

Our Strategy in Support of the Bangladesh PRSP

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Why a Joint Strategy?

- Ø PRSP provides opportunity for partnership.
- Ø Benefits for Bangladesh – Common approach reduces transaction costs and enhances coherence of engagement.
- Ø Shared analysis, gaining from relative strengths of each other and covering wider areas.
- Ø Minimise duplication and increase sector coordination.
- Ø Synergies from combining the different instruments of the partners.



Agreed Partnership Principles

- ∅ We will work in partnership, resolving differences openly and constructively.
- ∅ We will communicate and maintain agreed common messages to Government and others
- ∅ We will represent each others' interests to the Government and other development partners.
- ∅ We commit to coordinating and harmonizing our activities in support of agreed outcomes.
- ∅ We are committed to strengthen Government capacity to lead and implement its development agenda.
- ∅ We commit to base our dialogue and programs on Bangladesh's development agenda.
- ∅ We commit to a participatory approach.
- ∅ We will be realistic in our expectations, patient, and will take a long-term perspective.
- ∅ **Above all, we will ensure that everything we do is in the long term interests of Bangladesh's poor.**



Country Context--achievements

- Ø Impressive achievements in economic and social development.
- Ø Steady economic growth, low inflation, stable domestic debt, interest and exchange rate.
- Ø Per capita GDP in the 1990s rose three times faster than 1980s.
- Ø Poverty reduced by 9 percentage points in the 1990s.
- Ø Gender parity in primary education, lower fertility rate, near universal primary school enrollment...

The result: A good start towards several MDGs



...Despite Poor And Deteriorating Governance

- Ø Of the 209 countries Bangladesh ranks in the bottom quartile on almost all governance indicators measured by the WB, i.e. 75 % of the countries rate better than Bangladesh*.
- Ø Bangladesh's governance ratings appear to have worsened in the last decade

∨ Indicators include: Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption



Explaining These Achievements

- Ø Macro-stability and opening of the economy.
- Ø Private sector development.
- Ø Remittances.
- Ø Development of the rural economy and rural infrastructure.
- Ø Better disaster management.
- Ø Sustained public spending on health and education.
- Ø Capable network of NGOs and microfinance.



Success Offset By Governance Failures

- ∅ Confrontational politics.
- ∅ Inadequate revenue collection and administration.
- ∅ Failure to reform energy and transport, particularly power and ports.
- ∅ Declining civil service capacity.
- ∅ Inadequate system of justice.
- ∅ Poor law and order.
- ∅ Systemic corruption.



Ongoing Challenges

- Ø Significant progress is needed to achieve several MDGs
- Ø Absolute number of people living in poverty has not changed: 63 million people still below poverty line, 2 out of 3 in extreme poverty.
- Ø Increasing inequality
- Ø Poor households can not afford to buy sufficient food.
- Ø Child malnutrition among the highest in the world.
- Ø Maternal mortality one of the highest outside sub-Saharan Africa.
- Ø Literacy still below the regional averages.
- Ø Fifth highest TB deaths in the world.
- Ø Significant gender disparity in many aspects of income and human poverty, especially child mortality, malnutrition.
- Ø Only 32% of the population has access to electricity.
- Ø Fewer fixed lines and cellular telephony than many low income countries
- Ø Poor quality of urban services and weak local governance



To Achieve Higher Growth and MDGs

- Ø Significant increases in investment levels and productivity of land, labor and capital will be needed.
- Ø Reform tariff structure and further open the economy to foreign trade.
- Ø Diversify the economy, in both manufacturing and agriculture.
- Ø Improve the investment climate (infrastructure, regulatory burden, corruption, access to finance, law and order) to promote domestic and foreign investment.
- Ø Create more accountable and responsive service delivery to sustain and accelerate gains in human development, especially for the poor.
- Ø Reverse the decline in civil service capacity by improving accountability and reducing corruption.
- Ø Address other dimensions of governance that undermine development progress.



Joint Strategy Approach

- Ø Strategy aligned with the PRSP vision and built on the policy triangle of growth, human development and governance.
- Ø Strategy will be built on:
 - § Improving the Investment Climate for private sector led growth and employment.
 - § Empowering the Poor to advance the social development agenda so that all benefit from growth.
 - § Governance at center-stage as a cross-cutting constraint/enabler.



Pillar 1: Improving the Investment Climate

- Ø Reforms to maintain macro-stability and further open the economy.
- Ø Reduction in administrative barriers.
- Ø Addressing policy and investment logjams in infrastructure.
- Ø Improve access to banking and financial services.
- Ø Increase rural productivity, incl. water resource management.
- Ø Better urban planning and management.



Pillar 2: Empowering the Poor

- § Strengthen service delivery for poor and vulnerable, especially women.
- § Support local governance capacity-building.
- § Enhance access to infrastructure for the poor, --water, sanitation, power, rural roads.
- § Encourage participation of local communities in design, implementation and monitoring of development programs.
- § Improve human security.



Governance at Center Stage

- Ø **Improved implementation capacity** by strengthening public expenditure and financial management, procurement, revenue administration (NBR), civil service.
- Ø **“Tackling corruption”** --support for key oversight institutions: Bangladesh Bank, Controller & Auditor General, Public Service Commission, Cabinet Purchase Committee, Regulatory Commissions, ACC, SEC.
- Ø **Legal and Judicial reform** -- access to justice; case management; reforms in the commercial, civil and criminal justice systems, police reform.
- Ø **Local governance** capacity building – enhance local decision making.
- Ø **Strengthen voice and transparency**, e.g.. media freedom, right to information, inclusion, especially minorities. Enhance transparency of budget and spending.
- Ø **Sector reforms** to improve performance and reduce opportunities for corruption.
- Ø **Address corruption risk in our own programs**



What Will We Do Differently?

- Ø Pay more attention to the political economy of reform.
- Ø Constructive engagement on governance to assist country led efforts.
- Ø Be more programmatic.
- Ø Greater focus on community (beneficiary-driven) accountability mechanisms in our programs.
- Ø Results focus and joint monitoring of outcomes, building on country systems.
- Ø A different approach to conditionality –based on agreed PRSP benchmarks.



We welcome your feedback on these and other points

- § Are we on the right track? (relevance, responsiveness, results)
- § Are we realistic on what can be achieved in the timeframe (2006-2009)?
- § What are the main risks to the strategy?



Definitions of Governance Indicators

- Ø Voice and Accountability – measuring political, civil and human rights
- Ø Political stability – measuring the likelihood of violent threats to, or changes to the government, including terrorism
- Ø Government effectiveness – measuring the competence of the bureaucracy and the quality of the public service
- Ø Regulatory quality – measuring the incidence of market unfriendly policies
- Ø Rule of law – measuring the quality of contract enforcement, the police and the courts, as well as the likelihood of crime and violence
- Ø Control of corruption – measuring the exercise of public power for private gains, including both petty and grand corruption and state capture.

