

Republic of Bangladesh

Country Programme Evaluation

Executive Summary

1. This is the third Country Programme Evaluation (CPE) for Bangladesh conducted by the Independent Office of Evaluation of the International Fund for Agricultural Development (IFAD). The two previous ones were conducted in 1994 and 2006. This CPE covers IFAD activities in Bangladesh over a ten-year period, between 2004 and 2014. The CPE assessed the country strategic opportunities programmes (COSOPs) of 1999, 2006 and 2012, and ten projects, five of which had closed and five which were ongoing.
2. Since 1979, IFAD has financed 31 projects in Bangladesh for a total project cost of US\$1.9 billion of which IFAD loans amounted to US\$717.2 million, which positions Bangladesh among the top three recipients of IFAD funding in the Asia and the Pacific region and also globally. Cofinancing by other development partners accounted for US\$818.55 million, while counterpart contribution from the Government and beneficiaries amounted to US\$394.05 million. The country also benefited from activities financed by several country grants supporting research, knowledge management and other initiatives for a total of US\$3.9 million. Bangladesh was also covered by several global and regional grants supporting capacity-building and knowledge sharing. The following cofinancers have participated in IFAD-financed projects in Bangladesh: World Bank, Asian Development Bank, Government of the Netherlands, Government of Spain, German Credit Institution for Reconstruction (KfW), Norwegian Agency for Development Co-operation (NORAD), Danish International Development Agency (DANIDA) and United States Agency for International Development.
3. The IFAD Bangladesh Country Office was formally set up in Dhaka in 2011. It is staffed by a country programme officer (CPO) and a knowledge management consultant.
4. Bangladesh has made considerable progress over the last two decades. Economic growth has been robust, averaging slightly above 6 per cent per annum. In terms of social development, the country is expected to reach its Millennium Development Goal of halving extreme poverty by 2015. The agriculture sector grew at around 4 per cent per annum from 2006-2013, even though its share in gross domestic product declined from 30 per cent in 1990 to 17 per cent in 2013. It plays a key role in food security, employment (nearly half of the total workforce) and livelihoods.
5. Substantial poverty still exists. The percentage of the population living below the national poverty line was 31.5 per cent in 2010. In rural areas it was 35.2 per cent. Poverty is highest among small farm households, landless workers, women and disadvantaged populations (minorities, ethnic groups, disabled and elderly).
6. The Government's recent "National Agriculture Policy 2013" focuses on agriculture production, poverty alleviation through job generation, and food security. Government programmes for rural poverty reduction cover a wide range, including direct impact programmes with immediate income, nutrition and employment support. These complement the longer-term indirect impact programmes which are more strategic and work through sustainable growth, protection of resource base, and development of infrastructure and institutions.

Findings on the portfolio of projects

7. **Relevance.** Overall, the relevance of the portfolio was satisfactory. Project objectives are relevant to the Government's development strategies, IFAD's general strategic focus and the needs of the poor rural people. The six interventions

approved under the 2006-2011 COSOP were consistent with the national priorities for the agriculture sector and IFAD's strategic priority for rural poverty reduction.

8. The relevance of the agriculture component in the portfolio has contributed significantly towards achieving the agreed programme objectives of improving the livelihoods of the targeted beneficiaries and reducing rural poverty. Support for micro, small and medium-sized enterprises (MSMEs) has also been relevant to the strategic thrusts of both the Government and IFAD, and the focus on microfinance as an addition of technical support services has been valid. The shift towards value chain development is relevant but needs clearer articulation in the project designs. More attention is required to ensure that the poor can take advantage of value chain opportunities. There have been gaps in preparing adequate strategies for improving business and marketing skills and for supporting an enabling environment for MSMEs.
9. Overall, the focus on rural credit is still relevant in terms of the strategic context of the country and the needs of the rural poor. The support for the Palli Karma-Sahayak Foundation and its partners has been relevant in supporting the evolving credit market and aligning to the needs of the ultra-poor and the moderate poor. The rural finance mechanisms used across the portfolio in projects that do not have an explicit focus on rural credit but which rely on the availability of rural credit for uptake of technology have not been fully relevant. Some design assumptions did not materialize and as a consequence, some strategies were not relevant in the context of the programme (including the too optimistic assumptions of wide availability of credit). There is still a credit gap that is not yet being adequately filled or acknowledged within programme design and improvements are required.¹
10. The attention of project investments to some of the most fragile environmental areas in Bangladesh has been critical. Incorporating environmental protection measures with poverty reduction activities has been considered in the designs and is strengthening. More could have been done to explicitly integrate environmental planning in each project design.
11. IFAD projects in Bangladesh during the period under review are very much consistent with the rural development strategy of Bangladesh as well as with the past COSOPs and involve a high degree of community participation.
12. Much-needed infrastructure was built in remote and inaccessible areas inhabited by the poorest in the country, such as the haors² and chars (river islands formed from sedimentation) areas in newly accreted land. Project activities in all categories of rural infrastructure, such as roads, markets, sanitation and area-specific infrastructure, were found to be very relevant both from the point of view of selection of both categories and sites.
13. **Effectiveness.** Portfolio effectiveness is satisfactory, with most projects achieving - and in some cases surpassing - targets. IFAD investments across the portfolio contributed to increasing agriculture productivity and production (crops, livestock, fisheries), mainly by increasing access by smallholder farmers to agricultural technologies and other ancillary services.
14. Access to markets has been enhanced by construction of roads and market facilities, and landing platforms for boats. Most targets have been met despite procurement delays in some projects. Infrastructure constructed was found functional and provided expected services.
15. The infrastructure built has brought positive changes to the overall development of the areas supported. During project visits by the CPE team, optimum benefits of

¹ The most recent project (PACE), approved in September 2014, has a specific provision to pilot new loan products to acknowledge the need for more tailored financial services to reach all of the rural poor.

² The Haor Basin in the north eastern part of Bangladesh is a wetlands ecosystem. It covers parts of the Sunamganj, Moulvibazar and Habiganj districts, and stretches as far as the Kishoreganj and Netrokona districts of Bangladesh.

infrastructure investments were seen in areas where, in addition, coordinated support for establishment of cohesive and active producer groups, training, enterprise development support and access to rural finance were being provided simultaneously.

16. Overall, provision of support for MSMEs has been effective across all projects, leading to increased productivity and profitability. MSME growth has been more broadly and sustainably achieved where an integrated approach has combined support for harnessing productive resources, improved production processes, increased market orientation of production, and access to finance.
17. IFAD's portfolio has substantially contributed to the expansion of the microfinance sector across Bangladesh. Through the projects, credit support has reached approximately 600,000 poor farmers and micro entrepreneurs who may not have otherwise been able to access credit funds for the growth of their income-generating activities. The majority of the borrowers are women.
18. Group-based community development in projects has generally been innovative and very effective. The community organizations supported by IFAD have been mainstreamed in the portfolio as an instrument of mobilization and outreach. The Sunamganj Community-Based Resource Management Project (SCBRMP) in particular made an important contribution by introducing wide-scale community-based fisheries management through the creation of Beel User Groups, and securing fishing rights for 242 fishing grounds/beels. In rural infrastructure development, the Labour Contracting Societies, formed with extremely and moderately poor households, have been involved in several projects.
19. **Efficiency.** Portfolio efficiency was assessed as satisfactory. Overall, the programme has made good use of resources, projects have disbursed almost all funds allocated within the assigned time period, and the fund flow to the projects has been smooth. One exception, the National Agricultural Technology Project, was extended for 21 months (from September 2013 to June 2015), due to a delay in the start-up phase.
20. Cost per beneficiary ranges widely across the projects, from US\$73 in the Microfinance and Technical Support Project to US\$3,186 in the Char Development and Settlement Project IV. The variation is influenced by implementation conditions of individual projects or programmes. The average cost stands at US\$819 per beneficiary household, or US\$163 per individual beneficiary.
21. The cost estimates for infrastructure works were prepared according to the official schedule of rates of implementing agencies (Local Government Engineering Department, Bangladesh Water Development Board, etc.) In general, the tendered value of contracts has been close to the official estimated cost, with a 10 per cent possible variance according to the season and competitiveness.
22. With the exception of large package contracts for roads and large structures, many small contracts were offered to Labour Contracting Societies formed by the local community. In this way the under-privileged community members were able to obtain employment, share the profit from the contract, and benefit from the infrastructure itself. This is an efficient way of implementing activities and empowering poor people in the community. However, the percentage of work carried out by the Societies is still very low, and the quality and efficiency of their work also depends on the level and quality of supervision of the supervising staff of the Local Government Engineering Department.
23. The objectives related to microfinance have been achieved efficiently, with low management overheads and a relatively low cost per borrower, with some exceptions. The high cost-efficiency is largely due to capitalizing on the experiences and resources of the Palli Karma-Sahayak Foundation and its partner organizations

with their extensive rural and urban linkages, organizational networks and infrastructure.

24. **Impact.** Overall, impact was satisfactory, with the portfolio having a positive impact on rural poverty alleviation, in particular with respect to increases in rural household income and assets in project areas, as well as improvements in productivity. These improvements were partially the result of the combination of microcredit/seasonal agricultural credit, adoption of improved production and management techniques, marketing support linking with the supply/value chain, and infrastructure development.
25. Alongside income and productivity increases, the portfolio is contributing to building/strengthening social capital and empowering the target groups, especially women. Beel User Groups deserve attention as a successful example of a well performing informal institution supported by the programme. The introduction of new production technologies/practices by the projects has significantly increased food availability and thereby increased household food security and reduced malnutrition.
26. On the other hand, the portfolio's impact on natural resources and climate change has been moderate, given that environmental improvements can be comprised by the deterioration associated with more intensive agriculture. Training on increasing production needs to be combined with sound environmental agricultural practices to ensure that there is no net loss of environmental benefit. Finally, impact on institutions and policy has also been moderate, due to the modest gains achieved and the impact still being tentative and not fully secured in a number of instances.
27. **Sustainability.** Sustainability has been assessed as moderately satisfactory. At project level, the programme incorporates a number of important instruments to strengthen prospects for sustainability, including exit strategies, mainstreaming into operations of successful institutions, and scaling up in other projects. Key additional factors which re-enforce sustainability include: continuous ownership of various initiatives by the Government of Bangladesh and other stakeholders; and strong political support at various levels, including local Members of Parliament, ministries, line departments and local administrations. Notwithstanding strong sustainability mechanisms in the projects and a good level of government ownership, overall sustainability prospects in the various areas supported is mixed.
28. Maintenance of infrastructure from previous projects – which is dependent on Government revenue for regular maintenance – is always properly attended to, thus putting its sustainability at risk. Limited Government revenue budget for operations and maintenance is a major constraint to infrastructure sustainability.
29. Ensuring sustainability and better leveraging the strengths of community organizations also need follow-up and careful consideration. For example, the effective functioning of the Beel User Groups beyond the project cycle is not guaranteed. The organizations supported by the programme need stronger linkages with the local government and development administration machineries. Larger inclusion of rural youth in the projects would also help to ensure the sustainability of the good results obtained by the programme.
30. Micro-enterprises supported are likely to be sustained as business experience is developed and income generated is re-invested in achieving further growth. On the other hand, there are risks to sustainability for larger-scale activities. While the focus of the portfolio has turned to commercial agriculture, supply chain development and value chain development, there has been insufficient analysis of market capacity, competition, market share and price sensitivities. In addition, institutional support is not strong for MSMEs.
31. **Innovation and scaling up.** The portfolio contribution to innovation has been satisfactory. There has been a strong focus on innovation in IFAD-supported

programmes in Bangladesh, with particular attention given in several areas, including agricultural technologies, microfinance, community-based resource management, value chain pilots, and infrastructure. In terms of scaling up, there has been a deliberate pursuit and many examples in the programme, with the latest two COSOPs recognizing the importance of adopting and scaling up successful innovations, marking it as a strategic priority. Taken as a whole, the pursuit of innovation within the programme has been consistent and carefully implemented through pilots and trials. In general, the lessons learned have been built into subsequent projects and scaled up. More recently, the larger scale of innovation has generated more risks that need to be carefully considered, but overall, 'innovation and scaling up' is rated as satisfactory.

32. Finally, the portfolio has contributed at a satisfactory level to the promotion of gender equality and women's empowerment, which have been central issues in IFAD's programme and strategy in Bangladesh. Gender considerations have been broadly mainstreamed into all operations supported by IFAD, and women are the main target of most IFAD projects in the country. Advances in several areas – economic empowerment, increased mobility, awareness of women's rights, increased participation in decision-making – have significantly contributed to gender equality and women's empowerment in Bangladesh.
33. Several projects (particularly the most recent ones) include at appraisal a Gender Action Plans and Gender-Inclusive Strategies which provide guidelines for including a gender focus in project activities and ensuring women's participation in the community-based groups. Projects also provided women with microcredit together with technical and social training, such as the Microfinance for Marginal and Small Farmers Project, Microfinance and Technical Support Project (MFTSP), and the Finance for Enterprise Development and Employment Creation Project (FEDEC), which helped expand the role of women inside and outside the home in Microfinance and Technical Support Project (MFTSP) 95 per cent of group members were women).

Non-lending activities

34. **Knowledge management.** Under the current COSOP period, IFAD initiated several steps to enhance knowledge management in Bangladesh, including creating a regular newsletter, establishing a knowledge management network of focal points, and using regional grants, such as the Learning Routes, to develop case studies.
35. There is little awareness of IFAD's rich country, regional and global knowledge among the project professionals and other development professionals whom the CPE team interacted with during the mission. The intrinsic (and undocumented) knowledge of the processes and lessons learned through project implementation are not systematically captured or widely shared to enhance knowledge within the country and the organization. The CPE considers that knowledge management is still one weak link in the Bangladesh country programme. Although there have been some concrete developments, the capacity of the country office and project management units to document and disseminate implementation experience and lessons is still not sufficient.
36. **Partnerships.** IFAD's relationship with the Government has been excellent at the operating level with institutions and key counterpart departments. On the other hand, although the partnership with Government at large has been responsive and supportive, it somehow failed to harness a secured constituency within any substantive line ministry/ies. The partnership requires a strategic shift, going beyond the implementing partners and to line ministries and other stakeholders in the policy arena.
37. As a member of United Nations Country Team, IFAD participates in United Nations Development Assistance Framework (UNDAF) formulation and implementation

process. However, it seems to be not an active player in any of the UNDAF programme pillars. Judged by the volume of cofinancing that IFAD-supported projects raised in Bangladesh in more recent years (since 2007), IFAD is doing well in terms of collaborating with other donors. IFAD country office needs to be strengthened further to increase IFAD's visibility.

38. **Policy dialogue.** The three country strategies guiding the programme identified a range of relevant policy issues to work on with the Government and development partners, such as laws and regulations regarding securing access to water bodies by fisher communities, and improving the regulatory environment for microfinance institutions to provide sustainable services to rural people. However, the focus of the Government-IFAD relationship remains largely operational, with limited resonance at the policy level. The policy dialogue carried out at the project and department level has drawn the attention of policymakers in the ministries to the needs of poor people in the char areas or the fisher communities in haor areas. Project operations and experience added their weight and voice to those lobbying the higher levels in the Government for the rights of the beel fishermen and landless people.
39. IFAD participates in two Local Consultative Group working groups –Agriculture and Water Management – which are fora for development partners and the Government. In addition, documentation of cases and good practices has been strengthened to facilitate evidence-based policy dialogue.
40. Although the policy issues identified in the country strategy are highly relevant to pursue national level advocacy and dialogue, progress in terms of initiating and moving forward the policy agenda seems to have been minimal. There was no definitive follow-up mechanism, plan or resources allocated for this purpose.
41. The appointment of a full-time CPO in the country has already made an improvement. The preparation process of the next Five Year Plan was an opportunity to engage in a dialogue for including some of the issues that emerged from IFAD-supported projects. Due to lack of access to substantive resources, IFAD's contribution in this respect was minimal compared to other United Nations agencies.
42. **Grants.** Bangladesh has benefited from a considerable amount of grant resources, in the form of both country grants and participation in activities financed by regional grants. Grant recipients were mainly international research centres such as the International Rice Research Institute and the WorldFish Center.
43. In most cases, the country grants provided were directly linked to the portfolio (e.g. the "Small Fish for Nutrition" grant implemented under SCBRMP and pursued innovative activities. Grants have contributed to a number of objectives in Bangladesh, such as research and development, and knowledge management, including promotion of information communication technologies for development. However, there are missed the opportunities in the utilization of findings

Strategic (COSOP) performance

44. At the strategic level, COSOP relevance has been assessed as satisfactory. Portfolios under all three COSOPs demonstrated strong relevance to national poverty alleviation strategies and were consistent with IFAD's mandate. The projects maintained full alignment with the strategic objectives of the Government's Sixth and Fifth Five Year Plans. The COSOPs also demonstrated excellent responsiveness to changing environments, with the emerging need for attention to environmentally sustainable and climate-resilient development being mainstreamed in the 2012 COSOP.
45. IFAD's strategic position during the period under review focused initially on targeting the poorest in rural areas, including marginal smallholder farmers and women. It evolved into supporting marketing and commercialization for smallholder

farmers and small entrepreneurs. More recently, stronger emphasis is being placed on mitigating adverse impact of climate change. Gender has been central to all three COSOPs as a cross-cutting issue.

46. Over the three CPE periods, the programme had a fairly even geographical spread, with the exception of three area-based programmes covering the isolated and depressed area in the north (haors), the coastal areas of the south, and the newly accreted char areas in the south and south-east. The microfinance projects – Finance for Enterprise Development and Employment Creation Project; Promoting Agricultural Commercialization and Enterprise; National Agricultural Technology Project; and Participatory Small-scale Water Resources Sector Project – have national coverage. The area development programmes were well justified based on the criteria of exclusion, remoteness and poverty.
47. The programme focused mainly on rural infrastructure and strengthening access to microfinance. The largest share of the portfolio supported by IFAD in Bangladesh over the last ten years has been concentrated in rural infrastructure components (51 per cent of all funds approved).
48. The mix of instruments was limited to largely lending activities, whereas non-lending activities played a supporting role. Synergies between lending and non-lending activities have been limited.
49. Overall, the programme has been effective in achieving the strategic objectives stated in COSOP 2006. Substantial progress was achieved in supporting improvement of agricultural productivity through technological innovations, and development of microenterprise. Implementation is on track in contributing towards achievement of strategic objectives set in COSOP 2012. On the other hand, as noted in the analysis, achievements in all three components of non-lending i.e. policy dialogue, broad-based partnership-building and knowledge management, fell short of COSOP expectations. COSOP effectiveness is rated moderately satisfactory.
50. Overall COSOP performance is rated at satisfactory. Considering the Bangladesh context, greater attention is attributed by the CPE to the investment portfolio – which is satisfactory and a major driver of COSOP effectiveness – as compared to the non-lending activities.

Evaluation of the IFAD-Government partnership

	<i>Rating*</i>
Performance of the portfolio	5
Non-lending activities	4
COSOP performance	5
Overall IFAD/Government partnership	5

^a Rating scale: 1 = highly unsatisfactory; 2 = unsatisfactory; 3 = moderately unsatisfactory; 4 = moderately satisfactory; 5 = satisfactory; 6 = highly satisfactory.

Conclusions

51. The period under review is marked by a responsive and productive partnership between the Government and IFAD, continuing a long-standing and fruitful relationship that started more than 30 years ago. The CPE considers that the IFAD-supported programme during the CPE period produced significant results in rural poverty reduction and brought substantial value to the country. The programme made important contributions in a number of areas, such as microfinance, rural infrastructure and enterprise development. It promoted some successful innovations and generated results and lessons which serve as excellent candidates

for scaling up and mainstreaming in the country. Some successful lessons are already being scaled up by IFAD and others.

52. Notwithstanding the significant achievements noted above, there are still many issues on long-term sustainability and further scaling-up of results that require policy-level dialogue, strategic initiatives and decisive action for carrying the successes forward and sustaining benefits for future generations. IFAD's remarkable project (micro) level successes require a stronger policy level (macro) uptake to reap the full potential of benefits. In this regard, a number of constraints need to be addressed, including lack of broad-based institutional partnership with the Government, poor knowledge and visibility of IFAD in the country, and limited country presence.
53. Areas of priority attention and future investment in programmes should include: agriculture, rural credit, environmental management and climate change. IFAD's relatively limited role and level of involvement in the agriculture sector need to be reassessed in Bangladesh, as the role of agriculture remains critical in reducing rural poverty, and in ensuring food security in the country. Pockets of unmet need in rural credit still exist, and there is need for diversification of policy support for emerging entrepreneurs.

Recommendations

54. **Recommendation 1: Create a stronger focus on agriculture.** In future COSOPs, IFAD should consider a more clear-cut focus on agriculture (including fisheries and livestock) and related issues. To support the Government objective of achieving a far-reaching reduction in rural poverty, IFAD should focus on important aspects of agriculture, e.g. strengthening investment in extension and research, supply chain development, intensification, diversification, livestock, and particularly inland fisheries, which is a major and growing export commodity.
55. **Recommendation 2: Maintain access to credit as a priority.** Despite significant advancement over the last two decades, there are still gaps in the microfinance sector that IFAD is well-placed to support, given its knowledge and resources. The unevenness of microcredit market saturation and the remaining risks, gaps and opportunities within the sector are imperatives for further IFAD involvement. If new projects are designed to link with the existing portfolio with export-led value chains, more specific mechanisms and further capacity development of the functionaries as well as specialized credit products and services are required, such as in debt management, technology, and business and marketing capacity development. This may require new partners to be identified.
56. **Recommendation 3: Make environmental protection a priority, given the emerging challenges.** In addition to maintaining its current effort in climate change adaptation, the future programme will need to carefully balance two competing priorities of environmental protection and poverty reduction in the context of increasing agricultural intensity and population pressure. The programme will need to carefully assess the potentials and risks and track the extent to which the short term gains are being achieved for the communities at the cost of longer-term resource depletion. All Project Implementation Plans should include environmental assessment processes and put in place activities to ensure that environmental objectives are achieved and risks are mitigated.
57. **Recommendation 4: Broaden policy and institutional support for the programme.** To push for more lasting and longer-term reform in policies and legislation, IFAD needs to engage more proactively with the ministries at the central level (e.g ministries of Agriculture, Fisheries and Livestock, Food, Water Resources, Land) in order to leverage their expertise and experience and to focus on the important areas of intervention. These ministries also play an important role in national policy formulation, legislation and coordination, as well as in designing

and financing national programmes. A broad-based partnership with ministries would enable IFAD to be a partner in shaping wider national policy processes.

58. **Recommendation 5: Invest further in knowledge management.** The country office and the Asia and the Pacific Division should develop a clear and thorough knowledge management strategy along with a plan for generating specific knowledge products, sponsoring knowledge sharing events, and developing a platform for periodic facilitated discussions on emerging agriculture and rural development issues among project professionals, research organizations and academia. Experience of other United Nations agencies in Bangladesh could be tapped or partnerships secured in developing such a strategy. Such an effort could be introduced in a phased way with due allocation of time, resources and accountability from headquarters and the CPO.
59. **Recommendation 6: Enhance IFAD's presence and capacity in the country, including outposting the Bangladesh Country Programme Manager (CPM).** The recent appointment of the CPO is a welcome step in strengthening IFAD's in-country presence and role. But considering the size of the Bangladesh programme (the third largest IFAD programme) and the volume of in-country interactions between and among the development partners and the government, there is a need to further strengthen IFAD's in-country profile. In particular, the CPE recommends that the Bangladesh CPM be outposted from Rome to Dhaka as soon as possible. All of the high-level public officials and other development partners met during the CPE expressed the same view. More effective participation and achievement of deeper results in policy dialogue and partnership-building require a different configuration of IFAD's representation, at an equivalent level with other multilateral banks or United Nations agencies. A strengthened country office with an outposted CPM would improve opportunities for policy dialogue, enhance project supervision and implementation support, strengthen cooperation and harmonization with other donors, and further facilitate follow-up on supervision, mid-term review decisions and CPE recommendations.