



**Joint strategic country
evaluation of the
development cooperation
of Denmark, Sweden and
the European Union with
Bangladesh 2007-2013**

**Final Report
Executive Summary**

March 2016

*Contract N° EVA 2011/Lot 4
Specific Contract N° 2014/350917/1*

Development
and Cooperation
EuropeAid

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**Contract No EVA 2011/Lot 4
N° 2014/350917/1**

**This evaluation was commissioned by the Evaluation Unit
of the Directorate General for International Cooperation and
Development (European Commission)**

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*The opinions expressed in this document represent the authors' points of view
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Executive Summary

This Joint Country Evaluation of the development cooperation of Denmark, Sweden and the European Union with Bangladesh has a dual objective of firstly providing accountability through an overall independent assessment of the cooperation strategy and delivery of the Evaluation Partners in Bangladesh, and secondly informing future decision-making through lessons learnt. The main focus of the evaluation is the development cooperation extended during the 2007-2013 period, including both spending and non-spending activities.

The first two decades after Bangladesh's independence in 1971 were characterised by political turmoil and military coups contributing to widespread poverty and famines. The restoration of democracy in 1991 has been followed by relative calm and economic progress. However, politics remain highly confrontational, with antagonistic relations between the main parties. The evaluation period has seen a partial breakdown of consensus on core democratic processes, with politically motivated violence increasing.

With the political and security stabilisation in the early 1990s, economic growth picked up and has been positive ever since, with an accelerating trend over time, exceeding 6% annually for most of the evaluation period. Remittances and the garment industry have been the main drivers of growth, but with increasing economic sophistication, new sectors are emerging as key contributors to Bangladesh's structural transformation. In this process, women have entered the formal labour market in significant numbers, challenging conventional gender norms and stereotypes.

Sustained high economic growth has allowed for impressive outcomes in terms of poverty reduction. Thus poverty declined from 40% of the population in 2005 to 24% in 2014, whereas the Gini coefficient declined from 33.5 in 2000 to 32.1 in 2010. Partly as a consequence of this robust and inclusive economic growth, Bangladesh has already met many targets of MDGs.

These impressive outcomes have been achieved despite the poor quality of governance that characterises many of Bangladesh's public and private sector institutions. Bangladesh has thus consistently featured among the poorest performers in international indexes - such as the corruption perception and doing business indexes. There has been virtually no progress in these indexes during the evaluation period, despite governance increasingly becoming a key focus area of most development partners (DPs) including the three evaluation partners (EPs — the EU, Denmark and Sweden).

EPs disbursed a total of €1.38 billion over the 2007-2013 period, of which the EU accounted for 57%, Denmark 25% and Sweden 17%. In addition to governance, EPs had a diversified portfolio of interventions, including education, health, trade, private sector development (incl. agriculture), gender, water & sanitation and climate change.

The evaluation followed a rigorous methodology and process. Nine evaluation questions were formulated following the analysis of the rationale and theories of change behind the EPs' engagements. In addition, a comprehensive quantitative overview of the funding for each EP was made on the basis of the information provided. Methodologically, the focus has been at both strategy and sector/thematic

levels, with the two informing each other. At strategy level, particular attention has been given to relevance for poverty reduction and the aid effectiveness of the EPs. At sector level, the assessment has been informed by an in-depth review of the dynamics in five key areas of cooperation - education, human rights and democratic governance, climate change and disaster management, gender and private sector development — as well as the study of 24 EPs' supported interventions (several of them being joint) spanning these sectors.

Specific methodological and analytical attention has been invested in the evaluation of DPs' support to *primary education*. The OECD/DAC methodological approach for the evaluation of budget support operations has been utilised by adapting the so-called 3-step approach to take account of the specificities of the Bangladeshi context.

Overall assessment and conclusions

All three EPs have contributed to the impressive gains made in creating a more inclusive, prosperous and gender equal society. While the key drivers have primarily been domestic, the EU, Denmark and Sweden have supported millions of women, men and children in escaping poverty, relying on both incremental improvements to the livelihoods of the poor as well as supporting more transformative changes.

In the *social sectors*, the EU and Sweden have improved more equal access to both education and health services, with a particular focus on women. This has contributed to increasing the number of children enrolled in schools, with girls now more likely to enrol than boys. The EU and Sweden have also supported better and more harmonised aid delivery mechanisms in these sectors, hereby reducing fragmentation and creating the potential for more substantial engagement in core technical issues related to improvements in classroom practices. In the *productive sectors*, the EU and Denmark have contributed to rising incomes of millions of poor farmers,

workers and businesses. Denmark has focused mostly at individual farmers' level, successfully introducing more productive technologies and methods through an incremental and contextualised trial and error method. The EU has appropriately focused more at the level of policy and regulatory reforms that have helped Bangladesh to take advantage of the global trading opportunities.

In addition, *the maintenance of a broadly open EU trade regime has allowed for rapidly increasing exports*, encouraging a process of labour intensive industrialisation that has also marked the unprecedented entry of millions of women into the labour force, increasing the autonomy of women. The EU has leveraged its important trade links with Bangladesh to catalyse improvements in the garment industry, skilfully combining trade and development engagements through, for example, the Sustainability Compact which promoted garments workers' safety while keeping the EU markets open.

Nevertheless, many governance-related challenges remain outstanding, even after decades of support from the EPs. Clearly, the key drivers and inhibitors for improving the quality of governance have been domestic, with DPs (including EPs) facing major difficulties in promoting changes. The governance paradox of worsening governance indicators simultaneously with strong inclusive growth calls for renewed reflection on the importance of governance in promoting development outcomes in Bangladesh over the reviewed period.

Despite the disappointing outcomes in improving nationwide governance indicators, EPs have managed to deliver impacting and useful support at local and individual levels. In this context, EPs have often been able to engage constructively with selected government institutions, hereby improving the quality of governance. Characteristically, such interventions focused on relatively solvable problems where both domestic partners and EPs had identified

the issues and there was clear demand from part of the domestic stakeholders. These experiences also demonstrate that developmental policies have been implementable, even in an adverse governance context.

Conclusions

Against this background, ten specific conclusions have emerged from the findings and analyses presented in the form of answers to a set of evaluation questions. The first five conclusions pertain to strategic and aid effectiveness issues, whereas the last five revolve around sector-specific analyses.

EPs strategies formed a mostly coherent and appropriate response to key Bangladeshi challenges (C1). The strategies were generally operationalized in ways that were relevant for poverty reduction, but at times with challenges. The EU and Denmark had more direct emphasis on providing services to the poor and creating an enabling framework for accelerated poverty reduction. The EU had particular - and effective - focus on improving trade and development policy coherence, which translated into significant engagements in, for example, trade that enabled Bangladesh to increase exports to the EU. While there has been increased interest in strategically linking commercial (from bilateral EPs) and wider European interests to development assistance, this has (with a few minor expectations) not yet materialised in ways that have undermined the effectiveness of the assistance, nor has it impacted on the future pipeline. On the other hand, attempts to introduce a whole-of government approach have a significant (yet mostly unrealised) potential to improve in the future policy coherence for development in critical areas such as migration, international money laundry and climate change.

Engagements were most relevant where EPs had a longterm strategic perspective based on realistic assessments of existing capacities, reform willingness and real demand for reforms (C2). Such reforms often materialised incrementally, non-linearly and through trial and error. The ability to not only accept setbacks, but also to flexibly adapt, learn and reiterate has been key. This allowed for improvements in diverse areas such as farmers' productivity, trading standards, educational access and increased governmental capacity to assist victims of violence against women. Conversely, attempting to impose comprehensive 'best practices' approaches whether in PFM, agriculture or SME policy development has produced few lasting outcomes, especially where ownership was weak.

EPs' alignment to national policies and country systems as well as division of labour between DPs has been undermined by the challenging Bangladeshi context (C3). EPs' strategies have all been firmly grounded in the government's own development strategies. However, the government's strategies tended to lack prioritisation as well as detailed planning and budgetary frameworks to constitute clear guiding strategy documents for EPs to align to. Furthermore, while the government and DPs (including EPs) invested substantial resources in promoting alignment in the first part of the evaluation period, most DPs have subsequently had less interest in pushing the alignment agenda, with increased aid fragmentation and a more competitive aid landscape becoming dominant.

The significant channelling of aid through international organisations (IOs) has generally been an appropriate and effective response to the context, although technical and management disagreements between EPs and international organisations at times undermined the efficiency of the support (C4). The use of IOs has allowed the EPs to leverage specific expertise, promote harmonisation and compensate for limited in-house capacity. However, an overly instrumental view of IOs as merely

contractors (as opposed to development partners) reduced efficiency.

The EU's decision to use sector budget support (SBS) in primary education was relevant. However, the adding of EU-specific features and the suspension of the disbursements in 2014 weakened its effectiveness (C5). With other DPs (including Sweden) moving towards closer alignment in the education sector, the EU's most relevant choice was to use sector budget support. However, the two EU specific additional Disbursement Linked Indicators (DLIs) did not promote a policy dialogue orientated towards outcomes; EU reporting requirements have been considered as an additional burden by the government; and linking the PFM conditionality to progress in a PFM reform project (that underperformed) in addition to wider PFM performance was inappropriate and did not promote dialogue with the Ministry of Finance; the suspension of disbursements isolated the EU and undermined harmonisation efforts.

EPs' support to primary education contributed to improving access and retention in the county and to promoting quality-oriented policy reforms (C6). DPs' approach has however not been consistently conducive to promote positive dynamics in the sector nor to improve practices in classrooms, due to an incomplete approach to the subsector and too much focus on DPs' (disbursement) requirements. Nevertheless, millions of children have gained access to education with the EU and Sweden contributing to this outcome.

The private sector has been a main driver of poverty reduction; EPs have mostly successfully supported it in rural areas and in increasing its ability to trade, but less successfully in promoting SME policy development outside agriculture (C7). Denmark and the EU have contributed to private sector-led growth within two key areas, trade and agricultural productivity. The Sustainability Compact has also contributed to maintaining access to the EU market at a time when there was substantial

public pressure to sanction Bangladeshi exports in the process of promoting better working conditions for labour. The EU's SME policy support and the Danida supported business-to-business programme have so far underperformed. They were using blueprint approaches, formulated largely by the EPs and had supply driven TA as key characteristics.

EPs' support to human rights and democratic governance (HR&D) was appropriate but has not impacted significantly on the overall situation of the country (C8). EPs' support to HR&D rightly focused on the vulnerable and exposed groups and has been beneficial to these target groups, offering critical support and services. By providing core funding to advocacy NGOs, it enabled them to participate in political debate. But (so far) the support has failed to change systemic issues, which are mainly amendable to domestic forces and take a long time to materialise.

EPs have made important contributions to both the policy framework for climate change adaptation and disaster risk reduction as well as to actual reductions in Bangladesh's vulnerability (C9). This included enhanced resilience of vulnerable communities, better early warning systems and improved infrastructure. But there have been (and still are) sustainability concerns both regarding community resilience and the maintenance of infrastructure. Moreover, compartmentalised sector-specific mandates and an overemphasis on infrastructural responses at times hampered more preventive and comprehensive responses.

EPs' interventions were successful in supporting the livelihoods of poor and ultra-poor women and in some cases this had led to an increase in their confidence (C10). With EPs' support, the country has achieved tremendous progress in terms of access of girls to primary education. In the political space, there has been significant focus on getting legislation into place, for example, the National Women's Policy and legislation against domestic violence. The EPs have

successfully provided long-term support to NGO partners to enable this. However, EPs have not systematically mainstreamed gender in programming, policy dialogue and interventions, the focus has been on women rather than on gender equality, reducing the analytical and implementation attention to systemic causes of gender inequality.

Recommendations

The recommendations are based on the analysis and conclusions and intend to inform the EPs' future strategies, engagements and interventions. They are structured around two clusters: The first six recommendations focus on improvements in the strategic approach and the aid modality choices; the last five focus on the key sectors where EPs have been active.

EPs should further seize both incremental and transformative opportunities using more politically smart iteration as guiding principle (R1). Despite many unresolved governance related challenges, EPs can play a useful role in assisting the government in providing services to both the private and social sectors. To maximise impact, EPs should engage selectively, building on specific and realistic assessments of the level of demand for support. The core of the support should be a shared vision of the goals to be reached that should allow for flexibility and learning-by-doing during implementation. EPs should display more flexibility and agility than the programmatic nature of aid (with its traditional log-frames, theories of change and pre-determined milestones) usually allows for. This should entail acceptance (and embracing) of variation and uncertainty, where context-specific, technically-sound and politically-feasible solutions can have a greater chance of success. This recommendation cuts across all sectors and aid modalities.

EPs should be selective in their support and focus financial and human resources on fewer engagements (R2). With increasing private and development investments in Bangladesh, there is a need for EPs to sharpen their focus to provide more added value. Faced with few in-house resources and substantial - growing for the EU- portfolios, EPs must display greater selectivity, probably entailing fewer sectors of active engagements. Where active, they should formulate, on the basis of in-depth assessments of local dynamics, detailed responses for the sectors where there is demand for EPs' support and shared vision. This would allow a better utilisation of scarce human resources, and in turn boost capacity for policy and operational dialogue with partners. EPs should also consider staying engaged in the sectors where they have gained robust contextualised understanding of the sector specificities.

In delivering aid, explicitly consider possible compromises when using development cooperation to leverage non-development objectives (R3). With a growing market, the bilateral commercial interests are increasing and EPs have legitimate commercial and security interests to promote. However, with more than 40 million extremely poor Bangladeshis, there is still an unfinished agenda of eradicating poverty. In this context, development assistance should focus squarely on reducing poverty as effectively and efficiently as possible, as the EU is clearly doing, arguably because it is better insulated from bilateral day-to-day political pressures. Using development cooperation as a means to promote non-development objectives can compromise aid effectiveness, as evidence from both Bangladesh and elsewhere has shown. Denmark and Sweden should thus ideally base their development engagements on an analysis of how to maximise development outcomes and not on the degree to which it will benefit commercial interests, as they have done hitherto. If, in the future, this is not politically feasible, they should be more explicit on the potential loss of effectiveness of development cooperation, allowing for mitigation efforts.

Reinvigorate pragmatic coordination efforts for promoting joint approaches (R4). Division of labour has remained limited, due to patchy government engagement in coordinating donors and limited DPs' willingness to coordinate in an increasingly competitive aid and commercial landscape. However, there are specific areas and sectors where there is scope for more coordination. In particular, the EU joint programming process holds promise that should be further exploited. It is also advised to concentrate coordination efforts in the sectors where the government or DPs are willing to take a more proactive role.

Select the aid modalities that provide the opportunities both for learning and increased harmonisation and alignment, while also reflecting the demand from counterparts (R5). The choice of aid modalities should result from a joint discussion with the partner on the basis of a detailed review of the potential comparative advantages offered by the various aid modalities. It should enable development partners to strengthen harmonisation and move towards better alignment with country systems along the progress in PFM achieved by the country. Joint results matrices and joint disbursement mechanisms should be favoured in joint programmes. TA should be more coordinated, harmonised, demand-driven, and of better quality to strengthen long-term capacity development.

Budget support should be used highly selectively considering the substantial fiduciary risks (R6). At EU level, only the EU is presently considering further budget support while EU MS continue to be reluctant to provide budget support. In a context of high fiduciary risks, the EU should use budget support selectively after a careful examination of the context, and in particular of the willingness of the government to move forward with the public financial management agenda. Budget support should preferably be considered in joint programmes where leverage would be higher. In the support to education, if the

treasury model is maintained in the next phase of PEDP (after 2017), sector budget support should be used, but due care should be made not to link the PFM conditionality to the performance of any donor-funded project supporting PFM. The assessment should take account of sector realities (safeguards) and of the joint technical opinion of participating DPs.

Broaden the education focus and policy dialogue to encompass the whole sector's dynamics (R7). EPs should take the lead in adopting a genuine sector approach that would pay attention to the relationship between sub-sectors. EPs (with other DPs) should on that basis design instruments to respond to its challenges. In the process, EPs should also promote a more trust-based approach towards government's ability to deliver services, striking a better balance between the requirements for transparency and accountability, disbursement imperatives and the objective of long-term system development. This latter part is also valid for the other sectors.

Integrate socio-economic analyses and monitoring in private sector support, not least when partnering directly with the private sector (R8). The private sector obviously has its own incentives, with profit maximising typically trumping others; this should be factored into the design and implementation phases to avoid compromising other concerns (e.g. workers' rights/safety, environmental protection) and to ensure inclusive growth that generates employment. In some cases, this has indeed been done, but not consistently.

Defend the rights of vulnerable and exposed groups by more forcefully combining development interventions and political action (9). Given the government's extensive interference in this area, political action is necessary to cover the full range of human rights concerns. EPs should ensure adequate capacity of their in-country staff to engage in evidence-based assessments of the local human rights situation, and in particular of its impact on vulnerable or exposed groups. On this basis,

EPs should encourage alliancebuilding between the government and civil society organisations on improved human rights protection for vulnerable and exposed groups.

Accelerate efforts aimed at mainstreaming climate change and disaster preparedness approaches, emphasising the need for long-term perspectives (R10). A key learning from previous engagements is that progress and capacities are likely to be developed incrementally, through a process of learning by doing, especially when promoting new concepts and approaches (as detailed in R1). For more transformative and sustainable mainstreaming outcomes to emerge, long-term perspectives and focus on having domestic organisations driving the progress will be key. EPs should encourage the use of the Ministry of Finance for fund management and overall coordination (under the overall guidance of the Inter-ministerial Climate Change Committee), while simultaneously strengthening the Ministry of Environment & Forest and Ministry of Disaster Management & Relief's capacities for providing technical inputs.

EPs should strengthen internal staff capacity on gender issues and ensure systematic gender mainstreaming in all interventions (R11). EPs have not invested adequately in internal staff capacity on gender equality and women's empowerment. This resulted in EPs' project design and implementation often being gender-blind, with limited focus on changing the systemic causes of gender inequality. As a starting point, the EU Delegation and Member States should implement the recommendations of the 2014 Gender Country Profile concerning the need to set-up a knowledge hub. EPs should invest in strengthening staff capacity so that they can adequately meet their mandates on gender mainstreaming.