ACTION FICHE N°1 FOR BANGLADESH

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title</th>
<th>Trade Policy Support Programme (TPSP) - 19619</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td>Total costs: EUR 6 665 000</td>
</tr>
<tr>
<td></td>
<td>Beneficiary country: EUR 665 000</td>
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<tr>
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<td>EC contribution: EUR 6 000 000</td>
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<tr>
<td>Aid method / Management mode</td>
<td>Project approach – decentralised - ex ante</td>
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<tr>
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<td>Government of Bangladesh</td>
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<tr>
<td>DAC-code</td>
<td>331</td>
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<tr>
<td>Sector</td>
<td>Trade Policy and Regulations</td>
</tr>
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</table>

2. RATIONALE

2.1. Sector Context
Bangladesh aims at reaching the ranks of middle-income countries (MIC) within the next 10 – 15 years. Continued integration of Bangladesh into the global economy is important for this transition to take place. However, the level of macro-economic stability and economic growth reached so far is not sufficient to create income-generating employment for the available labour force and thereby effectively reduce poverty. One of the reasons for this is the absence of a coherent trade strategy; taking into consideration aspects of competitiveness, export diversification, promotion of gender balance and poverty alleviation. The preparation and management of this complex strategy will require strengthened economic governance, backed by a competent supporting institutional framework and an efficient and competitiveness-oriented business environment.

In Bangladesh, the lead responsibility for dealing with trade policy matters lies with the Ministry of Commerce (MoC). The MoC is the main initiator and also the main coordinator of trade-related policies among a number of Ministries and related institutions. Presently, Bangladesh does not have a coherent trade policy. There is an export policy, an import policy an investment policy and a number of other trade related policies, but they are not complementary to one another and might at times be considered to have opposing effects. The result is that Trade Related Technical Assistance (TRTA) to date targeting the public sector in Bangladesh has been a series of stand-alone initiatives without any coherent policy basis. Consequently there is an agreed need to develop a comprehensive and coordinated national trade policy, to strengthen the position of the MoC and to simplify the coordinating mechanism in trade-related issues, which has as their objective the further integration of Bangladesh into the global marketplace. Trade policy has to be closely coordinated with the wider macroeconomic policy of the government and sector policies addressing all main bottlenecks for dynamic trade development.

The Bangladesh Foreign Trade Institute (BFTI) was founded in 2003 as a public-private partnership with the purpose of strengthening Bangladeshi capacity to participate in international trade. The BFTI was assigned three main roles in relation to improving the general trade policy environment in Bangladesh. It was mandated to function as a think-tank on trade policy matters, to undertake relevant trade research, and to provide trade-related training to both the public and private sectors. Similar trade policy institutions in other countries have been very successful, but unfortunately for a number of diverse reasons largely due to administrative constraints, the BFTI is not yet fully operational. This,
however, is about to change. The BFTI welcomed its first research staff and Chief Executive in March 2008 and will start delivering services very soon. At the same time the need for the BFTI is still considered very high among the stakeholders, not least the private sector.

Bangladesh benefits from duty free access to the EU market through the General System of Preference (GSP) scheme. However, concerns have been raised by certain Member States, as well as by the EC, regarding the authenticity of GSP certificates issued by Bangladesh. This problem has had some adverse effect on the image of Bangladesh and its exporters and in some cases, reputations have been unfairly damaged. Under these circumstances, it has become imperative to support the implementation of an improved GSP certification system which will equip and empower relevant Bangladeshi authorities to verify Certificates of Origin and trace the origin of products in a manner acceptable to EU institutions and importers.

2.2. Lessons Learnt

The Bangladesh Trade Policy Support Programme is a follow-up programme to the current Bangladesh Trade Support Programme (BTSP), which will be completed in December 2008. The Principal activities to be continued from the BTSP and build upon are: the support to the Ministry of Commerce and to the Bangladesh Foreign Trade Institute.

The overall objective of the TPSP is the development of an integrated and effective national trade policy. Among other things, a functional trade policy will facilitate the identification of essential trade capacity-building needs. Under the current BTSP, the MoC has received technical assistance support in the form of eight trade-specific studies, each covering an area of particular interest to Bangladesh. Notwithstanding the impact of these studies, this individual topic approach has not been sufficient to encourage or facilitate for the development of a coherent trade policy. Therefore, the TPSP will take a more holistic approach towards the development of a coherent trade policy, starting by a review of the Ministry of Commerce.

According to the mid-term evaluation of the BTSP the MoC is facing two institutional problems and two systemic problems, both presenting obstacles to the development of a more efficient trade policy. The lack of knowledge and skills of the staff on trade policy formulation, implementation and coordination issues as well as lack of knowledge of basic government functions in their respective areas represents a significant challenge. The institutional problems are also partly related to the current structure and size of the MoC, which is outdated and extremely small and consequently the Ministry cannot deliver upon their diverse statutory responsibilities to the Government of Bangladesh (GoB) or the essential services to the business community and citizens to assist and enable them to cope with the changing global trading environment. The lack of an effective and systematic inter-ministerial coordination and government-business consultation mechanism as well as an outdated information system, further impedes the efficient functioning of the MoC.

The BTSP experienced that the engagement of consultants under too many different contracts made the coordination and integration difficult within the BTSP. As a result, it is recommended hiring long-term experts, supported by specialised short-term consultants to work side by side with the beneficiaries in order to ensure continuity and coherence of activities and in particular the transfer of knowledge and skills. Using long-term experts instead of short-term experts will also help to create an atmosphere of trust and confidence among the beneficiaries.

2.3. Complementary Actions

Besides the BTSP (EUR 7.8 million), the EC is currently implementing the Bangladesh Quality Support Programme (EUR 10 million). The Quality Support programme and its successor, the Better Work and Standards Programme, are both complementary to the TPSP, but works in a specialised area, in which particularly BFTI might be able to play a role in terms of delivering targeted training to the
involved stakeholders. The EC also co-funds the Bangladesh Investment Climate Fund (BICF) (total budget $55 million) as well as the South Asia Enterprise Development Facility (SEDF). SEDF primarily deals with SMEs (ready-made garments, light engineering, agro-business) as well as access to finance, while BICF works towards creating a better business environment including an improved investment climate. The BICF has undertaken a strategic review of the EPB but not yet started further work with the institution. The BICF is also meant to undertake institutional and civil service capacity building in trade related institution, among them the MoC. However, at this point in time there are no specific plans to start work with the MoC. Finally the EC hopes to start implementation of an Intellectual Property Rights Project (EUR 1.2 million) before mid summer 2008. This programme will primarily work with the development of patents, industrial designs and trademarks under the Ministry of Industry, with the purpose of building the national capacity to develop, modernize, administer and utilize the intellectual property system in Bangladesh.

There are not too many active donors in the field of trade policy. One exception could have been the World Bank which intended to develop a trade capacity building project for the MoC, however, the programme never got started and according to the Bank, this is not likely to happen. UNDP’s Preparatory Assistance for Promoting Pro-Poor Trade is involved in building government capacity to negotiate and analyze trade and investment agreements; the full programme, which has not yet started, will primarily target the Ministry of Law as well as the Foreign Ministry. The World Bank, GTZ and BICF have all worked with the EPB; however their focus has been on the promotional role of the EPB, only the EC is working with the regulatory aspects of the EPB. CIDA is working with the Centre for Policy Dialogue (CPD), a leading think-tank in trade related matters, to develop trade analytical capacity in the country.

2.4. Donor Coordination

There is broad-based cooperation and information sharing among the like-minded donors, institutionalised with the Local Consultative Group (LCG), which meets regularly. A Private Sector Development mapping was conducted in 2006 for better harmonization among private sector development and trade activities. Following the mapping study, a gap analysis was carried out by GTZ. Trade policy is primarily covered by the activities of the EC, and involvement of other donors in the TPSP is not foreseen. All donors are at this stage informed of the programme and its aims and the activities have been endorsed by the stakeholders in the private sector development group.

3. DESCRIPTION

3.1. Objectives

The overall objective of the TPSP is to contribute to trade-led growth and poverty reduction in Bangladesh.

The project purpose is to support the development of a coherent trade policy through capacity building of key trade-related institutions.

For this purpose three programme components are planned: (1) policy-related capacity building in the MoC; (2) support to policy research and training capacity at BFTI; and (3) support to the EPB in the automation and handling of GSP certification.
3.2. Expected Results and Main Activities

Expected results per component:

1. An improved capacity and performance of the MoC in terms of trade policy analyses, formulation, implementation, intra and inter-ministerial coordination, and negotiations as well as improved communication and trade information flow between the MoC, other ministries, business community and other stakeholders. This should lead to the development of a national Trade policy by the MoC.

2. A functioning Bangladesh Foreign Trade Institute which is able to fulfil its role as a trade policy think-tank and research institution and a training facility for both public and private sectors.

3. An improved and automated system whereby the Export Promotion Bureau will be in a position to operate effectively the current and future GSP certification scheme, including tracing the origin of products and calculating value addition with the aim to minimize the possibility of fraud and forgery.

Main activities:

Already in 2008, prior to the start of the TPSP which is expected to commence in autumn 2009, a strategic review of the MoC and its trade related institutions will be carried out separately by short-term experts within a framework contract. This strategic review will look at the roles, structure, functions, responsibilities, coordination/consultation mechanisms and responsibilities of the MoC and other actors in the trade area as well as capacity of human resources. Based on the results from the review a set of recommendations and an action plan will be developed in close cooperation with the MoC. The strategic review will pay particular attention on means to strengthen inter-agency and public-private sector consultations. With the objective to create ownership for the action plan by the MoC, it is proposed to form a “strategic review working group” consisting of senior officials of the MoC.

The precise activities are to be further refined and defined in the overall work plan. At this stage, the intention and design are described per component as follows:

The first programme component activities concern the MoC and the implementation of the action plan resulting from the strategic review exercise. A detailed work plan will be elaborated and the programme will initiate, support and monitor its implementation. Closely related to the implementation of the action plan is the strengthening of the inter-ministerial coordination and communication as well as government - private sector/wider stakeholder consultation mechanisms. Strengthening communication will include an improved information system. Furthermore the MoC/BFTI components will undertake capacity building of the staff of the MoC and related institutions in areas relating to specific functions as well as broader trade policy to be developed by the MoC itself on the medium or long term.

The second programme component activities focus on support to the BFTI and on building in-house capacity in terms of trade policy research and advocacy, training and consultancy activities. It is also foreseen to continue cooperation with other local, regional and international institutions through the continuation of the twinning activities under the BTSP programme. The BFTI will to some degree function as the linchpin between the three components of the TPSP programme, as it will undertake much of the recommended training under the other two components.

The third programme component activities target the Export Promotion Bureau (EPB), with the aim of improving and automating the GSP certification process and putting in place the equipment and software required for a proper transmission of GSP data to the EC and EU Member States. The exact activities under this component will depend on the progress achieved by OLAF and TAXUD in terms of improving the GSP issuing process prior to the start of the programme. The overall aim will include the establishment of an online information checking system between the EPB and its network partners. Secondly, the staff of the EPB as well as its network partner organizations, will receive training
enabling them to operate the GSP certification process including value added calculations and rules of origin. Finally, a system for maintenance and easy access to records relating to the GSP certification will be established.

3.3 Risks and Assumptions

The main assumption is that the MoC continues to follow the trade-led growth strategy as set down in the PRSP and that it remains fully committed to the further development of the BFTI. Moreover it is assumed that the government strongly supports the role of the MoC as an initiator and coordinator of trade-related policies in Bangladesh.

For the BFTI it is assumed that it will continue to have a high-level support from both public and private sectors. This support will be made tangible prior to the start of the TPSP in the form of a five year financial plan covering the period 2009-2013, which will secure the future of the institution following the end of EC assistance. Of equal importance is that the BFTI, within the remaining time period of the BTSP, starts implementing activities in accordance with a revised business plan. The recent appointment of a new CEO now makes this possible.

There is a risk that the BFTI Board of Directors fails to take the strong and visionary role needed for positioning BFTI as a well-functioning trade research, training and think-tank institutions in Bangladesh. A better functioning BFTI, the high interest displayed by both the public and private sector through financial contributions to the institute, as well as the improved coordination mechanisms between the private and public sector with the support of this programme will serve to ensure this risk is offset.

There is a high risk of losing trade related knowledge through a frequent rotation of staff within the MoC and consequently the programme will support the establishment of an induction training package for new staff while also targeting newly appointed staff in the more advanced training programmes. The WTO Cell is acknowledged as highly specialised and has experienced less staff rotation than the rest of the MoC it is hope that with the support of the programme, close monitoring and frequent discussions between EC and GoB on the matter, a similar situation will evolve in relation to other key positions in the MoC.

3.4 Cross-Cutting Issues

The improved trade policy to be developed with the support of the programme will take environmental and gender aspects into consideration. Employment creation in Bangladesh has for a long time targeted women, as their inclusion in the workforce is seen to have a positive impact on their overall position in the society. This focus should be incorporated into the policy formulation processes as well as being taken into account in the review work of the MoC. Good governance, transparency and the consideration of human rights aspects must be reflected in any trade policy, developed under the TPSP.

3.5 Stakeholders

The stakeholders of the TPSP represent the public and private sectors, academia and civil society. The project formulation has benefited from a stakeholders workshop the participants’ contributions have been incorporated into this proposal. The key beneficiaries and partners of the programme are the MoC, the BFTI, and the EPB. However, as the impact of the programme will start to take effect, the list of beneficiaries will grow to include other trade related institutions and companies who will benefit from increased efficiency in trade policy.

The Ministry of Commerce (MoC) is primarily responsible for formulating, implementing, enforcing, coordinating and monitoring trade policy matters. It also executes trade policy through the Bangladesh Tariff Commission (BTC), the Export Promotion Bureau, and the Office of the Chief Controller of
Imports and Exports (CCIE). Tariff policy is designed by the BTC, while import policy is drawn up and enforced by the CCIE. The Consultative Committee on Exports, housed in the EPB, prepares a preliminary draft of the export policy and the MoC finalizes it. Unlike import policy, which has the status of law, the export policy is merely a statement of intent without any legal authority. The National Board of Revenue (NBR), under the Ministry of Finance, administers all taxes, including customs duties and VAT. Generally speaking, the coordination between all these institutions should be improved.

The Bangladesh Foreign Trade Institute (BFTI) was established in May 2003 as a public-private partnership initiated by the Ministry of Commerce. The objective of BFTI is to strengthen the trade-related capacities of the MoC, other relevant ministries, and export-oriented businesses in the context of globalization and the changing international trading environment. Once fully operational, BFTI is expected to provide short and long-term training and technical assistance, and to address the long-term trade capacity building needs of the country. It is expected to provide trade policy research and think-tank facilities for both government and private sector groups in a mutually supportive and reinforcing manner. Trade-related consultancy and advocacy services are also envisaged in BFTI.

The Export Promotion Bureau (EPB) is the main arm of the MoC involved in development and promotion of the export sector. Its major responsibilities include providing policy support to the MoC in promoting exports, implementing promotional activities, exploring external market possibilities, conducting surveys and studies, collection and dissemination of trade data and information (including the issuance of GSP certificates), organization and participation in international trade fairs, and imparting training in export promotion and expansion. However, the export development and promotion tasks performed by EPB should be enforced; the same is valid for the regulatory functions of the EBP, which are the primary focus of the TPSP.

4. IMPLEMENTATION ISSUES

4.1 Method of Implementation

Partly decentralised management through the signature of a financing agreement with the Government of Bangladesh.

The Commission controls ex ante the contracting procedures for procurement contracts >50 000 EUR and ex post for procurement contracts ≤ 50 000 EUR. The Commission controls ex-ante the contracting procedures for all grants contracts.

Through the programme estimates, payments are decentralised for operating costs and contracts up to the ceilings indicated in the table below.

<table>
<thead>
<tr>
<th>Works</th>
<th>Supplies</th>
<th>Services</th>
<th>Grants</th>
</tr>
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<tr>
<td>&lt; 300 000 EUR</td>
<td>&lt; 150 000 EUR</td>
<td>&lt; 200 000 EUR</td>
<td>100 000 EUR</td>
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In the TPSP the tendering for the services to be provided should aim at international restricted tendering leading to the selection of one international/local consortium providing the long-term and short-term experts, including Bangladeshi consultants. A programme task force office will be set up with a Bangladeshi Programme Director, an accounting director and local support staff. The PTF
should be supported by two international long-term experts, one junior expert mainly responsible for administrative issues and one senior expert partly supporting technical aspects of programme implementation and partly overseeing the BFTI component. All GoB staff concerned will be seconded to the project for its entire duration.

The Programme Steering Committee, in which the EC will be part of, will validate the overall direction and policy of the programme.

4.2 Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the DCI regulation (1905/2006). Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in articles 31 (7) and (8) DCI.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3 Budget and Calendar

<table>
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<tr>
<th>Category Breakdown</th>
<th>EC Contribution (in EUR)</th>
<th>GoB Contribution (in EUR)</th>
<th>TOTAL (in EUR)</th>
<th>Contracting / Paying Authority</th>
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<tbody>
<tr>
<td>1. Services</td>
<td>4 197 000</td>
<td></td>
<td>4 197 000</td>
<td>EC</td>
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<tr>
<td>1.1 Technical assistance</td>
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<td>3 897 000</td>
<td>EC</td>
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<tr>
<td>1.2 Monitoring &amp; Evaluation</td>
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<td>150 000</td>
<td>EC</td>
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<td>1.3 Audit</td>
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<td>2.0 Supplies</td>
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<tr>
<td>2.1 Equipment</td>
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<td>15 000</td>
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<td>1 293 000</td>
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<td>MoC</td>
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<td>(including Local Staff, Information, Workshops and Communication)</td>
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<td></td>
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<td>5. Contingencies</td>
<td>250 000</td>
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<td>TOTAL</td>
<td>6 000 000</td>
<td>665 000</td>
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The overall cost of the project is EUR 6 665 000 of which the EC contribution is EUR 6 000 000. The contribution of the GoB is expected in the amount of EUR 665 000 in cash contribution to the operating costs, mainly rent and some supplies within the BFTI component; GoB is also financing in kind the cost of the Programme Director and the Accounting Director in the Programme Task Force. The breakdown of the budget is indicative and may be adjusted according to need, subject to prior written agreement by the Delegation of the European Commission.
Foreseen operational duration is 48 months as from signature of the Financing Agreement. Regarding the provision of long-term expert's assignments these should be continuous for the first 24 – 30 months, thereafter they should change into short-term inputs over the remaining phasing out period as need arises. The team leader is foreseen to be involved in the programme throughout its existence.

4.4 Performance Monitoring

The performance monitoring will be executed based on the project description and the logframe.

The project will be monitored according to standard aid procedures of the EU. Project monitoring and evaluation will be based on periodic assessment of inputs, effectiveness and sustainability, technical achievements, impact (attainment of the specific project objectives) and effectiveness.

The work plan foresees, besides inception and final report, regular six-monthly detailed progress reports. Reports are to be submitted by the Programme Director.

A mid-term review and a final evaluation are also included in the work plan. Further monitoring and evaluation may be undertaken by internal monitors/evaluators from the EC Delegation or by external consultants working on behalf of the EC Delegation.

4.5 Evaluation and Audit

In addition to internal and external monitoring, the programme shall be subject to external mid-term and ex-post evaluations executed by an independent contractor appointed by the European Commission. Subject to standards risk assessment, the EC may conduct audits, either directly or through a qualified external auditor. Audit provisions will be included in the contract provisions and in work programmes. As a minimum the programme should be audited annually.

4.6 Communication and Visibility

Throughout the programme execution, the communication and visibility interests of the EC will be observed in line with the EC guidelines. A detailed communication and visibility plan will be established within the programme work-plan and also in line with EC-guidelines on the matter.
1. **IDENTIFICATION**

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<th>Title/Number</th>
<th>Public Financial Management Improvement Program (PFMIP)/DCI-ASIE/2008/161050</th>
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<td>EC contribution: EUR 15 000 000</td>
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<td>Joint co-financing DFID: EUR 40 000 000, NL: EUR 5 000 000, CIDA:EUR 10 000 000, DANIDA: EUR 1 500 000.</td>
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<td>Pool Fund (Joint Management)</td>
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2. **RATIONALE AND COUNTRY CONTEXT**

2.1. **Country context and rationale for SPSP**

2.1.1 **Economic and social situation and poverty analysis**

Bangladesh’s economic performance has been strong over the past ten years, with growth averaging 5.5% p.a. The growth momentum has continued in FY07. Industrial activities and export growth have remained robust and a rebound in agriculture helped boost overall growth from 6% in FY06 to 6.63% in FY07. But the inflationary pressure has escalated since the middle of FY07 and reached a 11-year high at 11.59% in December 2007 mainly due to higher prices of petroleum products and imported food staples.

The growth-poverty link underlying the observed poverty trends show that Bangladesh has moved from a situation of lower growth with equity having a smaller impact on poverty reduction in the eighties to a situation of higher growth with inequality having a larger impact on poverty reduction in the nineties.

Ranked 137 out of 177 countries in the UNDP Global Human Development Index in 2006, Bangladesh has shown a good progress since 1995. As a result of economic growth, sustained donor efforts and some degree of Government commitment, social indicators have improved notably in recent times: gross primary enrolment reached 98 % in 2001, attaining at the same time the Millennium Development Goals of eliminating gender disparity in primary and secondary enrolment; infant mortality declined sharply to 59.12 per 1,000, albeit this is still a very high level. Household Income and Expenditure Survey (HIES)/2005 shows decline of poverty from 49.8 percent in 2000 to 40 percent in 2005. Poverty reduction was more noticeable in rural areas.

2.1.2. **National Development policy**

The GoB’s overarching economic policy goal is the attainment of accelerated poverty reduction aided by rapid economic growth. The basis of this policy and the supporting initiatives is set out in the...
National Strategy for Accelerated Poverty Reduction (NSAPR) approved in October 2005 for a period of 3 years which has been extended to June 2008. The PRSP is comprehensive in scope, and identifies four strategic blocks: enhancing pro-poor growth, boosting critical sectors for pro-poor economic growth, devising effective safety nets and targeted programs, and ensuring social development. The blocks are supported by four strategies: ensuring participation, social inclusion and empowerment of all sections, groups and classes of people; promoting good governance by ensuring transparency, accountability and rule of law; providing services efficiently and effectively, especially to the poor; and caring for the environment and long-term sustainable development.

Inadequate and inconsistent flow of funds, untimely disbursement and weak supervision of service delivery make it difficult to complete all the targeted activities. Bangladesh’s Annual Development Programme (ADP) has always been criticised for the delayed release of local funds. The Medium Term Macroeconomic Framework (MTMF) projected a far reaching GDP growth rate for the years: 6.5% (FY06), 6.8% (FY07), 7.0% (FY08) and 7.0% (FY09). A close scrutiny of the MTMF reveals serious inconsistencies in a number of areas namely revenue-GDP ratio, inflation and gross invest etc.

The real challenge of implementation of the PRSP remains the ability to monitor the intermediate outputs and evaluate the impact of the final outcomes. Lack of measurable monitoring indicators, data inconsistency and unavailability, and lack of a reference point hinder an effective monitoring and evaluation of the PRSP.

PRSP explicitly illustrated the link between growth and poverty reduction. The growth strategy is clearly characterised to achieve the target of halving poverty by 2015. It is evident that the growth pattern in Bangladesh generates inequality, limiting the full impact of economic growth on poverty reduction. PRSP also stresses the links between investment, job creation, and poverty reduction, and identifies key areas where reforms are needed, public investments are required, and public policies merit improvement. While the PRS sets out clear policy priorities for the country, it has not prioritized them adequately.

GoB has the full ownership on the PRSP. The National Poverty Focal Point (NPFP), under the General Economics Division (GED) of the Planning Commission, coordinated PRSP formulation under the supervision of the Minister of Finance. The Government is taking increased leadership in development assistance coordination. Coordination is the responsibility of the Economic Relations Division (ERD) in the Ministry of Finance. A Joint Committee for Monitoring and Implementation, led by the ERD, coordinates external assistance on all matters related to the PRSP.

2.2 Sector context: policies and challenges

In 2006 the Ministry of Finance launched a Rolling Action Plan (‘The Plan’) to take forward the PFM reform, based on the introduction of a Medium Term Budgetary Framework (MTBF) in line with the NSAPR.

The Government is at the beginning of a process aimed at more strategic budgeting that would align public expenditures with national priorities through a medium term budgetary framework, included in the PRSP. During FY2007-2008, there were 14 ministries under the MTBF, and plans exist to add two further ministries in the FY2009 budget. This will bring MTBF coverage to about 60-70 per cent of total budgetary expenditure.

Attempts are being made to use the country PFM while implementing the sectoral interventions: As such, Donors use Government systems in implementing (i) Primary Education Development Programme (PEDP II) (ii) Health, Nutrition and Population Sector Programme (HNPS) and (iii) Preparation of Electoral Roll with Photographs (PERP) project. Nonetheless the MTBF could not be fully rolled out so the biggest challenge remains in strengthening government financial management and procurement systems.
A strong central agency (generally the Finance Ministry) is essential to the success of PFM reform. A 2003 UK (DFID)-funded institutional assessment of the Finance Division (FD) found that the division has restructured its organisation in support of PFM reform. A Regulation Wing and separate Implementation and Inspection Wing were thus established with the primary intention of strengthening oversight and developing internal control standards. More recently a Resource and Debt Management Wing was created to enhance domestic debt and non-tax revenue management. Despite these improvements, FD is still struggling with (i) low managerial capacity at operational levels; (ii) difficulties in contract management and enforcement; and (iii) low standards of budget execution and management and financial discipline due to lack of fiscal transparency, probity and accountability in public services. Capacity development is also difficult due to the low quality and high turnover of the staff.

Capacities for sector policy analysis and coordination of the various policy initiatives are in many cases quite limited. The link between policies and allocation of resources through the budget is weak and there is substantial segregation of investment and recurrent expenditure planning processes. There is little focus on policies and programs and too much focus on individual projects. Moreover, cumbersome procedures for project screening and evaluation are usually associated with major delays in implementation. Monitoring is focused on large foreign financed investment and there is little evaluation of outcomes or impacts of policy initiatives.

The Public Expenditure Framework of Accountability (PEFA) which the Government is actively considering to adopt will provide a useful tool to monitor performance in public financial management and improve accountability. The World Bank Country Policy and Institutional Assessment (CPIA)'2005 performance criterion that assess the quality of budgetary and financial management places Bangladesh at 3.0 on a scale of 1 (very weak) to 6 (very strong).

The macro economic indicators during 1st half of FY08 was unstable mainly due to both internal and external shocks, such as natural disasters, price hike in global market for both food and petroleum products. The GoB has been facing higher expenditure which resulted in higher budget deficit. However with robust growth in remittance and export both the current account and overall balance of payment showed surplus balances though the trade deficit is widening. International reserves had increased more than the IMF Poverty Reduction Growth Facility (PRGF) program targets and stood at US$ 5.43 billion at the end of December 2007.

The Public Financial Management Improvement Programme (PFMIP) has been formulated to achieve sound financial management. It is a comprehensive institutional building programme in the areas of fiscal planning, budget planning and execution, accounting and auditing.

2.3 Eligibility for budget support

Budget support is not chosen for this programme.

2.4 Lessons learnt

A number of donors were involved with the reform of the PFM sector in Bangladesh in a dispersed manner. Donor alignment to governments' financial management reform programme brings coordination of the actions and effective government ownership is the key to the success of the programme.

The DFID-financed Financial Management Reform Programme (FMRP) did produce important advances in the budgetary process. The introduction of MTBF, the initial implementation of the Integrated Budget and Accounting System (i-BAS) were some steps to centralize debt management. The level of overall Government commitment seemed to have been weak but, according to DFID's evaluation, strong localized ownership combined flexibility and a sense of opportunity to introduce
changes is moving the public sector in the right path of accounting and institutional improvements. In any case, assistance in this area is traditionally difficult. If Government policies and donor assistance are to be more effective, improvement in public financial management must be tackled, one way or another.

2.5 Complementary actions

Since the publication of the report in 1990 by the Committee on Reforms in Budgeting and Expenditure Control (CORBEC), World Bank and other DPs have provided assistance to GoB for a variety of PFM-related reforms (notably the successful reform of public procurement rules supported by the World Bank that culminated in 2003). World Bank funded second Public Procurement Reform Project is under implementation to improve performance of the public procurement system progressively in Bangladesh, focusing largely on the key sectoral ministries and targeting their implementing agencies. DFID has been involved in assisting the Government in public finance management. DFID funded "Reforms in the Budgeting and Expenditure Control (RIBEC)" programme began formally in October 1992 and ended in 2000. The next phase of assistance, the Financial Management Reform Programme (FMRP), was funded jointly by DFID and The Netherlands cooperation to deepen the reform agenda. The Asian Development Bank also provided assistance for improving results-based assessments of projects at the Ministry of Planning. CIDA is about to launch the "Strengthening Comptrollership and Oversight of Public Expenditure" (SCOPE) project for improving some aspects of the audit system.

2.6 Donor Coordination

The formulation mission was held jointly with other Donors: UK (DFID), the Netherlands cooperation, CIDA and Denmark (DANIDA). The work was coordinated by the World Bank as prospective administrator of the Joint Trust Fund. This mission was based on the work produced by the FRMP2 Identification Mission of November 2006.

The government, especially the MoF, the C&AG and the Parliament secretariat, was fully involved in the identification and formulation phase of the programme. DPs and consultants consulted with the relevant entities regularly to finalize the programme documents. Government already endorsed the formulation mission report in March 2008.

The World Bank will administer the Fund and therefore will undertake day to day activities to implement the programme. The Government and Donors will jointly decide on strategic matters, will provide inputs and take decisions based on results. They will also assess the overall situation in the mid-term review to take place biannually. A Donor Steering Group will meet regularly, at least twice a year. EC is an active member of the PFM working group and heavily involved with this specific programme since the identification phase. EC will be part of the different committees, such as, Joint Government / Donors and Donors committee during the implementation of the programme.

The group of Donors involved in the sector, including EC, UK(DFID), NL, DANIDA, CIDA, ADB, UNDP, USAID and the World Bank, coordinates activities in Bangladesh through the Local Consultative Group (LCG) and its related PFM Working group.

3. DESCRIPTION

3.1 Objectives

The Public Financial Management Improvement Programme (PFMIP) aims at achieving a sound financial management in a transparent and accountable manner by strengthening public financial management, audit and parliament oversight. All of these are crucial factors for improving service delivery, making growth sustainable and reducing poverty.
The overarching objectives of the PFMIP are: first, to strengthen the basic institutions for budget management and accountability mechanisms of the government, with a particular emphasis on the performance focus of the MTBF and the establishment of a comprehensive government accounting and financial management system; second, to strengthen the capacity of the C&AG to audit the effectiveness of the PFM system in order to advise Parliament and the public on budgetary issues and as areas where further strengthening is needed; and, third, to build the capacity of Parliament, particularly through the Public Accounts Committee (PAC) and other key committees, and of the public, through support to civil society groups, to review PFM activities and strengthen demand for improvement.

3.2 Expected results and main activities

This programme includes three components, corresponding to the implementation of core reform activities under three entities namely the Ministry of Finance (MoF), the Comptroller and Auditor General Office (C&AG) and the Parliament Secretariat, over a period of 5 years. The expected results and activities for each of the components are summarized below:

**Component A: Deepening MTBF and Financial Accountability**

**Key Results:**
More accurate macro-economic and fiscal forecasting is achieved; Availability of comprehensive, regular and updated information on debt; Planning cells at line Ministries are strengthened. Project evaluation, project selection, monitoring and establishment of priorities in the context of MTBF are improved. ADP Preparation is improved. Internal audit function in government ministries are fully functional; internal audit manual are developed and pilot tested; Plan on internal audit reforms are developed, costed and approved; Payroll, PF, loans & advances and assets are computerized in pilot agencies

**Main Activities:**
Assist MoF and line ministries to: strengthen macro-economic and fiscal forecasting and analysis, including fiscal policy, design/develop debt policy and management; Formulate MTBF consistent with budget/accounts classification and fiscal reporting; Establish internal Audit at MoF; Strengthen Planning Cells in line ministries and agencies; Streamline the Planning Commission in preparing ADPs in the context of MTBF roll-out; Implement an Integrated Financial Management Information System (building on the iBAS); Conduct a diagnostic study on payroll, pensions, GPF, Loans & Advances and Assets (to inform a decision on data collection, validation methodology, computerization-testing, piloting, and eventual expansion of the system); Provide training to develop human resources (Accounting/Budgeting).

**Component B: Strengthening the Office of C & AG**

**Key results:**
Financial Management Academy (FIMA) with enhanced capacity providing comprehensive accreditation courses to staff on PFM; improved PFM performance; Comptroller and Auditor General (C&AG) office provide timely audit reports in accordance with internationally recognized auditing standards; Improved system for audit settlement

**Main activities:**
Review and upgrade a multi-year and annual working plans of selected directorates at C & GA; Measure quality, timeliness and impact of (external) audit reports and recommending actions for improvement; Design a tri-level accreditation scheme for audit and accounting staff at FIMA, in
consultation with the CIDA-SCOPE team; upgrading FIMA teaching faculty through foreign trainers and supporting overseas training

**Component C: Strengthening Legislative and Public Oversight**

**Key Results:**

Fully functional Public Undertaking Committee (PUC) and Public Accounts Committee (PAC) are up to date in their scrutiny of CAG audit reports on public undertakings and on the public accounts, respectively; Involvement of CSOs providing PFM oversight on regular basis and routinely inform the public about the use of public funds; Bangladesh becomes an active member in a new regional network of Parliamentary PFM oversight committees

**Main activities:**

Support Parliamentary PFM Committees to strengthen logistical, analytical, and coordination capacities, as well as Management Information System; Strengthen the Institute of Parliamentary Studies; Help CSOs engage on budget management-related issues. These include budget ‘literacy’; legal and rights awareness; capacity to analyze policy and carry out advocacy; organize in effective coalitions and engage with parliament by building skills in compiling evidence-based active policy on promoting gender equality and, more broadly, social inclusion

### 3.3 Risks and assumptions

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Risks</th>
<th>Mitigation Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership and political will to reform the PFM</td>
<td>Lack of constructive political engagement and political leadership</td>
<td>The government already agreed on the programme documents and finalized the Technical &amp; Administrative Project Proposal (TAPP). Strong donor support to the country, including the implementation of the PFMIP, will provide encouragement and mitigate this risk as this program comes in support of GoB's strategy for financial management reform for the next 5 years and beyond issued in May 2006: “GoB PFM Vision and Medium Term Rolling Action Plan”.</td>
</tr>
<tr>
<td>Donor coordination</td>
<td>Reduced donor harmonisation resulting in delays and disruptions in the flow of funds, re possible differences in approaches and/or prioritisation</td>
<td>All donors are committed to the reform of the sector because PFM reform is highly essential for other programmes' achievements. Donors agree on periodic consultations to reduce the risk of insufficient harmonization.</td>
</tr>
<tr>
<td>GoB's commitment</td>
<td>Low level of GOB’s commitment to implement the reform agenda</td>
<td>This risk can be mitigated by a close follow up of progress reports and by making conditional the contribution to the programme on its successful implementation.</td>
</tr>
</tbody>
</table>
### Planning Commission is on Board

<table>
<thead>
<tr>
<th>Planning commission is on board</th>
<th>Failure to fully involve the Planning Commission (PC) in the project because of institutional rigidities</th>
<th>This risk is mitigated by financing a sub-component to facilitate PC’s involvement as a programme beneficiary (within the context of the MTBF).</th>
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</thead>
</table>

### Sustainability of the Programme

<table>
<thead>
<tr>
<th>Sustainability of the programme</th>
<th>Potential unsustainability of the program as observed in earlier attempts at reforming PFM in Bangladesh</th>
<th>This is associated mainly to the low administrative capacity of the GoB. This risk will be mitigated by the Government’s commitment, at high levels, to this programme and also a sufficient number of government staff will be empowered enough in terms of capacity and skill by being trained to play the significant role to make the programme successful</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Potential unsustainability due to outflow of trained staff to the private and non-governmental sectors linked with the lack of incentives / lack of public administration reform.</td>
<td>Staff turnover is a recurrent problem for the sustainability of projects in the public sector which is well known and discussed between DPs and GoB. Particular attention will be paid to staff issues in the services benefiting directly from capacity building activities under PFMIP. Public administration reform is also high on both DPs and GoB agendas.</td>
</tr>
</tbody>
</table>

### 3.4 Stakeholders

The direct beneficiaries of the PFMIP are the Ministry of Finance especially the finance division, the Planning Commission, different directorates under C&AG office and the Parliament Secretariat. Indirect beneficiaries are MTBF ministries, other line ministries and civil society organizations. The ultimate beneficiaries of the programme will be the people of Bangladesh, particularly the poor through a better service delivery.

Key stakeholders are involved in this project in different ways. First, the Ministry of Finance, and especially the Finance Division will benefit from the outputs of this project which enhance, deepen and facilitate the work of the MoF. Second, the Parliament needs to exercise its oversight activity on budgetary matters. This requires that Parliamentarians responsible for this function be provided the know-how, processes and tools to better implement such important tasks. Third, the Comptroller and Auditor General (C&AG) is an important player on the PFM and in this program.

Stakeholders list also include the donors, namely the World Bank, DFID, EC, DANIDA, CIDA and the Netherlands Cooperation. Ownership is one of the main characteristics of this programme. So far it has been visible through the broad consultative process within which the programme has been built. The key beneficiary agencies already gained certain capacities by implementing the PFM related programmes in the past.

### 3.5 Crosscutting Issues

The PFMIP will contribute to gender equality through developing gender and poverty analysis in the formulation of budgets and allocation of resources, including at line Ministries level. Good governance is the essence of this project: better internal controls, internal audits and Parliamentary oversight. This will be complemented by better and more independent external audits and enhancement of the civil society role. Enhanced role by civil society will create/increase the demand for accurate budgeting and more transparency. By promoting more transparency, this project will
contribute to enhance human rights in Bangladesh. Owing to its nature, this project is not expected to have any negative environmental impact; through better planning realistic allocation for the protection of the environment can be allocated.

4. IMPLEMENTATION ISSUES

4.1 Method of implementation
Joint management through the signature of an Administration Agreement with the World Bank for a Multi Donor Trust Fund (MDTF). DPs preferred a joint approach for the reform of the sector which is in line with the spirit of the Paris declaration and World Bank is the most suitable for this considering its experience in the Public Financial Management sector and its capacity.

4.2 Procurement and grant award procedures
All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the World Bank.

4.3 Budget and calendar
The cost of the reform programme has been estimated to € 71 500 000.
The total EC contribution to be channelled through the MDTF will amount to € 15 000 000. In addition, DfID will contribute € 40 000 000, CIDA € 10 000 000, the Netherlands € 5 000 000 and DANIDA € 1 500 000.

<table>
<thead>
<tr>
<th></th>
<th>EC</th>
<th>Other contributions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Joint Management</td>
<td>15 000 000</td>
<td>56 500 000</td>
<td>71 500 000</td>
</tr>
<tr>
<td>1.1 Administration Agreement with the WB</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>€ 15 000 000</td>
<td>€ 56 500 000</td>
<td>€ 71 500 000</td>
</tr>
</tbody>
</table>

The operational duration of the project is 60 months as from the signature of the Administration Agreement with the WB.

4.4 Performance monitoring and criteria for disbursement
Regular monitoring will be a continuous process as part of the Commission's responsibilities. External impact monitoring might be also carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference.

4.5 Evaluation and audit
Evaluations (mid-term, final, ex-post) and audit arrangements are an integral part of the contractual arrangements with the international organisation. The audits will be conducted by the C&AG for the MoF and Parliamentary Secretariat implemented projects, and the audit for the C&AG project will be carried out by Foreign Aided Project Audit Directorate (FAPAD) under an agreed TOR. Audit reports shall be submitted to the World Bank within 6 months after the end of each fiscal year. External evaluations and audits might be also carried out by independent consultants recruited.
directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference.

4.6 Communication and visibility

The WB has committed itself to promote – whenever possible – EC’s’ visibility that will be pursued in accordance with the Interpretative Letter of June 6, 2006 signed by the European Commissioner for External Relations and the President of the World Bank, on information materials pertaining to activities, projects, and programs and at the sites and through specific dissemination events, such as press conferences and/or seminars. Also, Government-Donor Joint Meetings and the bi-annual meetings among donors will be an opportunity to highlight EC’s Commitment.

This project will give the opportunity for the European Commission to increase its visibility towards the GoB, the Donors and the Civil Society with regard to the Public Finance Management Reform aiming at improving the aggregate fiscal discipline, strategic allocation and efficient service delivery. A communication strategy will be developed jointly with the World Bank, the Trust Fund partners and the Government.
ACTION FICHE N°3 FOR BANGLADESH

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>Strengthening Access to Land and Property Rights for all Citizens of Bangladesh [DCI-ASIE/2008/019-635]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td>Total cost: 10 000 000 EUR</td>
</tr>
<tr>
<td></td>
<td>EC Contribution: 10 000 000 EUR</td>
</tr>
<tr>
<td></td>
<td>GoB contribution (in kind): 250 000 EUR</td>
</tr>
<tr>
<td>Aid method / Method of implementation</td>
<td>Project approach – Decentralised management (with EC ex ante control)</td>
</tr>
<tr>
<td>DAC-code</td>
<td>15140</td>
</tr>
<tr>
<td>Sector</td>
<td>Government Administration</td>
</tr>
</tbody>
</table>

2. RATIONALE

2.1. Sector context

The proposed intervention aims at strengthening access to land and property rights for all sections of society in Bangladesh. More specifically, it will modernise the system of land records management in a systematic and sustainable manner and make it conclusive and more accessible. Currently, land administration in the world's most densely populated country is in a state of disarray, is fraught with corruption and focuses on revenue collection rather than ownership. Much of its complexity owes itself to historical evolution and colonial legacy. Altogether, some 120 acts, ordinances and regulations make up the legislative framework and three main types of land records are maintained by three agencies, which answer at least in part to three different ministries.

An estimated 1.82 million land litigation cases are currently pending. Their resolution takes an average 10–15 years. In addition, land-related offices are among the most corrupt government offices. Only 10–20 per cent of land transactions are registered, with the rest taking place informally, and often without the help of legal counsel. Part of the reason for this is the complexity of the process and length of time required. Registering a property takes an average of 425 days. Of the 180 countries the World Bank surveyed, only Kiribati requires more time to register property. Even when land is registered, no proprietary right is given to the owner of the land parcel, and no provisions are made for compensation in the case of errors in deeds. These arrangements result in insecure tenure, land-grabbing and long delays in processing transactions. An estimated 77 per cent of civil and criminal court cases are believed to be land-related. At one end of the spectrum, the system exacerbates human insecurity and economic dependency of vulnerable groups, at the other it inhibits foreign investment and holds back business operations and economic growth.

In the PRSP, Government acknowledges "that landownership is an important factor in reducing poverty in Bangladesh" and "that the critical policy issues pertaining to land have to do with land administration reform". The PRSP recommends a "simplification of government rules and procedures, record maintenance, survey and transfer of land from a single office" as a means to improve overall land administration and to reduce the incidence of "faulty land records" with subsequent disputes. More specifically, the PRSP then states that “the hallmark of the new land administration system is the proposal to introduce a Certificate of Land
Ownership (CLO); instead of a family-based land record, a plot-based land record will be introduced. Simultaneously legal, administrative and institutional changes are being proposed to buttress the new land management system. The Government expects that the proposed land administration reform will generate wide ranging positive results: the immediate impact will bring in positive changes in land tenure patterns, land market, formal credit and court litigation over land. But most social benefits are expected to be in the medium and long-term including security of land titles, bringing transparency to land administration, reducing public harassment by providing a one-stop service, decreasing land dispute and court cases, better identification of ‘Khas’ and government lands for future use”.

The PRSP looks to “strong and effective policy support to the informal sector, and, better utilization of urban khas land for community purposes and for the needs of the poor.” And further that a rational land use policy will include “better access to khas land by the poor and community groups.” As far as the rights of indigenous peoples are concerned, the PRSP considers their formal recognition prerequisite for an improvement of their socio-economic situation throughout the country. In the Chittagong Hill Tracts, the PRSP postulates the full operationalisation of the Land Disputes Resolution Commission and the complete transfer of land administration to the hill districts councils in accordance to the ‘Hill District Councils Acts of 1989.

The 2004 EU Guidelines to Support Land Policy Design and Reform Processes in Developing Countries identified (i) corrupt and inequitable land distribution policies, (ii) problems with traditional, customary and contemporary land tenure and ownership and (iii) ineffective and weak land administration as root causes of social conflict and instability and lists six objectives of land policy reform, along with a number of underpinning principles. The Bangladesh CSP 2007-13 points out that "poverty and food insecurity are directly linked to access to natural resources, especially land". It calls for "enhanced social development in CHT [Chittagong Hill Tracts] in parallel with political stability, respect for the rights of indigenous communities, including ownership of land, comprehensive solutions to the problem of new settlers and land grabbing". The CSP also states that "the priorities from the European Consensus are supported by a number of subject-specific communications, including the EU Guidelines to support land policy design and reform processes in developing countries", which calls for, among other things, "supporting capacity development in land administration at all levels, including local communities" and drawing on "Europe's experience and substantial funding in land policy, land management, support to family farming and regulation of land markets".

The MIP 2007-10 also raises the land issue. With respect to cross-cutting issues, it states that "the role of local institutions in preventing conflict, particularly in regard to land ownership, will be addressed". It goes on to say that "the EC will also seek to fund institutional reform in the justice and law and order sector ... if there is adequate indication of government ownership and interest, reform of the judiciary and the land registry". The EC commits itself to supporting such activities as "creating an enabling environment for effective functioning of GoB commissions, task forces and policies aimed at solving long-standing problems i.e. landownership". Finally, one of the main programme indicators is the "number of land title deeds issued to poor people, especially from minority and vulnerable groups".

2.2. Lessons learnt

The absence of major donor-funded projects targeting the land administration itself can be attributed to vested interests preventing a more pro-active role of past elected governments, prevailing political uncertainty since the final year in office of the last BNP-led coalition
government and the fact that land continues to be considered a politically sensitive issue despite an indication of strong commitment from the caretaker government.

The ADB conducted three small technical assistance projects between 1995 and 2003 but abandoned the resulting investment proposal due to its prohibitive cost. Under the two phases of the Adarsha Gram project (1990-97, 2000-07), the EC co-operated with the Ministry of Land in re-settling more than 52 000 flood-affected families and providing both spouses with a title deed for their new homestead. The final report concluded that a "title deed is one of the few and effective ways to lift people out of poverty." An evaluation of Adarsha Gram-2 and a recent ex-post evaluation of both phases suggest that the institutional capacity of the Ministry and co-ordination within the Project Task Force needs reinforcing. Especially the experience of Adarsha Gram 2 shows that a top-heavy project management structure, frequent replacements of the National Project Director and a lack of monitoring all impaired project implementation, e.g. the rate of disbursement and the quality of supplies and services.

Since 2001, DFID, SIDA and Norway co-funded the project "Social Mobilisation for Economic Empowerment". This action, worth EUR 16.9 million, focussed directly on improving access to land for the poor. The EC formulation mission established its complementarity with the proposed intervention and concluded that the project beneficiaries experienced less exploitation and that the network partners successfully replicated its social mobilisation strategies. An external evaluation confirmed the hypothesis that recipients of khas land (0.2 – 0.28 ha on average) enjoy a significantly higher socio-economic status than their peer-group, especially in terms of food security, health and access to services. Recently, the three donors withdrew their financial support from the implementing NGO in the wake of an audit that revealed a misappropriation of project funds.

A regional synopsis of efforts to improve land administration in Sri Lanka, Pakistan and 14 states of India identifies the following common obstacles:

- a complicated set of institutional and other vested interests in support of the status quo,
- the prevalence of overlapping claims on land (particularly in urban and peri-urban areas),
- extensive informal settlement and encroachment of state lands,
- a large number of transactions that are carried out outside of the formal systems,
- a strong tendency to reserve adjudication of rights to the judiciary.

In order to mitigate the risks to the proposed action, it is recommended to work both at central and sub-district (upazila) level to achieve an authoritative land record (ALR), i.e. a title registration system and a Government-guaranteed certificate of land ownership (CLO). In order to minimize the above risks, the proposed action will rely on effective monitoring at key stages of implementation in order to ensure timely corrective measures.

### 2.3. Complementary actions

There are five ongoing MIP-funded projects in the areas of governance and trade-related technical assistance, which are directly complementary to the proposed action. From 2008 to 2012, the EC supports the activation of 400 Village Courts, so that disputes may be resolved in an expeditious, transparent and affordable manner. We also contribute EUR 9.6 million to the Local Governance Support Project – Learning and Innovation Component, in order to enable Union Parishads (local councils) to deliver pro-poor services in a more effective, participatory and accountable manner. This directly impinges on UP functions in the area of land administration, e.g. allocation of khas land and revenue collection. With EUR 15 million, the EC is the biggest donor in the Preparation of an Electoral Roll with Photographs. GoB has announced its plan to use the collected data for a national registration scheme, which could be adapted for the registration of immovable property rights to help mitigate opportunities for
fraud and corruption in the registration process, by including photographs on the registration form.

The Bangladesh Investment Climate Fund (EC contribution: EUR 15.8 million) has already provided regulatory advice to GoB, which resulted in the simplification of land registration. Strong complementarities are expected in relation to land use and land zoning policy. While the three pilot sub-districts of the proposed action are situated outside the Chittagong Hill Tracts, applicable lessons may however be learnt and incorporated in terms of protecting land rights of indigenous peoples, which could then be applied to the EC-funded CHT Development Facility. Under the NGO co-financing budget line, the EC has already been supporting two successive project empowering landless federations in Northwest Bangladesh and has included the promotion of land rights in its 2008 Call for Proposals for Non-State Actors.

The design of the proposed intervention takes into account very recent initiatives of other donors, notably the UNDP project on "Sustainable Land Management" (with the Environment Ministry) and a regional IFAD research project on "access to land and other natural resources by the rural poor".

GoB has funded several initiatives to digitalise and streamline land records over the last ten years, starting with the Computerised Katina and Map Printing Modernisation Project 1996-7. More recently, it actioned its commitment to land administration reform by computerising the land records at Demra Revenue Circle of Dhaka in FY 2004-05. On the basis of the achievement in Demra, another pilot project has been undertaken since FY 2005-06 in four additional Circles of Dhaka. These are to be completed in the current fiscal year. The Ministry of Land is planning to proceed with the computerisation of land records in 60 out of 563 upazilas and in one out of six cities over the next three years. The commitment of GoB to improve the socio-economic conditions of the landless and marginalised communities has also been demonstrated by recent achievements, e.g. new housing, micro-credit and training for 25 000 landless and ultra-poor families, plus 12 600 flats for urban slum dwellers with private participation. MoL is planning to expand these schemes over the next few years.

2.4. Donor coordination

The Local Consultative Group and its Governance Sub-Group are the main forum for donor co-ordination. The identification and formulation missions have been conducted in a participatory manner, with stakeholder workshops in addition to bilateral consultations. The final mission reports have been shared with the LCG and the World Bank, IFC and UNDP seconded experts to the formulation mission in response to an open invitation. The proposed action is in line with the Paris Declaration and the EU commitments on the aid effectiveness agenda for the following reasons: (a) it is a clearly stated as a government priority, (b) it was identified in consultation with other development partners, including the Member States, (c) the area is currently not covered, (d) other development partners endorse the EC taking the lead and consider joining forces, once the proposed action has shown the first signs of success.

3. DESCRIPTION

3.1. Objectives

The global objective of the proposed action is to strengthen access to land and property rights for all citizens of Bangladesh, especially the poorest part of the community. The specific purpose is the modernisation of the land records management system in a systematic and
sustainable manner, making it conclusive, accessible and beneficial for all sections of the community, especially the poor.

### 3.2. Expected results and main activities

The action should deliver the following tangible results:

1. Increased tenure security and improved access to land through the effective implementation of an equitable and integrated land policy;
2. Reduced land disputes, violence, "land grabbing" and improved recovery and redistribution of "grabbed" land;
3. More effective identification and equitable distribution of *khas* land;
4. More efficient land markets and more effective use of land as collateral for bank loans;
5. Prevented irregularities in land administration and reduced risks for corruption;
6. Improved institutional capacity of government administration;
7. Improved civic participation in land administration.

The project altogether foresees activities divided into six components to achieve these results:

1. Support to MoL in formulating a national land policy and sub-policies on *khas* land redistribution and management of other government lands; this after identifying legal needed framework changes and through preparing draft legal acts; this work will be undertaken with the support from technical assistance and participative approach through the land policy committee and will constitute the regulatory legal basis implementing reform for a consolidated Record of Rights in the project pilot areas.
2. In order to create the Authoritative Land Record (ALR) in three pilot upazilas, the existing institutional arrangements will be developed further and the Assistant Commissioner (AC) Land office, the Resettlement Survey office and the Registrar's office will be co-located at upazila (sub-district) level, staff will be re-trained and the record-keeping system will be streamlined and digitalised. Traditional and customary land rights of indigenous peoples will also be recorded. Particular attention will be given to the maintenance of the ALR system.
3. A legal audit and an institutional audit will be conducted, in order to respectively simplify land laws and to streamline litigation management as well as to review organisational structures in the land administration.
4. Capacity-building support to the Ministry of Land will include the assessment of training needs and training capacities, curriculum development in land management and the delivery of a modular course through a "training-of-trainers" methodology.
5. The formulation of a media campaign strategy will raise public awareness of land rights, land administration in practice and project implementation. These awareness campaigns both at national and local level in pilot areas will be carried out by a locally contracted NGO.
6. Supplementary activities, notably baseline studies and public surveys as well as a study on indigenous land systems and tenure, will underpin all other five components of activities.

### 3.3. Risks and assumptions

The principal risks concern the institutional capacities in the key implementing agencies and relations between them. The current legal framework underpinning land management is outdated and neither meets public needs and expectations nor fully utilises civil society resources. The political economy of land administration, with its varied bureaucratic and
vested business interests, has in the past obstructed reform efforts and impaired the performance of the State institutions concerned. MoL is perceived as one of the more corrupt line ministries, with low staff morale and an inadequate working environment. Linkages between the agencies concerned are generally weak, they have little contact to development partners and their image among beneficiaries and other stakeholders is poor.

With the systems audit, policy development, regulatory reform, institutional capacity-building and staff training the proposed projects aims at tackling these structural weaknesses directly. In order to demonstrate its commitment to the intervention in practice, GoB will contribute office space and human resources to the project. This in-kind contribution with an estimated value of EUR 250 000 does not form part of the project budget. GoB staff will have to be assigned to the project for its duration, so that implementation delays are minimised and institutional capacity is developed to ensure sustainability. The Steering Committee will adopt a detailed contingency plan addressing exogenous and endogenous factors that could have an impact on the timeline of the project and its critical milestones.

The pending transfer of the deeds registration function from MLJPA to MoL poses the main regulatory risk to the planned intervention. As a minimum condition, the GoB will permit the co-location of land offices at sub-district level and create the legal basis for a consolidated Record of Rights in the project pilot areas. GoB commitment to the project will be measured against progress on these two issues.

On a political level, it is noted that a future elected government could reneg on the present GoB endorsement to the proposed action. In order to minimise this risk, the EC has obtained a renewal of this commitment in the Joint Commission and will engage Government ministries political parties and civil society continuously in the run-up to project implementation. In the event of its success, we expect the proposed action to be financially sustainable, in view of considerable interest from major donors and a projected increase in GoB land revenue. This should be reinforced by organising media campaigns to get public opinion support.

3.4. Crosscutting Issues

The project touches crucially on the key cross-cutting issues of governance, gender, human rights, in particular the rights of minorities, the disabled and the poor. Its public awareness campaign will reach out to target groups and the general public at national and local level. In pilot areas, this campaign will include door-to-door visits throughout publication period of the Record of Rights and additionally provide for support in the recording of rights for those unable to visit the land offices (including the elderly and disabled) or for women. The project also cuts across environmental issues in that improved access to land and a greater security of tenure will lead to improved land use and agricultural practices, as landowners have an incentive to invest more in their land to increase their income.

3.5. Stakeholders

The Ministry of Land (MoL) will benefit directly as the main project implementation agency and the Ministry of Law, Justice & Parliamentary Affairs (MLPA), through its Registration Directorate, as a junior implementing agency. Their administrative effectiveness will benefit from capacity-building, training and the provision of equipment to establish and maintain the ALR, especially at their local offices in the pilot areas. Other government ministries and agencies as well as the judiciary are also expected to benefit through their access to improved land records.

Civil society will benefit directly as a service provider in the public awareness campaign and indirectly through their facilitating role in land distribution, their consultation in policy formulation and their role in guaranteeing transparency, accountability and civic participation.
in the process. The final beneficiaries will be small landowners, the landless, women and vulnerable groups, who will have more equitable access to land, greater security of tenure and improved personal security, due to reduced land-related crime.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation

Partly decentralised management through the signature of a financing agreement with GoB. The Commission controls ex ante the contracting procedures for procurement contracts > 50 000 EUR and ex post for procurement contracts ≤ 50 000 EUR. The Commission controls ex ante the contracting procedures for all grant contracts.

Through the programme estimates, payments are decentralised for operating costs and contracts up to the ceilings indicated in the table below.

The Authorising Officer (MoL) ensures that, by using the model of financing agreement for decentralised management, the segregation of duties between the authorising officer and the accounting officer or of the equivalent functions within the delegated entity will be effective, so that the decentralisation of the payments can be carried out for contracts up to the ceilings specified below.

<table>
<thead>
<tr>
<th>Works</th>
<th>Supplies</th>
<th>Services</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 300 000 EUR</td>
<td>&lt; 150 000 EUR</td>
<td>&lt; 200 000 EUR</td>
<td>≤ 100 000 EUR</td>
</tr>
</tbody>
</table>

The Programme Steering Committee (PSC) will be responsible for the overall programme oversight and guidance. The appropriate structure and sub-structure of the Project Steering Committee will be developed and agreed upon during the inception phase and reported upon in the inception report. All GoB staff concerned will be seconded to the project for its entire duration.
4.2. **Procurement and grant award procedures**

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

<table>
<thead>
<tr>
<th>Category Breakdown</th>
<th>EC (€)</th>
<th>Contrib.</th>
<th>Total (€)</th>
<th>Contracting Authority</th>
<th>Paying Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Services</td>
<td>7 710 000</td>
<td>7 710 000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Technical Assistance</td>
<td>4 250 000</td>
<td>4 250 000</td>
<td>EC</td>
<td>/EC</td>
<td></td>
</tr>
<tr>
<td>1.2 Baselines studies and information</td>
<td>1 160 000</td>
<td>1 160 000</td>
<td>MoL</td>
<td>MoL or EC*</td>
<td></td>
</tr>
<tr>
<td>1.3 NGO/Civil Society Implementation support</td>
<td>2 000 000</td>
<td>2 000 000</td>
<td>EC</td>
<td>EC</td>
<td></td>
</tr>
<tr>
<td>1.4 Monitoring and Evaluation</td>
<td>200 000</td>
<td>200 000</td>
<td>EC</td>
<td>EC</td>
<td></td>
</tr>
<tr>
<td>1.5 Audit</td>
<td>100 000</td>
<td>100 000</td>
<td>EC</td>
<td>EC</td>
<td></td>
</tr>
<tr>
<td>2. Supplies</td>
<td>890 000</td>
<td>890 000</td>
<td>MoL</td>
<td>MoL or EC*</td>
<td></td>
</tr>
<tr>
<td>3. Operating Costs</td>
<td>750 000</td>
<td>750 000</td>
<td>MoL</td>
<td>MoL or EC*</td>
<td></td>
</tr>
<tr>
<td>4.0 Visibility</td>
<td>150 000</td>
<td>150 000</td>
<td>EC</td>
<td>EC</td>
<td></td>
</tr>
<tr>
<td>5.0 Contingencies</td>
<td>500 000</td>
<td>500 000</td>
<td>EC</td>
<td>EC</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>10 000 000</td>
<td>10 000 000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*On a case by case basis depending on the sub-component activities*

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the DCI Regulation. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in articles 31(7) and (8) DCI.

4.3. **Budget and calendar**

The project budget is estimated at EUR 10 000 000 from the MIP. Additionally, the GoB contributes to the counter-value of EUR 250 000 in-kind to human resources and office space. The breakdown of the budget is indicative and may be adjusted according to need, subject to prior written agreement by the Delegation of the European Commission.

The operational duration of the project is 48 months as from the signature of a Financing Agreement with GoB.
4.4. **Performance monitoring**

Regular monitoring will be a continuous process as part of the Commission's responsibilities. The work plan foresees, besides inception and final report, regular quarterly progress reports. External impact monitoring might be also carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference. Key indicators for measuring progress will be finalised during the inception phase.

4.5. **Evaluation and audit**

Evaluations (mid-term, final, ex post) and/or audit arrangements are integral part of the contractual arrangements with the selected contractor(s). External mid-term and final evaluations and audits will also be carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference.

4.6. **Communication and visibility**

The Government of Bangladesh and all contractors will ensure the EC is given visibility throughout this project as acknowledgement of EC support to the project. EU visibility guidelines will be respected and the EC logo will be visible on project materials, signboards, and at press events. The Government will ensure that beneficiaries, stakeholders and the wider public are informed of the EC’s role as a donor to the project. The EC’s contribution will be indicated in all information on the project issued by the Government and the Contractor.
ACTION FICHE N°4 FOR BANGLADESH

1. **IDENTIFICATION**

<table>
<thead>
<tr>
<th>Title/Number</th>
<th>Better Work and Standards Programme (BEST) DCI-ASIE/2008/19620</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td>16 900 000€</td>
</tr>
<tr>
<td></td>
<td>EC contribution: 15 000 000€</td>
</tr>
<tr>
<td></td>
<td>UNIDO Contribution (joint co-financing): 1 240 000€</td>
</tr>
<tr>
<td></td>
<td>GTZ/Government of Germany: 660 000€</td>
</tr>
<tr>
<td></td>
<td>GoB contribution (in kind): 5 000 000€</td>
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<tr>
<td>Aid method / Method of implementation</td>
<td>Project approach – centralised management:</td>
</tr>
<tr>
<td></td>
<td>- Joint Management with UNIDO</td>
</tr>
<tr>
<td></td>
<td>- Centralised (indirect) management with GTZ</td>
</tr>
<tr>
<td>DAC-code</td>
<td>33110</td>
</tr>
<tr>
<td>Sector</td>
<td>Trade Policy and Administrative Management</td>
</tr>
</tbody>
</table>

2. **RATIONALE**

2.1. **Sector context**

Bangladesh aims at reaching the ranks of a middle income country within the next 10-15 years. The development of an overall quality framework, increased worker and consumer protection and improved compliance between Bangladeshi products and international norms are critical for achieving this. Bangladesh depends heavily on two major export industries, textile and clothing (T&C) and fisheries in order to continue the growth rates since year 2000. This means the quality issues in the fisheries and T&C sectors are of prime importance, just as securing a general framework for quality is needed.

A key challenge facing Bangladesh is a lack of national capacity to overcome technical barrier to trade (TBT) and to comply with the requirements of WTO agreements on TBT and SPS, which are now basic prerequisites for market access embedded in the global trading system. Further development of conformity assessment infrastructure for standards, quality, accreditation, metrology, testing, calibration, inspection and training is needed to meet international standards. The Ministry of Industries is responsible for the overall framework of quality in Bangladesh. The Ministry is also the driving force in developing national metrology, standards and calibration services that are in line with international norms. The main institutions to implement the needed services are the Bangladesh Standard and Testing Institute (BSTI) and Bangladesh Accreditation Board (BAB) along with a new regulatory body to enforce compliance with mandatory standards to be set-up within MOI.

The shrimp industry is the second largest export industry in Bangladesh supporting the livelihoods of 600,000 people and providing 2.5% of the world supply of salt and fresh water shrimps. In 2004-2005 the industry exported 126,000 MT of shrimp worth US$300 million. The EU is the most important market accounting for 60% of exports. As mentioned by the EC FVO mission to Bangladesh in October 2007, the presence of banned antibiotics in shrimp threatens access to export markets as well as both international and domestic consumers. Further assistance is needed for improvement in the inspection system, conditions of employment and effective quality assurance as
well as proper skills development of actors along the shrimp’s value chain. Conditions relating to equal treatment and opportunities for women and tackling child labour also need to be addressed in this sector.

The textile and clothing sector is the backbone of Bangladesh exports representing close to 77% of overall export earnings. In order to sustain its growth in the mid-term, the T&C sector faces serious constraints. Bangladesh mainly exports large volumes of garments at low prices. There is a lack of creative capacity and the technical and marketing skills of many textile and garment companies, especially the small- to medium- sized ones, are limited and prevent them from identifying new strategies to survive. At the same time the industry is being pushed by an increasing number of buyers to meet recognised standards of social accountability and labour standards.

To achieve the purpose of BEST three programme components are planned: 1) Better Quality Infrastructure (BQI) 2) Better Fisheries Quality (BFQ) and 3) Better Work in Textiles and Garments (BWTG).

2.2. Lessons learnt

The BEST programme is to a large degree a follow up programme to the current Bangladesh Quality Support Programme and aims to build upon the activities and experiences of this programme. The lessons learnt include:

1. Using more long term international technical advisors instead of the short term technical assistance results in greater impact and improved sustainability, as it allows a hands-on approach in planning and implementation of activities. The BEST programme will use long term experts in all components.

2. Institution building takes time; continued support to the development of the key institutes such as BSTI, and BAB is needed and will be undertaken under component 1 of BEST.

3. Institutional reform is a continuous process: The Ministry of Industry and BSTI management recognize the need to restructure the organizational setup within BSTI. BEST will provide technical assistance to support the reform process.

4. Issues related to accreditation are unfamiliar to policy makers and government officials which hindered timely allocation of government funding to BAB. BEST will bridge this knowledge gap on accreditation.

5. Presently the Consumers Association of Bangladesh has insufficient resources to be able to sustain a high level of professional and technical activity. BEST will support consumer issues and organisations at a broader level along with the consumer associations.

6. Enforcement of legislation in the fisheries sector is key to ensuring domestic producers adopt international safety and quality norms; the BEST programme includes advice on improvement and enacting of legislation securing conformity with international market requirements.

7. To secure sustainability of the improvements it is necessary to improve the efficiency of the control system including mandatory withdrawal of licences from actors along the shrimps/fish chain, including suppliers, repeatedly not conforming to the established rules and regulations.

8. There is high degree of fragmentation in primary production of shrimps. BEST will suggest and advise on how to organise farmers around depots or prepare them for direct enterprise supply for consolidation purposes.

9. Lessons drawn from donor activities relate to low absorption capacities and slow pace of implementation due to the complexity of administration, as well as overall lack of capacity and commitment from officials regarding workers right and decent work. Stakeholders, in particular BGMEA and BKMEA have been involved in the preparatory phase of BEST in order to ensure its effective implementation.
10. Low and mid management levels in Bangladeshi companies often lack technical knowledge and communication skills, BEST will address this through providing relevant training to different institutes involved in the T&C sector.

2.3. Complementary actions

The BEST programme complements the rest of the EC TRTA portfolio which supports the development of a comprehensive trade policy, an improved investment climate and stronger SMEs as they serve to enhance the policy framework in which the programme should operate.

Other complementary activities include CIDA support to the accreditation of BSCIR for its traceable chemical metrology laboratory which supports food processing and pharmaceutical industries. The SAARC committee on "Standards, Quality Control and Measurement" is to set up a SAARC Regional Standardization Body in Bangladesh within next the 4-5 years. Both the EC and UNIDO are expected to support SAARC in this area as part of their regional co-operation agreement. US Aid is in the planning stage of a project, which will mainly focus on aqua-culture. The exact design of this programme will be coordinated with BEST. In the T&C sector, BEST complements on-going efforts to improve working conditions in factories which is the current focus of several NGOs and as well as GTZ. BEST will ensure close coordination with all activities in the sector so as to maximise complementarity.

2.4. Donor coordination

The donors are coordinating and sharing information through the Local Consultative Group which holds regular meetings. A private sector development mapping was conducted in 2006 for better harmonisation among private sector development and trade activities. Following the mapping study a gap analysis was carried out by GTZ, which confirms the need for support in the quality area. The donors are at this stage fully informed of the programme and its aims and activities have been endorsed by the stakeholders in the Private sector development group.

3. DESCRIPTION

3.1. Objectives

The overall objective of BEST is to contribute to economic growth and poverty reduction by supporting Bangladesh to take advantage of global market opportunities.

The programme purpose is to improve competitiveness and facilitate export growth and diversification through increased productivity and compliance of the production base with international norms and practices.

The specific purposes of BEST components are:

Component 1: To strengthen the overall national quality conformity assessment infrastructure and integrate it with the international quality infrastructure in order to increase consumer protection through improved product safety and quality features and improve competitiveness so to allow Bangladesh better exploit global market opportunities.

Component 2: To strengthen the national quality infrastructure for fish and fish products to meet safety and quality requirements in export markets, improve competitiveness and take advantage of global market opportunities particularly in EU markets.

Component 3: To strengthen overall competitiveness in the textiles and RMG sector and to improve the working conditions of the RMG sector leading to the expansion of the sector and creating better employment opportunities.
3.2. Expected results and main activities

Component 1: Better Quality Infrastructure (BQI)

Result 1: Bangladesh Accreditation Board is a full member of the Asia Pacific Laboratory Accreditation Cooperation (APLAC) and is a signatory of APLAC Mutual Recognition Agreements (MRAs).

This will be achieved through an accreditation programme in cooperation with a foreign accreditation body for a number of product testing laboratories, certification and inspection bodies, and medical laboratories; development and application of training curricula in specific areas and for increasing the number of assessors; management training for Bangladesh Accreditation Board (BAB); and assistance to participate fully in international forums including ILAC, APLAC and SAARC.

Result 2: The institutional structure of Bangladesh Standards and Testing Institution (BSTI) is reformed and its operational capacity strengthened in line with international norms.

This will be achieved through assistance to BSTI to undertake structural, financial and legislative reforms; capacity building among senior management, further development of metrology infrastructure, further strengthening of BSTI's capacity to develop standards, application of an internal quality management system, further strengthening of the inspection programme; reform of overall quality management structure of Ministry of Industries including establishment of a regulatory body to enforce compliance with mandatory standards; support to the BCSIR chemical metrology laboratory with environmental control systems to meet international standards and improvement of the existing consumer market surveillance system.

Component 2: Better Fisheries Quality (BFQ)

Result 1: Official controls improved and integrity of production management systems strengthened to meet international norms, so as to improve food safety conditions and maintain access to export markets for fishery products. A tangible result and success of this component of the programme will be to what extent the deficiencies in the control system have been addressed and that compulsory testing on seafood consignments to the EU (put in place following FVO mission of October 2007) can be avoided in the future.

This will be achieved through: harmonization of the regulatory framework for controls in the supply chain (including veterinary medicines); strengthening of the control reach of the competent authorities throughout the supply chain; increased reliability and validity of sampling for official controls; support initiatives to simplify the supply chain and improve internal control mechanisms (including environmental management) and improvement of socio-economic conditions of target groups through implementation and enforcement of labour law.

Component 3: Better work in Textiles and Garments (BWTG)

Result 1: To enable the Textiles and Clothing sector to better compete in the post Multi Fibre Agreement (MFA) context, through better performance and enhanced social compliance.

This will be achieved through: development of a national performance cluster for Textiles and Garments with NITTRAD (National Institute for Textile Technology Research and Design), BIFT (Bangladesh Institute of Fashion and Technology) and the BKMEA (Bangladesh Knitwear Manufacturers and Exporters Association) and other institutions; support for the long-term alliances between these institutions and international textiles institutions of repute (Niederrhein University, Germany and London College of Fashion, University of the Arts, United Kingdom); formulation of a long-term support plan for textile training; delivery of training to managers, supervisors and technicians; and strengthening of the analysis and planning capacities of relevant ministries and private sector associations.
**Result 2:** The textiles and garment sector complies with minimum standards stipulated in the revised Bangladesh Labour Law 2006 and increased application of international labour and social standards in the RMG sector.

This will be achieved through: raising awareness of international labour and social standards among workers, middle managers and civil society; strengthening the capacity of supervisors, inspectors and managers to implement international labour and social standards through specialist training; developing mechanisms for mediation and arbitration among national as well as among international/national stakeholders and strengthening institutional capacity to support international labour and social standards through better policy and regulation.

### 3.3. Risks and assumptions

The successful implementation of BEST relies on a few assumptions, the most important being the continued commitment of the GoB to ensuring BSTI and BAB are autonomous. These institutions are being strengthened and developed by the current BQSP. Top level management of BSTI supports the reform. The second risk relates to the third component where the success depends on the participation of the two large interest organizations BKMEA and BGMEA (Bangladesh Garment Manufacturers Association), whereby both organizations have voiced concerns vis-à-vis strengthening the voice of workers. This risk has been mitigated by their involvement up-front in the design of the programme and the implementation of this component by GTZ, which has established a positive relationship at working level on this issue with these organisations. A further risk relates to continued commitment of the GoB to increase the number of inspectors however this has been mitigated by the fact that the GoB has foresees decent work as one of the core agendas in the next draft PRSP (2009-2011).

### 3.4. Crosscutting Issues

**Gender**

During the formulation of the programme gender issues across the sectors were evaluated and incorporated in the programme design for all components. Necessary planning will be made for employing women in relevant institutions and preference will be given to promoting the participation of women in the BQI component. The programme will work on increased application and enforcement of the revised Bangladesh Labor Law 2006 and social standards in the shrimps/fisheries and RMG sector while special focus will be given to training women to support their advancement to higher levels of management in the RMG sector (1.5 million workers of which 1.2 million are women).

**Environmental sustainability**

Through the programme, support will be given to improved management and control systems in hatcheries and shrimp farms including measures for environmental conservation and better practices which will include the conduct of Environmental Impact Assessments. The programme will also support improved compliance with the environmental standard ISO 14000 across all components including in the RMG and textiles sector.

**Good Governance**

Good Governance will be addressed through reform of the management and functioning of the quality infrastructure by MoI including the reform of BSTI, the Bangladesh Accreditation Board as well as the Fisheries Inspection and Quality Control (FIQC) in the Department of Fisheries (DoF). The programme will support increased involvement of the private sector and consumers in standard setting while support will be also be given to improved capacity of Ministries and private sector associations in setting policies in the textile and garment sectors.
Human Rights
The programme strongly addresses consumer and workers’ rights. More specifically components 1 and 2 address improved consumer protection through involvement in standard setting and improved access to safe food and quality products, component 2 also addresses the issue of equity of treatment, while the third component will support the implementation and enforcement of the new labour law and improved compliance with international labour and social standards.

3.5. Stakeholders
The Ministry of Industries (MoI) and its relevant institutions such as BSTI, BAB, are the key stakeholders in component 1. The MoI formulates and implements policy in relation to national standards, technical regulations, and conformity assessment requirements. The MoI supports the activities of the Bangladesh Accreditation Board and BSTI including the National Metrology Institute. BSTI and BAB are both critical institutions for strengthening the national quality framework. The BAB was set up in 2006 and is expected to be fully operational in the third or fourth quarter of 2008. BSTI plays a regulatory role on behalf of the Ministry. Other key stakeholders of the first component include consumer organisations who, when strengthened, will be able to drive the demand for continued quality improvements.

The Department of Fisheries of the Ministry of Livestock and Fisheries is the Competent Authority for official controls of the export of fishery products, while Industry stakeholders at different levels of the distribution chain are responsible for ensuring production quality. Although a significant proportion of the export processors generally meet international requirements, the supply chain lacks capacity to implement internal systems of control in relation to good aquaculture practices, traceability, hygiene practices and control of veterinary medicines etc. Bangladesh Frozen Food Exporters Association invested heavily in the recent past for inspection capacity building. Private sector will also be strengthened in the quality issues in the BEST programme.

The Ministry of Commerce, the Ministry of Textiles and Jute, and the Ministry of Labor and Employment, and their related institutions are the GoB stakeholders of the BWTG component. The Multi-stakeholder Forum of Bangladesh, which includes BGMEA, BKMEA, labour representatives and NGOs are the main non-governmental stakeholders.

4. IMPLEMENTATION ISSUES

4.1. Method of implementation
Centralised (indirect) and joint management.

A Financing Agreement will be signed between the EC and the Government of Bangladesh covering the whole project. A Standard Contribution Agreement under FAFA will be signed in joint management mode with the United Nations Industrial Development Organisation (UNIDO). The agreement will cover component 1, 2 and 3 (Result 1). A Delegation agreement will be signed between the EC and the German Agency for Technical Cooperation (GTZ). The Delegation agreement will cover component 3 (Result 2).

The mode of delivery has been proposed following the evaluation of the BQSP due to its efficiency and cost effectiveness. Further to that UNIDO has been selected because of its long experience in

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1 UNIDO has been assessed by the Commission relevant service and it is compliant with art. 53 d FR.
2 GTZ has been assessed by the Commission relevant service and it is compliant with the 6 pillars defined in article 56(1) FR.
industrial development and in setting up quality infrastructures. GTZ has been selected to implement component 3 (Result 2), because of its extensive experience in working with the relevant stakeholders in Bangladesh. Germany is a main contributor in Bangladesh in this sector. UNIDO and GTZ have worked together throughout the implementation of the current BQSP and have as such proved their ability to complement each-other.

4.2. Procurement and grant award procedures

Joint Management (with UNIDO):

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

Indirect Centralised Management (with GTZ):

In the performance of its tasks, the Delegate body shall apply its own audit, accounting and procurement procedures recognised as equivalent to those of the Commission, taking due account of internationally accepted standards recognised as such by the Commission.

4.3. Budget and calendar

The total budget for the programme is 16 900 000 euro. The operational duration of BEST will be for 60 months from the signature of the Financing Agreement. The Government of Bangladesh will provide a contribution in kind.

<table>
<thead>
<tr>
<th>Category Breakdown</th>
<th>EC contribution (€)</th>
<th>Other Donors (€)</th>
<th>Total (€)</th>
<th>Contracting / Paying Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Joint Management</td>
<td></td>
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<tr>
<td>1.1 Contribution Agreement with UNIDO</td>
<td>12 285 000</td>
<td>1 240 000</td>
<td>13 525 000</td>
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<td>2. Delegation Agreement</td>
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</tr>
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<td>2.1 Delegation Agreement with GTZ</td>
<td>2 340 000</td>
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</tr>
<tr>
<td>3. Services</td>
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</tr>
<tr>
<td>3.1 Monitoring &amp; Evaluation</td>
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<td>3.2 Audit</td>
<td>50 000</td>
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<td>4. Contingencies</td>
<td>125 000</td>
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<tr>
<td>Total</td>
<td>15 000 000</td>
<td>1 900 000</td>
<td>16 900 000</td>
<td></td>
</tr>
</tbody>
</table>
4.4. **Performance monitoring**

The performance monitoring will be executed based on a detailed work plan and log frame. Baseline indicators will be established during the inception phase for all project components and will include disaggregated indicators relating to gender and environment. Day-to-day technical and financial monitoring will be part of the Commissions responsibilities. The Programme Steering Committee (PSC) will be responsible for the overall programme oversight and guidance. The appropriate structure and sub-structure of the Project Steering Committee will be developed and agreed upon during the inception phase and reported upon in the inception report.

External monitoring may also be carried out by independent consultants recruited directly by the Commission in accordance with EC rules and procedures on specifically established terms of reference if and when deemed necessary by the PSC.

4.5. **Evaluation and audit**

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out a mid-term evaluation and final evaluation which will be coordinated with other donors. Annual external audits will be contracted to check expenditures while for the Contribution Agreement with UNIDO verification missions will be conducted in accordance with the relevant provisions of the UN Framework Agreement.

4.6. **Communication and visibility**

BEST will prepare an overall communication plan as part of its activities in the inception phase for the entire programme. This will include promoting the visibility of programme actions throughout the implementation period in accordance with EC visibility guidelines.