other forms of banking operations, in order to avoid the potentially harmful effects of an innovation that has shown so much promise. In this, the government has a key role to play, preferably in close co-operation with the major MCOs. From this perspective, it is unfortunate that the government is also a supplier of micro-credits, sometimes acting in competition for external resources and with pressure to expand supply due to this competition. It is also unfortunate that the institutional support of BRDB under RESP was given a narrow approach in its task so that the macro effects of micro-credits have been neglected. These issues are further discussed in Chapter 8.

6.7 Cost effectiveness

6.7.1 Efficiency in credit delivery

BIS has undertaken a study of the cost of delivering credit amongst the government's RPPs. It found that RD 5 ranked second after RD 12 as the most efficient of all the RPPs in terms costs per credit delivered[37]. The study was based on samples of two *thanas* per project and might therefore not reflect the overall picture. Nevertheless, the study found that RD 5 had a cost per Tk 100 outstanding of about Tk 32 and Tk 20 per disbursed Tk 100 as shown in

[37] BRDB/BIS, *Workshop report on delivery cost of credit of Rural Poor Projects of BRDB*. Dhaka, 1996.

Table 22, below.[38] The study clearly showed that efficiency is strongly related to the volume of business as the administrative costs, especially overheads, are very sensitive to volume. The volume of credit notwithstanding, RD 12 appears slightly more efficient than RD 5 amongst the high volume projects per *thana*, while RPAP and the Women's Programme are clearly more efficient than RPCP and RD 9 amongst the low volume projects. Discounting the different costs of funds, which is determined by the donors, the difference between RD 5 and RD 12 becomes more pronounced.

Table 22: Cost of credit in BRDB projects

Project	Cost per Tk 100 disbursed (Tk)	Cost per Tk 100 outstanding (Tk)	Effective interest rate (percent on declining balance)	Volume of credit in selected *thanas* (Tk mill. annual disbursement/*thana*)
RD 5	20	32	16	10,1
RD 12	22	30	32	9,5
RPAP	30	34	15	1,7
RD 9	66	63	16	1,7
RPCP	61	120	20	1,4
WP	36	41	13	0,9

Source: BRDB/BIS: *Workshop report on delivery cost of credit of Rural Poor Projects of BRDB*. Dhaka, 1996.

The analysis also shows that the prevailing interest rates charged by the BRDB projects far from cover the cost of the projects, except in the case of RD 12. Thus, RD 5 with a current interest rate of 16 percent, covers about half of its direct costs, while the other projects cover between 15 - 45 percent. At the rate of 32 percent, RD 12 is covering its costs.

Studies of the larger MCOs such as Grameen and ASA show lower costs of operation in relation to disbursements, which partly are explained by larger volumes of credit, partly by more streamlined modes of operations as they operate as specialised credit organisations[39]. At the same time, the effective interest rates of these MCOs are generally higher than BRDB's projects. These differences have several negative macro consequences which are further discussed below.

6.7.2 The defunct banking model

RD5 was based on the principle of making the poor bankable. It attempted to show to the co-operating banks that the PEP group members were low credit risks, with excellent repayment records and therefore good business. Not only did the project involve the banks in the project, but the project required group members to open saving accounts with the banks. While RD 5's bank model made it difficult to use savings efficiently as shown earlier, the concept behind the project was that a considerable number of loan takers eventually would 'graduate' from the micro-credit through their improved economic situation and at this stage be eligible for larger loans for expanded economic activities. The bank model turned out to be elusive. According to the project staff, there were a considerable number of 'graduates' in the project, but the commercial banks continued to be uninterested in them as clients as they lacked sufficient collateral, but probably also because of more intrinsic socio-economic aspects. Few, if any, of the members 'graduated.'

[38] The cost calculation used cost of funds, administrative costs for delivery and overhead costs. Costs related to other activities by the projects, such as human resource development, were excluded. While the cost of funds showed small differences of between 9-12 percent, the most important cost factor is the administrative cost for delivery, ranging in the sample from Tk 17- 94 per 100 outstanding. The calculation was based on figures for the year 1994-95.

[39] Khandker et al, op cit., 1996.

There is also a question of how interested the members were in the banks. While the interest rate in the micro-credit schemes appears high, there are considerable hidden costs for a borrower in the commercial systems related to procedures and various forms of 'rent-seeking' by bank and other officials. The micro-credit organisations take the credit to the villages and the field organisers provided various support functions while the banks are urban based and much less service oriented. Even specialised credit programmes seem to have problems in overcoming the transfer from micro-credit to other forms, as exemplified by the poor linkage of RD 5 to the Small Enterprise Development Project in Faridpur (see text box).

A problem of graduation

The Small Enterprise Development Project (SEDP) which as received fu;nding from NORAD was set up to bridge the gap between micro-credit and formal credit, and to provide loans to budding entrepreneurs. It has given about ten loans to PEP members while staff in RESP believe that about 20 percent - or some 20,000 - of its members are graduates, i.e. in need of larger loans. Yet the contacts between SEDP and PEP is almost nil in spite of the fact that they cover the same area, have offices in the same town and are financed by the same donor. The reason for this is claimed to be personality problems, a reluctance by PEP to 'let go' of its members as the graduates are the best borrowers, and some constraints in the sense that SEDP is mainly focusing on processing rather than services. SEDP is also said to have a limited administrative capacity.

The Grameen Bank emerged out of the realisation in the 1970s that the banking system is not interested in the rural poor. It could be argued that RD 5 in the late 1980s was testing a hypothesis which had been tried and rejected ten years earlier. This puts in question the design of RD 5. Nevertheless, while a time bound project can be justified if it acts to 'prove' to the conventional banks that the rural poor are bankable, the failure of this model raises to two issues: 1) how RD 5 can be sustained after Sida phases out in the year 2000, and 2) what bank model RD 5 should use. The project has experimented with a model where it, like most MCOs, assumes responsibility for the banking function. The experience of this so far is not positive. Field observation during the evaluation showed that RD 5 tends to behave like the banks it wishes to replace, i.e. in a non-service oriented fashion.(see text box)

The PEP banking model

One of the evaluation team members studied the operation of the Banking Experimental project in Modhukhali Thana by direct observation during a day. He found that the borrowers had to wait for a whole day at the thana office from morning to afternoon and that some of the borrowers were refused credit on the same day and had to come back on the following day. The borrowers interviewed said that this was nothing new, and in fact that things had become worse, partly because there were more borrowers.

6.7.3 Attitudes of field staff

In RD 5 15- 20 percent of the FOs leave the organisation every year, indicating a high cost for training new staff, but also a motivational problem. The field staff in RD 5, who have university degrees, are generally better trained than field staff amongst the NGOs. Hence it is likely that many take such jobs as a stop gap measure in expectation of a public sector position more suiting to a graduate. Field observation of the RD 5 staff also revealed that there is a considerable degree of distance between the FOs and the PEP group members, expressed in dress, attitude, interaction, etc. Members of the evaluation team with experience of NGO micro-finance schemes found RD 5 quite different to the NGO operations in this respect. There is a considerable streak of 'government paternalism' in RD 5, or what Geoffrey Woods in an assessment of the project called a *sir* and the *sahib* syndrome.[40]

[40] Wood, G., *Bangladesh - Whose ideas, whose interest?*, Dhaka: University Press Ltd, 1994.

6.7.4 PEP's effectiveness as a development project

RD 5 has over time developed a highly ambitious approach based on micro-credit to the extent that the project is set apart from other programmes, especially in the non-governmental sector. This has been achieved through external donor funding, a heavy input of technical assistance and strong project independence from the host organisation, BRDB. Furthermore, the project has operated in a limited geographical area in which concentrated efforts have been possible. In comparison with other BRDB projects, the staff intensity of RD 5 is high, about double that of RD 12 and RPCP, and over five times that of RPAP[41]. Overall, RD 5 has a more extensive supply of training than the other BRDB projects, both in terms of human resources development and skills training.

There are three aspects of RD 5 which sets it apart from more main-stream MCOs:

1) *The banking model*: As noted above, RD 5 was based on the principle of acting as a bridge to conventional banking for the rural poor, in which both members and banks would learn to appreciate one another;

2) RD 5 has a strong faith in *upgrading income generating activities* amongst the poor, manifested in its ambitious skill training programmes, action research and the establishment of PTCs and various added marketing services;

3) RD 5 is *linked to a rural works programme* and has added direct wage employment as one of its services.

RD 5 was not a pioneer in social empowerment and the empowerment of women as compared to on-going MCO programmes. This might have much to do with the origin of PEP. As is discussed in Chapter 4, PEP was born out of and created as a complement to a rural works programme. it has also been implemented by a project which, to a very high degree, is a successful engineering and road building project.

The analysis in this chapter has raised some questions as to how RD 5 was, in fact, successful in being different from other MCOs. First, the banking concept failed and RD 5 has given it up. RD 5 is therefore in a difficult position as it has to develop a new model, similar to the non-governmental organisations, at a late stage. Its efforts in this direction have so far not been good. Second, based on the various assessments by the project itself, the effectiveness of the skills training and income generation efforts is questionable. While the ambition and enthusiasm of many of its staff is highly commendable, the issue is whether interventions of this nature have an impact which is commensurate with the inputs. Third, the linking of PEP and IDP was as much a *raison d'être* for RD 5, as PEP was seen as an instrument to provide sustainable income. The linkage between the two components of RESP has always been of a complex nature. There are synergy effects in the sense that PEP to some extent is able to use LGED, and LGED to some extent is able to use PEP in the creation of Labour Contracting Societies. However, the inherent differences between the two projects and their home in two different organisations, make the linking cumbersome and much less than envisaged. Furthermore, the linkage is likely to be highly dependent on a project bringing the two organisations together and not very sustainable post-aid.

6.7.5 RD 5 compared to other MCOs

A comparison of RD 5 to other MCOs, especially outside the government, would require an analysis which the evaluation has not attempted except in broad terms. Table 23, below, summarises some of the strengths and weaknesses of RD 5 in a broader context using the five functions which have been underlying the discussion in this chapter.

[41] BRDB/RESP, *Proceedings of a Workshop on sustainability of PEP beyond 2000*. Faridpur, 1997.

Table 23: RD 5's comparative advantages and disadvantages

Function	*RD5's strengths*	*RD 5's weaknesses*
Credit delivery	Operates in limited area - high coverage which allows efficient delivery system; repayment rates very good; drop out average for MCOs	High turn over of staff; a defunct banking model
Social mobilisation	Included added social mobilisation training such as in legal rights, etc.	Not a mainstream activity of the project; empowerment is a typical NGO activity dependent on motivated staff and a vision; the project has a lower than average share of women for which empowerment is most essential
Skills training	Very ambitious with services such as Action Research, Production and Training Centres; project direct access to government departments for support in skills training	Poor overlap of training and the use of credit; questionable what skills training contributes to enhanced income, especially for men; risk of distortion of training towards low return ventures
Market linking	Very ambitious in supporting 'its' members, especially in PTCs	Government clearly disadvantaged in building integrated enterprises such as those of BRAC, Grameen;
Direct employment	One of the few projects attempting this; it has a comparative advantage with a project link to LGED. Some innovative features such as road side tree plantations applied	Question of sustainability in a post-aid environment

The table above gives some indication of the strengths and weaknesses of RD 5 as an on-going development project. The community studies undertaken by the evaluation found that the interview participants claimed that RD 5 in fact was considered better than NGO schemes. In this context, it is worthwhile taking note of the fact that RD 5 provides more service at a lower cost to their clients, e.g. lower interest than most NGOs. The high ambition level, in combination with a low interest rate, is a result of the project financing with so far quite limited attention paid to sustainability after the end of the Sida support.

6.8 Sustainability

6.8.1 Member sustainability

The rural poor in Bangladesh are 'sustainable' as they survive often under extremely adverse conditions, very marginally serviced by government or other organisations, thus largely sustaining themselves on their own device and creativity. RD 5, or any other micro-credit programme, is not critical for their 'sustainability' as such. However, 'member sustainability' can be seen as and when the target group has been alleviated out of poverty.

It is likely that with increased income and increased 'empowerment' the poor are less vulnerable in the sense of being less dependent on informal or formal credits for survival. The evidence from RD 5 and from other MCO schemes is that micro-credit programmes - in particular, through the savings mechanism and the discipline involved in the groups - reduces economic and social vulnerability and as such enhances sustainability above a certain income level. However, if the findings of the village studies presented in this chapter are representative, the micro-credits might also have created a new form of dependency through increased indebtedness. In a positivist scenario where micro-credits by and large are enhancing income from self-employment, continuous credit is an essential element for

expanding self-employment or micro enterprises. Thus, an increased economic status is not likely to reduce the demand for credit, but possibly the reverse. Micro-credit schemes have emerged in Bangladesh due to an imperfection in the credit system in the form of a gap between the informal system and the formal system. Micro-credit organisations did not invent credit to the poor. The demand was always there and supplied through informal mechanisms, but MCOs have formalised the credit supply and increased the supply considerably.

This has led to a replacement and transformation of traditional informal money lending, most likely a reduction of the overall interest rates, and also to a higher debt ratio in the sense that more people are involved in credit and possibly with a higher amount outstanding. Micro-credits have contributed to a social and economic transformation which overall seems positive, but which also might have certain presently latent negative effects as has been discussed above. The imperfections in the credit market in Bangladesh, with the conventional banks largely uninterested in the rural poor, imply that micro-credits are not a temporary phenomenon. Nor is there a smooth process of 'graduation' from micro-credits into conventional bank loans. Thus, 'sustainability' of the members in the sense of attaining a state where a) they no longer demand credit, or b) have easy access to conventional financial markets, is to a large extent a misconception There is no cut-off point when members are no longer in need of micro-credits.

6.8.2 RD 5's sustainability

The fallacy of the time bound project as a bridge from informal to formal credit which will allow a phase out, raises the issue of sustainability of RD 5 as a programme, rather than a project. There is a strong concern in the government and in the project that PEP should continue beyond the year 2000. As discussed above, it is a highly subsidised project and far from sustainable based on its own revenues. This subsidy element might be taken over by government (BRDB) when Sida phases out as planned in the year 2000. If so, a considerable change will take place as BRDB is unlikely to maintain the current considerable technical assistance. Not only would government have less resources, but also it would have no options or interest in allowing the creation of 'by-passes' by using technical assistance on a long-term basis. RD 5 might in such a scenario be merged with the government funded RPAP as a low-cost, low intensity option.

An alternative model is that RD 5 is merged with the planned autonomous organisation for RD 12. (see text box). This is seen neither by the government, nor by BRDB as a desirable option, and CIDA has expressed its reservation until the model is tested. Nevertheless, the suggested autonomous organisation provides at least in theory an organisational model. It would reduce many of the government shortcomings in operating a micro-credit programme in a competitive market without subsidies.

An autonomous government micro-credit organisation

RD 12 is establishing an independent organisational structure outside BRDB in the form of a non-profit private organisation similar to PKSF. This strategy, promoted by the funding agency, CIDA, has met with considerable resistance in government in general and in BRDB specifically. Nevertheless the donor has persisted. The setting up of an independent organisation to operate the programme is in its final stage, requiring a decision by parliament. CIDA will provide funding for the organisation up to the year 2000. According to CIDA, a reason why the donor has opted for a new organisational set-up instead of BRDB, is lack of trust in BRDB's ability to manage the programme beyond CIDA's phase out.

A third option is that RD 5 establishes itself as an autonomous programme, with an increased self-sustaining capacity through a variety of means such as increased interest rates, an expanded volume of credit, downsizing the training and other support services, and overall cost reductions. The belief amongst some staff that RD 5 can sustain itself partly on the revenues from marketing of members products must be considered entirely unrealistic. Organisationally, a self-financing RD 5 might be a BRDB project, an independent government project, or even an NGO. Staff in PEP are exploring the self-sustaining option, and in this context, there is considerable

Chapter 7: Women's Empowerment in Rural Bangladesh - Myth or reality?

7.1 *The status of women in Bangladesh*

In Bangladesh, women traditionally are nourished by social belief and religious taboos. The powerful ideological operators are linked with the Muslim religion. Religious norms are influential in reinforcing the sexual division of labour, mainly through the institution of *purdah*[1] or female seclusion. The conventional *purdah* system restricts women's mobility and minimises women's interaction with men outside the immediate family by dividing the world into sexually segregated spheres and confining women to the private sphere of the home. *Purdah* is a symbol of respectability and high status, especially amongst the conservative higher socio-economic groups.

It is important to point out that over time, the institution of *purdah* or female seclusion is breaking down under the pressure of increasing poverty. Seclusion from the outside world is something that every family in rural Bangladesh including females themselves desire, but poor landless families cannot afford to conform to this highly desirable social norm as they need to participate in income earning activities outside the home to meet their subsistence requirements.

It was found that almost all the women interviewed in the RESP area feel and believe it is more prestigious and honourable to be at home within *purdah*. As their husband's income is not enough to run the family, they must come out and be a member of the *samities*[2].

The present focus of MCOs is on organising females as they are the most vulnerable section of the society. Preconceived attitudes towards women by all classes in the community explicitly dominate, resulting in the persistent exploitation and deprivation of, and injustice towards women. Organising women into groups is seen as an easier way to impart knowledge to them and to maximise the development effort. But today MCOs are targeting women not mainly to empower them but because it is easier to manage women than men (and because they are a lower risk option for micro-credit repayments than men as has already been discussed in the previous chapter), and donor policies emphasise supporting the rights of women.

7.2 *The impact of mobilisation*

All the developmental organisations recognise that intervention through groups has a better impact than through individuals. There are greater resource savings, both for the organisation and the community, and the approach leads to greater prospects for empowerment and sustainability in the long run. As the women's groups are the main thrust of the MCOs, the activities undertaken by the NGOs and Government projects gives them some opportunity for attaining awareness which leads them towards self-reliance and increased confidence. In the words of one observer:

> *The groups not only provide a forum which values the opinions of all members, but provides women with an opportunity to create and maintain their own collective space. It is from the ties of group affiliation and alliances of solidarity that have been formed which provide these women with a sense of shared experience and confidence.* [3]

By conducting regular group meetings women get the opportunity to sit together and talk about social and family matters, and exchange knowledge and information. Sometimes they discuss their personal problems and give solutions to others. This creates solidarity amongst females within the group and they feel confident and stronger in facing the odds of society. There have been many

[1] Literally 'purdah' means 'curtain' or 'veil'. It refers to the system of isolation of Muslim women from outsiders and the imposition of high standards of female modesty.
[2] In Bangladesh, the community based organisation is called Samity.
[3] Thomson, J.L., *Realising Power: Women's perceptions of themselves - a discussion on gender, rights and justice in rural Bangladesh*, Dhaka: DORP, 1998, p. 61.

incidents where the group members have overcome social problems with the help of their group members. According to K. Salahuddin & Shamin Islam,

> *The groups not only provide women with the opportunity to leave the confines of the house on a consistent basis, but give them a chance to operate and participate in a public arena.* [4]

Women see the groups as their own institutions where they feel free and can get the necessary assistance, contributing to the cohesiveness of the group. Women hold more regular meetings and are more participative in meetings than in men's groups.

7.3 The impact of micro-credit and involvement in IGAs

Different NGOs and development projects are providing micro-credit to female members in order to enable them to undertake income generating activities (IGAs) and improve their livelihood through increased income. This has a mixed impact amongst rural women.

Some women feel that after involvement with an organisation their importance in the family has increased along with the increased income. Though most of them are not utilising the credit themselves but are used as a means of getting the credit, their male counterparts are, in some cases, treating them with greater importance than in the past and also sometimes ask their opinion before taking decisions related to credit utilisation. In these cases, a woman who contributes to the family income is no longer viewed as being lazy and an economic burden, but as an asset. Moreover, women who have neither adult male members to rely on nor the capital to undertake any IGA, now can get credit on low interest and earn their livelihood.

A major portion of the credit provided to the women from different MCOs goes into their husbands' hands and women are treated only as a means of getting the credit. Only women who do not have a male household member, i.e. widow, divorcee or a woman abandoned by the husband, try to invest the credit in a business/activity which is known to them. There are some traditional works for women in rural areas. These include poultry rearing, cow/goat rearing, vegetable cultivation, paddy husking and making puffed or flat rice with a low profit and limited growth potential. Very few women can go beyond this and take on non-traditional work such as running a grocery shop, a tea stall and small trading. Experience shows that credit invested by the female head of household is for specific activities and does better, as these women are the most desperate to succeed.

In general, women involved in income generating activities require the help of their male counterparts particularly at the initial stage and in the marketing of products. If the husbands are liberal and help their wives in business accepting the woman's role as an overall family concern, the women can be successful. The women in the RESP areas mentioned that the amount of cash money they are handling now also gives them satisfaction and self-confidence.

On the other hand, some women expressed the feeling that the involvement with developmental organisations and their intervention imposed extra burdens on them as their workload and responsibilities increased, but not their status. For example, in Madaripur, one member of PEP purchased four 'milch' cows and poultry birds for rearing but never helped his wife in this activity. The wife has to do regular household work, take care of four children and an elderly mother-in-law as well as look after cows and poultry birds. She cannot spare time to eat properly. The only benefit she identified was that she is now beaten less by her husband. When the woman was asked in how far she owned the assets from this activity, she replied:

> *Women always consider all household assets as their own but ultimately end up with nothing. When the husband divorces or deserts, the woman has to leave with empty hands. She cannot even take her belongings which she brought with her into the marriage from her ancestor's home.*

[4] Salahuddin, K. & Shamin,I., *Rural Women in Poverty - NGO intervention for alleviation.* Women for Women - A research & study group, Dhaka, 1996, p.192.

Some women stated that before their involvement with *samities* they had some leisure time. Whatever their husband brought home they cooked, the family sometimes starved but did not have the headache of repaying credit. Although in most cases the husbands are utilising the credit money and providing instalments, they also have anxieties about how to repay the loan. Should the husbands fail to provide instalments they are humiliated by the field staff of the organisations. In some cases police come to harass them. There are some incidents where the husbands depart with the credit money and never come back. The women must then struggle to repay the credit. The case study below illustrates this point.

The case of Shefali

Shefali, aged 30 from Gabtali, Bogra, is a housewife and a mother of two. She took a loan of Tk 3,000 to buy a calf. She expected that after two years, when the calf would be a milching cow, she would have a source of income that would improve her economic condition. In the meeting prior to receiving a loan she was given orientation on how to be a group member and how to repay her loan through fifty weekly instalments. Her husband helped her to buy the calf but unfortunately the calf died within six months. Her husband, a day labourer, had been paying instalments on her behalf but when the calf died, the husband refused to go on with the instalments. Being hounded by the group members as well as the NGO workers, secretly, she took another loan from another agency as Rabeya Khatun. This time she handed the loan money to her husband. Her husband bought a rickshaw van with the second loan money. Now, she has had to pay two weekly instalments. This time her husband refused to pay the instalments and warned her that if she pressed too much she would be divorced. Being desperate, she took another loan from another agency (agencies are eager to provide loans to women who cannot escape to cities or to other unknown destinations) to pay off the instalments. Her husband refused to discuss the income earned from the rickshaw van. She used the third loan money to pay off the instalments of the first two loans. Her total loan amount was Tk 24,000 and finally she became a defaulter. Her husband, who refused to take any responsibility for the loan, divorced her. Her children were taken away by her husband. Her husband remarried with a fat dowry and the new wife has been forced to take a loan to be used by the husband. Shefali is now working as a house maid in Dhaka city cursing her fate and the micro-credit. There are thousands of Shefalis in Bangladesh....

(from "Micro-credit as a tool of empowerment: a critical analysis, by Saminaz Akhter)

7.4 Impact on social responsibilities and decision-making power

In Bangladesh, as in many other societies, women are ascribed the role of household manager and subsistence producer as an extension of their reproductive role in child bearing.[5] All child rearing activities are identified as the natural responsibility of women. This responsibility is extended to incorporate a diverse range of tasks aimed at maintaining subsistence, providing for children and enabling men to seek employment outside the household and even participate in income earning activities.

Although males play a dominant role in the society as well as in the family, it is the women's responsibility to provide food for the family. The male member of the family spends most of the time outside the home and women stay at home with the children. It is very difficult for a mother to avoid the starvation of her children. A member of PEP in Gopalgonj made the impossibility of her situation clear:

> *I had often borrowed rice from my neighbours and cooked for my husband and children. My husband could not bring enough rice for 9 family members everyday but always demanded a full meal. If I fail to provide he beats me up.*

Needless to say, women experience poverty much more intensely than men. If one of the family members has to starve, it is an unwritten law that it should be the mother.

[5] Waring, M. *If women counted: A new feminist economics*, New York and San Francisco: Harpen, 1988, p.291.

Some women in the RESP areas revealed that though their family income increases, their overall status or decision making power does not. Even if the woman is the main breadwinner of the family or head of the household, she does not have a voice to make any major decisions. In this case the male relatives take decisions on her behalf.

Field work case study: The story of Mojiron

Mojiron, a member of PEP at Gopalgonj, was treated badly for taking a decision in the absence of her husband though she has been running the family for the last ten to twelve years with a negligible contribution from her husband. Mojiron's husband, Tota Miah, works in a boat as hired labour in distant villages and moves from one place to the other. He used to come home once or twice a year for very short periods and it is almost impossible for Mojiron to trace him while he is out in the villages. Mojiron has four daughters and two sons. When a good marriage proposal came for her 20 year old eldest daughter, the neighbours advised her that she should not miss the opportunity. So she arranged the marriage and managed the dowry of Tk. 2000 somehow. After 10 months of the marriage, Tota Miah came home and was angered after hearing that Mojiron had arranged the marriage without his permission. He beat his wife and stated that he would seek divorce. But the neighbours made him understood that the girl was getting old and considered a burden for the family. Though realising this, he continued to blame Mojiron for taking the decision. In Mojiron's words: "My husband can avoid these concerns because he is always out of home and never thinks of the children. I have to listen to criticism from the villagers and also think of my other three daughters who are also passing the age of marriage."

The story of Mojiron (see text box above) is very common in rural Bangladesh. Women must carry heavy responsibility for the family, in some cases all of it, without having the power to make any decisions. As stated in one BIS report:

> *Rural women's participation in decision making is often weak and their work undervalued Even when women contribute significantly to the household income, their participation in decision making remains minimal within the household.*[6]

7.5 Women's involvement in rural works and the LCS

One of the positive interventions of RESP from the point of view of rural women is the introduction of the LCS through IDP with the objective of improving the economic and social situation of the target group. Amongst the LCS a significant number are female and belong to the vulnerable and destitute section of the community. Especially the members of the LCS are from the poorest sections, mostly widowed, divorced or abandoned by the husband, having no male family member supporting them. Although the group members of PEP say that working on the road side or as a construction labourer is not prestigious and that they would not become LCS members as long as they have an alternative, the activity provides women with the opportunity to gain some social and economic power. The women in the LCS are generally employed in less skilled and lower paid work than the PEP groups, i.e. in earth road maintenance (ERM), tree plantation and care taking, labour for rural roads, growth centre and rural infrastructure construction.

Though it is beneficial for destitute women to have the opportunity to work as LCS under IDP their wages are less than those paid to men for the same type of work. According to the Appraisal Report on the Plan of Operation for RESP III, the average daily wage rate for women is about Tk 30 compared to Tk 52 for men[7]. Some women are employed in semi-skilled work such as pipe casting, all-weather road construction and maintenance, which brings in comparatively higher wages for them. Presently, participation of females in LCS groups is about 50 percent, but with the shift of emphasis in RESP III to all-weather feeder roads it is likely to decrease the employment of female LCS, affecting the present gender balance.

Though LCSs have created some scope for women to work in rural infrastructure and earn their livelihood, the working conditions do not allow the women to continue the work. In the project areas it

[6] BIS, *A study on gender planning and development for Rural Poor Projects of BRDB*, Dhaka,1998, p.16.
[7] *Rural Employment Sector Programme III, Bangladesh, Appraisal Report on Programme Document/Plan of Operation*, Sida (November 1995), p.57.

was found that the female members of mixed LCSs had to leave their job because of the non-availability of night shelter. The male members of LCSs have sheds or tents to sleep in, but the females must find their own accommodation in the surroundings of the work place. Moreover, within the working area there are no sanitary facilities, which also creates problems for women.

Members of LCSs are looked upon as low status members of the community. Specifically members of mixed LCS groups face discouraging treatment by the villagers as well as male LCSs. Moreover, a member having elderly dependants or small children generally could not avail herself of such employment which necessitates staying in the workplace far from the village.

7.6 *Impact on the attitude towards women*

As has already been discussed, though many women are joining groups and taking credit on their husband's behalf, the husbands do not, on the whole, want to give credibility to the women, rather blaming them for being mobile and vocal. Many husbands of group members complain that their wives give more importance to the NGO officials than to them. The villagers in Boalmari of Faridpur cited one example:

> *During group meetings the husband of one member came from the field and asked for drinking water. As the field worker did not allow the woman to leave the meeting, the husband became very angry and divorced her at once by uttering the word 'talak' (divorce).*

The same villagers commented that the women are becoming more distasteful and disobedient after involvement with the NGOs. They also distorted the following slogan used by Grameen Bank members:

> *Jhar brishti mani na*
> *Kendra ghor chari na*
> *(Whether it storms or rains, we don't care*
> *we won't leave our centre)*

The men in the villages changed the second line and badgered the women by saying:

> *Jhar brishti mani na*
> *Shamir kotha shuni na*
> *(Whether it storms or rains, we don't care*
> *Whatever our husband says we don't hear)*

The fear of losing control over women is obvious amongst the men. The rhyme spread over the RESP area and those who are against MCO activity and women's emancipation always bring this rhyme as an example of how MCOs are teaching women to dishonour their husbands. One member of PEP at Kalkini said,

> *I do not allow my wife to be a member of any group. If she becomes a member, she will be disobedient, more vocal and argue with me which I don't like.*

The man also quoted the same rhyme.

Although women are struggling for the benefit of the family and trying to contribute to the family income still they are treated poorly by their counterparts. The traditional socialisation process discourages them from protesting or revolting. The ignorance about law and pressure from uneducated, conservative religious leaders makes their lives difficult. The knowledge imparted by different MCOs is creating awareness on women's rights and family laws which is helping to change the situation of women gradually but the process is very slow and on a very limited scale. One case can be cited here as an example.

Field work case study: Promoting better attitudes towards women

Saleha Begum is a member of Purba Damuddya Mohila Bittohin Dal of Damuddya Thana in Shariatpur District. She has one son and one daughter. Her husband is a day labourer. One year ago her husband divorced her by uttering the word 'talak' (divorce) three times as she delayed to provide lunch when he returned from work. Saleha was sent to her parents with two children. After hearing this from other members of the group the FO talked to Saleha's husband. By that time he was also sorry and repented for his behaviour, wanting to take her back. But the religious leader (Molla) created pressure for hilla[8]. The FO failed to convince him and informed the Assistant Director (Training & GAD) about the fact. The Assistant Director along with the FO went to the religious leader and discussed the legalities, informing him that the practice of hilla is illegal since 1961. They also requested that he not create any further problems and let the family be happy. At the beginning the Molla argued but finally understood. 20-25 days after this incident Saleha's husband brought her home. Now they are living together without any hesitation. Saleha is happy and thankful to the PEP for having saved her married life.

7.7 Social & economic empowerment

In the Bangladesh context, economic empowerment is undoubtedly a necessary condition for the self-reliance of women. However, only increased income or economic development cannot change the existing social position of women in which they are generally ill treated and subjugated by the men. Investing increased income in improving family welfare and social improvement, social awareness and human resource development is necessary. One BRDB study showed that though they realise the importance of social issues to improving the status of women they place priority on economic issues such as credit and savings.

> *Social awareness training gets less priority ..... Gender related issues such as legal rights, dowry and divorce sometimes come up during the weekly meetings, but generally not too much time is spent on discussing such issues.*[9]

Though empowerment is a long process for women in Bangladesh at least they are now starting to work to achieve this and the overall situation is improving. The RESP intervention is one step towards the development of women and reducing the gaps between men and women. PEP puts emphasis on equal opportunities within the project and has established specific targets for the level of female participation, in addition to having developed a project monitoring system that reports the gender breakdown of all activities.

PEP is providing credit to women to undertake their own income generating activities towards economic empowerment. Training is provided to the women in some specialised areas like jute and bamboo works, cane and other crafts. PEP also tries to assist them in marketing products on an experimental basis. Other than this, few women are self-employed with the assistance of PEP and the majority are investing their credit in their husband's ongoing business. Because of men's dominating role, very few women have control over the credit they have received. In most cases the male counterpart handles, utilises and controls the credit money. From this it is clear that only credit cannot empower women to the extent intended.

One of the BIS reports revealed that the FOs are often being advised to give more preference to credit and savings, because their performance is evaluated on the basis of loan realisations. The FOs themselves stated that they often are overloaded with the administration of economic activities such as maintaining cash books, weekly savings and loan realisations, with the result that little time is left to discuss social awareness and gender issues with the groups. Moreover, they do not feel competent to discuss gender related issues due to a lack of relevant knowledge. Training on gender issues for the staff is generally given to a very limited extent.

[8] In order to marry the first husband after divorce the woman has to marry another person and have it consummated.
[9] BIS, op cit, p. 19.

7.8 Overall impact of RESP on women

The RESP intervention has created mixed reactions and results amongst the target and non-target stakeholders. RESP cannot in itself in the time given fulfil the objective of social transformation of male attitudes and possessiveness regarding women. In the PEP locations NGOs are intervening and in all most all villages NGO field workers are swarming in to fulfil their numerical targets, as PEP is. In the majority of cases the FOs do not have a proper orientation on community development. This restricts the extent to which they can work towards the goals of women's empowerment and gender equity. The often monotonous and repetitive approach of MCOs can disinterest and demotivate the group members, both male and female. In reality, it is very difficult or almost impossible to trace the achievement or impact of a single intervention by a single MCO since most members are involved with several organisations at the same time.

However, it cannot be said that RESP together with other interventions does not have any significant positive overall impact on women. RESP and other interventions in the programme area have in some cases changed overall views of the social norms, to some extent enabling the women to leave the confines of the house, providing them mobility in attending group meetings, training, etc. In some cases this has led towards women operating and participating in public functions and activities. This is evident from the fact that a significant number of women from these groups are contesting in the election of local bodies and that some are even successful in being elected as members of the Union Council.

Participation in self-employment or employment on a regular basis in the LCSs is not only the result of economic compulsion, but also a result of awareness and enthusiasm developed through the project activities.

Training provides poor rural women with knowledge and introspection enabling them to establish and influence family decision making. This is important even if it is marginal. This is also supported by the project activities through credit, IGAs and employment opportunities. The opportunity to utilise a part of their earnings on needs they feel important provides women with some additional manoeuvrability, economic freedom and the uplifting of their status in the society. Group strength also encourages women to voice protest against injustice imposed on them.

Another positive benefit of MCO intervention is the education of the girl child. Now-a-days even in very poor households, parents are interested in sending their girls to school. As members of different organisations people are now able to understand the importance of education. In some cases, if husbands are against their girls' education, the women in a number of cases have argued for their girls' education. Many women in RESP areas stated that they spend a considerable amount of their own income on their children's education. Sending children to school is becoming a symbol of improved family status.

7.9 Women's position in the staffing pattern of PEP

The staffing of PEP is male-dominated. Only at the field level are the employees female (50 percent). In the higher positions female participation is very negligible. This was also pointed out by the Sida Advisory Team in 1997. The Team stated:

> *While half of the PEP Field Organisers are women, the employment of female staff in other professional positions remains unsatisfactory. In order to promote gender equity in RESP, a concerted effort is needed to recruit an increasing number of women to such positions.*[10]

[10] *Report of the Sida Advisory Team, Rural Employment Sector Programme III* (April 1997), p.11.

The following tables show women's position in PEP at different levels.

Table 24: Situation at Head Quarter level (Faridpur)

Designation	Male staff	Female staff	Total
GOB reimbursable staff			
1. Executive Director	1	-	1
2. Deputy Director	2	-	2
3. Sr. Asst. Director	-	1	1
4. Asst. Director	5	-	5
5. Training Officer	1	-	1
6. Personnel Officer	1	-	1
7. Personnel Assistant	1	-	1
8. Accountant	1	-	1
9. Accountant Assistant	1	-	1
10. Statistical Assistant	1	-	1
11. Stenographer	-	1	1
12. Data Entry Operator	1	-	1
13. Office Assistant	1	-	1
14. LDA cum Typist	1	-	1
15. Duplicating Tracing Operator	1	-	1
16. Peon/Guard	4	-	4
Total	23	2	25

Table 25: Situation at district level (5 districts)

Designation	Male staff	Female staff	Total
GOB reimbursable staff			
1. Senior Asst. Director	5	-	5
2. Asst. Director	6	5	11
3. Accountant	5	-	5
4. Data Entry Operator	5	-	5
5. Office Secretary	5	-	5
6. Peon/Guard	14	-	14
TA Staff			
1. Field Monitoring Specialist	2	-	2
2. Extension Officer (Fisheries)	5	-	5
3. Extension Officer (Livestock)	4	-	4
4. Extension Officer (Micro-enterprise)	4	-	4
5. Peon	5	-	5
Total	57	5	62

Table 26: Situation at Thana Level (26 Thanas)

Designation	Male staff	Female staff	Total
1. Thana Rural Dev. Officer (TRDO)	22	5	27
2. Asst. Rural Dev. Officer (ARDO)	48	27	75
3. Accountant	27	-	27
4. Asst. Accountant	27	-	27
5. Office Assistant	23	4	27
6. Field Organiser	213	214	427
7. Peon/Guard	79	2	81
Total	439	252	691

Chapter 8: IRWP/RESP Programme performance and impact analysis in relation to institutional development and governance

8.1 The Institutional Support Project (ISP) of the Local Government Engineering Department (LGED)

8.1.1 Background, objectives and components

Since its inclusion in the RESP programme in 1990/91 the ISP has been the major technical assistance support project for the institutional development of LGED (or the Local Government Engineering Bureau, LGEB, as it was at the inception of the ISP), and the only project which has given general, non-project linked institutional development support to this organisation. The fact that LGED is today "rated by both service users and donors as one of the most efficient and effective government organizations"[1] in Bangladesh is no doubt in part attributable to the ISP.

The original broad objectives of the ISP were to:

- *increase and develop technical, implementation and management capability of LGEB through staff development;*
- *improve implementation capability of local government institutions at various levels;*
- *facilitate absorption of sound technical standards for construction of infrastructure development schemes;*
- *ensure use of physical planning/mapping tools for identification of infrastructure development schemes;*
- *transfer technology and competence in the infrastructure development area;*
- *create an environment and procedures for continuation of the activities after the termination of the project.*[2]

ISP was divided into three components including staff development, physical planning and mapping, and technical and management development. Under RESP III eleven distinct outputs for ISP were identified, which, in effect, were distilled into nine outputs. These include:

- policy development support;
- central and local computerised data banks (including Geographical Information Systems, GIS);
- planning tools;
- technical design unit (CAD);
- application of developed quality standards;
- maintenance of infrastructure;
- monitoring and evaluation systems and tools;
- financial management;
- human resources development.

Functional linkages between the IDP and the ISP were foreseen under RESP II.

The ISP would provide the IDP with:

[1] The World Bank, *Government that Works: Reforming the Public Sector*, Dhaka: University Press Limited, 1996, p.38.
[2] *Plan of Operation for RESP II, 1990/91-1992/93*, NORAD/SIDA (April 1990), p.143.

- increase of skill through staff development and training;
- physical planning and mapping tools;
- technical backstopping
- policy guidelines, manuals and instructions for implementation.

The IDP would provide the ISP with:

- implementation experience;
- replicable models on infrastructure development;
- training needs identification and co-operation regarding training course development and pilot implementation.

However, the RESP III appraisal report de-emphasised the link to the IDP specifically, stating that "ISP staff are a general resource for LGED, and the relationship with IDP should be the same as that with LGED's other field projects and activities"[3].

LGED's importance to donors/lenders as an implementing agent for infrastructure development has raised concerns about its continued institutional development and management capacities. Thus in the mid-90s, ADB sponsored the Management Capability Strengthening Project (MANCAPS) under which recommendations for future institutional strengthening requirements have now been made. The draft Action Plan of this study, which was available at the time of planning for RESP III, was not integrated into the POP for RESP III, although, over time, ISP has taken into account the issues raised by the MANCAPS Action Plan report.

8.1.2 Output performance and potential

The SWOT analysis, overleaf, evaluates the strengths and weaknesses of each of the nine ISP components. It also summarises the opportunities which could be realised from the achievements to date, as well as the threats to those achievements.

Looking back at the original objectives of the ISP, it would be fair to say that the project has been successful in achieving most of those concerned with the transfer of technical know-how to Bangladesh staff, both at headquarters and at *thana* level. This is particularly reflected in the quality of LGED's output and the efficiency with which this output is delivered, as was noted in the evaluation and impact analysis of the IDP.

The SWOT analysis also highlights areas in which the ISP may have under-performed in achieving its objectives. This is particularly in connection with fulfilment of the last objective of creating an environment and procedures for continuation of the activities after the termination of the project. Strictly speaking, the ISP has worked to deliver guidelines, manuals and procedures which are intended to sustain the passing on of know-how. Whether the ISP has created "an environment" for the continuation of activities - presumably meaning an institution in which the activities of the ISP can be sustained and developed - after the project's termination, remains in question. Most of the outputs of the ISP, aside from the technical design unit which it is not necessary for LGED to maintain in-house, constitute areas which should form integral parts of LGED as an institution. Policy development, computerised databanks/GIS, planning, quality standards, maintenance, monitoring and evaluation, financial management and human resources development are all areas which a competent, public sector infrastructure development institution needs itself to assume responsibility for. The SWOT analysis points out that many of these continue at present to be heavily dependent upon ISP TA, including expatriate but mostly trained Bangladesh TA. In 1997-8 there continue to be 152 TA staff supporting the ISP which constitutes about half, if not more, of the total staff at LGED headquarters. Although the 1997-8 figure of 152 already represents a substantial reduction on the 1993-4 number of 241 (the maximum number of TA

[3] *RESP III: Appraisal Report on the Programme*, Sida (November 1995), p.66.

Table 27: SWOT analysis for the nine outputs of the ISP components under RESP

OUTPUT	STRENGTHS	WEAKNESSES	OPPORTUNITIES	THREATS
Policy development support	• Close and direct working relationship with the Chief Engineer, LGED.	• Has become a 'gap-filler' i.e. undertakes day-to-day functions of LGED headquarters, rather than a development function.	• Achievement of a high level of sustainability in the LGED administration and management, particularly based on the co-ordination and proper management of existing and future institutional support.	• Continued heavy dependency on ISP TA is a constraint to achieving sustainability. • Attaching permanent LGED staff to this function is complicated by the considerable differences in the remuneration of TA and Government staff.
	• Facilitates the co-ordination of existing and future institutional support.	• Continued heavy TA support.		
	• Develops strategies for policies, management, and co-ordination of socio-economic aspects.			
	• Prepares papers for and proceedings of workshops.			
Central and local computerised Data banks - establishment of a GIS	• The establishment of a comprehensive GIS is at an advanced stage.	• If not properly maintained and continuously updated the GIS will not provide the requisite tools for planning and management.	• When fully developed and decentralised to the district level, the system may provide a unique tool for planning, monitoring and implementation of projects. It could also become an important tool for the proposed maintenance management system.	• If planning for the continuation of this work beyond RESP III is not initiated urgently, the established expertise and the system itself cannot be maintained without donor support.
	• The GIS will provide very professional planning tools for infrastructure development, and for socio-economic development, not available elsewhere in Bangladesh.	• The establishment of the system continues to be heavily dependent on donor support. The GIS unit is fully managed by seconded LGED staff, for whom the ISP is paying salaries. ISP is also providing incremental staff and resources.		
	• The system will eventually provide improved monitoring and evaluation.			
Planning tools	• Planning tools (focusing on District and Thana plan books) for infrastructure development have	• The planning books are used as tools for data collection, but there are few indications of how these	• If the Planning Unit is merged with the GIS Unit there will be excellent opportunities for the	• If the planning of LGED activities is not further improved, there may be a risk of encouraging

	been prepared.	data can be used.	establishment of very professional and comprehensive planning tools.	corruption and nepotism.
		• The planning books are not utilised much for planning.		
Technical design unit - CAD	• Impressive computer-aided design capabilities, also amongst permanent LGED staff who have been assigned to the Unit. • Strong links between the ISP Technical Design Unit and projects within LGED.	• The expertise developed in the Technical Design Unit may create a monopoly within the LGED, which could be a constraint in the development of the private consultancy sectors. Contracting the technical design function out to the private sector could also be a more cost-effective use of LGED resources.	• The expertise developed in design and planning may be utilised in the establishment of a strong private sector consultancy industry in the field of technical design.	• Having a unit undertaking design within LGED may create a danger in the monitoring and management of design. There is a threat to quality assurance if the design is done by the organisation that is the client.
Application of developed quality standards	• The manuals for material laboratory testing are important in the improvement of quality within infrastructure development.	• The Unit has been highly dependent on the ISP, which has served as a 'gap-filler'.	• The ongoing development towards a 100 percent LGED-managed unit creates a local awareness of the importance in quality control. I.e. the Assistant Engineer in charge of the Laboratory is presently being trained in operation and maintenance, and is expected to take over full responsibility.	• If the requisite training for LGED staff to manage the unit is not provided, there may be a risk of negligence of quality, creating a situation conducive to fraud.
	• Quality control is the most important tool in avoiding fraud in the use of materials in infrastructure.		• The development of quality manuals and standards will be an important tool in the uniform procedures within the many projects managed by LGED.	
Maintenance of infrastructure	• The ongoing development of a maintenance management system based on the HDM-4 (developed by Birmingham University) for all projects implemented by LGED, gives an important uniform tool for improved maintenance activities.	• The establishment of a computerised Road Maintenance Management System is still in the planning phase and requires the continued support of donors.	• If the system is linked to the GIS, a unique tool for improved maintenance management will have been established.	• If sustainability is not urgently considered, there is a threat that the positive development achieved thus far cannot be sustained without massive donor support.
Monitoring and evaluation systems/tools	• LGED is assisted in systems development for progress monitoring, effect monitoring and evaluation, and impact M&E.	• The support is a gap-filler.	• Improved monitoring could promote sustainability, if properly developed and implemented.	• The support continues to simply fill gaps.
Financial management	• The Unit has established the	• The Unit is heavily dependent on	• A comprehensive financial	• The development of this system

	foundations of a comprehensive financial management system which is vital for the future management of LGED projects.	ISP TA staff	management system will, if linked to the GIS system and utilised for all projects within the LGED, provide a very comprehensive management tool for promoting sustainability.	requires a continued infusion of donor resources for some years to come.
	• The Unit has prepared guidelines for internal auditing which are ready for implementation.			
Human resources development	• The HRD Unit has been established for the overall management of capacity building within the LGED.	• The Unit is entirely manned and operated by ISP TA staff. • Training has focused on engineering fields, whereas finance and management, important from a sustainability perspective, have been neglected.	• If LGED permanent staff take over the manning of the Unit, and if proper training policies are established, sustainability of the whole organisation will be promoted.	• A lack of immediate planning and implementation of permanent LGED manning could be a threat to sustainability without further donor support.

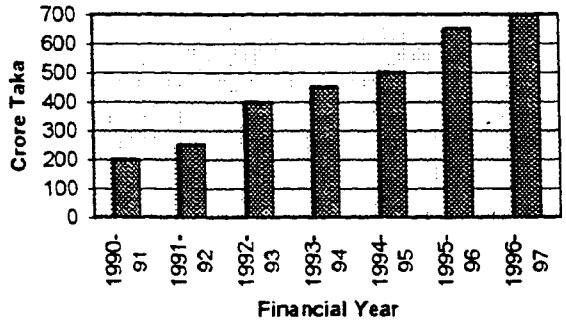
ever on the ISP), the drop from 152 to zero in less than two years is steeper than from 241 to 152 in four years. Table 28, below shows TA levels for the ISP and the IDP from 1990-2000 and just how radical the drop in the final years is.

Table 28: TA staff position of IDP and ISP (1990-2000)

Year	IDP	ISP
90/91	221	178
91/92	247	189
92/93	278	210
93/94	194	241
94/95	201	209
95/96	182	201
96/97	114	162
97/98	92	152
98/99	-	-
99/00	0	0

Given that LGED is an institution which is at present able to attract rapidly increasing amounts of donor support and an increasing portion of the donor funds 'pie' in Bangladesh (see Figure 7, below), this may seem not to be such a problem in the sense that other donors may be willing to sponsor the continuation of some of the activities, including the Bangladesh TA, following the phasing out of Sida support for the ISP.

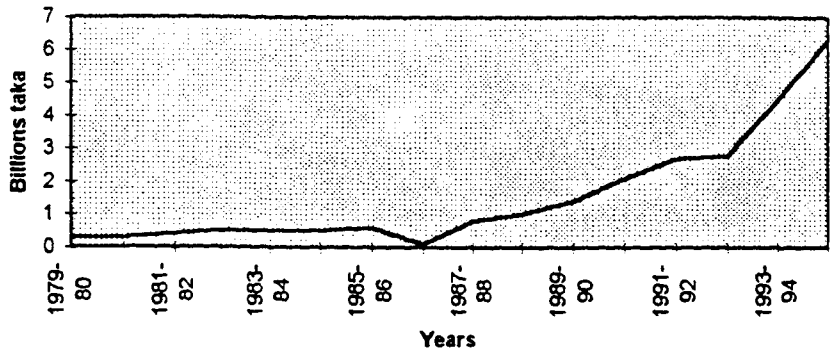
Figure 7: Allocation for rural development projects of LGED



Source: Akanda, H.R., Local Government Engineering Department, Dhaka: Moushumi Printers (October 1996).

Indeed, it could be said that in building the technical competence of LGED to its present levels, that the ISP has been instrumental in creating a resource allocation-attractive environment from the perspective of the donor community. It is interesting to note the very notable take-off in ADP allocations in 1992-3, about one year after the ISP had commenced. This is illustrated in Figure 8, below.

Figure 8: ADP Allocations for LGED in Current Prices (1980-95)



Source: ISO Swedish Management Group, *MANCAPS Action Plan: Directions in Management and Development of LGED*, Asian Development Bank (December 1995), p.86.

However, it remains unclear whether any donor would be willing to step in to provide support in as comprehensive a manner as Sida and the other Nordic donors have. Piecemeal support of the activities by various donors in connection with specific infrastructure development projects will not allow for the type of co-ordination of institutional development which the ISP has provided. Ultimately, financial and management responsibility for the types of activity being promoted under the ISP should be assumed by LGED itself, but this seems at present a pipedream, given the paucity of GoB financial resources, the high level of institutional ambition which has been set for LGED under the ISP, and the relatively low level of LGED/Ministry motivation (given the popularity of LGED amongst donors) to seek institutionalisation of the most important TA staff positions. To imagine that GoB would be willing to release funds for a sufficient number of new permanent LGED positions in a resource-poor environment where the prevailing pressure from the multilateral lending institutions is for downsizing of the public sector, and where plentiful donor resources are available for supporting infrastructure projects, is highly unrealistic.

The steep drop in ISP TA which LGED is experiencing in the phasing out period of RESP is consequential not only for the developmental activities of the ISP, but also, as the SWOT analysis shows, for the ongoing day-to-day activities of LGED at its headquarters. 'Gap-filling' has become a function of some of the ISP TA, meaning that the TA fill in on non-developmental activities, where the permanent staff of LGED at headquarters are overloaded. This, too, is a matter of concern in an institution with very limited own staff resources whose work load has and will continue to increase substantially. The 1995 MANCAPS Action Plan report goes so far as to state that:

> *ISP has provided considerable flexibility to LGED mainly at the head office. It is difficult to perceive that LGED could have been able to perform its tasks without this additional staff from ISP....if all of a sudden the ISP assistance discontinues, most of the present head office organisational competence will be lost...To our mind this will create an organisational void of the kind that will be very difficult for LGED to manage.*[4]

While ISP's flexibility in supporting LGED developmental activities throughout the organisation, rather than purely as a support to infrastructure development under a specific project, has been commendable, the flexibility has probably also been overstretched. LGED appears to have taken on a rapidly increasing workload factoring in ISP TA staff to assist directly in carrying that workload. Again, some of the facts pointed out by the MANCAPS report are useful for purposes of illustration. It states that:

[4] *MANCAPS Action Plan*, p.71.

> *...the management span for the Chief Engineer over the professionals is about 1:75 and for most Superintending Engineers the corresponding figure is about 1:67...Normally most management experts consider that the management span of three to seven is most effective in organisations which need proper controls and have both top-to-bottom and bottom-to-top interaction.*[5]

The Report also notes that "the work load per person has increased by about seven times since 1983-4"[6]. Since the writing of the MANCAPS Action Plan it is likely to have increased further. The danger is that the ISP, by supporting so many TA staff positions at headquarters for so many years, has created the illusion in the donor community that LGED has sufficient staff to handle an ever-increasing workload. This may be one explanation for the failure thus far of any other donor to offer to step into Sida's place.

In this situation, the LGED will need to plan carefully for the post-Sida support period. Considerations such as accepting a considerable downsizing of headquarters staff by outsourcing some of the functions, depending more on the already decentralised structure of the organisation and reducing the level of ambition set by some of the ISP activities might be useful. One of the unintended positive effects of the ISP is the modern infrastructure development expertise with which it has endowed Bangladesh. The training of large numbers of TA, both formally and on-the-job, has created the potential for a valuable asset in terms of consulting expertise and avenues for outsourcing.

The RESP Sida Advisory Team's report of 14 March 1998 discusses another obstacle to creating an environment conducive to the continuation of activities after the end of the project. It claims that being assigned to an ISP activity at HQ is regarded amongst LGED permanent staff as being peripheral to the main activity of constructing rural infrastructure schemes, and not offering clear career advancement opportunities. Thus, apart from the problem of being able to assign permanent staff to the developmental activities under the ISP, LGED faces the difficulty that even if it could afford to allocate permanent staff to these activities itself, no incentive structure exists for encouraging staff to take on ISP-related positions once the TA depart.

There are two other important aspects regarding performance which the SWOT analysis brings out. One relates to the planning activities under the ISP which are particularly weak. Although Plan Books are being assembled, their relevance to the actual planning of infrastructure is still unclear. Merging planning with the GIS work is suggested, but has not yet taken place. Why has planning remained weak, despite the efforts of the ISP? There are several possible explanations. One is a history in Bangladesh infrastructure development of new roads, markets, etc. being allocated on the basis of political patronage arrangements and cronyism. According to one expatriate consultant working on infrastructure issues in Bangladesh:

> *There were and continue to be political pressures on the allocation of infrastructure... bits and pieces that don't connect logically with one another get built.*

However, this criticism is likely to be more relevant to the past than the present in which Government has considerably less decision-making power in the allocation of infrastructure. Donors and expatriate consultants are largely responsible for selecting and planning the particular projects which they will sponsor. In this sense, LGED is more an implementer of donor plans. This in itself constitutes a possible second explanation for the weakness of the planning function within LGED. There have been suggestions that making LGED's infrastructure development planning participative - that is, community-based through stakeholder analysis and participative meetings - could improve the utilisation of infrastructure[7]. If the present overall political and administrative decentralisation process in Bangladesh continues and local government representative of the majority of people actually

[5] ibid., p.74.
[6] ibid., p.84.
[7] Öjermark, P. et al, *Report of the Sida Advisory Team, RESP III* (14 March 1998), p.48.

emerges (as suggested by the results of the Union Parishad elections in the spring of 1998), a decentralised LGED may have new opportunities and tools for more appropriate planning. However, the expectation that LGED, foremost an engineering institution, should also become socio-economically expert is probably overdone, particularly given the staffing constraints. While LGED could certainly improve its socio-economic impact monitoring and evaluation systems and thereby sharpen the poverty orientation of its planning somewhat, ensuring benefits to the poorest in villages X and Y is difficult, if not impossible in infrastructure development in Bangladesh. The 1986 evaluation of the IRWP raises the question of LGED's role in this connection:

> *It must, in particular, be questioned whether an institution like LGEB, specialised in engineering, can be expected to play a leading role in pursuing the socio-economic, target-group oriented aims of IRWP.*[8]

The other important aspect brought out by the SWOT analysis is that human resources development has focused on training in engineering. LGED has, for some years now, shown that its engineers have well-developed technical skills. The technical training supported by the Nordic donors was ongoing well before the commencement of the ISP. Both the IRWP and the IDP included institutional development and technical training elements, and the ISP represented a formalisation and broadening of this training, giving special emphasis to the importance of developing LGED as an institution generally rather than specifically in connection with other RESP components. Both the 1986 and the 1990 evaluations comment on the high quality of engineering training under the Nordic supported IRWP and RESP I, and the strong contribution of this to strengthening the LGEB.

These technical skills can certainly always be improved upon, but the essential technical know-how for implementing basic infrastructure projects appears to have been passed on effectively and efficiently. The focus on improving technical know-how is reinforced by the Chief Engineer, Q.I. Siddique, who emphasises that "technology is our cutting edge". While this may be so, the weakness of training in basic organisation and management skills, including financial management skills, is a matter of concern since widespread, strong organisation and management skills should underpin decision-making regarding the affordability of technology as well as its management to good use. The MANCAPS project found that there is a lack of emphasis on training managers and that the accounting and financial structure of LGED at all levels is poor and undermanned.[9] The failure of the ISP to adapt the HRD programme sufficiently, as the urgent need for technically capable engineers was met, may have been counterproductive to creating an environment which could sustain its activities following the end of the Sida support. From the perspective of assisting the organisation to fulfil the donor objective of poverty alleviation, the training has also been less than satisfactory. Almost nothing has been done through training to strengthen LGED as an organisation that addresses economic problems and employment issues.

8.1.3 Evaluation of impact on the LGED

There is no doubt that the Nordic support to the LGED since the time of the IRWP has contributed to the establishment of a competent national infrastructure development service in Bangladesh, and one which stands out amongst other comparable institutions in other developing countries. The 1986 evaluation stated clearly that "the IRWP played a fundamental role for the creation in October 1984 of the LGEB within the Ministry of Local Government". From a small, centralised bureau in Dhaka, LGED has grown into an extensive organisation with approximately 9500 permanent staff, with the majority working at *thana* and at district level[10]. From its limited Nordic portfolio in the early 1980s, it now manages a multi-

[8] de Vylder, S. et al, *Evaluation of the Intensive Rural Works Programme in Bangladesh*, Sida (January 1986), p.23.
[9] *MANCAPS Action Plan Report*, pp. 27, 152.
[10] There are approximately 100 regular staff at HQ, 4 staff per region in six regions, 12 staff per district in 64 districts, and 19-20 staff in 460 thanas (each).

donor portfolio of 47 projects: 26 rural development (RD) projects involving a total cost of USD 1,287 million; 4 urban infrastructure projects involving a cost of USD 141 million; 5 technical assistance projects involving a cost of USD 22.8 million; and the remainder in development projects of other Ministries involving a total cost of USD 357 million.[11] IRWP/RESP acted as a pioneer in support of LGED in the early 1980s when the Nordic donors were alone in supporting the organisation. Table 29, below, shows the take-off in donor support to LGED. From 1988, and in particular in the 1990s, LGED has become the favourite in the donor community with a large number of projects focusing on rural roads. Most of these projects include various forms of technical assistance, directly or indirectly focusing on the competence of LGED as an institution.

Table 29: Donor funded projects through LGED initiated 1981 -1990

Project name	Donor/	Period
RD 3	USAID/IDB (IDB	1986 - 1994 1993 - 2000)
RD4	SIDA/NORAD/DANIDA SIDA/NORAD (Sida	1981 - 1985 1986 - 1996 1996 - 2000)
RD6	Switzerland	1988 - 1997
RD 7	World Bank, Germany, Switzerland	1988 - 1997
RD8	EU, the Netherlands	1988 - 1997
RD 13	ADB	1988 - 1995
Flood Rehabilitation	ADB	1989 - 1994
Flood rehabilitation	World Bank (IDA)	1989 - 1993
RD 14	Germany	1990 - 1997
Model Rural Dev.	Japan	1990 - 1994
RD 16	DANIDA	1990 - 1999

One local TA in RESP described the change from the time prior to the Nordic intervention to the present as follows:

> *...LGED was in a terrible situation....today it is a totally new organisation.*

Service delivery effectiveness

In terms of service delivery effectiveness LGED has improved very substantially since the 1980s. There are various elements of this. Its mandate and functions are clearly understood throughout the organisation. Through its decentralised structure at *thana* and district level it is able to support local government in infrastructure development country-wide. Clearly, from its rapidly increasing ability to attract donor funds during the 1990s, it is serving the demands of donors for the timely delivery of well-built infrastructure. This has been largely a development during the late 1980s and especially during the 1990s. Prior to this, LGED's infrastructure output was much criticised for its poor quality. A Danida consultant describes a 'picture book' compiled by consultants of LGED's output during the IRWP:

> *It was a 100 percent disaster. Bridges not reaching across the rivers, bridges standing in the middle of a field with no rivers nearby, bridges already deteriorating because of too much sand and too little cement, bridges falling apart because of too little iron support and the same with culverts not functioning, filled with debris, collapsing because of bad quality, in the wrong places, etc.*

LGED's qualitative output has rapidly increased, although there are questions regarding its ability, without the TA support provided under RESP, to continue to deliver effectively at

[11] Akanda, pp.2-9.

such levels. LGED is sometimes criticised for not being sufficiently oriented towards the needs of the mass of poor in Bangladesh. i.e. how does LGED serve poverty alleviation?

On one hand, it could be said that LGED has become extraordinarily oriented toward poverty alleviation for a technical, engineering institution. LGED engineers are known internally as "Social Engineers". The organisation is keen to show the constant increase in employment person days it is generating by employing landless groups, usually of destitute women organised into Labour Contracting Societies. Between 1990/1 and 1990/5 it more than doubled the number of employment person days generated for the rural poor from 204.53 lakh person days to 413.50 lakh person days[12]. It is in the process of moving towards working with local NGOs who can mobilise rural poor groups into LCSs. It has begun employing socio-economists responsible for sensitising its planning and implementation of infrastructure development to the needs of poor rural communities. It works through LCSs (organised groups of poor people) rather than other contractors to undertake increasing amounts of work. LGED's Chief Engineer attributes the achievement of this orientation to the institutional support from Sida which he says "helped us to understand the relationship between infrastructure development and poverty alleviation". In how far it is possible for LGED's output to be poverty oriented remains in question since the organisation continues to have few feedback systems for measuring impact (as opposed to output, for which it has well developed systems on a project by project basis). Given LGED's role as an implementer of national infrastructure development, it is perhaps unrealistic to see it as an institution which should be directly concerned with poverty alleviation. The criticism that its planning process is not participative (see above) makes such unrealistic assumptions, when, in fact, LGED's output is mainly part of a growth-oriented strategy which forms a required element of poverty alleviation.

Service delivery efficiency

In terms of service delivery efficiency, LGED is seen today as a model developing country public sector institution. Informal decision-making allows for the better use of time relative to other highly bureaucratic Bangladesh government agencies. The MANCAPS report explains that this is has been made possible through a "very high level of team work within the organisation"[13]. The focus of LGED's work at *thana* level - LGED has more staff at the *thana* level than any other government organisation[14]- has also facilitated service delivery efficiency in the sense that LGED is more easily able to provide support to local government levels than in a situation where the majority of staff are based at headquarters.

Whether or not LGED is financially efficient is questionable. It spends what it gets from the donors and from Government and delivers output of considerable quality. Whether such quality could have been delivered for less is not known. LGED's management of financial resources continues to be weak and non-transparent. It is particularly weak in accounting and inventory-keeping, both record-keeping systems which are vital for allowing a proper overview of financial efficiency. One could ask whether this matters as long as LGED is producing quality and enough donors are prepared to support it. However, achieving financial efficiency should form part of an institutional discipline which contributes to good management and institutional sustainability, which, in LGED's case, is neglected owing to the volume of incoming work and the lack of a tradition of financial efficiency in Bangladesh public sector agencies.

Organisational capacity to adapt to change

A review of LGED's organisational capacity to adapt to change also presents a mixed picture. On one hand, during the past fourteen years the organisation has been able to adapt to rapidly increasing demands for its services, and particularly an increased demand for its services to be poverty oriented. It has evolved the capacity to handle a wide range of

[12] Akanda, p.12.
[13] *MANCAPS Action Plan*, p.17.
[14] ibid., p.18.

programmes, each incorporating the special requirements of its client. Most agree that this is largely due to two factors: the vision, drive and unusual staying power of its Chief Engineer, Q.I. Siddique, in combination with the long-term and flexible commitment of Sida and, to a lesser degree, the other Nordic donors. Siddique summarises the Sida contribution to LGED's ability to adapt and grow in saying that "Sida didn't give us big bucks, but invested in (our) education". While the Siddique-Sida combination have been vital to the LGED development, it is precisely the continued required doses of these ingredients that poses challenges to LGED's future ability to adapt to change and the sustainability of its achievements. This is explained further below.

High staff motivation levels are fundamental to the ability of an organisation to deliver effectively and efficiently, and to adapt to change. LGED's uniqueness is that it has been able to achieve such high motivation levels without an explicit performance-oriented system. The salaries of permanent staff must adhere to dismal public sector pay-scales and benefits. Even if an informal performance awards system exists within the LGED, as some observers of the organisation have suggested, the sheer energy and determination of LGED's leading personality must be credited as an important source of staff motivation. His ability to keep the trade unions at bay, unlike other organisations in the Bangladesh public sector, has been remarkable. By the same token, the extent to which continued staff motivation relies on Siddique raises questions about the time, perhaps not far off, where he no longer leads LGED. According to one close observer of the LGED,

> *Siddique is more than 50 percent of the organisation.....if you go to the second or third man, decisions take place much more slowly.*

The management of the LGED continues to be focused largely on one man with little being done to properly groom another tier of management. The management culture of LGED has also been described as being *ad hoc*, meaning that it does not possess strong own management systems, but creates what is required on a case-by-case basis. The dependence on a single personality combined with the lack of own systems, is problematic from the perspective of sustaining achievements and improving upon them. At present LGED is developing a comprehensive Management Information System in an effort to address this issue.

Sustainability

The other ingredient - flexible, long-term donor support from Sida - also leaves big question marks for sustainability, as Sida prepares to phase out its support. This has already been discussed at length, above. According to one long-term observer of the LGED, "Sida's departure in 2000 would leave the organisation chaotic". Sida has indeed invested in LGED's education like no other donor, as Siddique points out, but it has also done this since the early 1980s focusing mainly on improving technical engineering capability. By continuing with largely with the same type of support long past the time where the LGED as developed a basic qualitative engineering capacity for the output required, it has inadvertently encouraged the emergence of two problems: first, the organisation has become dependent on the Sida support to finance staff positions which are not, in effect, purely developmental positions, but also management and implementation positions vital to the organisation's ability to handle its present volume of work; second, by placing the focus on engineering technology, a level of ambition may have been set for LGED which is unaffordable in the reality of the environment in which LGED must function. A senior adviser to LGED reached the following conclusion in relation to these points:

> *...you can't ask someone to break his own legs. Most don't take the Sida phase out threat seriously. The phase out planning by Sida has been very poor....you cannot ask a consultant to phase himself out.*

But the issue of what good phase out in this situation would have been relates not only to the phasing out period itself (i.e. the last two to three years of the institutional support), but also,

and perhaps more importantly, to the relatively unchanged nature of that support throughout the time that LGED has been a recipient of Sida assistance. This point is taken up further in Chapter 4 on aid management in RESP.

8.2 The institutional support project of the Bangladesh Rural Development Board (BIS)

8.2.1 Background and main objectives

Institutional support to the Bangladesh Rural Development Board (BRDB) under RESP commenced in early 1994 with funding for a BRDB Task Force responsible for "contributing to improved services to the poor population of Bangladesh by building and strengthening the capacity of BRDB"[15]. The Task Force was supervised by a Working Group chaired by the Director General of BRDB and including the Project Directors of BRDB's Rural Poor Projects (see tabulation of the RPPs in Chapter 6). BIS, which commenced with RESP III in 1996, represented a formalisation of the institutional support into a Programme component and replaced the RPP Task Force. The stated overall objective of BIS is:

> *...to build and strengthen the capacity of the Bangladesh Rural Development Board in carrying out its Rural Poor Programme.*[16]

Under this, the two main sub-objectives are:

- *Improve organisation, management, systems and procedures of BRDB and its projects.*
- *Develop strategies and guidelines enhancing sustainable rural development.*[17]

BIS therefore needs to be evaluated with two factors in mind: first, the institutional support to BRDB is the youngest of projects under RESP, having been in operation as BIS for two years and as support to the RPP Task Force for two years prior to that; second, the institutional support to BRDB is focused on service delivery to the rural poor through the RPPs rather than through the totality of services which BRDB is mandated to provide including its Main Scheme (BRDB's original purpose) which was set up to serve the two-tier co-operative system originally established under the Comilla model.

It is important to note that prior to the BIS, there have been several failed efforts by other donors to strengthen the internal capacity of BRDB. ODA's efforts through its Training, Management, Productivity and Services (TMPS) programme were the most comprehensive. CIDA also attempted to make improvements, but this effort was closely linked to the CIDA-sponsored RD-12. Although the Swedish support to BRDB has attained standing and credibility partly because it is attached to a larger volume of Swedish support in the form of RD-5 (or RESP), BIS has gone out of its way to detach itself from individual RPPs and to be seen as a general provider of institutional support for BRDB's management of the RPPs.

The commencement of Sida's institutional support to BRDB came at a time when the reputation of BRDB had reached a very low ebb. In the World Bank's 1996 publication, *Government that Works: Reforming the Public Sector*, the Bank states that:

> *...its* (BRDB's) *overall financial performance has been abysmal, and impact doubtful...the social/equity rationale for direct state intervention in BRDB is no longer applicable due to the dramatic growth over the past decade in the NGO sector, which provides similar services. In the absence of convincing evidence to the contrary, these activities should be left to the Grameen Bank, NGOs and the private sector. Serious consideration should be given to moving all of BRDB's credit related activity to the Poverty Foundation (PKSF), and using the*

[15] *RESP III, Appraisal Report*), p.45.
[16] *RESP III, Logical Framework Approach Matrix*, Sida (February 1996).
[17] *BRDB Institutional Support Project (BIS), Former Rural Programme Task Force, Project Brief* (January 1994-January 1998).

> *latter as the apex vehicle for channelling government funds to successful micro-credit institutions. A much smaller BRDB (possibly integrated with a streamlined Department of Co-operatives) could then be used to carry out auditing and monitoring functions of co-operatives.*[18]

This statement is reflective of a wide debate within the donor community and in Bangladesh on the appropriate mandate and functions of BRDB. In this environment, Sida chose to support BRDB institutionally precisely in those activities which the Bank's report suggests should not be undertaken by BRDB. Sida's institutional support to BRDB's RPP also came at a time when the largest RPP sponsored by CIDA, RD-12, was devising plans to move the project out of BRDB in order to seek a sustainable independent arrangement once the donor funding for the project ceased. The position which Sida took appears to be reflective of two things: one, Sida's concern for the sustainability of the Productive Employment Project (PEP) which it had supported since the mid-1980s; two, Sida's recognition of Government's political commitment to implementing micro-finance-style poverty alleviation programmes, even if the proportion of poor reached is small compared to the numbers reached through the Grameen and NGO programmes.

8.2.2 Outputs and performance

BIS' January 1998 Project Brief for the period since January 1994 reports the following achievements: sixteen studies; fourteen workshops on rural development and poverty alleviation; twenty-four publications and three BRDB bulletins. A list of completed and proposed research activities, studies and publications is provided in Table 31, overleaf.

Information gathering, analysis and dissemination

The focus of BIS activities has no doubt been on gathering, analysing and publishing information from the RPPs in order to develop strategies and guidelines for enhancing the RPPs' performance and their sustainability (the second sub-objective of the project). In terms of improving inter-RPP learning these efforts represent an initial move towards bringing about communication and the sharing of information between the RPP project managers who say that BIS initiatives are providing them with a forum for consultation. The inventory of all RPPs which was established early in the project (1994-5) was a positive first step towards making comparative information available and creating greater inter-RPP awareness. Whether this type of activity will lead to programmes (or a government investment programme, as is presently being suggested, see below) which serve the rural poor better, which have greater prospects for sustainability and provide greater BRDB ownership of the programmes depends to a great extent on whether BRDB can develop more effective, efficient and transparent institutional mechanisms for gathering accurate and realistic information, and for translating shared learning into action. On the last point, one RPP manager portrayed the situation in vivid terms: "BIS has become the brain of BRDB but the body doesn't function".

One unplanned contribution of the information gathering and analysis activities under the BIS is that it appears to be serving the information needs of some other institutions involved in micro-finance-type poverty alleviation in Bangladesh. PKSF uses BIS papers and states that it finds them useful in thinking about some of their own policies and guidelines. BRDB has also received a request from the Ministry responsible for Womens' Affairs to assist in devising a banking plan for a Womens' Programme. These findings seem to indicate that BIS services, in respect of information provision, are in demand from some quarters. However, it would be an overstatement to say that BIS publications are widely known and used amongst the various actors in poverty alleviation in Bangladesh. The representatives of the NGO community interviewed had never heard of BIS or its publications.

[18] The World Bank. *Government that Works: Reforming the Public Sector*, p.25.

One potentially serious problem which BIS faces in its information analysis activities is the extent to which it is able to produce analyses which contribute objectively to more sustainable programmes. By virtue of its intention to be an integral part of BRDB, it is subject to all of the pressures within the organisation to make BRDB competitive vis-à-vis the NGOs and to continue to attract donor funds. According to two senior advisers with extensive experience of the RPPs who have reviewed the information and analyses produced, there are doubts regarding the accuracy of the information used. But this problem appears to be mainly at the level of information gathering, not within BIS, although the consequences for the BIS analyses are obvious. The problem at BIS' level is exemplified in the contradiction between its stated purpose of promoting RPP sustainability and its now published conclusions regarding maximum recommended interest rate for the RPPs. It is clear that BIS has based its analysis on the premise of a high degree of subsidisation on the RPPs since there is a considerable discrepancy between credit delivery costs and the recommended 20 percent maximum interest rate. A high degree of subsidisation (which GoB cannot itself afford without donor support) is clearly contradictory to the idea of making the RPPs self-sustaining. The potentially serious consequences of BIS' interest rate analysis for the whole micro-finance sector in Bangladesh has already been discussed in Chapter 6. BIS' placement in an organisation which has a history of working on the philosophy of a high degree of subsidisation which is not conducive to sustainability (i.e. through the two-tier co-operative system, see below) appears to have shaped its recommendations in this instance. Overall institutional reform assumes an ever higher importance in this context.

Another unplanned, but notable result of BIS is that BRDB is being marketed as a thinking institution in poverty eradication. Since its formation in the 1980s, BRDB has experienced an ever-deteriorating reputation amongst donors. By publishing information which analyses the issues which it faces in poverty eradication, BIS is attempting to take first steps towards infusing BRDB with some credibility. However, this effort stands in danger of becoming a marketing exercise with no substance if urgent and major improvements in the management and organisation of BRDB are not made.

Table 30: BIS studies and research activities (January 1994 - May 1998)

TITLE	READY BY
Field tour impressions on the Rural Poor Programme of BRDB	December 1994
The status of IGAs undertaken by different RPP beneficiaries	August 1994
Conditions and interest rate of rural credit schemes in Bangladesh	March 1995
Credit Conditions for the Rural Poor	March 1995
BRDB training needs as perceived by field functionaries	June 1995
Life stories: Case studies on poverty alleviation	October 1995
Annotated bibliography of BRDB publications 1991-1995	October 1995
Integrated farming system for the rural poor	November 1995
Environment and Rural Poor Projects	November 1995
Annotated bibliography on environmental studies of rural Bangladesh	November 1995
Field functionaries' opinion on Rural Poor Projects of BRDB	June 1996
Evaluation of group promoters' foundation course	December 1996
Future role and organisational structure of BRDB	April 1997
Innovative income generating activities	May 1997
Credit delivery cost of Rural Poor Projects	September 1997
Assessment of the Cattle Compensation Scheme of RD-5	December 1997
Group sustainability in RPP	May 1998
Profitability and effect of 13 popular IGAs	May 1998
Gender planning and development	May 1998

Comparative study of credit conditions (second edition)	May 1998
Social empowerment - rural poor in Parishad elections	June 1998
Profile of RPPs	June 1998
Skills training manuals	August 1998
Introducing innovative IGAs to the rural poor	August 1998

Workshops for information sharing and institutional networking

BIS is using the information and analysis to run workshops which bring together various governmental and non-governmental actors in poverty eradication. Such workshops are aimed at information sharing, which, historically, has been avoided by both government and NGO agencies as a result of suspicion and a negative form of competition for donor resources. A workshop organised in October 1997 reviewed current strategies and developments as regards rural development and micro-credits in Bangladesh and outlined areas of co-operation that could be of mutual interest for the D-8 countries at a meeting to be held in Dhaka in November 1997. The list of participants included representatives from GO and NGO agencies involved in poverty eradication. This information sharing effort is an important step which has the potential, to lead into not only improving the RPPs but also to a wider discussion of complementary roles in poverty eradication between the various players in Bangladesh.

Though a positive development, the information sharing being promoted by BIS must be put into perspective. There are other better known forums for sharing of information and debates regarding policy and 'best practices' at a high level between Government and NGOs as regards poverty eradication. The best known of these is the Government-NGO Co-operation Council (GNCC). There are also a number of well established 'think tank' type organisations in Bangladesh which undertake detailed research into poverty alleviation (e.g. Bangladesh Institute for Development Studies, Bangladesh Academy for Rural Development and others). As a networking and co-operation forum, BIS is not widely known.

Regarding networking and linkages to other organisations: The close co-operation sought under RESP to infrastructure development through LGED has not materialised to date. According to Q.I. Siddique, Chief Engineer, LGED, the linkage between IDP and PEP was based on "amateurish planning" and resulted from BRDB's greater bargaining power vis-à-vis the donors and LGED at the time when this linkage was conceived. According to one expatriate TA source, "LGED co-operates with BRDB little since it has little use for BRDB and there is little trust in the organisation". Apart from this, it is questionable how these two institutions could serve one another and what such a linkage would contribute to better poverty alleviation, although some form of co-ordination between the two institutions which deal with the same donors in rural development could be desirable.

Developing strategies, guidelines and policies

BIS has been giving attention to a number of technical issues which the RPPs face. For example, it has undertaken a study concerning optimal interest rates and credit conditions for promoting the sustainability of projects. One of the conclusions is that interest rates on the RPPs should not exceed 20 percent and that this should become a uniform rate amongst the RPPs by the year 2000[19]. This initiative has resulted in new guidelines for credit delivery and, thus far, is the only initiative which appears to be achieving an impact at the level of government policy. The potentially serious impact of the recommendations has already been discussed above and in Chapter 6. BIS has been heavily absorbed in this interest rate issue demonstrating its rather technocratic nature. Whether BIS can begin to address questions of actual impact of the RPPs on the poverty situation in Bangladesh in a broader perspective, depends on developing BRDB's information systems as well as the institutional will to open

[19] *Workshop Report on Interest Rate for Microcredits*, BIS (September 1997).

up and discuss difficult questions which may impact on BRDB's role. BIS has also been focusing on the issue of 'graduating' group members, that is, members able to take on larger loans as a result of their success with the utilisation of smaller loans. Related to this is the issue of entrepreneurship development, which concerns individuals who are regarded as having attained a 'taking off' position as a result of activities they have pursued with micro-credit. BIS is exploring factors which are conducive to the development of rural entrepreneurship amongst such individuals. The usefulness of exploring methods of creating entrepreneurship *per se* is questionable, since the actual emergence of entrepreneurs is not usually a matter of public sector training, etc., but instead one of individual creativity and dynamism. There are, of course, models for the promotion of small to medium sized businesses world-wide but it is not usually heavy government involvement that is the decisive factor in success.

BIS is striving to create a tool for BRDB to experiment and arrive at better approaches to implementing micro-finance-style poverty eradication for projects under its umbrella. Whether the availability of this tool will result in better project plans and BRDB's greater independence from the donors, as the staff of BIS claim, is still entirely dependent on creating a nexus between the strategies or guidelines arrived at and implementation. This nexus rests with BRDB organisationally, and at present the nexus is extremely weak, if present at all.

Training

BIS has attempted to take some initial steps towards skills development within BRDB by designing and delivering improved training packages for field staff. In 1995 a Common Foundation Training Course for Group Promoters of all RPPs was designed and commenced. The purpose of this was to improve the group formation skills of BRDB field staff. A BIS workshop held in February 1997 recommended that "a system of co-ordinated and need-based training is developed for both field functionaries and beneficiaries"[20]. This was in recognition of the lack of BRDB personnel with the appropriate skills working at a decentralised level. BIS is planning to publish skills training manuals in 1998. However, according to one RPP manager, the training packages and information provided thus far are not regarded highly by those in the field. The reasons for this were not given, but it is likely that the low motivation level that exists amongst BRDB staff in general as a result of a number of structural factors (poor pay, lack of performance awards, lack of continuous, dynamic leadership) may make it impossible for BIS facilitated training programmes to be successful, no matter how good they are. BIS has also arranged study tours abroad for BRDB staff. An example of this was sponsorship of five BRDB participants at Deputy Director level to attend a four-week long training course on *Environmental Impact Assessment and Review* at the Asian Institute of Technology (AIT) in Bangkok. Again, in how far the participants could translate their learning into action at home is very limited by BRDB's weak grip on the projects under its umbrella.

A substantive human resources development programme within BRDB is obviously urgently needed. At the same time, as has already been mentioned and will be further discussed, there have been significant structural obstacles to such an HRD programme achieving anything in terms of institution building at this time. The experience of CIDA in trying to work out a means for creating sustainability under RD-12, as Canada phases out its support for the project, is illustrative of the kinds of skills which BRDB lacks if it wishes to be effectively involved in sustainable micro-finance-style poverty eradication. According to one source, the main reason that CIDA has sought a solution external to BRDB is that:

> *BRDB is totally incapable of managing a revolving fund efficiently and transparently...it simply does not have the skills sets.*

[20] *BRDB Institutional Support Project (BIS): Summary of Study and Workshop Recommendations* (23 February 1997) in the *BIS Project Brief.*

This is a serious problem for BRDB, given that some of the other RPPs (RD-5, RD-9) are coming to a point where they are concerned with the sustainability of their achievements under the projects. The RPAP, a government-funded project under the RPP, sees the future of this project in a revolving loan fund managed by BRDB and supported by donors. The RPAP represents an embryo of what could become a truly government-owned programme for poverty eradication through micro-finance activities. But, BRDB's lack of skills in financial management will not allow for this type of development at present. If the project is able to attract donor support it will simply become another essentially donor-run programme under the umbrella of BRDB which will eventually need to be moved out of BRDB. BRDB staff themselves admit that the management of financial data within BRDB is weak.

Facilitating consensus on the future role of BRDB

In April 1997 BIS published a study on the *Future Role and Organisational Structure of the Bangladesh Rural Development Board*. This represented a first step in making headway in the fulfilment of the stated sub-objective of improving organisation, management, systems and procedures of BRDB and its projects. The Study was a thorough and well-presented document considering BRDB organisational development options for the future. It was undertaken in a climate of widely differing views on the future of BRDB: on one hand, the World Bank's view that BRDB should be streamlined, incorporated into the Department of Co-operatives and given a co-operative auditing and monitoring function; on the other hand, the Asian Development Bank's view that BRDB has the potential to act as a major implementing agency in rural poverty alleviation. The Study made an effort to present BRDB's future options in a comprehensive and unbiased way. These included discussion of the following "role options":

- maintaining the *status quo*, meaning that BRDB would continue to be responsible for supporting the Main Scheme (two-tier co-operative system) as per its mandate, and continue to provide an umbrella for the essentially autonomous RPPs;
- dissolving and transferring responsibilities to other ministries - the RPPS would be distributed between other ministries;
- remain an umbrella organisation for the RPPS, but take a proactive role in institution-building of sustainable primary and secondary peoples' institutions;
- an enhanced role in the implementation of the RPPs;
- concentrating all efforts and resources on co-operative development and transferring responsibility for the RPPS to NGOs and other government agencies;
- serving as a provider of credit and savings, deposit services and related training and advisory services to the rural poor and marginal farmers (along the lines of the Grameen model);
- become the lead government agency in the formulation of policy and the co-ordination of activities in rural poverty alleviation, handing over responsibility for the Main Scheme and the RPPs to other government organs and NGOs;
- further develop rural social services, gradually reducing involvement in the Main Scheme and in the RPPs;

A parallel debate was presented on the future legal status of BRDB and, again, the range of options were laid out. These included:

- maintain the *status quo* in which BRDB would continue as an autonomous government agency but heavily subject to government decisions, and continue with its present Ordinance mandating it to support the two-tier co-operative system but with no clear mandate for BRDB's role in respect of the RPPs;
- become a GoB department (perceived to provide the organisation with greater prestige), as stated in BRDB's 1994 proposal to government;
- amend the BRDB Ordinance to better reflect current BRDB activities and delineate responsibilities vis-à-vis other agencies clearly;

- institute BRDB under a separate Act of Parliament, giving it a more independent and permanent status with greater freedom of action and security (as in the Grameen Bank Act);
- become a government agency for non-commercial public service delivery with a Chief Executive possessing full freedom to manage the agency but with less autonomy at policy level (a model not yet existing in Bangladesh);
- if the banking role is selected, become a state-owned enterprise which shareholders and the ability to charge client groups for services;
- become an NGO or transform the RPPs into NGOs, an option which has been pursued by RD-12.

Although the study attempted not to make judgement on what course should be taken, it concluded by suggesting the following:

- It would not be optimal for GoB to use BRDB simply as another implementer of projects: BRDB's mandate which emphasises the formulation of policies, the coordination of activities and the supervision of project implementation in rural development should be adhered to;
- The project organisation under BRDB should be replaced by an integrated structure so that BRDB manages one national investment programme targeted at the rural poor, women and marginal farmers;
- Policy and co-ordination, institution building and the implementation of rural poverty alleviation projects should be the three roles given consideration. In the first two roles funding would be expected to come mainly from GoB, whereas in the third it would be expected to come mainly from the donors.[21]

Subsequent to the Study, BIS organised a BRDB workshop to discuss all of the options. The outcome was that the BRDB staff present wished more or less to maintain the *status quo*, but strengthening BRDB's policy formulation and co-ordination role and becoming a Government Department.[22] It is difficult to conclude from this and from the various interviews undertaken both on the Main Scheme side and the RPP side of BRDB's activities that the organisation has reached a realistic consensus on its future role. Although the Main Scheme is regarded as being largely defunct - in the words of one staff member "the co-operatives are no more working practically" - it represents for many in BRDB a prestigious historical legacy which is linked to the Comilla experiment and the improvement of agricultural production in Bangladesh. Also, through the Main Scheme, BRDB is, in theory, playing a role which no other organisation is playing in respect of continuous support for improving agricultural production. All of BRDB's permanent staff are employed in the Main Scheme with about 50 percent seconded to the RPPs. The RPPs, on the other hand, give BRDB status within GoB in terms of having a place in serving Government's political commitment to poverty alleviation, and also representing a pool of substantial financial and human resources in a resource-starved public sector institutional environment.

Apart from the contradictory effects of BRDB's historical legacy, Government's political commitments and the desire to attract donor resources, the perception of BIS by permanent staff throughout the organisation could also be one reason why reaching a realistic consensus has not been possible. According to one senior manager within the Main Scheme:

> *The perception internally is that people who get into BIS are privileged and work in a privileged working environment...the achievements of BIS will die with BIS after 2000.*

BIS has striven to be as participative as possible in all its activities. However, there are two factors which undermine its authority. One is that, by its overall objective, it is aimed at improving BRDB's performance in respect of the RPPs, which are determined mainly outside

[21] *Future Role and Organisational Structure of the Bangladesh Rural Development Board*, BIS, Report No. 20 (April 1997), pp.50-75.
[22] See *Workshop Report on Future Role and Organisational Structure of BRDB*, Report No. 23 (February 1998).

of the organisation in terms of staffing, planning, etc. It is not responsible for enhancing the capacity of the organisation to serve rural development or alleviate poverty overall. The other is that BIS consists mainly of TA rather than permanent staff. Thus, it is not perceived to be an integral part of the organisation, according to some of the permanent staff interviewed.

On one matter, BRDB seems united and this is the change of status to becoming a Government Department. The main motivations for this are: prestige and thus greater leverage with other Government agencies; widened career opportunities amongst civil servants; a guaranteed state pension (the present pension entitlement depends on the financial capacity of the BRDB pension fund); entitlement to government housing rather than a meagre housing allowance. However, this consensus is of long standing and not one particularly encouraged by BIS. It is also a consensus which appears to be very unrealistic given the pressure which GoB is under from the Bretton Woods institutions to downsize and streamline. A senior official from the Ministry more or less stated this informally.

BIS' indirect efforts to encourage a sense of institutional direction have been more successful than its direct efforts through the above mentioned Study and workshop. By gathering, analysing and distributing information, as well as holding workshops with a wide range of stakeholders in poverty alleviation in Bangladesh, it is attempting to promote two changes: 1) the idea of a BRDB sector investment programme for poverty alleviation underpinned by a set of 'best practices', rather than a series of scattered and donor-run projects; 2) an improved BRDB perspective on where its comparative advantages lie (although this is a very slow process whose results are not noticeable thus far). On the other hand, for BIS to continue this type of work in the present uncertain and unrealistic institutional context in which there is little will to discuss wider questions of impact and effectiveness, and few mechanisms for translating findings into action, is also unsatisfactory and cost-ineffective.

Planned outputs

Apart from continuing with information gathering, analysis and dissemination, BIS expects to support BRDB in the following during the remaining period to the year 2000:

- organisational development on grass roots and secondary level;
- determining the future role of BRDB;
- rural banking (savings operations and continued streamlining of micro-credits);
- MIS including in monitoring and evaluation;
- internal audit;
- gender planning and development;
- intermediate technology for on-farm and off-farm income generating activities, rural entrepreneurship and streamlined skills training;
- sustainability of activities and services and the replicability of projects or systems, methods and procedures;
- strategies for rural development and poverty eradication;
- strengthening and expanding national and international networks on rural development, poverty alleviation and micro-credits.

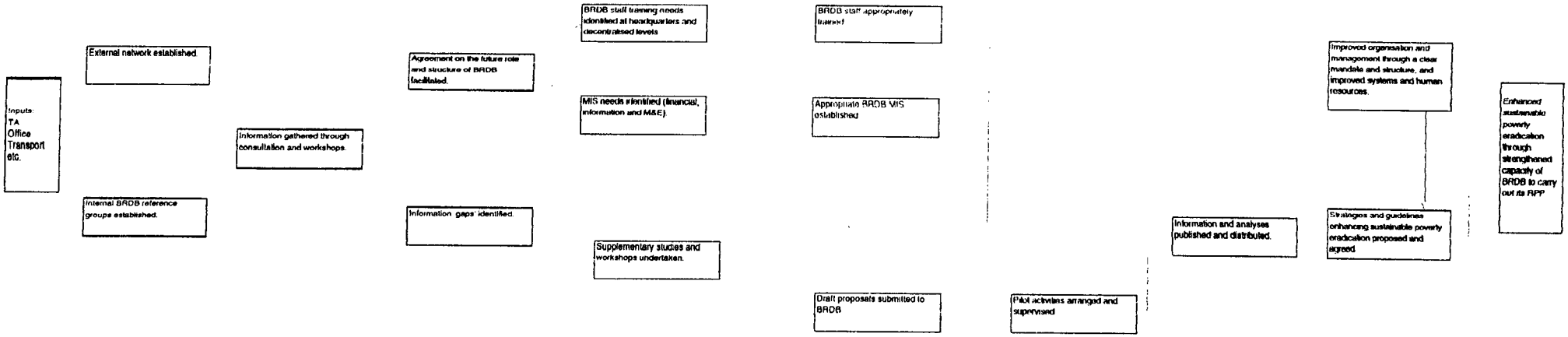
Some of these outputs show awareness of the need to move on with addressing organisational issues within BRDB. However, it would be impossible, in the time remaining for RESP, for BIS to achieve anything substantial in these fields. It is also questionable whether it would be possible for BIS to deliver any of these outputs without 1) the 'entry ticket' which PEP represents in giving BIS standing within BRDB - although BIS has made a deliberate effort to distance itself from RD-5, there is no doubt that the more substantial funds which go into PEP give BIS some standing within BRDB; 2) the emergence of continuous and dynamic leadership within the BRDB.

The BIS output 'gap'

Figure 9 : BIS output map and progress as at April 1998

output not achieved

output achieved



BIS' intended intervention in BRDB can be seen as a two-pronged strategy serving the RPPs through the two sub-objectives of improving BRDB organisationally, and developing strategies and guidelines for the RPPs. While BIS has already done much to work towards the latter (although these guidelines may not actually be contributing to sustainability, see above), it has not been able to progress significantly with the former. Figure 9, overleaf, is an output map of BRDB which shows the gap between progress in achieving one objective (green) and the lack of progress in achieving the other (red). The diagram reflects both the difficulty which BIS is experiencing in moving ahead with the facilitation of organisational change, and the difficulty it is experiencing with translating draft proposals into implemented (pilot) activities.

8.2.3 Impact analysis

Before and after

In order to consider the impact of BIS on BRDB to date it is useful to consider whether there is any difference between what sort of organisation it was prior to the 1994 intervention to today. Initially after its formation in 1982, BRDB occupied a high status amongst public sector institutions for its inheritance of the Comilla legacy and the rapid numerical growth of the TCCA/KSS co-operative system under the IRDP. Although this system was already in disarray prior to BRDB's formation and inheritance of it - the Joint GoB/IDA Review of the IRDP in October 1981 discusses the loss of focus and the heavy dependence of the co-operatives on government[23] - BRDB is credited with a substantial contribution to increasing agricultural production. Very rapidly, BRDB showed a heavy top-down approach and serious inefficiencies in service delivery under donor sponsored programmes. The degree of corruption and nepotism rampant under the two-tier co-operative system under BRDB became an issue causing some donors to consider other avenues of working in poverty alleviation.

The style of working developed by the TA under PEP in RESP I made the project a bypass, since BRDB was not seen as being competent to do the work. As a result, poor relations developed between BRDB and the PEP TA which appear to have improved during RESP II, particularly with the introduction of the institutional support, aimed at enhancing BRDB's capacity to implement the RPPs. Today, most of the donor-sponsored RPPs effectively remain bypasses, having their own TA and individual modes of operating. The effort being encouraged by BIS to create a Government investment programme under BRDB is one move towards trying to overcome this situation.

Service delivery effectiveness

The whole issue of bypasses is directly linked to BRDB's perceived service delivery effectiveness capacity. There are several elements to this. One is the lack of clarity regarding BRDB's role and legal status, which means that BRDB staff lack a sense of direction in terms of what objectives they are working towards. The discrepancy between the weight of staffing in BRDB and its mandated function makes the reason for this clear. To date, the majority of the 9308 staff working within BRDB are TA. Estimates provided by BRDB are that there are approximately 5000 TA working on the RPPs and 2000 permanent seconded staff. The remainder work under the Main Scheme. Yet, the Ordinance of BRDB remains focused on the two-tier co-operative system with BRDB having the go-ahead from the Ministry to maintain the RPPs under its umbrella. BRDB's striving for a departmental legal status which it is unlikely to obtain, as has already been discussed above, adds to this lack of clarity, and the lack of a sense of organisational identity and coherence amongst staff.

[23] *Bangladesh Integrated Rural Development Program, A Joint Review by Government and the World Bank* (October 1981), p.iv.

Another element of service delivery effectiveness relates to whether BRDB's services (in respect of the RPPs) are relevant to demand. A brief look at this aspect presents a very unclear picture. ADB has recently concluded an agreement to commence a new project entitled the Rural Livelihoods Project (RLP) under the umbrella of BRDB. BRDB's linkage with co-operatives for landless men and women (the BSS and MBSS) seems to be one unique feature which has attracted the ADB project sponsorship. On the other hand, its largest donor relationship appears to be coming to a close with the relocation of the CIDA sponsored RD-12 outside of BRDB on the grounds that BRDB cannot provide the needed environment for sustainability of RD-12. The question of whether the RPPs are serving the needs of the rural poor is a complex one and one which this evaluation is concerned with overall in relation to RESP. The main point to make here is that BRDB itself has little ability to know whether it is serving their needs or not through the RPPs. Its management information systems are presently focused on quantitative data from which it is very difficult to draw conclusions regarding impact. The supply driven nature of the whole RPP under BRDB has also made the monitoring of demand a secondary priority. BIS is striving to change this situation, but without appropriate MIS, its task is made extremely difficult. BIS intends to work towards improving BRDB's MIS, but to date this has not taken place with little time remaining before the end of RESP. The development and use of such information systems is a long process requiring information needs assessment, design, training, etc.

The quality of BRDB's field services is pivotal to being able to serve the needs of the poor. Although BRDB has an extensive reach throughout the country which was established already under the time of the IRDP, its own service delivery capacity in the field is not highly regarded, neither by outsiders or insiders. A BRDB permanent staff member provided one explanation:

> *The Field Officers (FOs) are limited in number and they have many different types of job and responsibilities. They have too much to do. The FO is a very important person within the project.*

Lack of numbers, an unclear organisational mandate and a lack of performance incentives all contribute to a problematic situation for BRDB field staff. A number of BRDB staff at headquarters stated that the solution to undermanning would be that BRDB develops a permanent organisational structure at *thana* level, similar to that which has made LGED an effective service delivery organisation. This is one issue which will be considered if BIS and BRDB work towards developing a single BRDB investment programme.

Service delivery efficiency

Developing a single BRDB investment programme will require considerable improvements in service delivery efficiency unless this programme is to fall into the same trap as the IRDP and the Main Scheme (widespread replication without capacity development). BIS has been undertaking some work in this direction in the form of assessing credit delivery costs of the RPPs and, out of this, interpreting a maximum interest rate level. Again, translating this knowledge into efficient service delivery requires a heavy infusion of staff motivation and training which do not appear at present to be materialising. BRDB's own financial management skills are extremely weak with the result that donor monies are managed by the projects themselves through 'safe funds'. The likelihood of BRDB at this point being able efficiently to manage an investment fund of its own serving the rural poor, as has been suggested by a number of staff in BRDB, is very low.

Organisational capacity to adapt to change

The outcome of the workshop conducted by BIS to discuss future role options for BRDB, reflected the lack of decision-making and leadership capacity required to facilitate adaptation to the constantly changing environment which BRDB must survive in. While BIS is making important information available upon which to base changes, the lack of consistent, committed leadership to bring about consensus and action prevents BIS' contribution from

improving BRDB's capacity to adapt. This is less a criticism of the BRDB leadership itself and more a consequence of a public sector system in which there is little chance for continuity with rules requiring changes in leadership every few years[24]. In this situation, there are severe limits to what any Director General, even with the best intentions, can achieve.

Without dynamic and continuous leadership, and poor public sector pay scales, there are no sources of staff motivation, another important factor in organisational change capacity. Staff within BRDB prefer to blame low staff motivation on pay scales and the lack of performance benefits:

> *You cannot get a good worker for a Government salary.....the field officers can only be as disciplined as the organisation that they belong to.....in BRDB there are no performance mechanisms.*

However, the LGED case seems to demonstrate that it is possible to achieve motivation despite this. In LGED's case this has been through its leadership which has also been able to keep the trade unions at bay in contrast to BRDB's situation. This structural obstacle (lack of continuous, dynamic leadership) is no doubt the greatest which BIS faces in bringing about any meaningful and sustainable institutional development within BRDB. Moreover, the leadership of BRDB must be seen to own BIS on a long-term, continuous basis in order for BIS to have the flexibility to facilitate changes in the organisation of BRDB.

Sustainability

The Fifth Five Year Plan for Bangladesh (1997-2002) foresees total investments of Tk 1960 billion of which 78 percent will come from Bangladesh sources. A radical increase is planned in BRDB's allocation for the RPPs (Tk 20 billion).[25] However, BRDB is itself very skeptical that this will, in fact, be forthcoming. According to one senior staff member:

> *How much that will be translated into practice we are afraid of. They will not release these funds, not even 25 percent. We have to depend on donor support. This (promise from Government) is only on paper.*

BRDB's heavy dependency on donor funds to run the RPPs is exemplified in the TA numbers. Approximately 5000 of the 7000 staff on the RPPs are TA, with 2000 permanent seconded staff also on the individual project payrolls. The salaries paid the TA (under RESP) are approximately double what permanent staff are paid, although permanent staff receive a number of benefits which the TA staff claim make up for the salary discrepancy. However, it is known that the benefits due permanent staff are sometimes under-delivered. In short, the degree of reliance on donor funds for TA and funding of seconded permanent staff is so heavy that without the donor support for the RPPs, BRDB would be unable to run them as they are. With reliance on donors for such large numbers of staff on the RPPs, it is extremely doubtful that even with much improved efficiency and effectiveness, BRDB could continue to run programmes of the size and ambition-level that presently exists. A truly BRDB run investment programme, of the sort which BIS is engaged in trying to promote, would need also to be a sharply reduced one in terms of size.

BRDB's heavy reliance on donor funds is a negative one in the sense that it counteracts sustainability of the programmes themselves. BRDB aims to keep programmes funded by donors under its umbrella for as long as possible despite the fact that it could never run programmes of such dimensions itself. As soon as there is an effort to seek a sustainable solution which is not presently possible under BRDB (as in the RD-12 case where an autonomous financial institution is being created outside of BRDB), BRDB reacts negatively. While it is said that the present leadership of BRDB did not try to block CIDA's decision and dealt with CIDA in a spirit of co-operation, the general mood amongst BRDB staff associated with the RPPs is that CIDA should not have moved RD-12 out.

[24] In this regard, the leadership of LGED is a misnomer in the Bangladesh public sector system. This is discussed further in section 9.3.
[25] *Sida Advisory Team Report* (14 March 1998), p.6.

This whole situation raises questions about the relevance of the BIS overall objective, which is to enhance BRDB's implementation performance in the RPPs. For BRDB to manage such programmes (in their present dimensions) drawing mainly on its own staff, would require a considerable infusion of resources from the Government of Bangladesh, which, according to BRDB staff, is not likely to materialise. A more effective and efficient BRDB might be able to run a much down-sized single investment programme, but it is difficult to see how this is a cost-effective use of slim resources when Grameen and the NGOs are reaching a much greater proportion of the population than BRDB.

BIS is, in many ways, limited to addressing largely technocratic issues by its narrow objective which is focused on the RPPs rather than broadly on poverty alleviation. Government and BRDB are committed to poverty alleviation politically and the present interpretation of poverty alleviation is micro-finance operations although poverty alleviation requires much wider efforts. Under its present objective, BIS is unable to assist BRDB in recognising this and exploring all avenues in which BRDB could make a unique contribution to eradicating poverty. Some effort was made by BIS to open a wider discussion through suggesting a wide range of roles which BRDB might play in the future, but this has not led to innovative thinking within BRDB and BIS continues to be seen as exclusively serving the RPPs.

Summary

In summary, there are two ways of thinking about BIS' impact on BRDB. First, accepting BIS' present overall objective, BIS is constrained in making its information gathering and analysis result in institutional development and improved RPP performance which serves sustainability mainly due to structural obstacles within BRDB (lack of continuous and dynamic leadership, lack of consensus and focus, lack of institutional will for change) which it may only be possible to address through concerted donor pressure on Government. Second, BIS is constrained by its overall objective which narrowly focuses on the RPPS, in stimulating a wide discussion within BRDB regarding its competitive advantages in poverty alleviation. From both perspectives, BIS is presently unable to make a major impact on BRDB as an institution making a strong contribution to sustainable poverty alleviation in Bangladesh. Furthermore, under the present highly subsidisation- rather than sustainability-oriented culture of BRDB, BIS may be under pressure to produce analyses which are damaging to the sustainability of micro-finance operations in general in Bangladesh.

8.3 Impact on standards in the public sector

8.3.1 Potential for replicating the LGED 'success'

Good governance and public sector reform towards this end have become major goals of aid during the 1990s. LGED's generally successful development to date and Sida's central involvement in this presents an interesting case for this effort. At present, LGED remains an island of emergent good governance in the sea of public sector institutional corruption and non-performance in Bangladesh. The question needs to be asked to what extent the LGED development is replicable (and also, to what extent the problems of that development can be avoided in future) in other Bangladesh public sector institutions. The placement of BIS as a general institutional support to BRDB's poverty alleviation projects appears to be an effort by Sida to achieve a similar outcome. In considering to what extent this is a realistic prospect, it is also possible to consider to what extent a development like LGED will make a difference to the Bangladesh public sector as a whole since BRDB's problems are said to be typical of the public sector in Bangladesh.

LGED and BRDB both face the difficulty that any modern institutional development is constrained by outdated and inherited colonial administrative structures, low public sector pay scales and a generally non-performance oriented public sector culture. In the LGED

case, an outside sponsor assisted in creating 'institutional space' within this constrained system for a dynamic and goal-oriented leader to bring about change. In the case of BRDB, there is no such continuously-present change agent which the sponsorship can assist. This is less a fault of BRDB Director Generals than it is blameable on a public sector system (dating back to colonial times) which requires the shifting of institutional leadership over a short number of years. In this context, the leadership of LGED is a misnomer in having been continuous for so many years.

Siddique has himself indirectly confirmed the very limited prospects for the spreading of the LGED experience without the political will at the top of the Bangladesh public sector to bring about overall change:

> *Bangladesh is a democracy without discipline....Western countries have these together in different measures, but we do not and this is a large part of our problem. The spread of new kinds of behaviour relies on decision-making at higher levels (in the Council of Ministers) but individuals with the integrity to change this are still individual lighthouses. Real change relies on our political masters rather than on individual institutions within the system.*

When asked about how the LGED development came about, Siddique stated: "I had the advantage to play with the clay", meaning that LGEB (as it was then) was a newly formed and relatively small organisation when he began working with it. In the case of BRDB, the opportunities for aid to support a leader to be similarly creative are much reduced by BRDB's established history and traditions which have created a culture that is extremely difficult to change in a few years' time. This is also true for most of the institutions in the Bangladesh public sector today. One of the manifestations of this culture is the high degree of unionisation within BRDB which blocks the development of performance orientation. Uniquely, Siddique has been able to clamp down on trade union activity within LGED.

During the evaluation, a number of staff within the BRDB were asked of their opinion of the LGED development. The overall sentiments that emerged were that this was a unique case, entirely dependent on LGED's leadership. One senior adviser to LGED claimed that some public sector organisations in Bangladesh view the LGED achievement as a threat rather than as something to be replicated.

8.3.2 Corruption and performance

An issue constantly surrounding aid to Bangladesh public sector institutions (and in aid overall) is that of how to stem corruption. Corruption in Bangladesh often takes place subtly, at various levels and is frequently difficult to pinpoint.

According to an expatriate adviser who has worked with LGED in the field, corruption continues to exist and the TA are there mainly as watchdogs ensuring the proper management of donor funds.

> *We don't have much to add in technical skills. In the West we don't build roads like this anymore and the quality of Bangladesh engineers is generally good. Our role is supervision. To make sure that they don't cheat. Corruption is so ingrained in the system, that you have to check everything. This is the only reason why we need expatriates in the districts.*

The difference in LGED today in contrast to its situation in the mid-1980s when the 1985 evaluation of the IRWP severely criticised the level of fund misappropriation in LGED, is that the output is efficiently and effectively delivered. Fund misappropriation has obviously been significantly reduced within LGED as a result of regulation by its leadership and also as a result of the Nordic institutional support efforts to facilitate greater organisational effectiveness and efficiency in service delivery. But in a Bangladesh public sector organisation where salaries are extremely low and there are no other rewards for performance it is likely that corruption continues.

The case of LGED presents interesting questions about how outsiders should think about corruption in a resource-poor environment like Bangladesh. The donor community usually takes the position that all corruption must be bad and stamped out wherever it is spotted. The LGED case shows that perhaps some distinctions need to be made between types of corruption and that corruption is probably not the key issue but that performance is. Table 31, below, shows a grid which lays out various possible combinations of corruption and performance.

Table 31: Corruption/Performance matrix

	Non-corrupt	Corrupt
Performance	A	B
Non-performance	C	D

Position A is obviously the ideal to which all donors strive in their relationships in developing countries, but probably an unrealistic one from the point of view of achieving performance in a resource-poor environment. Position B represents positive, regulated, performance-oriented corruption, a position which it is likely that LGED presently occupies and which is a more realistic achievement possibility in a least developed country context. It is also important to note that infrastructure development world-wide, both in developing and industrialised countries, is never entirely corruption free. Position C is one which donors/lending agencies risk promoting in the drive to stamp out all corruption in a resource-poor environment, as under structural adjustment. Position D is the least desirable, but, according to a number of sources, probably where most public sector agencies in Bangladesh fall and unfortunately the norm in most developing countries. The important point which the matrix and the LGED case raises is that the issue of corruption must be linked to that of performance in a resource-poor environment like Bangladesh in order to be assessed as good or bad. Another important issue is to consider the factors, which have already been discussed, that have allowed LGED to achieve a situation of high performance and reduced corruption in an environment which is not conducive to this type of institutional development.

8.3.3 Managed and unmanaged aid dependency

Aid dependency, like corruption, is another term which needs qualification in the Bangladesh public sector context. Sustainability, the opposite to aid dependency, is said to be a key stated objective of most institutional support. What this means is usually left vague and realistic efforts to achieve this are usually not made in a supply-driven aid environment.

Both LGED and BRDB are today 'aid dependent' institutions, but in very different ways. Considering the qualitative difference in aid dependency between the two and understanding the basis of this qualitative difference can clarify the difference between positive and negative aid dependency and how these come about.

The combined forces of LGED's determined leadership and the technical credibility which the Nordic support has instilled in LGED appear to have resulted in a situation where LGED can manage its relationships with the various donors and lending agencies. In the words of one BRDB official,

> *...the difference in LGED is that it is running the donors.*

LGED's Chief Engineer acknowledges the especially close relationship between LGED and the donors in Bangladesh:

> *LGED is not very linked into the system....it is much more closely linked to the donors.*

In other words, LGED is reliant on the donors financially, from a staffing perspective and also from the perspective of 'standing' in the Bangladesh public sector, which it claims not to be very closely integrated into despite the fact that it is a government department. It is therefore highly aid dependent, but in such a way that it manages this aid dependency. Whether this situation will continue and improve into the future depends on the strength of LGED's leadership as well as its ability to sustain and further develop itself from both technical and management perspectives.

BRDB too is financially, staffwise (much moreso than LGED) and from a public sector 'standing' perspective, highly dependent on the donors. However, the difference in BRDB's case is that it is run by the donors, as the BRDB official quoted above implied in his statement. Its acceptance of bypass projects is evidence of this. This situation appears to be a direct consequence of the fact that it possesses no strong and continuous leadership which can give the organisation institutional direction, and that it has little in-house technical or management capacity and will. BIS has been making efforts to instil BRDB with a technical capacity in its RPP, but there are no mechanisms for translating this into action at present, particularly the leadership mechanism. BRDB's perception that it will strengthen itself by becoming a government department does not seem to be supported by the LGED example. LGED has gained a powerful position, not mainly through its linkage to other Bangladesh public sector agencies, but through its managed relationship with the donor community.

Section 4: Summary and future thinking

Chapter 9: Conclusions, key issues and recommendations

9.1 Performance at the project level

After almost twenty years of running time, IRWP/RESP has achieved a great deal in terms of output at the project level. From an experimental rural works project with a shaky start, the programme has emerged as a comprehensive rural development programme with four distinct and relatively efficient projects, and with a good reputation amongst those who know of it in Bangladesh.

IDP, the oldest of the four projects if IRWP is included, has clearly improved the quality of infrastructure developed since its beginnings mainly through the successful institutional development of LGEB/LGED which it has encouraged since the early 1980s. It was a pioneering project in the sense that it was the first donor supported effort to the embryonic rural engineering wing and has over the years assisted this small wing to become a renowned success story in terms of infrastructure delivery amongst developing countries. IRWP/IDP exceeded itself in the sense that it provided the original basis for the development of this institution, providing space for technical experimentation and institutional development, as well as for innovating poverty focused approaches such as Earth Road Maintenance and Labour Contracting Societies. IRWP/IDP's main developmental period was during the 1980s. The IRWP period (1980-85) appears particularly essential, which is ironic given the devastating criticism of the project in 1985. Since the 1990s, the project has increasingly lost its pioneering and developmental role as LGED has attracted other donors and IDP has become a small player in LGED's operation. Nevertheless, IRWP/IDP played a catalytic role in attracting this multi-million dollar support to LGED.

ISP emerged out of IRWP/IDP as an institutional support function to LGED. It has developed into the only broad-based management and institutional development project in a situation where a number of donors increasingly were providing project-specific support to LGED. None of these donors has stepped forward to fulfil the role which the Sida support has played. As a result of this, the leverage and impact of the institutional support to LGED has been far beyond the fairly limited budget of the project. IRWP/ISP's strength has been its long-term and close co-operation with the leadership of LGED, its credibility in LGED and also the long history of some of its local advisers, making them an informal but integral part of the senior management. ISP has delivered generally very well in terms of its nine outputs. The extent to which IRWP/ISP has been able to work towards the sustainability of the institution's activities at present levels is, however, in question. Having built up a strong basic engineering capacity in LGED during the 1980s and early 90s, the ISP staff have, in a number of areas, taken on a gap-filling rather than a developmental role at headquarters. Partly as a result, LGED has been able to carry an ever increasing workload. LGED's current main financiers, the World Bank and ADB, consequently have concerns about the ability of LGED to continue to deliver as it has been post-ISP support. The focus of ISP's activities has been on building up technical skills, while management and finance - skills necessary for promoting sustainability - have been given comparatively little attention. The extent to which LGED is dependent on the personality of its Chief Engineer, Q.I. Siddique, has become another concern in this context.

PEP is today a well established micro-credit programme in the Greater Faridpur area. It has been experimental applying a 'maximalist' approach, and trying to link a rural works approach to self-employment and micro-credit. PEP emerged during IRWP out of experiments with micro-credit to informal groups emulating the rapid development in the NGOs in the early 1980s. PEP has developed into one of the most ambitious and comprehensive micro-credit programmes in Bangladesh. It has clearly played a pioneering role in government in the provision of credit through informal groups. While the direct causal relationship should not be exaggerated, PEP was the first of a series of such projects in BRDB, breaking the policy of BRDB to work only with co-operatives. However, the three

areas which represent the hallmarks of the PEP experiment - acting as a bridge to conventional banking, upgrading IGAs through an ambitious programme, and linking in with a rural works programme to provide direct wage employment - have not been particularly effective. Rather its ambitious approach has been costly, as such placing the sustainability of the programme as it is in question.

BIS, the most junior of the projects, is in a process of establishing itself in BRDB as a qualitative management support function and has taken the first steps towards building a uniform government micro-credit programme. Like the ISP, BIS is unique from institutional support by other donors in the sense that it offers broad-based support rather than project specific support to the institution concerned. BIS reports appear to be serving the needs of other organisations involved in the micro-credit sector. The workshops which it has facilitated could become an important measure for bringing about substantive discussion on how to solve Bangladesh's poverty problem amongst the various players, both GO and NGO. BIS made an early substantive attempt to facilitate consensus on the future role of BRDB and to determine what steps would be required in order to strengthen BRDB in order to serve this role. To date no realistic consensus has been realised mainly as a result of various structural factors limiting the ability of BRDB to reach one. An output gap exists in BIS in which the project has been able to move ahead rapidly in its information analysis and research work leading into the development of guidelines for potential best practices, but where the mechanisms for implementing such best practices cannot be developed as a result of the lack of consensus.

The overall service delivery of the programme has been of good quality. IRWP/RESP's donors, particularly Sweden, which has played the lead role, has provided the bulk of the resources and has stayed the longest, should be commended for a relatively successful development programme in this context.

9.2 Impact on the poor

The key question the evaluation has tried to answer is to what extent the programme has fulfilled its ultimate objective: the improvement of the standard of living of the target group, the landless poor, in a sustainable way. The answer is much less conclusive than for performance at the project level or for institutional achievement. The evaluation also raises the question of whether poverty alleviation is in itself a feasible objective for aid and this is discussed further below in this section.

9.2.1 Impact on the poor through rural works

The bulk of the investments in RESP have been in rural infrastructure. If programme management is excluded and ISP is included, 80 per cent of the programme funds have been devoted to building, improving and maintaining roads, markets, water schemes and other physical structures. Such investments impact potentially on the poor in two ways: 1) generating direct and indirect short and long term employment and associated human resource development through training and other activities in the construction and maintenance phase; and 2) creating physical assets which might impact on their standard of living in different ways such as facilitating economic activities, and improving social conditions and access to commercial or social services.

The direct and indirect employment generation in RESP's rural works corresponds to 7,000 full time jobs as an annual average, ranging from 10,000 to 5,000, dependent on the IDP budget over the years. While this might be viewed as a considerable number, it represents about 0.5 per cent of the estimated labour force in the target group in the programme area, and 15 per cent of the annual increase of this labour force. Furthermore, most of these jobs are unskilled, poorly paid and temporary. Nevertheless, due to the character of such work, the employment has been well targeted to the landless poor, and to a considerable extent to

women who represent some of the most vulnerable members of rural communities. There is an element of human resource development in this job creation in skills development such as pipe-casting and in rural organisation, notably the Labour Contracting Societies. However, the sustainability of IDP's job creation is largely dependent on continuous public works programmes. These, in their turn, are to a considerable extent linked to donor financing.

The infrastructure development under RESP has undoubtedly provided improvements by facilitating transport and access, reducing transport costs and time, and triggering economic activities. In spite of an extensive rural network in Bangladesh, the economic rate of return on improvements of rural feeder roads has proven to be positive in similar LGED projects as IDP, and sometimes high. Social benefits of improved feeder roads under RESP have been shown in the study's case material, ranging from higher security, enhanced interaction between people, access to commercial service and others. However, it is difficult to argue that provision of rural infrastructure as it has been carried out in IRWP/RESP is a poverty focused approach *per se* as such development by and large has not used poverty criteria in the selection mechanisms. As beneficiaries of such amenities, the poor are likely to benefit from such investments in line with their overall position in the society. Furthermore, the potential positive economic and social impact of some of these investments, such as markets and small scale water schemes, has to a large extent been negated by poor operation and maintenance.

A particular setback in the programme has been the problem encountered in small scale water schemes. The original concept of public works in Bangladesh, dating back to the Comilla period, was that water development would be the focus and thereby enhance agricultural production, the mainstay of the rural economy, and the sector where sustainable jobs for the landless poor mainly directly and indirectly are created. RESP - as most other donor funded LGED public works programmes - failed in this, and rural works is largely synonymous with roads improvement. There is a declining return on such investments as the infrastructure develops in Bangladesh. Water development continues to be the area of highest potential sustainable economic benefits. The programme's failure in this respect is due to a need for a much more socio-economically oriented approach to development given the conflicting interests amongst different groups in respect of water resources.

9.2.2 Impact on the poor through micro-credit

PEP was established as a means of overcoming the temporary nature of employment creation in public works programmes in IRWP/RESP. During the course of PEP, micro-credit has also been heralded as a great success story in Bangladesh, as elsewhere, and has come to be seen as a panacea for poverty alleviation. The collective achievement of such anti-poverty programmes is indeed considerable: micro-credit seems not only to stimulate enhanced income and employment amongst the target group, it is also an instrument which impacts on the social status of women, in particular. It is also a rural development intervention that has the potential to be financially self-sustaining and even profitable for the agencies managing it. The experience of PEP and of other micro-credit programmes in Bangladesh shows that there is a considerable demand for formal credit in rural Bangladesh even at the prevailing high interest rates. A large number of studies, including several undertaken by RESP, have shown that, in the case of men, the return on self-employment activities for which micro-credits generally are used tend to have a higher rate of return per day of work than the prevailing rate for public sector rural works and agricultural labour. On the other hand, the same studies tend to show that the return for income generating activities which predominately involve women (such as animal husbandry) have lower returns. This indicates that the opportunity cost for female labour is very low in rural Bangladesh. However, studies of micro-credit programmes have also shown that the marginal change for women tends to be higher than for men, reflecting the role of micro-credit as a socio-economic change agent.

The evidence from studies undertaken by the evaluation confirm the prevailing positive picture of the role of micro-credit in rural Bangladesh, but also indicate a more complex

situation than that which is commonly portrayed. First, micro-credit tends to be used for investments in already on-going economic activities rather than investments in new ventures. Furthermore, they tend to be used in trading and service operations, rather than in production. Non-agricultural production operations are very few. While often significant for the individual operator, sometimes providing a high return on the investment, the findings question whether micro-credits play the role of a major source of economic growth in the rural production system. It is difficult to see that micro-credits are being invested in productive purposes that will generate substantial, sustainable new employment and income. Second, the high ratio of women as takers of micro-credit supposedly for economic activities undertaken by them, disguises the reality to some extent. It seems quite common that women are fronts for their husbands or other male heads of the family in dealing with the MCOs for economic activities undertaken by men. While such a role can be positive from a social change perspective by giving the women a stronger voice in the family economy and in the village, it can also increase their economic vulnerability. Third, evidence from studies carried out by the evaluation, indicate that micro-credits have a much more diverse use than the official picture portrays, including use for consumption purposes, repayment of former loans, and on-lending. With the popularity of micro-credits amongst donors, NGOs and GoB, as well as amongst the target group, there is a risk of a back-lash. A combination of a rapid increase in the supply of credit driven by donors and MCOs, pervasive multiple membership in the MCOs, a potentially considerable use of credit to repay other loans, and investments in activities with limited opportunities for economic growth, might eventually create a 'bank bubble' with massive defaults as a result. Women, as the most vulnerable and powerless in rural Bangladesh, but the formal credit takers, are likely to be hit the worst by such a potential development. The evaluation is not forecasting that such a negative development will certainly happen, but indicating that it is a subject which is currently hardly discussed, even avoided, but meriting serious consideration.

9.2.3 The omission of the hard core poor

While the public works element of RESP has contributed to developing means to assist the poorest, it is notable that in almost all of the programmes for credit provision to the rural poor, including PEP, none appears to be seriously considering how to assist the poorest in a longer term perspective. The emphasis on disbursement targets and repayment rates as performance measures for both Government and the NGOs, as well as the pressure on the NGO sector to become self-sustaining are the likely reasons for this. Thus, while the moderate poor have benefited from most micro-finance programmes, including that under RESP, the poorest which are estimated by the Bangladesh Institute for Development Studies (BIDS) as being as high as 22.7 percent of rural households in Bangladesh, have been largely neglected by all of the players in poverty alleviation.

A meeting of NGOs on "Reaching the Hard Core Poor: Redefining the NGO Strategy" which took place in March 1998 noted the shortcomings of the present target-oriented poverty alleviation strategy which they had themselves pioneered: targeting the poor as owning less than fifty decimals of land (as most programmes including PEP do) often precludes those having less or around ten decimals of land. The insensitivity of the programmes to disability, a major source of destitution for the hard core poor, was also noted. Amongst the measures it concluded should be taken by the NGOs to address this problem was effective NGO-GO collaboration. This appears to be a *de facto* recognition by the largest part of the poverty alleviation community in Bangladesh that Government has a potentially important role to play in addressing the seemingly growing problem of the hard core poor.

9.2.4 Is poverty alleviation a feasible objective?

One theme which emerges from the evaluation is the discrepancy between the overall stated objective of poverty alleviation of IRWP/RESP and the actual achievements of the programme. It is noteworthy that while the overall objective of the programme since its

inception has been the same, i.e. to improve the living conditions for the rural poor, and institution building has been a means towards this objective, the focus in the evaluations and the programming of the Nordic donors has to a large extent been on the latter. In other words, the Programme has worked hard and ambitiously to fulfil a number of sub-objectives such as infrastructure development, an effective micro-finance operation and institutional development which may or may not serve the rural poor.

Why has this been the case despite the continuous statements about sustainable poverty alleviation? The evaluators do not believe that this discrepancy is the result of deliberate ingenuity on the part of the stakeholders (GoB, Sida). Rather, it is a consequence of certain factors, some of which can be addressed more readily, some less so.

One explanation for the discrepancy which could have been addressed is the Programme's weakness in impact analysis which can bring about a clearer understanding of measures that will bring about sustainable poverty alleviation. Instead, monitoring has been of a quantitative, output-oriented nature rather than an attempt to capture the actual effect on the poor. Institutional performance is fairly easy to observe, while impact in terms of improving living conditions for the poor is much more difficult to assess. Institutional development can also largely be attributed to a programme, while the living conditions of the poor are subject to many influences. Good delivery of services under the programme is no guarantee for anticipated impact. Roads rehabilitated, markets upgraded, embankments built, groups formed, credit delivered, etc. say nothing about the impact on the poor in terms of living standards and even less about the distribution of potential benefits.

A second explanation is that both of the main stakeholders (GoB and Sida) are subject to democratic systems which demand persuasive and often grand political statements justifying expenditure. Poverty alleviation is obviously more appealing and meaningful to an electorate or parliament than institutional development, for example. The objective is therefore forced to be somewhat unrealistic. This is not to say that poverty alleviation or eradication is unimportant as an overall vision, but that Sida and GoB may only feasibly be able to achieve objectives which may or may not serve it. Being able to design such objectives around accurate impact analyses could be a first step toward making these objectives serve the overall vision better.

A third explanation for the discrepancy is frustration with the fact that poverty in Bangladesh does not appear to be decreasing significantly and the proportion of the hard core poor appears to be increasing. In this context, it is easier to focus on the smaller successes than to look at the overall picture. Indications of potential problems with micro-credit might be particularly discouraging, given their status in Bangladesh today.

A fourth explanation is that the stated overall objective of the Programme is a simplification of the stakeholders' intentions. The stakeholders feel a moral commitment to poverty alleviation, but this is underpinned by a number of other motives. The motivation for the donors and GoB to be involved is more complex than 'improving the living conditions of the poor'. Institutional development, especially if this gives the donors a high profile, might be an end in itself; the effective provision of rural infrastructure whether the poor benefit or not, might be another important objective; involvement in a policy dialogue with the potential to influence a government's attitude and policy framework might be a third justification, albeit not expressed explicitly. Donor 'competition' for visible successes, and the supply side of aid - the pressure on aid agencies to disburse certain amounts of aid resources - might add to the complexity and reduce the purity of the objectives. For the government's part, there are many vested interests associated with poverty alleviation programmes which represent political power and access to financial resources. Thus, the reality of aid might be more complex than expressed in the GoB/donor memoranda or LFAs.

9.3 *Impact on gender equity*

The strong emphasis placed the by Nordic donors on women in comparison to other donors initially suggested that RD 5 might be at least as female-oriented as many of the NGOs are in their micro-finance programmes. However, it was found that amongst micro-finance programmes and certainly amongst the RPPs, RD 5 has one of the lowest shares of female beneficiaries, providing credit to an equal number of men and women.

It is debatable whether this is a positive or negative situation regarding the promotion of gender equality and socio-economic improvement. Many studies in Bangladesh, both under BIS and through other sources confirm the finding that micro-credit tends to impact on women much more strongly than it does on men. The reason for this is the greater magnitude of the social change which micro-credit potentially provides to a woman in the traditional social setting of Bangladesh. In this context as well as the others mentioned in the paragraph above, the unusually high share of men in RD 5, as compared to almost all other micro-finance programmes in Bangladesh is especially difficult to understand. It appears that RD 5 is pursuing a less effective poverty alleviation strategy than most other programmes in this respect. On the other hand, serving and equal number of men and women might be regarded as a more gender egalitarian strategy, less likely to provoke the jealousies of the male section of rural communities and thus possibly reducing the resistance to change in womens' roles brought about by the availability of micro-credit to them. In addition, RD 5 is more focused on skills training than other MCOs, a service which this study found brings some benefits to women although very few, if any, to men.

However, this type of debate does not appear to be taking place within RESP, so that the previously 50:50 gender split (now 60:40 in favour of women) is not in fact a deliberate strategy. The reason for the RESP situation in terms of gender is unclear, not only in view of the Nordic donors' emphasis, but also since RESP's progress reporting consistently highlights its achievements in terms of an increasing share of women under PEP. The evaluation found that RD 5 is one of the larger micro-finance operations providing credit to men in Bangladesh. The largest operations run by the NGOs have very high percentages of female beneficiaries (80 to 90 percent). The evaluators were not able to obtain an explanation for this from the programme.

The investigations regarding gender under the evaluation showed mixed results of the programme for women. Overall, the effect appears to be positive if taken as cumulative with the effects of other MCO programmes in Bangladesh. The social status of and opportunities for women in Bangladesh have changed considerably during the time that MCOs have been in operation and have taken an interest in promoting their role. Women have a greater say and are able to articulate themselves better as a result of the empowering effect of group formation, training and the availability of economic means. The marginal difference in livelihood in the lives of destitute women mainly through the LCSs under the IDP is quite significant indeed. On the other hand, some of the case studies of female PEP members in this evaluation show that at an individual level there are many stories of hardship and adversity for women brought on by the availability of micro-credit, particularly in cases where women are merely a front for the men to receive credit and where the men quickly desert, leaving the women indebted. The lesson that the evaluation draws from this is not that micro-credit is largely counter-productive for women in rural Bangladesh, but that women must be equipped by the MCOs to cope with the difficulties that they may face, through training which is specific to their needs. Making women conscious of their rights under the constitutional law of Bangladesh is one example. In RESP it was found that the quality of training does not fulfil this need, mainly as the FOs, by their own admission, are not well trained on gender issues and find that they have little time to address the specific problems of women in the programme. The fact that there are very few women holding higher (non-field level) professional positions in PEP means that there has been negligible opportunity to introduce approaches which might be successful in assisting women to cope with the problems they face once they become credit takers.

9.4 *Contributions to innovation*

This section is a discussion of the extent to which RESP has been innovative, an important theme discussed early in this evaluation report (see Chapter 3). It focuses on a discussion of innovation in rural works, micro-finance operations and the linkage between the two which RESP has pursued. The extent to which RESP has been innovative in developing new and successful approaches to institutional development in Bangladesh is discussed in section 9.5.

9.4.1 Some major systems contributions in rural works

The discrepancy between the overall objective of IRWP/RESP and the focus of the programme should not obscure the fact that IRWP/RESP has made some major contributions to the methods of reaching the poor. The introduction of Labour Contracting Societies under the IRWP must be recognised as an achievement of considerable magnitude in assisting the poorest and most vulnerable under IRWP/RESP. The adaptation of this innovation from a project in India under RESP must be seen as an innovation in itself in the Bangladesh context. The value of this innovation goes far beyond the Programme itself in the sense that it has become a preferred means of rural infrastructure development for most of LGED's clients. The innovative element of LCSs is their emphasis on social change, breaking to some extent the power structure in rural areas and the exploitative practices by the rural elite. It is noteworthy that the LCS concept has been adopted by an engineering organisation. The natural tendency of such an organisation is normally to focus on expedient implementation procedures and reliance on the contracting industry and local power structures. However, the LCSs have not only shown that they have the value of providing a larger share of the income to the labourers, but also that they are an effective means for the implementation of rural infrastructure. Thus they make sense from a pure productivity point of view.

Earth Road Maintenance and roadside tree plantations developed and encouraged under IRWP/RESP are other forms of innovation in the context of employment creation for the poor, and especially for poor women. This innovation lies in job creation often of longer duration at a low cost. Jobs of this nature have the potential of being sustainable in the sense that they require a low investment from the public sector, maintenance will be required also in the long run, and added value is created in road side tree plantations through the harvesting of trees. These schemes are targeted at the poorest section of society, often destitute women. While IRWP/RESP played a catalytic role in this development, CARE International with Canadian support has made ERM into a nation-wide programme. This programme has furthered the innovation of developing long-term employment possibilities through compulsory savings and training.

9.4.2 Unsuccessful experimentation in PEP

The evaluation has throughout made an effort to place IRWP/RESP into context by comparing the various components to the overall efforts of rural development in Bangladesh. As discussed above, IRWP/RESP has played a highly innovative role in the rural works part of the programme. One reason for this is that the government is basically the only player in this field. While there are several public sector organisations involved in rural works, LGED has emerged as a leading one, not least through the quality of its work. With regard to micro-credit operations the situation is quite different. Here, the non-governmental sector dominates and GoB is a minor player. As is discussed in Chapter 6, PEP is one of perhaps a thousand micro-credit schemes in Bangladesh. In the context of the overall MCO operations in Bangladesh, RD 5 accounts for less than one percent in membership and annual disbursements. While small in quantitative terms, RD 5 is one of the most ambitious micro-credit programmes in Bangladesh, reflected in the added services to micro-credit. In the three areas in which PEP has applied a more ambitious approach and attempted to

differentiate itself, the evaluation concludes that PEP has not achieved a high degree of success. These were: 1) acting as a bridge towards conventional banking in which both members and banks would learn to appreciate one another; 2) combining various services (e.g. training, action research) in order to upgrade income generating activities; 3) establishing a linkage to the rural works part of RESP, adding direct wage employment as one of its services.

The banking model under RESP applied what appeared to be a rational approach. PEP should act as a catalyst in bringing the conventional banks and the target group together. Its failure reflects partly a structural deficiency in the banking sector in Bangladesh (and common with many other developing countries) in which the banks are not sufficiently market oriented to capture the very large market which the rural poor represent. It also partly reflects the power of the micro-finance innovation which has tailor-made a service quite attractive to the moderate poor and with which conventional banks are unlikely to be able to compete.

The failure of PEP's ambition to combine micro-credit with considerable technical support for IGAs is less straight forward. There are examples of clear successes in which the project has initiated new business ventures in rural Bangladesh. However, the long-term effects of training on human resource development are not easily assessed. In the judgement of the evaluation, the manpower and financial resources expended by the project in skills upgrading is not commensurate with the impact. The project has spent a considerable share of resources on training activities. Despite this, there is a clear mis-match between the focus on skills development and the actual use of credits, indicating that training is provided in other areas than those which the target group is interested in. Skills development tends to be focused on IGAs which appear to have a low return on labour, such as animal husbandry. The distribution of IGAs in PEP seems not to be very different from that of other MCOs, indicating that the influence of the project on the credit takers' choice of IGA is limited. There are negative tendencies in PEP to create dependencies amongst the credit takers on the project, reflected in concepts such Production Centres, ideas of establishing marketing outlets which are unlikely to be viable, and so on. While the latter is not a bad idea *per se* and in fact can lead to a dynamic future in line with developments in organisations such as Grameen and BRAC, the evaluation holds the view that in order to be viable they need a much stronger commercial orientation than a donor funded, government-run project can provide in the long run. The cost-effectiveness of such support appears therefore to be low in the PEP case.

The evaluation concludes that RD 5 appears not to have added anything significant to micro-credit development in Bangladesh, and as far as the evaluators were able to establish, there are no innovations in RD 5 which have been replicated by other MCOs. RD 5 was the first RPP to introduce informal groups to public sector programmes, but this innovation came from the NGO sector. Neither has RD 5 proven a particularly efficient programme in the sense of cost per delivered Taka of credit. It could be argued that RD 5 has provided micro-credits to over 100,000 persons in the project area, and as such has been a leading force. However, with the increasing competition for clients of micro-credit organisations in Bangladesh, such an achievement has only a marginal value.

The argument here is not that RD 5 has performed poorly. On the contrary, the level of ambition in the project has been high, the motivation especially of its technical advisers has been strong, and the efforts of many of BRDB's staff have been commendable. It rather reflects the fact that the dynamism of the sector is such that outstanding performance is very hard to achieve. From the evaluation's point of view, this raises the question of whether the government's resources are best placed in direct involvement in the sector as a supplier. From a cost-effectiveness point of view, micro-credits seem to be a field in which the non-governmental sector thrives.

9.4.3 Dubious benefits of the linkage between infrastructure development and micro-finance in RESP

LCS and ERM are organisationally intensive programmes, requiring skills not commonly found in an engineering organisation. The second leg of RESP (PEP) was established partly to strengthen the organisational aspects of IRWP/IDP. A functional linkage was to be established between the two projects by which PEP could supply organised groups to IDP, and LCSs could be transferred into PEP groups. While the theory behind such a functional linkage is rational, the linkage has worked less well than envisaged for a variety of reasons including: 1) the inherent differences between the two projects and their home in two different organisations; 2) the resulting cumbersome nature of maintaining some sort of linkage; 3) the lack of a genuine sense in either organisation that such a linkage is beneficial, particularly within LGED; 4) the resulting dependency on the project for bringing the two organisations together. LGED has today a sufficient capacity to utilise the broad range of NGOs involved in group formation, aside from a capacity of its own to form LCSs. Therefore a linkage to PEP is more a constraint than an asset. For PEP, as a micro-credit programme with the prime objective of developing entrepreneurship, public works employment is not a priority. Thus, the evaluation does not believe that a potential synergy of the nature attempted in RESP really exists.

9.5 Impact on governance and institutional development

9.5.1 Are the prevailing power structures a block to poverty alleviation in Bangladesh?

The legacy of the colonial public sector systems which were designed for the net extraction of resources from the people continues to manifest itself in Bangladesh today, from local to central levels. Without a reversal of this situation it is difficult to see how Bangladesh will throw off the shackles of poverty since the majority are unable in such a system to obtain a significant share of the total resources. This is a point made by the 1985 evaluation which held that it was not possible to achieve the stated goal of poverty alleviation in the all-encompassing extraction-oriented public sector environment of Bangladesh.

There are two reasons why this argument set forth by the 1985 evaluation must be seriously questioned. One is that if the conclusion of the 1985 evaluation is taken as a starting premise, no efforts to achieve poverty alleviation are worthwhile supporting anywhere since public sector systems of illegal extraction are to be found everywhere in developing countries. The moral imperative to end poverty stands, as it should, despite the obstacles.

Second, the 1985 evaluation appears to portray a static power structure in Bangladesh, which the developments of the decades since independence in Bangladesh have not borne out. The rise of an increasingly powerful force within Bangladesh society in the form of the NGOs and which now have the promise of becoming modern multinational enterprises with poverty alleviation as their mission, have changed the ability of civil society in Bangladesh to express itself. Governance in Bangladesh is becoming increasingly intertwined with the force represented by the NGOs in the sense that politicians at both the central and local levels must take into account the considerable vote banks which they represent, and that local governments will now depend more on the NGOs in areas like training, the identification of target groups and monitoring/evaluation. Civil society is also expressing itself increasingly at the local level with members of rural poor groups (including PEP groups) moving into positions in which they have the possibility of affecting the style of governance from below. In fact, the election of members of mobilised groups in the recent *Union Parishad* elections are possibly the most important socio-economic effect, from a long term perspective, which projects such as PEP will have achieved. The number of female members elected suggests

that the role of women in governance at a local level is becoming more prominent. At a central level, the LGED example has shown the possibility of achieving performance and service orientation in a public sector environment not generally conducive to these qualities. The Nordic donors, particularly Sida, must be given a significant part of the credit for making this very significant example possible. At present, the difficulty is that LGED is seen as an exception and relies heavily on its relationship with the donors for its status in the public sector. The possibility that the LGED achievement will spread to other public sector agencies will require a commitment to the wholesale reform of a system which is structurally unsuited to performance orientation and service delivery. One important structural obstacle is the barrier to the emergence of dynamic and continuous leadership in the civil service. As the Chief Engineer of LGED has himself has pointed out, such change depends on the will of the political masters of the country.

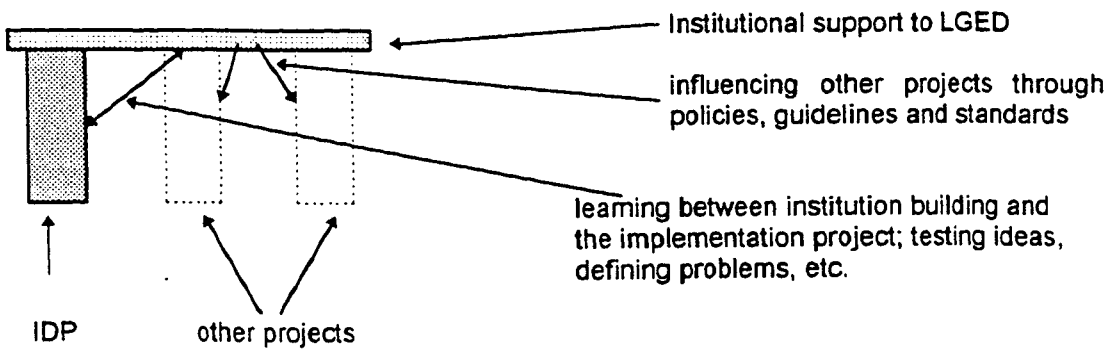
Some observers have referred to an invisible or silent revolution taking place in Bangladesh. IRWP/RESP, along with other agencies in poverty alleviation, have played an important role in promoting the change agents described above. For these change agents to have a more widely felt impact in terms of poverty will take time and the continuous commitment as well as innovation of Bangladesh and its development co-operation partners.

9.5.2 LGED: A model for institutional development?

The development of LGED must be considered unique, not only in the context of Bangladesh, but also in the context of developing countries overall. The existence of a performance-oriented, motivated and skilled engineering organisation is a very significant accomplishment in the developing world. As has already been mentioned, the Nordic support, particularly Sida's support, must be given credit as a pioneer with the staying power to support the emergence of this institution.

This evaluation has found that two main factors - continuous and dynamic leadership backed by broad-based, flexible and long-term donor support for the 'education' of the organisation - have been vital. These may be considered as forming two interlinked aspects of a model for institutional development. Another important feature established under IRWP/RESP is a linkage between practical implementation and institutional development. Although one important feature of the institutional support to LGED has been its broad-based nature (i.e. not linked to a particular project), the linkage to IDP through RESP has been valuable. A combination of a 'horizontal' institution building project with a 'vertical' implementation project, both with strong experimental features, has emerged. This is a unique feature of the model and appears to be quite effective with potential synergies between the horizontal and vertical projects.

Figure 10: A horizontal/vertical linkage model for institutional development



The example of LGED shows that this institution building model has worked very well in LGED, although it was perhaps perpetuated beyond the time that was required in order to build up a basic engineering capacity. The model has not been successful in BRDB to date. This may be attributable to the fact that the institutional support to BRDB still needs time to

make itself felt. However, it is more likely that there are other structural factors at play preventing a similar development in BRDB (see 9.5.3)

9.5.3 Replicability of the model in BRDB

The model for institutional development introduced under the Sida support in BRDB is very similar to that introduced in LGED. There is the difference that BIS is tasked with supporting only part of BRDB's activities (the RPPs and not the Main Scheme) rather than the whole organisation as in the case of ISP/LGED, but as the Main Scheme is regarded as being largely defunct, BIS is effectively performing a similar function in BRDB as the ISP in LGED. The evaluation has found that in BRDB there are a number of obstacles to making this model work. It is important to acknowledge that LGED had very specific conditions in which to emerge as it has today. These include: 1) continuous, dynamic leadership; 2) the fact that LGEB was a new institution, and as such not 'formed', at the time when the institutional support began; 3) LGED is a main institution responsible for the delivery of rural infrastructure and, therefore, by the nature of its activities uniquely important to the donor community. As a result, most public sector institutions in Bangladesh see LGED as a misnomer at present: an 'island' operating with a stronger relationship to the donors than to the public sector of which it is a part.

In BRDB the same model is being tried in the form of BIS and its linkage under the same project to PEP. However, BIS faces an entirely different situation to the ISP. First, BRDB has not been permitted, as a result of systemic factors in the public sector in Bangladesh with their origins in the colonial administration, to develop a continuous and dynamic leadership. Second, BRDB is an institution with a legacy of vested interests that are difficult to change and resulting in an unclear vision of what the institution is there to achieve. Third, BRDB is undertaking an activity which many other public sector and non-governmental institutions are undertaking. As a result of the first and second factors, BIS is facing an output gap in its activities in which it has been able to proceed with information collection, analysis, distribution and discussion, but not with institutional development in terms of training, information systems development, and so on. BIS has been forced to remain a highly technocratic thinking unit to date. As a result, BIS findings have few internal institutional mechanisms within BRDB for the translation of findings into action - this is a complaint made by some of the Bangladesh project directors of the RPPs.

In LGED's case, its purpose has been clear and the ISP could operate on this basis. In BIS' case, the organisation's purpose remains unclear and unrationalised. BRDB's role is at present entirely based on political necessity rather than on a practical contribution of service delivery by the public sector in two regards. First, it maintains a mandated commitment to the two-tier co-operative system, although this is virtually defunct and resource-empty. Second, it maintains an unmandated GoB commitment to poverty alleviation through micro-finance activities, although the RPPs funded by donors by-pass BRDB as an institution and form a relatively small proportion of the overall MCO activities in Bangladesh. BRDB claims that it is clarifying its mandate to include both of these activities, but this can hardly be considered a rational clarification and more an institutionalisation of the unsatisfactory *status quo*. BIS is weakened by its objective of enhancing BRDB's performance in the RPPs, since, through this, it is officially constrained from facilitating rationalisation of BRDB's purpose and activities. BRDB may have certain potential comparative advantages in MCO operations through its co-operatives for the landless and by targeting the hard core poor which NGOs admit they have neglected. It may also have a comparative advantage in pursuing a regulatory role. However, BIS is prevented from assisting BRDB in pursuing these as a result of its limited objective.

The quality of information emerging out of BIS is itself in question given: 1) the inability to undertake impact analysis (the RPPs are output measurement oriented); 2) the belief of some RPP insiders that the information available to BIS is inaccurate; 3) the likely institutional pressure on BIS to produce results which enhance BRDB's image from the point of view of the donors ; 4) the subsidisation- rather than sustainability- orientation of BRDB,

which results in analyses like the 20 percent maximum interest rate guideline suggested by BIS analysis. The latter could be damaging to the sustainability of micro-finance operations in general in Bangladesh as it could set off negative competition between the various players if implemented.

Institutional support by Sida to BRDB has been in operation for four years and it must be borne in mind that this evaluation takes place at an early stage. But the obstacles which BIS faces in achieving institutional development which will serve sustainable poverty alleviation through BRDB are of the kind that will persist unless donors take a strong stance on resolving the structural difficulties facing the institution. Aside from this, it will certainly take longer than the time remaining, for BIS to have any substantive impact on BRDB as an institution.

9.6 RESP's sustainability

9.6.1 The sustainability of PEP

As the end of the Sida support nears, RD 5 is becoming pre-occupied with the question of the project's sustainability. This is challenged by a number of factors: 1) RD 5 was conceived as a temporary operation in which the project would act as a bridge between the target group and the conventional banks, a model that has not worked. Hence, sustainability was not built in from the beginning of the project. 2) RD 5 is to some extent a 'by-pass' since there was insufficient faith amongst the donors in BRDB's management and technical skills capacity at the outset of the project. As a result RD 5 appears owned more by the donors than by BRDB. 3) BRDB's subsidisation-oriented culture, partly the result of its legacy in the co-operative movement, is working against sustainability. While BIS to some extent has tried to assess revenue levels which facilitate self-financing by the RPPs, BIS has at the same time had a built in bias towards the considerable subsidy of the RPPs, without identifying the merit of such subsidies, who shall finance them, and what their effect will be on the overall micro-credit supply in Bangladesh. 4) The gap between current revenues from interest rates and the large number of services in RD 5 requires a scaling down of ambition, and/or a substantially raised interest rate/fee structure, and/or substantial government subsidisation. Any of these scenarios requires difficult decision making which the project has approached half-heartedly so far. The tendency has been rather to argue that Sida should continue its support beyond the year 2000.

The move by CIDA which is funding RD-12, BRDB's largest RPP, outside of BRDB in order to seek a sustainable solution attests to these very considerable challenges for the RPP projects. While BRDB has one project, RPAP, which is entirely government-funded, it is known within BRDB for being highly under-capacitated amongst the RPPs and is currently seeking donor support.

As this evaluation has suggested, RD 5 has a number of options for pursuing sustainability, although the level of ambition of the project is likely to be forced substantially downward without the Sida support, irrespective of the option chosen. The focus of thinking on sustainability by PEP is to convince Sida to provide 'bridge financing' (through a soft loan) until PEP can become 'self-sustaining'. The conflicting messages being provided by Sida (i.e. the support will end in the year 2000) and its Advisory Team for RESP (i.e. indications that further support for selected aspects is required) hampers the discussion of sustainability.

9.6.2 Is the sustainability of RD 5 important?

A question which this evaluation has come to is whether this is, in fact, an important issue in the overall perspective of poverty alleviation in Bangladesh and from the perspective of maximising the effect both of future GoB and Sida contributions to reducing the problem of poverty in Bangladesh. To whom is the issue important? Naturally, it is important from the perspective of the staff within PEP who have put a great deal of energy into their task. But

how important is it to the target group? The evaluation found that, despite its claimed difference to comparable programmes, PEP is not providing anything effectively that other major NGO programmes cannot, and this to a much larger number of rural households than PEP. The members of PEP could easily be absorbed into these other programmes. In this context, the sustainability of PEP becomes an irrelevant issue. In the well-developed rural micro-finance market found in Bangladesh, the important issue is to determine how the positive forces of competition and co-operation in the market can be encouraged and thus how the market can most effectively contribute to the eradication of poverty. Understanding and supporting the important role which GoB can play in the micro-finance market overall is more important than considering how to sustain one fairly average programme under a government umbrella which is unlikely ever to have the capacity to run it as effectively as the non-governmental players do. If this kind of discussion is to take place, donors must play an integral part in stimulating a process of discussion since they have been an integral part of the process which has placed the emphasis of sustainability at the project level.

9.6.3 The sustainability of the institutional development in LGED

The evaluation has also considered to what extent the LGED achievement at its present level of performance is sustainable. While LGED is now able to attract many donors as a result of its qualitative output and efficiency and from this point of view is 'sustainable' as an institution in the immediate future, there are some concerns regarding LGED's ability to continue to deliver at its present levels without the comprehensive Nordic support. Here there is perhaps something that future institutional development should take note of. The flexibility of the institutional support to LGED has perhaps gone too far in the sense that it has become a gap-filler for LGED at its headquarters. This excessive flexibility may have substantial consequences for the sustainability of the institutional achievements in the sense that ambitions have been set very high (in terms of work volume and engineering techniques) with the support of the ISP without too much attention being paid to how this will be sustained once the ISP is over. No other donors have yet come forward to provide the same type of broad-based institutional support. In order to prevent this type of situation from emerging the following types of possibilities could have been pursued: 1) The TA could have been more gradually phased out allowing for the institution to adapt over time; 2) A more realistic (affordable) level of ambition could have been pursued rather than the most sophisticated state-of-the art technologies; 3) A developmental position rather than an implementation position should have been maintained in the institutional support.

Another aspect of the LGED development which poses challenges to sustainability, is the relatively low training emphasis on organisation and financial management skills. The ISP has focused heavily on the engineering aspects of LGED's institutional development and thus has facilitated the establishment of a very sophisticated engineering institution. The need for good financial and organisational management skills (below the top level) has not been attended to sufficiently. The need for LGED to have good impact monitoring and analytical capacities so that it can respond better to the demand from donors and GoB for poverty-oriented output has also been given little attention.

Overall, the LGED case has allowed for new learning about the prominent issues of donor dependency as well as corruption. LGED's donor dependency, while quite extensive, is a managed kind of dependency in which LGED plays a role in decision-making. This is substantially different to the type of dependency found in other Bangladesh and developing country public sector organisations. LGED has also moved from a position in which its corruption was manifest in its poor infrastructure output during the 1980s to a position in which there may continue to be an albeit very reduced level of corruption but in which its output is efficient and qualitative. The need to focus on performance rather than on corruption, which is unlikely to abate completely in a financially resource poor environment like Bangladesh, is emphasised by the LGED example.

9.7 *Aid management*

9.7.1 The value of staying power

At the expected end of RESP III, IRWP/RESP will have been supported for twenty years by Sida. While twenty years might seem a long period, RESP does not stand out in Sida's portfolio from a time perspective. Rather, two decades must be considered a fairly common implementation period for complex programmes of this nature. The history of IRWP/RESP also shows that the donor(s) has held an implicit long-term commitment to the Programme from an early date, although it was technically broken up into several shorter phases. This is not to say that the Nordic donors at the outset in the early 1980s had a vision of a twenty-year programme, but that the organisational culture amongst the donors implied that support over such a time span was not unlikely. 'Staying power' has been essential for the programme's evolution: it has assisted LGED in becoming a highly successful organisation, given the donors a unique role in the broad institutional development of LGED, and allowed the projects to find a means of operation.

The hurdle in the programme was clearly in the mid-1980s when the programme was still new and the subject of one of the most devastating criticisms any Sida financed project has experienced. All of the donors, not only DANIDA, could very well have pulled out and few in the donor community would have questioned the rationale of such a decision. As the programme evolved, and some of the achievements began to emerge, staying with it became more natural and no external pressure to phase out existed. The long-term thinking by the donors is reflected in the fact that by the early 1990s, a continuation until the year 2000 was explicitly envisaged.

In many ways 'staying power' is a hallmark in Nordic bilateral co-operation of which IRWP/RESP is an example. IRWP/RESP has also exemplified some of the down sides of 'staying power'. One is that the nature of the support does not sufficiently adapt over time, phase out considerations are not addressed seriously early enough, thus creating problems for sustainability, as may be the case for LGED. Another is that donors relax into a form of support which becomes relatively unquestioned, attaching few conditionalities to that support, irrespective of real obstacles which it faces in becoming effective, as may be the case in BIS. Third, the marginal return on aid investments might decline to a point where further support adds little (as in the case of the IDP), but costs a considerable amount, making the cost-effectiveness low or negative. Bilaterally funded programmes are notoriously poor in making cost-benefit analyses, which is also the case in IRWP/RESP. Another effect of 'staying power' found in other programmes is that donors might be subject to a 'sunken cost syndrome', i.e. throwing good money after bad in projects and programmes that have poor track records in the hope that they will improve.

9.7.2 The value of process orientation

RESP has undergone a number of changes since it started as a pilot phase in 1980 and has become increasingly sophisticated in terms of its interventions. RESP has been a truly 'process-oriented' project, each phase building on the experience of the previous ones. The changes which have been introduced as a result of learning are in two basic directions: 1) broadening of the original rural works programme to emulate the successful experiences of the NGOs in micro-finance for self employment as a complement to the rural works programme; 2) an increasing focus on broad institution building of the host organisations, first through ISP in LGED and secondly through the RPP Task Force, followed by BIS in BRDB. The important point is that the learning does not conclude with the end of IRWP/RESP and that Sida's process orientation in learning about what makes successful poverty alleviation in Bangladesh continues.

There is a danger that the success of process-orientation in the institution-building experiment with LGED has resulted in a belief that this example should serve as a 'blue print'

for the institutional development of BRDB. As the evaluation has pointed out repeatedly, these institutions are of a vastly different nature and the challenges confronting the institutional development of BRDB at an early stage of the Sida support are much greater than those faced by the institutional development of LGED.

9.7.3 The dubious roles of evaluations

The history of IRWP/RESP shows that the evaluations undertaken during the programme have not been given a chance to have an effect on the overall programme process. This holds true for 1985 when the donors received a strong recommendation to close the programme as a whole, in 1989 when the evaluation *de facto* was excluded from a critical review, and in 1992 when IDP was perceived to have outlived its meaningfulness. The important point is not that Sida did not follow the recommendations of the evaluations *verbatim*, but that the planning of an extension of the programme on all these occasions had started before the evaluations took place. Explicit or implicit commitments for a continuation had already been made by the donors.

The formal role given to mid-term evaluations in project documents 'as the basis for a decision to continue' had no real basis. Rather, the evaluations seemed to have been treated at best as an input to further planning, and at worst, as a nuisance that delayed the planning process. There are two sides to this: it is positive that NORAD and Sida were firm in their long-term commitments and courageous enough not to be completely swayed by external views. In the case of IRWP/RESP the judgements by later evaluations seem to indicate that this staying power and neglect of the evaluations was rational. The negative side is that the donors' continuation might have had more to do with a supply driven approach, a kind of donor momentum of wanting to be involved in rural development in Bangladesh whatever the cost-benefit ratio, than with a conviction about the effectiveness of the programme.

External evaluations are one of the few tools for feed-back in an industry in which such feed-back mechanisms are lacking, and in which measurements of cost-effectiveness are notoriously missing. There is a risk that donors, recipient countries, consultants, and others directly involved in the implementation tend to have common interests in sustaining and extending the aid. The voices of the 'target group' in terms of the delivery of these projects is generally weak or non-existent due to highly asymmetric power relationships. The use of the evaluations in IRWP/RESP has not been a reflection of prudent aid management.

9.7.4 Limited impact monitoring

There have been repeated pronouncements of the importance of establishing impact monitoring from the inception of IRWP and throughout RESP. In spite of this, the programme still lacks a system. While RESP over time has built an effective system to monitor its physical achievements, such as kilometres of roads rehabilitated, ponds excavated, trees planted, PEP groups formed, credits delivered, RESP - 18 years after its inception - still does not have a system for monitoring effects or impact of the interventions. In the late 1980s a highly ambitious system for impact monitoring was worked out, a large benchmark survey comprising 7,000 households was undertaken, and a system for regular monitoring of changes over time was set up. This system was soon abandoned as it was perceived to be too cumbersome. Its only use was a limited follow-up three years later. The programme has continuously undertaken a series of *ad hoc* surveys and the documentation in RESP is very considerable. However, most of these studies have in common that they lack reliable benchmarks. Thus, while today RESP can account for its outputs, its systems for recording achievements, in terms of improving the standard living of the poor, are unsatisfactory.

Output monitoring is much easier than impact assessment. However, given the controversy early in the programme about its impact, and the unfavourable environment for addressing rural poverty in Bangladesh recognised by all concerned, the sanguine attitude by the donors

to RESP's possible failure is noteworthy. The stakeholders in the programme might not have been particularly keen to know the ultimate impact, but have been content with the positive development of the institutions and the delivery systems. IRWP/RESP's lack of such a system, and, in particular, the lax attitude to the failure to establish such a system, is not a good reflection of the concern for achieving the programme's actual goal. Other programmes have been more successful in this context.

9.7.5 The issue of phasing out

While Sida and NORAD deserve praise for their staying power in relation to IRWP/RESP during the 1980s and early 90s, the performance on phasing out has been less praiseworthy. IRWP/RESP appears to have become its own hostage in institution building by the early 1990s. To judge from the findings of the 1992 evaluation, IDP was beginning to live out its role as a development project and was increasingly becoming a routine operation. While such a project might have been justified in its own right, the by-pass style of operation and its continuous high reliance on local and foreign technical assistance was becoming conspicuous. The high degree of technical assistance, which in the early stages might have been important to establish systems and modes of work, was becoming an anomaly in LGED, which hosts a large number of similar projects. This transition from a pioneering development programme to one by-passed by others is a critical issue in the aid management of RESP. Were the donors trapped by what sometimes is called the stakeholder syndrome, i.e. the vested interests by organisations/persons involved in an aid project unwilling to end the project as it had economic and other ramifications? Did the donors lack the power to start to phase out a project which had been successful, but was becoming marginal in the overall operation of the organisation, and with its contribution to development declining?

The donors had paid little attention to the issue of sustainability linked to the technical assistance which had been raised by every evaluation since 1985. However, by the early 1990s the concern was growing and by the mid 1990s it had become paramount, an issue which the MANCAPS project has raised. The institutional support to LGED, which started long before the ISP was commenced, built up a good basic engineering capacity early and failed to adapt itself significantly to consider strengthening organisation and management (including financial management), and to building a socio-economic impact interpretation capacity. Consequently, the staff under a number of the ISP activities today are undertaking non-developmental, gap-filling activities for LGED - basically, assisting LGED in addressing its manpower needs.

The mode of operation of organisations like Sida, (as the lead agency), is essential in this context. Sida is an organisation generally using a process-oriented style in which projects tend to have no definite dead-lines, except the administratively defined phases. Decisions of future orientation are, to a large extent, made in short annual review missions. Independent appraisals tend to be limited in time. As a result, implementing consultants and the host organisations have a strong influence over the shape of the programme as they generally prepare the next phases, suggest the organisational setup and the resources needed. It is unlikely that a recipient organisation of aid will suggest the phase out of a free resource, and it is equally unlikely that a consultancy firm which is making money on its implementation contract and on the technical assistance it is providing, will suggest cutting down the operations. This is not a criticism of these stakeholders, merely a statement of the natural realities of vested interests. Given the virtual impossibility of finding stakeholders without such vested interests, the responsibility rests on Sida to see that the phase out is well managed and that phase out considerations are discussed, not only as the programme nears its end, but throughout, in one form or another.[1]

[1] See Catterson & Lindahl, *The sustainability enigma: aid dependency and the phasing out of projects*, Stockholm: Ministry of Foreign Affairs, 1998.

While the success in institution building under RESP is indisputable, the issue of preparing the organisation for a withdrawal of the aid, and the tendency to maintain a heavy dose of technical assistance in a by-pass style of operation, casts a shadow over the achievements. The lost role of IDP as a pioneering project and its transition to a costly routine operation functioning largely parallel to the system has been deepening since the 1992 evaluation. It never regained its chartering role, but became increasingly marginal in LGED's overall operation, at the same time as the process of shedding the technical assistance staff turned out to be very difficult and largely resisted. IDP had become 'entrenched' as an organisation within the organisation, and its technical staff increasingly de-motivated, if not cynical of its role.

9.8 Future challenges in poverty alleviation in Bangladesh

9.8.1 The poverty alleviation equals micro-finance fallacy

The focus of public sector and non-governmental poverty alleviation efforts in Bangladesh has increasingly become delivery of micro-credit. So much so, that poverty alleviation is a term which now is taken to mean micro-finance operations for the landless. This is perhaps not surprising since Bangladesh has a long history of credit provision to the rural poor and modern micro-finance operations for the rural poor are an important innovation of Bangladesh which has now been replicated world-wide. Micro-credit is a 'growth industry' in Bangladesh, expanding at a rate of 20-30 percent per annum in terms of disbursements and membership.

This all-out focus on the provision of credit to the landless may be contradictory to the objective of achieving sustainable poverty alleviation from the following points of view: 1) agriculture forms the base of the economy in Bangladesh and most off-farm income generating activities rely on a strong agriculture base for their sustainability; 2) economic liberalisation has not resulted in the private sector assuming sufficient responsibility to promote agricultural growth and the sector has been stagnant for most of the 1990s; 3) the neglect of agriculture by donors and the public sector in the belief that it is not a poverty-oriented strategy could result in an undermining of micro-finance provision efforts.

There may be a paradox emerging in poverty alleviation in Bangladesh, that as more credit is pumped into the rural economy resulting mainly in a high share of trading and trading-related activities such as rice husking, so the risk of declining returns on self-employment activities supported by these micro-credits increases as a result of the reliance of these activities on a stagnant agricultural sector. Pervasive re-lending could also be an explanation for the gap between apparently increased incomes at the micro level with no performance change in the rural economy overall. The paradox could be carried a step further in considering that by putting the largest share of resources into micro-finance for off-farm activities, government and the donors are neglecting the needed support to agriculture which forms the base for the off-farm activities that they are attempting to promote.

That poverty in Bangladesh and elsewhere in the world is a complex problem not easily solved by single measures is well known. The need for a holistic approach to cracking the poverty problem may be forgotten in the drive of both government and the private sector to be involved in the donor rich micro-finance (and infrastructure) sector. In this sense, donors bear part of the responsibility for initiating a broad-based discussion regarding a holistic strategy for achieving sustainable poverty eradication.

9.8.2 Are the *mohajons* being made obsolete?

One of the motives underpinning the organised provision of credit through the public sector and through NGOs was that the traditional exploitation of the rural poor by landlords, the *zamindari*, and rural money-lenders, the *mohajons*, who provided credit at high interest,

should end. Efforts to break the high interest rates charged by the informal system through the co-operative movement, for instance, appear to have had a limited effect.

The two random village studies undertaken during this evaluation suggest that such programmes may not be having this effect for everyone. Rather, they suggest a much more complex picture in terms of the effects of micro-credit on rural communities. Taking the findings of the village studies to their logical conclusion, one might say that MCO operations may be creating a new set of *mohajons* amongst the rural poor through considerable overlapping of micro-finance operations in villages and on-lending at higher rates of interest. The prospect that present micro-finance programmes may be resulting in a similar process as that which resulted from the provision of institutionalised credit to the co-operative sector (i.e. a substantial part of institutionalised credit is not ploughed into productive ventures, but used in the informal lending system at high interest rates) is not wholly unlikely. If this type of situation were widespread, the potentially catastrophic social effects, let alone the economic effects, resulting from high pressures to repay high rates of interest could lead to a reversal of the empowerment process. But this is a worst case scenario hypothesised on the basis of two village studies, and must be regarded as such. This means not ignoring or even shunning such findings (as is the case at present in both the GO and NGO sectors), being prepared to investigate further in an unbiased manner as possible, and treating all findings with caution requiring substantive confirmation.

From the studies undertaken under this evaluation it seems unlikely that the project reports can reflect an entirely accurate picture of how the credit is used. This is mainly because of the complexity of the reaction chains which the provision of credit sets off and the weak impact monitoring systems under the project and in BRDB. The importance of recognising this and being prepared to go beyond the conventional surveys undertaken in Bangladesh is increasing as the amount of credit going into the rural economy increases.

9.8.3 Who will regulate the competition?

The complex effects of micro-finance on the rural economy, particularly the phenomenon of on-lending and its potential effects, are presently downplayed or denied by both the GO and NGO sectors. Clearly, the need for a regulator is urgent in this market, a role which GoB should ideally play, but one which it presently cannot objectively as a result of its vested interests in competing at the implementation level. In respect of encouraging this kind of discussion, RESP has not been able to play a role as it incorporates a public sector project disbursing micro-credits. There may have been potential to pursue the discussion under the institutional support to BRDB. However, the fact that BIS has been limited to strengthening BRDB in its RPP implementation role makes it very difficult for BIS to promote any sort of serious discussion on a regulatory role. In fact, the recommendation regarding maximum interest rate coming out of BIS is likely to be conducive to more negative competition if implemented.

Donors bear a considerable responsibility for encouraging the negative form of competition which has resulted in the Bangladesh micro-finance market today. By placing pressure on NGOs to become self-financing and by heavily subsidising government programmes simultaneously, a situation of unfair and possibly damaging competition has been created. In this situation, donors should take responsibility for stimulating a discussion regarding regulation and who could most appropriately play this urgently needed role.

9.9 Recommendations

The following suggestions should be regarded as broad areas for discussion and action between the various stakeholders in poverty alleviation in Bangladesh, based on the IRWP/RESP experience.

9.9.1 Addressing poverty

Addressing poverty through rural infrastructure development

Although the rural infrastructure side of RESP has contributed a number of poverty-oriented instruments, the programme has focused mainly on roads rehabilitation. There are certainly many beneficial effects of good rural roads for rural communities in general, as this evaluation has found. However, there are other strategies which may contribute more to the alleviation of poverty *per se*. For instance, the marginal benefits to the poor of investing in water resources management is likely to be much greater than further investments in roads. In order to improve the poverty orientation of rural infrastructure development, key infrastructure development institutions in Bangladesh, including LGED, require a strong socio-economic impact analysis capacity as a first step. This could form an important area of development for the mutual benefit of both donors and their partner institutions.

Addressing poverty alleviation through micro-finance

As in the case of infrastructure development, the means of discerning the actual impact of micro-finance on poor, rural communities in Bangladesh is at present weak. The studies in this evaluation have shown that the impact is complex and, in the case of most MCOs, a positive impact is assumed from output measurements in performance reports which frequently tell only a superficial story. Developing methods of impact assessment, beyond the standard surveys which have been frequently conducted in rural Bangladesh and which the poor are conditioned to answer in a certain way in order to continue to receive credit, will be important to adjusting approaches to micro-finance so that this mechanism for poverty alleviation has positive results.

The role of the public sector in poverty alleviation

This evaluation has led to the conclusion that by putting resources into the same types of activities and targeting the same group as the NGOs are, GoB may not be using its resources (and donor resources) in the best possible way to contribute to poverty alleviation. It has also found that there are a number of areas directly necessary to poverty alleviation in which GoB has a vital role to play. The large NGOs have themselves admitted that they have not been able to reach the hard core poor and that they believe close co-operation between GoB and the NGOs is necessary in order to address this growing problem. It is also realised that the type of micro-credit operations that are run today are insufficient or inappropriate for solving the problems which the hard core poor face. The widest possible discussion is required on the measures that should be taken for helping this section of society. Measures may involve the provision of better public services which Government is in a better position to provide than the NGOs as a result of its nation-wide reach.

Another role urgently needed but presently not being filled by any institution is that of micro-finance market regulator. At present, GoB is not in a good position to fill such a role as a result of its direct involvement in the micro-finance sector at the implementation level. Considering how GoB might be able to play this role in an objective manner is another area requiring substantive thinking and discussion involving all of the key stakeholders in the micro-finance market.

BRDB was originally conceived to serve the agriculture sector through support to the two-tier co-operative system. This system has failed for a number of reasons. Economic liberalisation does not appear to have brought the boost to the agricultural sector anticipated, and there continue to be a number of areas which GoB can usefully support. As the evaluation has argued, a healthy agriculture sector is a vital ingredient to poverty alleviation through micro-finance, since the income generating activities promoted by MCOs are largely agriculture based.

These are possibly only a few of the roles in which GoB might have a comparative advantage as regards poverty alleviation. The main point to recognise is that a more holistic

view of how to end poverty is required, and donors, who have provided the funds for anti-poverty activities, bear a clear responsibility for promoting this kind of holistic discussion amongst the main institutional stakeholders in Bangladesh. GoB has in the past been most successful in addressing the problems of the poor by innovating, most notably through the Comilla model which is well known world-wide today. Recapturing this innovative edge by considering alternative approaches to poverty alleviation where it might be able to play a unique role should be a goal for GoB in the future.

The role of donors in encouraging a holistic approach to poverty alleviation

It has already been mentioned that donors bear a clear responsibility for encouraging the holistic type of discussion regarding poverty alleviation mentioned above. Donors also bear a responsibility for setting clear, achievable and realistic objectives for their support. Poverty alleviation is a complex and wide goal, something of a vision which is served by fulfilling a number of objectives. The present equating of micro-finance operations with poverty alleviation is one example of the kind of fallacy that emerges from the confusion of objectives with the overall vision. In addition, by requiring the establishment of impact monitoring systems under their programmes or jointly with their counterpart institution, it is more likely to be possible for objectives which are more poverty oriented than at present to be set.

Pursuing the gender equity objective

Promoting gender equity in Bangladesh is also a poverty alleviation strategy, as women tend to be amongst the most vulnerable to poverty. The evaluation found that strong gender-oriented training activities under micro-finance and other programmes can have a notable effect in terms of empowering women in the society. Under RESP the quality of the gender-oriented training was not deemed to be of high quality mainly as the implementing staff were not trained in these areas and because there are very few professional women who can strengthen gender-orientation in this and other programmes under BRDB and in other public sector institutions. Considering how to promote gender know-how in the counterpart institutions so that they can in turn provide this service to a satisfactory level, could be an important contribution to promoting gender equity in Bangladesh.

9.9.2 Promoting democratic governance and institutional development

One of the issues which the evaluation flags is whether and, if so, how the LGED model of institutional development can be replicated in Bangladesh. At present, the LGED experience is regarded as something of a misnomer by others in the public sector in Bangladesh - a product of a series of fortunate coincidences rather than a replicable model. This evaluation holds that IRWP/RESP has largely successfully experimented with a model which could be replicable if donors pursue complementary measures for improving the environment for institutional development in Bangladesh (beyond World Bank public sector reform proposals which tend to be very focused on downsizing and technical improvements in public sector institutions). At present an LGED type of development within BRDB is doubtful as BRDB faces structural obstacles as well as obstacles of political will (both within BRDB and amongst its political masters) in playing a strong role in poverty alleviation and in developing institutionally in order to support such a role. Considering and pursuing measures for strengthening both the supply (government) and demand (the people) sides of the democratic governance equation are vital if the institutional development model under RESP is to be replicated in Bangladesh over time. On the supply side, one example could be encouraging GoB to allow for continuous and dynamic leadership to emerge in institutions such as BRDB. On the demand side, promoting the rural population's understanding of what types of services it should be able to demand from GoB could be another measure.

The evaluation has also found that the social side of change brought about by programmes like RESP are more important than the economic effects themselves, which tend to be limited. Reviewing measures of promoting democratic governance in Bangladesh such as

those suggested in the previous paragraph, could be another approach not only to institutional development but also to alleviating poverty.

9.9.3 Aid management and promoting sustainability

Promoting sustainability

The difficulties which RESP presently faces in finding solutions for phasing out which are satisfactory to all parties concerned are partly due to the failure of the programme to promote a serious discussion regarding phase out earlier. The issue of sustainability, clearly stated as an objective in all of the programme documents, and what this really means has been left to the very end. The donor bears the heaviest responsibility in this, as the various stakeholders (GoB and implementing consultants) naturally have vested interests in continued sponsorship which only the supplier of funds can orchestrate. Under RESP there have also been conflicting messages from Sida and from its Advisory Team, the former emphasising phase out by 2000 and the latter giving indications of prolongation in various areas. Taking a determined position on eventual phase out from the beginning and working closely with the stakeholders to ensure that discussions about sustainability occur right through the programme might have avoided many of the problems which RESP faces in phasing out today, and is one of the recommendations emerging from this evaluation.

The issue of what 'sustainability' actually means under the various RESP projects has also been unclear. Does sustainability mean that of the programme itself or of its achievements? Moreover, the conception of sustainability as regards public sector institutions appears to be somewhat unrealistic. In an aid predominated, resource-poor environment it is unrealistic to expect that public sector institutions will become self-financing and non-corrupt in the near future. Donors will continue to play a pivotal role in the sustainability of any activities initiated and the institutions will continue to show instances of corruption (which is sustainability depleting). The LGED example has shown that a managed dependency on donors combined with performance orientation (concern with the quality of output rather than with the level of corruption *per se*) should be seen as goals which will serve institutional sustainability.

Finding the right balance in aid management

The various considerations regarding aid management discussed in section 9.7 are, in many ways, contradictory to one another and complex to weigh out in a manner which brings about a satisfactory outcome, especially over an extended period of time with changing staff responsible in the donor agency. Maintaining staying power, but not skating over important points flagged in evaluations which might slow the momentum of a programme for a time is one balance that needs to be achieved. Maintaining staying power without, at an early stage of the programme, neglecting questions about how and when to phase out is another very difficult balance to attain. Having the conviction to continue with a programme sometimes in the face of tough criticism, but not allowing its momentum to destroy the need for learning, change and process orientation is another. The natural interests of all of the stakeholders involved in a long-term programme with a successful reputation like IRWP/RESP will work against the attainment of such balances. The importance of obtaining and using accurate information well, in as objective a manner as possible, in order to make decisions, becomes an indispensable skill to any donor in this context.

Annex 1: Terms of Reference

Sida

Terms of Reference

Dept of Natural Resources and the Environment
R Samuelsson

1997-10-16

TERMS OF REFERENCE FOR THE EVALUATION OF THE RURAL EMPLOYMENT SECTOR PROGRAMME IN BANGLADESH

1. BACKGROUND

The Rural Employment Sector Programme (RESP) came into being as a concerted effort by the Scandinavian donor agencies to provide support to rural development in Bangladesh. RESP I was launched in October 1986. The programme was preceded by the Intensive Rural Works Programme also funded by the Scandinavian countries, particularly Denmark, Norway and Sweden. The IRWP programme was terminated in 1985 following the recommendations of an independent evaluation.

RESP is a rural development intervention presently working in five districts, mainly in the Greater Faridpur Area. The programme aims at increasing production and employment opportunities for poor men and women (households holding less than 0.4 acre of land) in the rural areas. The objective of the programme is to contribute to the sustained employment and livelihood of the poor communities in the programme area. The projects established under RESP broadly relate to the following development themes:

- improved rural infrastructure,
- strengthened institutional capacity and competence development of GoB staff,
- socio-economic empowerment of the rural poor

The second phase of the programme started in 1990 and was initially planned to last for three years. After two extension periods, the programme finally came to an end by mid 1996. RESP II comprised six separate, but interrelated projects. The total agreed foreign financial contribution to RESP II amounted to 384 MSEK.

Most of the projects supported during RESP II were, though partly changed in terms of specific objectives and focus of the activities, continued during phase III of RESP. The Programme Coordination Unit has also been kept for the purpose of improved coordination and planning of the programme. During phase III of RESP the PCU also has the responsibility for the gradual phasing out of national direct hired staff, as well as for the successive termination of certain project activities. The projects mentioned below are included in the RESP III.

- Infrastructure Development Project (IDP)
- Institutional Support Project, (ISP)
- Productive Employment Project, (PEP)
- BRDB Institutional Support Project (BIS)

RESP falls under the jurisdiction of the Ministry of Local Government, Rural Development.and Cooperatives Implementation of the infrastructural related projects is entrusted to the Local Government Engineering Department (LGED) and local government authorities at district and upazila level, whereas PEP and BIS are implemented by the Bangladesh Rural Development Board (BRDB).

Financial support to the programme has been provided by the three Scandinavian countries, with Sweden as lead agency. While Denmark withdraw from supporting the programme after phase 1, Norway has supported both RESP I and II. As for the present phase of RESP, Sweden is the single external funding agency.

The total financial contribution to RESP I and II amounts to MSEK 743. Out of this amount Norway has provided MNOK 310 for support during phase I and II. The Swedish grant contribution to RESP III amounts to 210 MSEK. A concessionary loan of 40 MSEK supplements the grant contribution. The RESP programme constitute the largest Swedish contribution to a single sector in Bangladesh.

2. REASONS FOR THE EVALUATION

.The RESP programme is well-known both in Bangladesh and abroad and has over its more than 15 years in operation had significant effects on both the socio-economic conditions in the programme area, as well as on the Bangladeshi institutions involved in the co-operation. The first phase of the programme was evaluated in 1989 (See SIDA Evaluation Report 1990/3, New Paths From Poverty) and provided inputs to the planning of RESP II. Following the termination of the Norwegian contribution to RESP as from 1996/97, it has been agreed with NORAD and GoB to also evaluate the second phase of the programme. A joint evaluation of RESP II should be undertaken during 1997.

The Department of Asia of Sida has in its decision for Swedish co-operation with Bangladesh during 1997-98 instructed the Department of Natural Resources and the Environment (NATUR) to plan for an overall evaluation of the RESP programme, including relevant parts of the preceding IRWP project. The proposed evaluation would be the start of the planning for a possible new Swedish development assistance programme to the rural sector in Bangladesh. The conclusions and findings of the overall evaluation of the RESP programme could thus assist Sida in establishing a policy framework for future assistance to integrated rural development in Bangladesh.

3. SCOPE AND FOCUS OF THE EVALUATION

Sida and NORAD have recently agreed that the earlier discussed evaluation of RESP II should be broadened and cover an overall assessment of the qualitative results of the programme during phase I and II. The achievement of the programme in relation to its original objectives during these phases, as well as GoB development objectives of the sector should particularly be addressed . The evaluation team should mainly focus its attention on the achievements during RESP II, as a specific evaluation of this long period of co-operation has not been undertaken. In order to provide a long-term perspective on the co-operation in the sector, the evaluation team should include both a look backwards towards the IRWP project, as well as forwards to the present phase of RESP.

The evaluation is planned to be undertaken as an independent exercise with representation of both international, regional and national expertise. The GoB will be invited to attach counterparts to the evaluation team. Sida /NATUR is responsible for the engagement of a consultancy team for the assignment.follwing these Terms of References. NORAD will be regularly consulted with concerning the evaluation. The Swedish Embassy in Dhaka will be responsible for all contacts and co-ordination with GoB authorities concerning the mission.

The main purpose of the evaluation is to study the various social, economic and institutional impacts of these rural development programmes, particularly RESP after almost twenty years of assistance from the Scandinavian countries. The overall and qualitative achievements of the RESP programme since the previous evaluation in 1989 should particularly be addressed, focusing on main development objectives such as promotion of poverty reduction and gender equality. Socio-economic progress, institutional development and structural changes resulting from the programme shall be highlighted. The specific achievements of the recently finished second phase of RESP should especially be looked into. The main results of the programme during recent years of RESP should also, where found relevant, be indicated.

Secondly, the process in which the RESP programme was selected, designed, implemented, adjusted and proposed to be phased out should be analysed. The process evaluation will specifically deal with the role of Sida being the lead-agency for the programme, its relation to other donor agencies, as well as the coordination and implementation mechanisms established within the national authorities. This

part of the evaluation shall also address topics such as capacity building and competence development within the GoB institutions involved in the co-operation.

Finally, major lessons learnt of importance for the planning of future development assistance to the rural sector in Bangladesh should be mentioned. The evaluation could thus partly serve the purpose of assisting GoB and the donors in their identification of and planning for new possible areas or interventions in the sector of rural development, particularly with focus on poverty reduction and gender equality.

The evaluation will be included in the evaluation plan of the Department for Evaluation and International Audit of Sida for 1998. Regular consultation will be held between NATUR and this department concerning the Terms of References for the evaluation, the recruitment of a consultancy team for the assignment and the publication of the report.

4. THE ASSIGNMENT AND SPECIFIC TASKS

4.1 Overall development and impact of the programme

The initial part of the evaluation will focus on a number of aspects related to the overall development and impact of the programme, including its separate projects. Main policy issues of the donor agencies and the GoB, such as poverty reduction, gender equality and environmental concern shall be used as a starting point when assessing the development and results of the programme.

The following specific aspects of the RESP programme are to be highlighted.

1. Relevance

The relevance of the programme shall be assessed against the overall socio-economic and development policies of Bangladesh and development goals of the donors during the agreement period. This analysis will provide a general background for other themes for discussion such as impacts and sustainability of results, both related to the target group and for the services provided by the involved institutions.

The relevance of the overall and immediate objectives of RESP as originally formulated and changed over time shall be assessed. The expected meeting of prioritised needs of different beneficiaries by the programme shall also be discussed. Questions like, were the correct assessments made in the original problem analysis and programme design, as well as have the circumstances surrounding the programme/ projects and its environment changed to a significant degree, shall be addressed?

2, Achievements of objectives (effectiveness)

The overall objectives of the RESP programme during its different phases have basically remained the same. The scope and focus of the programme have however constantly changed. Thus for example the social components of RESP have been changed and expanded considerably over time. Several new projects/sub-projects, with their own specific objectives, have also been added, particularly during phase 2 of RESP.

The evaluators will assess to what extent the programme has achieved its originally established overall objectives. The evaluator shall also analyse to what extent the specific objectives of the different projects were achieved, as well as to what extent the achievements of these objectives helped in realising the overall objectives.

Donors and recipient governments tend to pursue interest and values in addition to stated development objectives when formulating and implementing project. The evaluation team shall make

an assessment of whether unstated objectives have been in force, and if so, have these objectives affected the programme/project.

3. Impact

The impact of the programme shall be discussed both from the point of direct and indirect effects, as well as in terms of qualitative and quantitative changes promoted by the programme. Socio-economic and other improvements for the target group and different stakeholders of RESP, as well as for the programme area at large shall be identified. The impacts on human resources and institutional capacity building will be addressed under paragraph 4.2.

3.1 Effects on the target group

Identify the different impacts of the programme on the various segments of the rural population in the programme area, especially focusing on the target group of RESP. The various changes for the target group shall be verified through the undertaking of different types of socio-economic studies, i.e beneficiary assessment and participatory evaluation.

The different methods used for empowering of the target-group shall also be analysed and discussed. Particular emphasis shall here be paid to the results of the employment generating activities created by the PEP project. The provision of micro-credits for the target group and other relevant PEP initiatives shall also be assessed.

3.2 Impacts on the Bangladesh society

Assess the different effects of the programme on the Bangladesh society, particularly related to the socio-economic development of the Greater Faridpur area. The mission shall, in this context especially analyse the relevance and impacts of rural roads and other rural infrastructure for socio-economic development. An assessment of the achievements of RESP in respect of the over-all infrastructure development in the project areas shall also be made.

4. Cost-effectiveness

The evaluators shall analyse the cost-effectiveness of the programme. Major costs shall be identified and reconciled with budgets. The financial contributions by the different donors and the GoB shall be established.

The evaluation team shall mainly discuss if the costs of the different projects have been reasonable in relation to the achievements and benefits. A comparison with other similar projects may thus be needed. The level of cost-consciousness of the programme management (PCU) should also be discussed in this connection.

5. Sustainability

Swedish support to the RESP programme will come to and end by mid-2000. It is thus important to prepare for the winding up and handing over of the programme to the Bangladesh authorities. The evaluation of the RESP programme shall in general discuss the capacity of GoB authorities involved in the co-operation for maintaining the programme activities.

Based on the analysis and assessment in section 1-3 above, the evaluators shall discuss the pre-conditions for the survival of the different project activities within LGED and BRDB respectively. Important factors and conditions for sustainable development shall be identified and discussed. Major weaknesses/strengths of the two institutions for retaining a reasonable level of quality in the operations shall be identified, as well as the main surrounding factors furthering and/or inhibiting the sustainability of the programme.

4.2 The process of development of the RESP programme

The second part of the evaluation shall pay special attention to the process of development of the programme. The process in which the different phases of RESP have been selected, designed and implemented shall be analysed.

The following aspects of the programme should thus be focused upon.

1. Donor coordination

Discuss the functioning of the co-financing arrangement during RESP and the advantage of Sweden being selected as the lead agency for the programme. Indicate strengths and weaknesses in this particular set-up of a rural development programme in the context of Bangladesh.

2. Effectiveness of project implementation

The evaluation shall contain an analysis of the mechanisms for execution and administration of the RESP programme, covering how the various actors (GoB, LGED, BRDB, Sida/NATUR, Swedish Embassy?DCO, NORAD, PCU, HIFAB etc) have performed their various roles during the different phases of RESP.

In this analysis, the evaluation shall give special attention to the distribution of responsibilities between GoB institutions for implementation, as well as the roles of the lead-agency and the consultancy firm engaged by Sida for administrative and other support services to the programme.

3. Impact on human resource development

Transfer of technological and managerial knowledge's to GoB staff at different administrative levels has been an important featureof the assistance since the very beginning of RESP. Though no benchmarks are available for the assessment of the development of human resources, the evalution team shall make an assessment of the progress of competence and skills among staff of the programme/projects, both at central and local administrative levels of LGED and BRDB . In order to analyse these results, a comparison should be made with other relevant GoB institutions. The evaluation can also illustrate this development, by tracing a number of professionals trained through RESP, and assess how their special training affect their professional life today

4. Institutional development

Strengthening of institutional capacity of the GoB public administration for rural development has been a key component of RESP. Two of the projects have been specifically designed to develop institutional capacity of the planning and implementing partners, namely BIS and ISP. Through the PCU certain managerial and administrative skills are also provided to LGED and BRDB.

The evaluation team shall assess the institutional development at LGED and BRDB, through the ISP and the BIS projects respectively. The quality and quantity of the institutions human resource capacity today shall be analysed. In this analysis a gender perspective shall be applied.

The evaluation shall also discuss the relevance and impacts of the so-called Scandinavian management model in these GoB institutions.

5. Lessons learnt

Main lessons learnt for development of institutional capacity and competence in the Bangladesh society following the experience of the RESP programme shall be outlined.

5. METHODOLOGY

The main purposes of the evaluation are to study the various impacts and achievements of RESP, some 15 years after the programme was instituted., as well as the lessons learnt from the implementation process in terms of increased institutional capacity building and competence and skills development of the Bangladeshi personnel at LGED and BRDB. The different purposes of the evaluation call for the selection of evaluation approaches and the use of data collection methods adjusted to these specific aims

The long and shifting history of the programme, with the introduction and testing of many new approaches, methods, technologies, etc for the promotion of employment opportunities and incomes for the poorest segments of the rural population during its different phases of implementation also requires the careful selection of approach and methods for the evaluation. The methodology adopted should be able to provide a viable, just and realistic picture of the achievements of the programme.

The methodologies recommended for the evaluation of RESP are often refered to as the before and after, respectively the process approach.. These methodologies are usually applied in connection with projects with a complicated structure, both with regard to the objectives and to the management structure. The difficulties in assessing institutional development and the cost-effectiveness and long-term social benefits of the RESP programme also speaks in favour of using a dual approach.

In order to supplement the evaluation with relevant and more systematically gathered information a number of preparatory and desk studies are also recommended to be undertaken in advance of the mission. During field-work the evaluators should also use participatory evaluation methods, such as beneficiary assessment, PRA and PME.

Method of work

The evaluation is planned to proceed in different phases, preliminary outlined as mentioned below:

- Engagement of Consultancy team, (November, 1997)
- Planning and preparatory phase; (December)
- Field work; (January-February, 1998)
- Report writing (March)
- Presentation of draft findings, (Mid-March)
- Finalization of draft report (End-March)
- Presentation of final report (End-April)

During the planning and preparatory phase the following activities will be performed.:

- selection of methods and refining tools to measure the long term impacts and other socio-economic effects of the programme,
- definition of methods to measure institutional change, competence development within GoB due to RESP
- decision on in-depth pre-evaluation studies to be performed, including
- identification of reports and documents to be scrutinised by the evaluation team,
- Visit to Bangladesh by the team-leader of the evaluation team for presentation of the team and the proposed working methods, preparation of a work-programme and starting up of different pre-studies, etc

During the field-work period the evaluation team will base its assessment and conclusions on:

- a review of the above mentioned pre-studies, evaluation reports etc,
- an analysis and review of existing progress reports and other documents of RESP,
- a scrutiny of GoB policy and strategy document for rural development,
- briefing about the policies and plans for rural development by other main international agencies,
- field visits to the project areas and interviews with project and non -project staff, villagers of

different social groups, contractors, labour-based societies, etc
- selected interviews with key personnel of both GoB and donor agencies, consultancy company,
- selected interviews with representatives of other relevant agencies, NGOs, etc
- assessment of perceptions of beneficiaries regarding the project, i.e. through focus group discussions
- review of data and information.

6. THE EVALUATION TEAM

The foreign part of the evaluation team will consist of a group of experts with different educational, technical, institutional and national backgrounds. The team will incorporate members with extensive field experience, especially from rural development projects in South Asia, particularly in Bangladesh. The team leader shall have good knowledge of evaluations principles, approaches and methodologies, as well as documented experience from impact and/or process evaluations.

The foreign team will work closely together with relevant Bangladesh authorities. Representatives of the Ministry of Local Government, Rural Development and Co-operatives will be invited to nominate counterparts to the team. The assignement of GoB staff to the mission is considered vital both for the viability of the study and for the successful assessment of the achievement and lessons learnt. It is also considered important for the phasing out and final ending of the programme by the year 2000.

The team is proposed to consist of the following expertise:

- Team-Leader, development economist with at least 10 years experience of rural development, particularly from Asia. Professional background in rural development, i.e. rural employment, rural finance and local planning methodologies, as well as with documented skills in evaluations.

- Socio-economist, with at least 10 years experience of rural development and participatory methods in development planning, particularly from South Asia. Professional background in .socio-economic assessments, i.e beneficiary assessment PRA/PLA, PME, etc and development of rural institutions.

- Civil Engineer, with at least 10 years experience of rural development in Asia. Professional background in the construction of rural roads and infrastructure, including the organisation and management of such schemes;

- Specialist on institutional capacity building and competence development. Professional background in evaluation of institutional development and assessment of staff skills, capabilities and competence.

- Specialist on gender issues, women in rural development and socio-cultural issues related to the Bangladesh context. Professional background from rural development schemes socio-economic surveys and other studies in Ba ngladesh

- National expertise , (to be defined later)

7. ESTIMATED TIME SCHEDULE

As discussed above the evaluation will be divided into five different phases.

The Planning and preparatory phase will last between November - December 1997. .During this period the Team-leader will be engaged and be responsible for the detailed planning of the evaluation. Thus, for example the Team-leader shall initiate various preparatory studies and gather other relevant

information for the mission. The team-leader will also be given the possibility to pay a visit to Bangladesh during this period in order to consult with GoB institutions, identify relevant materials and local resource persons as well as to further plan for the second phase of the evaluation.

The Field work period is considered the main part of the evaluation and is scheduled for January - February 1998. The field work in Bangladesh by the evaluation team is preliminary planned to last for six weeks,. A minimum of three weeks out of this period shall be spent in the project area for surveys and interviews with representatives of different stakeholders of the project, i.e the local authorities, project staff, contractors, labour contracting societies, credit associations, user groups as well as other beneficiaries.

The following phases of the evaluation are the writing of the report and presentation of the conclusions and findings. This work will be undertaken during the period Marhc to April 1998. A draft report is to be presented to the parties no later than March 31, 1998. The team-leader will be asked to present the main conclusions and findings of the mission in mid-March for representatives of GoB and the donor community. A final report shall be presented to Sida by latest 30 April 1998.

8. REPORTING

An inception report will be presented by the Team-leader at the end of the preparatory phase. The report will outline the detailed methods to be followed during the field work, including an outline of activities and a time-schedule for the collection and analysis of the field data.

A draft report written in English and in accordance with the standardised format of Sida evaluations shall be presented to the Department of Natural Resources and the Environment, Sida. The report should not exceed 75 pages, excluding annexes and the Executive summary. Five copies of the draft report are to be submitted to Sida not later than March 31 1998. Within two weeks after receiving comments on the draft report, a final version in five copies and on a diskette is to be submitted to Sida. Subject to decision by Sida, the report will be published and distributed as a publication in the Sida Evaluation series.

The evaluation report is to be written in Word for Windows or a compatible format and should be ready for publication without further editing. The evaluation assignment includes production of a summary according to the guidelines for Sida Evaluations Newsletter and the completion of Sida Evaluations Data Work Sheet. The separate summary and a completed Data Worksheet are to be submitted to Sida along with the final report.

Annex 2: Sources consulted

1 *Evaluation schedule*

A schedule for the main activities carried out during the evaluation is to be found overleaf.

2 *Persons interviewed*

(in alphabetical order for each category)

RESP PCU

Lars Hjerpe, Chief Programme Adviser

BRDB/PEP/BIS

Dhaka
Syedul Haque Akhunji, Director, RPAP
Shamsul Alam, Joint Director Monitoring, evaluation and research, Planning Division, BRDB
A.K. Fazlul Bari, Coordination Consultant, PCU, BRDB
A.K. Mahbubul Bari, Executive Director, PEP
Mufazzel Hossain, Director General, BRDB
Nizoral Islam, Director of Finance Division, BRDB
M.A. Quashem, Institutional Development Consultant, BIS
Abdul Rahman, Joint Director of Finance Division, BRDB
Daudur Rahman, Project Director, RD-12
Mahmudur Rahman, Joint Director, BIS
Majibur Rahman, Deputy Director of Planning, BRDB
Satya Ranjan Saha, Sr. Technology Development Specialist, PEP
A.B. Siddique, Chief Accounts Officer, PCU, BRDB
Mr. Shamsuzzaman, Senior Planning and Monitoring Specialist, PEP

Field
Fariduddin Ahmed, FO, Krishnapur Union
Md. Manjur Ahmed, FO, Majardia Union
Salma Ahmed, FO, Kalkini, PEP
Afroja Akhter, FO, Bhasanchar Union
Hasina Akhter, ARDO (Training), PEP, Rajoir Thana
Rehana Akhter, FO, Krishnapur Union
Salma Akhter, FO, Dangi Union
Shahanara Akhter, FO, Majardia Union
Shamsunnahar Akhter, FO, Nagarkanda Union
Md. Aktaruzzam, Sr. Asst. Director (Training), PEP
Ms. Arina, FO, Kotalipara
Md. Abul Awal, Extension Officer (Agriculture), PEP
Bahadur Ali, FO, Dangi Union
Hazrat Ali, ARDO (Extension), Rajoir Thana
Md. Unus Ali, ARDO, PEP
Md. Asaduzzaman, FO, Krishnapur Union
Md. Abul Kalam Azad, FO, Kalkini
Ferdousi Begum, FO, Kaichail Union
Jahanara Begum, Sr. Asst. Director (Training & GD), PEP
Khaleda Begum, ARDO (Training), Kalkini, PEP

Management Perspectives International Unnayan Shamannay

IRWP/RESP evaluation
Overview of activity schedule (January - June 1998)

Month	January	February	March	April	May	June
Activity						
Stockholm workshop						
Discussion and finalisation of methodology (see separate schedule in Annex 3)						
Community Studies						
US team in Faridpur, Madaripur and Kurigram						
Team work in Bangladesh						
Initial team meetings						
Presentation of methodology at the Swedish embassy						
Initial meetings with programme staff (BRDB/LGED)						
Micro-perspective: Field work in Faridpur/Madaripur (teams 1 & 2)						
Macro-perspective & BIS evaluation: Interviews in Dhaka (team 3)						
Follow-up meetings on micro & macro perspective findings (teams 1,2 & 3)						
Wrap-up meeting with Sida staff						
Team workshop on findings & reporting						
Wrap-up meeting with programme staff						
Village studies						
Report preparation & submission						

Nasima Begum, FO, Sonapur Union
Sajeda Begum, Asst. Director (Training & GD), PEP
Sufia Begum, FO, Krishnapur Union
Kamruzzaman Bhuiyan, Asst. Director (Agriculture), PEP
Jaba Rani Datta, FO, Kalkini
S.A. Dewan, Deputy Director, PEP
Dewan Abu Ehsan, Extension Officer (Micro-enterprise), PEP
Md. Abul Fazal, TRDO, Kalkini, PEP
Md. Abdul Haque, FO, Char Bishnupur Union
S.M. Shafiqul Haque, Sr. Asst. Director, PEP
Md. Shamsul Haque, FO, Bhasanchar Union
Md. Hasanuzzaman, FO, Dheukhali Union
N.M. Anwar Hossain, Field Monitoring Specialist, PEP
Md. Alamgir Hossain, FO, Char Jossordi Union
Md. Forhad Hossain, Asst. Director (Credit), PEP
Md. Kamal Hossain, FO, Kotalipara
Md. Shakhawat Hossain, ARDO (Credit), PEP
Md. Nazrul Islam, Asst. Director (Credit), PEP
Nur Islam, FO, Kalkini, PEP
Rafiqul Islam, FO, Nagarkanda Union
Md. Aminul Islam, Extension Officer (Micro-enterprise)
A.B.M. Rezaul Islam, FO, Bhasanchar Union
Md. Sirajul Islam, FO, Rajoir
Shah Jalal, ARDO (Credit), PEP, Rajoir Thana
Md. Jalaluddin, Sr. Asst. Director, PEP
Mr. Rezaul Karim, Project Director, RD 9 (previously RD 5)
Md. Liaqat Ali Khan, ARDO, Sadarpur
Maliha Khanam, ARDO (Training and GD)
Momotaz Khatun, FO, Char Bishnupur Union
Rabeya Khatun, FO, Dheukhali Union
Ms. Lutfunnahar, FO, Sadar Thana
Chaina Rani Majumder, FO, Sadarpur Union
Maniruzzaman, ARDO, PEP
Md. Al Masud, Extension Officer (fisheries)
Abul Kalam Matabbar, FO, Talma Union
Md. Awaz Miah, FO, Kalkini
Md. Khairul Basher Miah, FO, Rajoir
Md. A. Razzaque Miah, Sr. Asst. Director, PEP
Mr. Mohiuddin, Asst. Director, PEP, Rajbari
Bithika Mondal, FO, Char Jossordi Union
Badal Chandra Mozumder, FO, Kalkini, PEP
Md. Mustafa, TRDO, PEP
Shahida Nasrin, FO, PEP
Salma Parveen, ARDO (Training)
Md. Fasiur Rahman, FO, Sadar Thana
Mizanur Rahman, FO, Krishnapur Union
Muhibur Rahman, Field Monitoring Specialist, PEP
Tanzilur Rahman, Senior Asst. Director, PEP
Sandha Rani Saha, FO, Lashkardia Union
Tawhid Rahman Sarker, FO, Purapara Union
Bilkis Rina, Asst. Director (Training & GD), PEP
Taslima Parveen Rina, FO, Kotalipara
Abdus Salam, ARDO
Usha Lata Sarker, FO, Sadarpur Union
Md. Shamsuzzaman, Sr. Project Monitoring Specialist, PEP
Md. Sharifuzzaman, TRDO, Nagarkanda, PEP
MD. Abu Bakkar Siddiqi, FO, Sadar Thana
Abdul Latif Talukder, ARDO, Kalkini, PEP
M. Salamat Ullah, Sr. Asst. Director, PEP

Selina Zafar, Asst. Director (Training), PEP

Expatriate consultants working under BRDB
Bjorn Ceder, Senior Adviser, PEP
Benneth Hulterström, Senior Adviser, BIS
Rodolfo M. Matienzo, Consultant, RD 9
Anthony Palma, Extension Officer (Fisheries), PEP-BRDB, Madaripur
Russell P. Pepe, Field Project Manager, Canadian Resource Team, RD 12

LGED/IDP/ISP

Dhaka
H.R. Akanda, Management Consultant, ISP
Shapan Kr. Chakraborty, Executive Engineer
Shahabuddin Faruqui, Socio-economic specialist, IDP
Syed Habibullah, Senior Infrastructure Development Consultant, IDP
Rubaiyat Nurul Hasan, Addl. Chief Engineer 2, LGED
Quamrul Islam Siddique, Chief Engineer, LGED
*Group meetings with several ISP staff not mentioned here took place

Field
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Md. Ayub Ali, Technical Design Specialist, IDP
Mr. A.K. Azad, Asst. Engineer, LGED, Kurigram
Anowara Begum, District Officer (Socio-economist and GD), IDP
S.K. Chakraborty, Executive Engineer, IDP
Florence Dipali Das, Gender Development Specialist, IDP
Shahbuddin Farooqui, Socio-economic Specialist, IDP
Mr. Abdullah Al Faruk, Senior Asst. District Officer (SE), IDP, Faridpur
Syed Habibullah, Institutional Development Consultant, IDP
A.S.M. Harun-ur-Rashid, Officer-in-Charge, IDP, Rajbari
A.Z.M. Towfiq Hasan, Asst. Engineer, LGED, Rajbari
A.K.M. Hasanuzzaman, Project Monitoring Specialist, IDP
Aminul Hoque, Senior Asst. District Officer (Implementation), IDP, Gopalganj
Md. Hossain, District Officer (Socio-economic), IDP, Gopalganj
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Nasima Hossain, Thana Rural Development Officer, Ghanga, Faridpur
Zakir Hossain, Officer-in-Charge, IDP, Faridpur
Nazrul Islam, Thana Engineer, Tungi Bari, Gopalganj
Jahangir Kabir, Asst. Rural Development Officer, Bhanga, Faridpur
Rezaul Karim, Asst. Rural Development Officer, Ghanga, Faridpur
Md. Abdul Latif, Sr. Asst. Director, IDP
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Robert M. Sarker, District Officer (Implementation), IDP, Gpalganj
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Stefan Ekelund, Senior Adviser, ISP
Voitto Kuronen, District Engineering Adviser, Madaripur/Shariatpur/Gopalganj
Kent Rashem, Senior Technical Adviser, RD 9
Christer Wallroth, MANCAPS

Ministry of Local Government, Rural Development & Co-operatives

Hasnat Abdul Hye, Secretary, Local Government Division (LGD)
Margub Morshed, Secretary, Rural Development & Co-operative Division (RDCD)

NGOs

Salhuddin Ahmed, Deputy Executive Director, BRAC
Syed M. Hashemi, Grameen Trust
Shamsul Huda, Association of Development Agencies in Bangladesh (ADAB)
Kushi Kubir, Nijera Kori
Mohammad Yunus, Grameen Bank

* Meetings were also held with several staff at Dhaka headquarters from ASA, CARE and Proshika

PKSF

Salehuddin Ahmed, Managing Director

Donor/lending agencies

Wahida Haq, BRDB liaison, World Bank
Reazul Islam, Micro-finance, World Bank
Mohi Uz Zaman Quazi, Rural Infrastructure Development, World Bank
Karimul Haque Talukdar, Senior Project Officer, Asian Development Bank
Frank Rasmussen, Sida (Dhaka)

* Meetings were also held with officials at DANIDA and NORAD.

Sida Advisory Team for RESP

Eva Emfors, Gender issues
Paul Öjermark, Team Leader
Ian Tod, Infrastructure development

N.B. The names of all of the persons interviewed in rural villages during the field work are not included here, but must be considered as an extremely valuable source of information. Some of their stories have been included in chapters 5, 6 and 7 of the evaluation.

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Annex 3: Stockholm workshop agenda and participants

BANGLADESH RURAL EMPLOYMENT SECTOR EVALUATION

WORKSHOP AGENDA

The Hasselbacken Hotel, Stockholm

17/18 January 1998

Workshop Purpose

The purpose of the workshop is to discuss and agree on the evaluation methodology in a detailed and thorough fashion. **The workshop is premised on the notion that the methodology suggested in the MPI/US proposal is a starting point for discussions and not a blueprint.** The key issues for discussion are:

1. The relevance and feasibility of the proposed approach;
2. The parameters and criteria for the agreed approach;
3. How information will be gathered and analysed through the community studies and the field work in March. This should involve both technical and logistical considerations.

The output of the workshop should be a refined, detailed and practical approach to undertaking the evaluation. In preparation for the workshop all participants should familiarise or re-familiarise themselves with the proposed approach and consider ways in which it could be made more effective and efficient.

Workshop focus

Pivotal to understanding the impact of RESP is achieving a clear picture of the impact of the programme on the main target groups in rural communities. This will be perhaps the most challenging and painstaking part of the evaluation. **Therefore, the focus of the workshop should be to define the *community studies* to be carried out by the Unnayan Shamannay (US) team in January and February 1998.** These studies should be concerned with forming accurate profiles of the impact of RESP at the community level. These profiles will be formed through the perceptions of the target groups of the changes which RESP has brought about and through analysis of hard data which can provide indications of the impact of RESP.

Of particular importance is the sharing of information amongst the workshop participants on what baseline data is available from RESP. Given that there is likely to be a wide spread of information available, it is vital that the workshop singles out a limited number of measures and indicators most relevant to building profiles of the impact of RESP on the ground.

It is essential that each team member think through in detail what issues/information that the community studies should bring out. Each team member should take full ownership of these studies and the work in March should build upon what these studies bring out.

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Good planning and timely execution of the community studies will be vital for effective use of time during the March field work by the European/Bangladesh team.

The tentative timetable for the workshop follows.

Proceedings of the workshop

Saturday, 17 January:

09.00 -11.00 The methology in general

Will the methodology as described in the proposal capture what is essential? Do the four matrices suggested make sense? What has been left out, and what is it not possible to get information on? The discussion should lead towards an agreed, practical approach to the assignment.

Output: List of key overall aspects of the approach to the evaluation

11.00 - 11.15 Coffee/Tea break

11.15 - 12.30 The issue of gender as a key parameter

A presentation of Sida policy and a discussion of how this can be integrated into the evaluation.

Output: List of key thrusts of the Sida policy

12.30- 14.00 Lunch at the Hasselbacken hotel

14.00-15.30 The matrix for assessing the impact on the rural communities

Is the matrix capturing the essential impacts? What should be added? Construct a list of most relevant indicators and measures of the impact of RESP on the rural communities.

15.30 - 15.45 Coffee/tea break

15.45 - 17.00 The matrix for assessing the impact on the rural communities

Continuation of the pre-lunch discussion and final agreement on parameters/criteria. What information is available at the project level? What base line studies are available and what is the key parameters used in these studies?

Output: List of key parameters and criteria for assessing the impact of RESP on the rural communities: list of base line data

Sunday, 18 January

09.00-11.00 Information collection and analysis during the community studies

What are the potential means of finding data for these measures and indicators and how can available baseline data be used? What types of data collection methodologies should be used in order to collect 1) information on the perceptions of the primary target groups and 2) hard data evidencing changes brought about by RESP, especially in follow up on the changes during the programme. What comparative data from other programmes in Bangladesh and elsewhere exist? How can these be collected and by whom? How should the community studies be structured in order to provide the relevant information?

Output: List of key sources and tools for information collection/analysis

11.00 - 11.15 Coffee/tea break

11.15 - 12.30 The community studies: Logistical and reporting issues

The discussion should focus on logistics, field staff requirements, choice of localities, means of data presentation and timing.

Output: Terms of reference for the community studies

12.30-14.00 Lunch at the Hasselbacken hotel

14.00-15.30 Assessing the impact on the institutional and policy levels

Are the matrices suggested in the proposal useful tools? How shall relevant information be collected? By whom? What information should be requested of RESP in advance?

15.30 - 15.45 Coffee/tea break

15.45 - 17.00 Institutional and policy level impacts and key issues for the March field work

Continuation of the pre-coffee/tea break discussion and discussion of key issues for the March field work.

Output: List of parameters and criteria for the institutional and policy levels, and key points on which to base the March work plan.

List of workshop participants

Mr. Hans Bergquist, Project Manager, HIFAB International (Saturday only)

*Ms. Julie Catterson, Institutions/HRD specialist and Team Manager, Management Perspectives International

*Mr. Farooque Chowdhury, Project Co-ordinator, Unnayan Shammanay

Mr. Abdul Hye, Ministry of Local Government, Rural Development and Co-operatives, Government of Bangladesh

*Ms. Inge-Merete Hirsholmen, Socio-economist

*Dr. Abdur Rob Khan, Economist, Unnayan Shammanay

*Ms. Katarina Larsson, Gender specialist and team adviser

*Mr. Claes Lindahl, Team Leader, Management Perspectives International

*Ms. Shamima Nasrin Mili, Gender specialist

Dr. Armindo Miranda, Christian Michelsens Institute

Mr. Jan Runnquist, Sida (Sunday only)

Mr. Rolf Samuelsson, Sida

Mr. Arild Skåra, NORAD

*Ms. Petra Stark, Researcher and backstopping support

*The evaluation team members are asterisked

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Department for Infrastructure and Economic Cooperation

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Department for Central and Eastern Europe

98/24 Swedesurvey Projects in Russia and Ukraine. Land registration systems and information management. Ivan Ford, Susan Nichols, Mark Doucette, Jaap Zevenbergen
Department for Central and Eastern Europe

98/25 Sustainable Dry Forest Management. Sida-supported collaborative research project between Burkina Faso and Sweden. Karin Gerhardt, Kerstin Jonsson, Eva-Evers Rosander
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98/26 International Centre for Research in Agroforestry, ICRAF 1990-1997. Bo Tengnäs, Arne Eriksson, Terry Kantai, Alice Kaudia, Jeff Odera
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98/27 Cooperative Reform and Development Programme, CRDP in Uganda. Mick Moore Lindah Mangali, Z Ojoo
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98/28 Water and Environmental Sanitation Programme, WES in Uganda. Clifford Wang, Eva Poluha, Jerker Thorvaldsson, Sam Mutono
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