

***Bangladesh* -European Community**
Country Strategy Paper
for the period 2007-2013

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Abbreviations

ASEM	The Asia-Europe Meeting
ADB	Asian Development Bank
ADR	Alternative Dispute Resolution
BEC	Bangladesh Election Commission
BIMSTC-EC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BNP	Bangladesh Nationalist Party
BPSDSP	Bangladesh Private Sector Development Support Programme
CAS	Country Assistance Strategy
CCA	Common Country Assessment
CEC	Chief Election Commissioner
CHT	Chittagong Hill Tracts
CSP	Country Strategy Paper
CIDA	Canadian International Development Agency
DANIDA	Danish International Development Agency
DFID	Department for International Development, UK
EC	European Commission
ECHO	European Commission Humanitarian Aid Office
EIDHR	European Initiative for Democracy and Human Rights
EPI	Expanded Programme for Immunisation
EPZ	Export Processing Zones
EU	European Union
FDI	Foreign Direct Investment
GoB	Government of Bangladesh
GSP	Generalised System of Preferences
HNPSP	Health, Nutrition and Population Sector Programme
ICT	Information and Communication Technology
IFI	International Financial Institutions
IPR	Intellectual Property Rights
ITC	International Trade Centre
IFPRI	International Food Policy Research Institute
JICA	Japan International Co-operation Agency
MDGs	Millennium Development Goals
MFA	Multi Fibre Agreement
MoH&FW	Ministry of Health and Family Welfare
MoLGRD	Ministry of Local Government and Rural Development
MTEF	Medium-Term Expenditure Framework
NCB	Nationalised Commercial Bank
NFPE	Non-formal Primary Education
NIP	National Indicative Programme
NORAD	Norwegian Development Co-operation
PEDP	Primary Education Development Programme
PEFA	Public Expenditure and Financial Accountability
PIU	Project Implementation Unit
PMO	Prime Minister's Office
PRGF	Poverty Reduction Growth Facility
PRSP	Poverty Reduction Strategy Paper
RAB	Rapid Action Battalion
RMG	Ready Made Garments
SAARC	South Asian Association for Regional Cooperation

SDC	Swiss Development Cooperation
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprise
SOE	State Owned Enterprise
SWAP	Sector Wide Approach
TRTA	Trade Related Technical Assistance
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNHCR	United Nations High Commission for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
WHO	World Health Organisation
WTO	World Trade Organisation

1. EXECUTIVE SUMMARY

Relations between the European Commission and Bangladesh date back to 1973. The EC-Bangladesh Commercial Co-operation Agreement, signed in 1976 was replaced by a third generation co-operation agreement in March 2001. The agreement paved the way for co-operation on a broad range of areas including political dialogue, further developing the relationship. This Country Strategy covers the period 2007 to 2013. It is drafted against the backdrop of the following key challenges for Bangladesh:

- A continued struggle in addressing the structural problems of poverty and to achieve the MDGs by the target date of 2015.
- Good governance problems that affect the efficient and effective delivery of basic public services to the poor.
- Potential economic and social short falls following the ending of the WTO textiles quota system and the need to diversify the industrial base and to improve the enabling environment for business.

The EC's strategy is grounded in the GoB's own response strategy to these challenges contained in the Poverty Reduction Strategy Paper¹. At the same time, our strategy seeks to strike a balance between social and economic development commitments. While we seek to support economic growth and contribute towards the country's integration in the world market, it is increasingly patent that growth alone is not enough – this is a clear message, for example, from the 2005 UN Human Development Report - and we must also deal directly with the issues of exclusion and poverty with a clear focus on achieving the MDGs.

In order to increase the impact of our measures and to promote greater efficiency in the use of resources, the EC will concentrate the scope of its development commitments on three focal areas and two non-focal areas:

Focal areas

- Human and social development
- Good governance and human rights
- Economic and trade development

Non-focal areas:

- Environment and disaster management
- Food Security and nutrition

The EC strategy must be seen as part of a broad donor landscape where donors will contribute with diverse expertise and resources to a balanced aid package to Bangladesh. The EC's commitment to donor coordination in Bangladesh is reinforced by the March 2005 Paris Harmonisation Conference and the decision by the majority of the donor community in Bangladesh to develop their programmes in response to the Government's PRSP. The EC's strategy has therefore been designed and will be implemented in cooperation with the other main donors and in broad conformity with the Bangladesh Harmonization Action Plan which the Government and Donors are developing in the context of the PRSP. Gender, rural

¹ 'Unlocking the Potential: National Strategy for Accelerated Poverty Reduction'. November 2005.

development, food security, environment and good governance will continue to be consistently mainstreamed into all priority areas. In the focal areas the EC will clearly favour programmes in support of sector policies.

Under the Development Cooperation Instrument (DCI), an indicative allocation of € 403 million has been earmarked for Bangladesh for the period 2007-2013. These resources may be supplemented by projects and programmes financed under the regional programmes for Asia and under various thematic programmes.

2. AN ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

2.1. Political Situation

Bangladesh is a parliamentary democracy, with 300 directly elected MPs. Independence in 1971 was followed shortly by fifteen years of military rule, which eventually gave way to a peaceful transition to democracy in 1991. In October 2001 the Bangladesh National Party was voted into Government, in coalition with two Islamic parties (Jamaat-Islam, Islami Oikya Jote) and a faction of the Jatyia Party of former President Ershad. The next parliamentary elections are due in January 2007.

The political process is characterised by narrow ownership and is dominated by the **confrontation between the two main parties**, BNP and Awami League (AL), and mutual antagonism between their leaders, with frequent recourse to violence. As parliamentary procedures are interpreted by the Speaker in a partisan manner they leave little scope for effective participation by the opposition in the legislative process. Walkouts by the Opposition and national strikes (*hartals*) have been part of the political culture over years. Although the constitution makes allowance for elected **local government**, government has remained highly centralised. However, the PRSP rightly states that local governance will be a key strategy in improving pro-poor growth and the introduction of a modest block grant to the Union Parishads (the local councils which constitute the highest level of elected local government) in 2005 represents a meaningful gesture towards decentralisation. This should lead to demands for increased accountability at the local level.

Tensions in the political system have been aggravated by a series of bombings over the last three years, which included bombings of high level opposition leaders, mass bombings on August 17th 2005 and a series of suicide attacks on state institutions. These incidents have thrown the potential impact of growing Islamic extremism in Bangladesh and the need for measures to tackle both its immediate and underlying causes into sharp relief. The Government has shown its commitment to fighting terrorism by tracing down the master minds of these terror attacks in early 2006.

Good Governance and the Rule of Law

The administration of justice is compromised by efficiency constraints, which manifest themselves in weak management of court cases, poorly developed Alternative Dispute

Resolution (ADR) mechanisms and inadequate gender awareness. Penal reform has been piecemeal and slow, with antiquated colonial legislation still in place, inadequate victim support and little scope for the rehabilitation of young offenders. Up to 75% of those in prison are on remand. The police are under-resourced in terms of pay, manpower and forensic training.

Corruption and an inefficient, over-complex legal and regulatory system are now seen as a major impediment to investment and growth. Transparency International has successively rated Bangladesh at the bottom of its corruption perception index. The local business community regards corruption as the second most important impediment to growth, after poor electricity supply. Lack of confidence in the courts is the main concern of investors in Bangladesh. The 2005 WB Development Report² shows low scores for Bangladesh against all the main governance indicators with marked deterioration over the years 1998-2004 in ‘control of corruption’ and ‘regulatory burden.’³

Amid growing awareness of the need to address the fundamental problems of governance in order to take forward its development agenda, the GoB has begun to establish new institutions, notably the Anti-Corruption Commission (ACC). Legislation for a National Human Rights Commission is under consideration by a cabinet sub-committee and the GoB has committed itself to establishing an Ombudsman for Children. However, since its inception, the ACC has been subject to disputes over staff appointments, its budget and rules of procedure. Other institutions, such as the Parliamentary Ombudsman, have been established in law only. The GoB has yet to take action to separate the judiciary from the executive.

The easy availability of small arms in Bangladesh plays a role in hindering good governance, the maintenance of order and the rule of law. Not only is Bangladesh a transit route for smuggling small arms and light weapons; weapons are produced and used also within the country being very often connected to criminal activities and other forms of illicit trafficking.

Human Rights

Bangladesh has ratified twelve **UN human rights treaties** and four optional protocols and became member of the UN Human Rights Council in May 2006⁴. The Constitution provides for freedom of assembly, the right to join trade unions and the right to practice the religion of one’s choice. It also prohibits discrimination (against women, children, minority groups and persons with disabilities), the trafficking of persons, and forced or bonded labour. Despite some positive trends, legal practice reflects weak implementation.

The **police** have a tainted reputation for violence and corruption, while poor prison conditions have been blamed for deaths in custody. The Rapid Action Battalion (RAB), established in 2004, has been criticised for killing many suspected criminals in “cross-fire” during and after arrest. At the same time the government has been slow to crack down on the activities of militant Islamic groups and to investigate attacks against political opponents, civil and human rights activists and journalists. The **Ahmadiya community** has suffered violent harassment which has been facilitated through inadequate police protection. Tribal minorities in Bangladesh continue to be threatened, especially over land tenure, while the Government has

² ‘Governance Matters IV: New Data, New Challenges.’

³ The six dimensions of governance specified in the report are: voice and accountability, political instability and violence, government effectiveness, regulatory burden, rule of law, control of corruption.

⁴ See Annex 6 for full list.

suspended the processing of land claim settlements in the Chittagong Hill Tracts (CHT). The main features of the Chittagong Hill Tracts Peace Accord have yet to be implemented and a land commission has yet to be established. The **30,000 Rohingya refugees from Myanmar** remaining in the southeast live in dreadful conditions and are subject to intimidation and abuse.

Violence and discrimination against women remain serious problems. Wide-spread domestic violence includes dowry-related killings, acid-throwing, while the safe custody act adds further trauma to female victims of crime by detaining them in unsuitable locations, where they are at risk of abuse by the police. Trafficking in women and children for prostitution and forced labour continues to be a challenge for the Government with Bangladesh placed on a tier 2 watch list by the US Government as one of the two main source countries for the considerable trafficking activities in the South Asian region.

According to the **National Child Labour Survey** of 2003, nearly 3.2 million children between the ages of 5 and 14 were working, some of them in dangerous and harmful conditions. Outside the RMG sector, there is virtually no enforcement of child labour laws. The problem is compounded by the wide scale lack of birth registration and the different definitions of childhood in Bangladeshi law. Despite the obvious concerns raised by this scenario, there are some positive trends. A concerted effort to promote birth registration is now taking place with support from UNICEF⁵ and NGOs. Moreover, the high proportion of women in the RMG workforce and high rates of female primary school enrolment are leading to improvements in the status of women.

At the same time, despite a disturbingly high degree of violence directed against journalists, Bangladesh continues to have a remarkably free and outspoken **press**. There is also a vibrant and effective **NGO community**. In 2004 draft legislation imposing stricter controls and preventing NGOs from engaging in political activities was withdrawn by the Government. Although the Government committed itself to reviewing the entire NGO legal framework and a way forward was proposed with donor collaboration, to date it has not taken any steps in this direction.

Regional and International Context

Bangladesh's **foreign policy** is focused on regional cooperation, bilateral relations with its neighbours, economic diplomacy and multilateralism in the UN forum. The postponement of the 13th SAARC Summit in 2005 had the effect of muting high expectations from this regional organisation. Bilateral relations between Bangladesh and its bigger neighbour, India, have soured mainly over border control issues. These range from illegal migration to trafficking, smuggling and allegations of sheltering "terrorists" and insurgents. Another cause for concern between Bangladesh and its larger neighbour is water management. Talks on the sharing and management of the 54 shared rivers have just re-started after a break of two years. One major concern for Bangladesh is the planned river-linking project (transfers from surplus basins to deficit basins) in India, which Bangladesh fears will have severe effects on the natural environment in large parts of Northern Bangladesh.

Despite the absence of reliable migration statistics for Bangladesh, it is clear that there are major migration issues involving Bangladesh at both the regional and international (including EU) levels. The government of India claims that up to twenty million Bangladeshi citizens

⁵ The EC is funding the Unicef birth registration programme under the EIDHR

reside illegally in its country alone, while a relatively high number of Bangladeshis appears in the statistics of MS, both as asylum seekers as well as among apprehended illegal migrants. The trafficking of large numbers of mainly women and children is mentioned above as a serious point of concern.

2.2. Analysis of the Economic Situation

Economy

Bangladesh is a low income LDC and the second biggest recipient of EC development assistance in Asia. With its present population of more than 141 million on a land area comparable to Greece, Bangladesh is the world's most densely populated country. Its overall economy has experienced significant shifts in trade, fiscal, industrial, agricultural and financial policies since the beginning of the 1990s and the economy has grown at a rate of 5-6% over the last ten years, supported by export-oriented manufacturing, inward remittances and the service sector.

At one level Bangladesh can be seen to be moving successfully from aid dependence towards a trade-based economy with a focus on securing investment. At the same time good economic performance is not proving to be sufficient to achieve the country's poverty reduction targets and has been accompanied by growing inequality. The country's poor governance record and strong dependence on textiles reflect a vulnerable economy which will have difficulties in **sustaining a steady growth curve**. Bangladesh has been ranked 110th out of 117 countries in the 2005-06 (World Economic Forum) Global Competitiveness report (down from 111th in the previous year), with bottom rankings for corruption and public institutions. At the same time, the rapid rise in the rate of inflation, at 7% in 2006 fuelled by rising oil prices and the depreciation of the taka, poses an increasing challenge to macroeconomic stability.

At the same time the country faces serious medium and long term challenges to its economic development, notably a highly inefficient transport system (in particular the Chittagong port), infrastructural weaknesses, electricity generation, poor implementation and enforcement of laws, organizational and managerial inefficiencies in relevant Ministries and agencies, regulatory and procedural weaknesses, informal payments and extortionary practices that pervade economic life. To this must be added the adverse effects of the political unrest of the pre election year 2006 on the country's competitiveness and investment climate.

Trade structure

The multi-annual Export and Import Policy (2003-2006), formulated by the Ministry of Commerce, has not undergone radical changes over the years. **Customs tariffs** remain the main trade policy instrument and a principal source of revenue. Bangladesh has made good progress over the years in reducing tariff levels - the highest tariff is now 25%, as opposed to 300% ten years ago - and the number of bands has also been reduced.

External trade depends on a narrow **export basket**. More than 80% of export earnings are derived from clothing, the US and EU markets accounting for more than 85% of total exports. Legal imports have grown at a lesser pace than exports over the last decade. They comprise mainly raw materials, intermediate and capital goods. As imports stem largely from Asia, Bangladesh enjoys a growing trade surplus with the EU. While the country has one of

the most liberal regimes for FDI in South Asia, **governance problems have curtailed its expected flow**. Corruption imposes a heavy tax on many business operations. Even though procedures are fewer and registration time shorter, the cost of opening a new venture is higher compared to some countries in the region. The country's trade is facing **serious infrastructure bottlenecks** in the delivery of power, gas and telecommunications. The malfunctioning of the country's land and sea ports, excessive customs procedures and a very weak banking system add to the existing policy constraints. Along with weak governance and infrastructure inadequacies, finance, e.g. the cost of borrowing, represents a significant obstacle to stronger export performance.

It will only be possible to assess the full **impact of post-MFA free trade** on ready-made garment exports after the adoption of the present paper. According to early indications, knitted garments should retain their existing market share if not grow, owing to adequate backward linkage capacity. This ensures that the knitwear sector is well-placed to fulfill the rules of origin attached to the EU's GSP regime: as an LDC, Bangladesh enjoys duty- and quota-free access for most goods under the 'Everything But Arms' scheme, provided they meet the rules of origin requirements. The woven sector faces a bigger challenge with its limited supply of locally produced export-quality fabric. Bangladesh is competitive in only a few clothing items of which knitted products can source the inputs from the local industry. The inadequate local supply of woven fabric for garments puts the exporters in a disadvantaged position entering the EU under GSP. . The sustainability of the textile sector is also constrained by the lack of backward linkages in the woven sector, together with failures to adhere to **core labour standards, environmental standards and corporate social responsibility**. It is vital that the government and industry work towards fulfilling these standards, not just as an imperative in human development and human rights terms, but also in order to ensure that Bangladesh complies with the requirements of European buyers. The new EU GSP is expected to provide fresh impetus to clothing exports to the EU, assuming the changes in the rules of origin open new opportunities. The opportunities offered under regional cumulation, if unchecked by competing trade interests, may even boost non-textile exports to the EU and help to diversify them, provided the GoB manages to adapt its customs procedures in practice.

The export competitiveness of Bangladeshi products is severely impeded by inadequate **regulatory mechanisms for quality standards** and certification. Both domestic and external trade suffer from institutional weakness and the lack of commitment to self-imposed standards. A general lack of awareness and preparedness for facing the challenges of WTO rules are common features for individual business enterprises and for the trade bodies.

2.3. Analysis of Social Developments

Although Bangladesh has seen considerable improvements in social indicators over the last two decades, it now faces an unfinished agenda in the areas of health, education and employment creation, with systemic problems in the provision of services and increasing unemployment figures. The country's gains in the social sectors are unequally distributed between the rich and the poor, between men and women, and between the general population and ethnic minorities.

Poverty, malnutrition and food insecurity

Poverty affects almost 50% of the population and 30 million people can be considered ultra poor. Extreme poverty is predominantly female and malnutrition is also highest among women and girls. Bangladesh is close to self sufficiency thus food insecurity is no longer characterized by shortages in supply and availability, but rather by problems of access and affordability for the poor.

Poverty and food insecurity are directly linked to **access to natural resources**, especially land. Some 65% of the rural poor are landless. The poorest must therefore gain their income from other sources, namely wage employment for menial services. Employment in the mainly agricultural sector, however, does not ensure food security, because of poor wages and seasonality in employment opportunities.

Bangladesh has higher rates of **infant stunting and infant underweight** than sub Saharan Africa (IFPRI, 2004). Malnourishment rates in Bangladesh remain among the highest in the world, affecting 52% of children under 5 years of age and over 50% of the female population. Girls suffer from discrimination from birth. Inequitable practices such as gender biases in feeding result in higher levels of malnutrition among girls and higher girl child mortality.

Health

The health sector is marred by the burden of **communicable diseases** and **reproductive health problems** coupled with the inability of the public health service to cater for the needs of the poor. Maternal and infant mortality rates are high, the prevalence of tuberculosis is one of the highest in the world, malaria continues to be an important health problem in 13 of the 64 districts, and respiratory infections and diarrhoea are important causes of morbidity and mortality. Due to the combined impact of malnutrition and disease nearly half of Bangladesh's children are underweight. In Bangladesh, health is a **gender issue**. The government faces an unfinished agenda in providing women and girls with equal access to health care, lowering maternal mortality, and creating equal chances for girls to survive childhood and to reach primary school enrolment in good health status. The current fertility rate of 3.0 per woman fuels a challenging population growth. **HIV prevalence** in the general population is still low. However HIV infection rates in some high risk groups are increasing and may have implications on HIV transmission to other vulnerable groups. **Decent work deficits** and **environmental hazards** are also a frequent cause of poor health, especially among the poor. Contaminated water supply, arsenic contamination of ground water, toxic effluents, poor sanitation and recently salt water intrusion in the SW of the country linked to sea level rise, all cause high levels of morbidity. Air pollution, indoors from poor ventilation in kitchens and in cities from badly maintained transport and factories are further environmental concerns. Climate change related hazards like cyclones, floods and droughts will affect mostly the poor, threatening their life, livelihoods and health.

Today's **health system** is not in a position to respond to these challenges and effectively meet the needs of the poor and disadvantaged. Not only are public health expenditures extremely low, even compared to countries of similar economic status but the spending pattern is regressive, allocating more resources to richer districts than to the poorer ones. More importantly, the public health services are plagued by **substantial governance problems**, imbalances of manpower and a range of management challenges that obstruct the efficient use of funds and the capacity to give an adequately response to the service needs of the poor.

Education

Approximately 18 million students at the primary and 11 million at the secondary level make Bangladesh's education system one of the largest in a developing country, comparable in size to those of Brazil and Nigeria. Starting from a current public expenditure level of 15 US\$ per student year and a student-teacher ratio of 38 at the primary level, any reform in the education sector has to be a major undertaking.

While **primary enrolment** has steadily and significantly improved over the last decade, starting from a net enrolment rate of 71% in 1990, the years since 1998 show a slight but alarming reverse trend, from 94% to 83% (2001). Low education quality and the pressure of external factors, such as child labour and early marriage, are leading to high drop-out rates and low levels of numeracy and literacy skills. At present, only 66% of new school entrants are likely to complete the full primary cycle, and 50% of the youth population in Bangladesh are considered not fully literate.⁶ In spite of this, Universal Primary Education is considered one of the MDGs within reach, and the Government has a dedicated policy approach. The current share of public expenditure for education is, at 16%, one of the highest in the South Asia region. In 2003, the Government committed itself to major investments in the primary education system and, together with 11 Development Partners including the EC, established the Second Primary Education Development Program (PEDP-II) as a sector-wide approach.

At the **secondary level**, poverty is a massive deterrent to access and completion, due to high school tuition fees and additional expenses for transport, uniforms, books and private tuition. Following a current estimate, only 15% of secondary school entrants are likely to receive a mid-level certificate, and only 5% a higher secondary certificate. Technical and vocational training serves mainly male students who have at least completed grade eight. This systematically excludes students, in particular the poor and mostly girls, from reaching mid-level certificate. Following an estimate for the year 2000, only 5% of the active labour force in Bangladesh have successfully completed nine or more years of formal education. While various stipend programs form the side of the government and donor support activities exist, there is yet no coherent education policy and sub-sector development plan for secondary education in Bangladesh.

Employment

Presently Bangladesh suffers from a record number of unemployed, estimated at 30 million people. Some 40% of the 66 million sized work force is under-employed while 3-4% is fully unemployed. With over one million new entrants to the job market every year, the bulk of unproductive manpower is on a rising trend whilst the country's formal employment sectors can hardly absorb the new job seekers. A large majority of the workforce remain in the informal economy, subject to low wages, bad working conditions and lack of social security. **Unemployment** figures have increased from 1.9 % in the eighties to around **4.0% in the last ten years**, and unemployment remains particularly high among young people. Further specific features of the labour market include inadequate coverage of existing social protection schemes, the lack of implementation of core labour rights such as child labour and trade union rights, and persistent gender inequalities with respect to employment and wages in spite of the increase in women's share of wage employment in manufacturing. The agricultural sector is by far the largest employer, providing work for 51.7% of the employable

⁶ Source: GoB and UN, Millennium Development Goals: Bangladesh Progress Report, Dhaka 2005. Please note that the rate is 88% as per UNESCO (Ed.), Education for All Global Monitoring Report 2005, Paris 2004.

population, followed by the services sector (including health, education, public administration, banking and transport) with 34.6%. The remaining 13.7% of the workforce are employed in various industrial activities.

Meeting the MDGs

According to the GoB/UNDP Bangladesh MDG Progress Report of February 2005, Bangladesh faces serious challenges in meeting the targets it has set towards attaining the important MDGs in eradicating extreme hunger and poverty, reducing child mortality and improving maternal health.

The challenging outlook for Bangladesh with regard to meeting the MDG targets is also strongly emphasised in the ADB report 'MDGs: Progress in Asia and the Pacific 2006', which categorises Bangladesh as a 'country of greatest concern', by falling further behind and score negatively on both the progress index and the latest status index. Specific reference is made to increasing inequality (rising gini coefficient), severe school drop out rates which undermine the good enrolment rates, disparities between urban and rural access to education, gender disparities especially at tertiary level in education, alarming child malnutrition, worsening urban access to sanitation and a disastrous environmental situation.

Any job losses in the RMG sector through post MFA loss of preferential market access will further put at risk the gender gains made over the year. At the same time, it is clear that equitable growth and social development will not be achievable without education and health services becoming more responsive to the needs of the poor and disadvantaged. For the health sector, the right policy choices and a substantial increase in resource allocation will be required. In the education sector, investments need to go beyond the primary cycle in order to build an adequate human resources pool for enhanced economic growth. To address employment and decent work benefits for the youth, measures are needed to further improve vocational training and school-to-work transitions. To meet the huge resource gap in financing both sectors, additional external resource mobilization will be an essential prerequisite.

2.4. Environment

The GoB has listed environment among four key supporting strategies in its PRSP. Data show clearly that the natural resource base of Bangladesh is degrading. **Water supply** falls well short of expected needs. The WB estimates current consumption at 10,000 million litres per day. This is expected to rise to 35,000 million litres and irrigation systems will have to produce a further 20 million tons of food by 2050. Reduced river flows, and increased flood flows, can be attributed to trans-boundary deforestation and land use changes, but also to increased extraction from the Ganges by India.

Water supply problems are compounded by industrial pollution, untreated sewerage, and contamination of ground water by arsenic. Bangladesh already has difficulties in meeting current domestic demand during dry spells when water supply can be intermittent and quality drops dramatically. Under the prevailing management it will be difficult to provide future requirements including irrigation water. A related problem is fragmentation of fish habitats, declining fish stocks and species loss. The sustainable solution is surface storage, but this requires large investment and improvements in effluent management to be successful. Both require improved local governance and accountability. The strong relationship between

health and environmental quality is not yet adequately addressed by the Government' health policy.

As a result of incipient desertification and rising sea levels expected through global warming, total arable land area is falling. Declining yields and increasing requirement of inputs suggest that land quality is also falling. These problems are compounded by the high incidence of natural disasters and the growing influence of **climate change**, which is likely to increase the frequency of extreme weather conditions and to reduce land area through sea level rise in the years ahead. Disaster management requires a shift from relief to preparedness and coping mechanisms. Climate change will affect Bangladesh and because mitigation measures under the Kyoto protocol are already too small and too late, adaptation and preparedness are the only response possible for Bangladesh. Man-made environmental problems like rapid urbanisation and polluting industrial emissions add to the environmental challenges the country has to tackle. A comprehensive long-term strategy has yet to be put into place (for more details please consult Environmental Profile in annex 9).

3. AN OUTLINE OF THE POLICY AGENDA OF BANGLADESH

3.1. Political

Successive governments have taken limited steps to tackle corruption, which continues to be a major impediment to good governance in Bangladesh. The **Anti-Corruption Commission (ACC)**, established in November 2004, is endowed with a range of investigative and preventive powers to tackle corruption. However, the early life of the ACC has been dogged by legal and organizational challenges and questions surrounding its political and financial independence. With a vast number of cases vying for attention - around 17,000 inherited from the Bureau for Anti-Corruption alone - it is vital that the ACC acts to establish its credibility as soon as possible. Signing and ratifying the UN Convention against Corruption would also send an important signal with respect to Bangladesh's determination to tackle the issue.

The government has not yet acted on its election pledge to establish a **National Human Rights Commission (NHRC)**. Following the mothballing of a draft bill prepared in 2001, the High Court has asked the government to explain why the NHRC has not been instituted. The speedy establishment of a NHRC, in conformity with the Paris Principles relating to the independence and functioning of such bodies, would fulfil the government's longstanding commitment and lend credence to efforts to secure full respect for human rights. Similarly, though the government has signalled positive intentions to act to fulfil provisions in the Constitution and an Act of Parliament of 1980 – an **Ombudsman** has not yet been appointed.

Following the directive issued by the Supreme Court in 1999, repeated delays and requests for extensions by successive governments have meant that measures to **separate the judiciary from the executive**, including with respect to judicial appointments, have not yet been implemented. Government consultations with civil society and donors with a view to undertaking **NGO reform**, including the establishment of an adequate regulatory framework, have not resulted in revision of the law.

3.2. Economy and trade

With no clear picture yet available regarding the impact of the end of the quota regime under the Multi-fibre Agreement (see page 6 for preliminary analysis), the government has not put in place a clear strategy to anticipate potential outcomes. In spring 2004 the Government set up a National Coordination Committee under the chairmanship of the Principal Secretary of the Prime Minister to look into the Post MFA challenges. Recommendations included the need for improved port facilitations and the establishment of a central bonded warehouse to curb lead time in procuring fabrics. While these recommendations were not followed up the Government designed a "post MFA action programme" worth US\$ 40 million in 2004, parts of which are reflected in the CSP (TRTA section) and other donor programmes

Following the collapse of the Spectrum factory, greater attention has been devoted to core labour standards and wider questions of corporate social responsibility which are an essential element for a sustainable future. A "National Forum on Social Compliance in the textile and garments industry" has been established, chaired by the Minister of Commerce and a "task force" will report to the Forum on specific issues with a view to identifying ways forward on these issues.

At the multilateral level, Bangladesh's principal concerns with respect to the completion of the Doha Development round include: addressing the consequences of tariff preference erosion in the context of Non-Agricultural Market Access; the possible impact of cotton price rises (should subsidies be removed) on Bangladesh's competitiveness in the garment sector; food price rises as a result of liberalisation of agriculture, given that Bangladesh is a net food importer, and the need for positive movement in negotiations regarding provision of services in third countries (mode 4)."

3.3. Development policy

The development policy of the GoB is set out in the **Poverty Reduction Strategy Paper** (PRSP) for FY2004-05 to FY2006-07⁷. The starting point of the PRSP is the frank admission that, although Bangladesh has made laudable progress in recent years in terms of sustained growth and progress towards MDGs, there remains a high degree of social inequality, as statistics show a persistence of gender discrimination, reflected in continuing high maternal mortality and malnutrition rates. Future progress will therefore depend on combining growth with greater inclusion. With nearly a million new members joining the labour force every year and with a low employment-elasticity of growth, employment creation further demands the highest strategic attention. The PRSP lays out a 3-year rolling plan for poverty alleviation, together with a 10-year 'medium term strategic agenda for Bangladesh for the goal of accelerated poverty reduction', based on eight key areas: employment, nutrition, maternal health, sanitation and safe water, quality education (primary, secondary and vocational), criminal justice, local governance and monitoring. It sets out eight specific avenues – four strategic blocks and four supporting strategies - through which the goal of accelerated poverty reduction will be pursued:

- Supportive macroeconomics to ensure rapid growth, with a focus on stable macroeconomic balances, improved regulatory environment, higher private investment, increased inflow of FDI, effective trade and competition policies, and a poor- and gender-sensitive budgetary process.
- Choice of critical sectors to maximise pro-poor benefits from the growth process, with special emphasis on the rural, agricultural, informal and SME sectors, and

⁷ 'Unlocking the Potential: National Strategy for Accelerated Poverty Reduction', November 2005.

with improved connectivity through rural electrification, roads and telecommunications.

- Safety net measures to protect the poor, especially women, against anticipated and unanticipated income/consumption shocks, through targeted efforts.
- Human development of the poor, to raise capacity through education, health, sanitation, safe water, nutrition and social interventions.
- Participation and empowerment of the poor, especially women, and other disadvantaged and marginalised groups such as disabled, ethnic minorities, ecologically vulnerable, etc.
- Promoting good governance through improving implementation capacity, promoting local governance, tackling corruption, enhancing access to justice for the poor, and improving sectoral governance.
- Improving service-delivery in the areas of basic needs.
- Caring for the environment and its sustainability.

The PRSP also notes that there are three critical follow-up issues which will determine the success of the poverty reduction strategy: Implementation and coalition-building, costing and resource mobilisation for target attainment, benchmarking and monitoring of progress.

The PRSP was well received by donors who discussed the strategy extensively with the Government at the PRSP implementation Forum on 15-17 November 2005. The International community welcomed the emphasis given to governance and expressed support for the central focus on the MDGs and the link between investment, economic growth, job creation and reduction of income poverty. At the same time, the donors have stressed the need to clarify the costs of government funded poverty spending and linkage to policy priorities through annual budgets and a medium-term expenditure framework (MTEF). It is hoped that the Government taking office in 2007 will build on the 11 key action points proposed by the BNP led Government (see annex 8 D for details) or a similar mechanism to progress swiftly and efficiently in the implementation of the PRSP.

4. AN OVERVIEW OF PAST AND ONGOING EC CO-OPERATION, COORDINATION AND COHERENCE

4.1 EC Assistance

EC assistance to Bangladesh began in 1976. The partnership has evolved over the years, reaching a new level of partnership under the third generation Cooperation Agreement in 2001, where cooperation was broadened to include dialogue on development, trade and Governance issues. To date Bangladesh has received some €1.7 billion of EC support and is the EC's second largest commitment in Asia. After years of focusing our aid on basic health and education provision, the CSP 2002-2006 has led to a broader mix of interventions, embracing social, as well as economic and governance issues. The CSP has been implemented in two stages, the NIP 2003-2005 funding essentially social sector programmes and a comprehensive TRTA package and the NIP 2006 placing importance on post MFA and Human Rights/Governance. The interventions under the NIPs have been complemented by a number of thematic/regional programmes, of which the food security intervention was the most substantial in terms of impact and financial commitment (see annex 4 for details).

4.2. Lessons learned

The EC's country strategies and food security programmes have been assessed by two external **evaluations**. The evaluations concluded that EC interventions in the social sectors, notably education and health made significant contributions, as reflected in high enrolment figures and improved access to health. Good results were observed where the EC operated directly through non-governmental organisations, as in the rural development programmes, food security and disaster relief and rehabilitation. This was less the case with programmes involving comprehensive sector reforms, which were more complex to manage and required a high degree of political commitment. The evaluators issued a set of recommendations, which have been taken on board for the design of the NIP 2006 and are reflected in the CSP 2007-2013. The most important conclusion was the need for the future EC strategy to give more prominence to governance and human rights issues in view of their critical influence on socio-economic development and the effectiveness of aid delivery. It further recommended an increase in EC support to post-MFA related challenges. The **mid term review of the CSP** in 2004 confirmed these findings and resulted in a NIP 2006 that strengthened the post MFA package and introduced a set of governance and human rights related interventions. Our focus on governance and trade issues will be further reinforced in the next strategy, in which both areas will be addressed as key priorities, together with human and social development.

A fundamental lesson to be drawn from the 2002-2006 strategy is the **low absorption capacity** of GoB institutions, as a result of which disbursement levels have been rather low. The problem is common to all donors, as illustrated in Annex 5. It results from a number of factors, including weak institutional capacity, aid governance problems and a lack of political will for reforms. The latter was particularly true for the first health sector programme (HPSP), for which the EC was forced to decommit half of its €66 million contribution, when, following the 2001 elections, the in-coming government back-tracked on reforms previously agreed. Similarly, the implementation of the first sub-sector programme in primary education (PEDPII) has been hampered by limited Government ownership. The lesson to be drawn for the future strategy is to ensure involvement of the Government at the early stage of programme design so as to ensure high degree of ownership. This is all the more likely as the interventions proposed in the CSP 2007-2010 echo the GoB's own reform plans set out in the PRSP.

On a positive note, the **sector programmes** have greatly enhanced **donor co-ordination** and the cohesiveness of donor interventions. Similarly, strong donor partnership has increased the effectiveness of programmes which would otherwise be politically difficult to pursue. However, the difficulties faced in the sector programmes combined with the low absorption capacity and the parliamentary elections in 2006/2007 engender a need for caution. For this reason, a high degree of flexibility is built into the implementation of the CSP and NIPs, especially as regards the governance priority by balancing between sector type programmes and specific projects to assure a continued flow of funds aid. **Mid term reviews** of the two NIPs will furthermore allow for an adjustment of the proposed approaches in line with new developments per sector.

4.3. Co-operation with other donors

The nature of the sector wide programmes has led to a fundamental change in relations with the international donor community, generating the need for close co-ordination and alignment of approaches to implement multi donor funded programmes. World Bank and the Asian

Development Bank became privileged partners, given their co-ordinating role in the health and primary education sector programmes. Other close partnerships included DFID and UNDP. With DFID, the EC worked closely on the design and implementation of private sector development programmes in the post MFA context. UNDP was a privileged partner for the implementation of programmes in the area of Governance and Human Rights.

The donor landscape in Bangladesh has been particularly shaped by the four largest donors, the Asian Development Bank, UK DFID, Japan and WB, who have formed a strategic partnership to increase the efficiency and effectiveness of their development funding. Based on a common assessment these four donors issued their Country Assistance Strategies in April/May 2006, based on 24 joint strategy outcomes, some of which correspond to the EC's development priorities. In the area of governance, the EC plans to co-ordinate its strategy closely with the World Bank and other donors who plan to fund comprehensive reform programmes. Steps have already been taken in this direction with regard to supporting decentralisation. In addition the EC has taken the first steps towards engaging with fellow Member States in the preparation of an EU road map for coordination and harmonisation.

4.4 Measures funded by other donors

Efficient energy and transport network are equally important for the country's development as the support to the social sectors. This is also one of the main conclusions of the Trade Needs Assessment, which identified poor energy and transport infrastructure as chief impediments to economic development and employment. Over the years several donors have played a central role in helping the country develop the energy and transport sectors, through loans and technical assistance (ADB, Japan, WB, and German GTZ). The ADB has taken lead in a large project to increase the efficiency of Chittagong port. ADB, German KfW, Japan and World Bank are involved in the improvement of road network while Germany has provided substantial support to the development of renewable energy and energy efficiency systems. As the EC is unable to provide loans, it will continue to match these interventions, with other partners, through complementary programmes to enhance the investment climate, which will indirectly increase private investments into infrastructure. The EC's Trade Support Programme addresses the efficiency of the shipping sector through assistance to the revision of the regulatory framework in this sector.

5. THE EC RESPONSE STRATEGY (INTERVENTION SECTORS)

In line with the EC's cooperation agreement with Bangladesh and our commitment to a global partnership on the achievement of the MDGs, the Country Strategy seeks to reduce poverty through rapid economic growth, greater inclusion of the poor and increased employment generation, within a framework of the rule of law and respect for human rights. The EC's support in 2007-2013 is strongly grounded in the GoB's own development strategy, the **PRSP**, and thus places good governance as the underlying foundation without which development cannot take place.

In view of the need to concentrate our development efforts and funds, the Country Strategy for 2007-2013 will focus on three key strategic areas (*focal areas*) which are also reflected in the PRSP, notably the **human and social development** sector, **good governance**, and **economic and trade development**. These priorities are also fully consistent with the 'European Consensus' on development priorities⁸ which points to governance, human rights

⁸ OJ 24/2/2006 (2006/C46/01)

and economic development as key concerns of EU Development policy. The three focal areas are, moreover, those in which over the years the EC has developed solid expertise and understanding and is therefore best placed to provide added value through its programmes.

This policy mix will be complemented by *two non focal sectors*, **food security** where the EC will contribute to basic safety nets for the most vulnerable, and **environment/disaster preparedness** through small scale interventions to improve capacity to prepare for environmental risks.

It is expected that these areas of intervention will be complemented by some of the **thematic / global EC programmes**, (notably the food security programme, the programme promoting democracy and human rights, the migration and asylum programme, the uprooted programme, the all Asia wide regional programme, the global programme for environment and natural resources including energy, the programme for Migration and Asylum).

The CSP will be implemented in two stages, through two distinct NIPs covering 2007-2010 and 2011-2013. With regard to implementing modalities, the EC will actively pursue joined-up approaches with other donors, including sector or sector type programmes. A mechanism for jointly agreed benchmarks will be encouraged in sector type or other larger programmes with a view to reward the expeditious delivery of agreed reforms. While all interventions are carefully identified in line with the Government's own PRSP commitments, it would be premature to predict the scale and depth of the reforms to which the Government will be able to commit following the 2007 elections. In view of this uncertainty, programmes will where possible be interlinked to ensure effectiveness. Budget support is not regarded as appropriate in the first stage of implementation, but might be considered in the second NIP.

Focal Areas:

5.1. Human and Social Development

Beyond the primary justification that investment in the social sectors will be critical to both meeting the PRSP and the MDG targets, the EC has a proven track record in the social sectors, through the HPNSP and the PEDP. The EC will therefore maintain substantial aid commitments in the health and education sectors so as to ensure continuity and predictability of its aid commitments to reform in both sectors, while paying due attention to the critical role of employment generation and decent work, notably for the youth, for poverty reduction and social development.

The EC will remain engaged in the education sector throughout the duration of the CSP, with programmes implemented through the NIP 2007-2010 and 2011-2013. As the primary education sector programme (PEDP) runs until 2010, the focus of the first NIP will be on the secondary education (see details below). The long term objective of supporting an education sector programme embracing the primary, secondary and non-formal education in one will be pursued in the NIP 2011-2013. Conversely, support to the health sector will resume in the second NIP, as substantial funds from the CSP 2002-2006 will flow into the HNPSP until 2010.

Education sector

Education creates the principal conditions for combating poverty in that it enables people to improve their social, cultural and economic situation and improves the opportunities for economic growth. Access to quality vocational training, improved school-to-work transitions and the provision of decent work opportunities are further necessary conditions for sustainable poverty reduction. The **overall objective** of the education component is to help Bangladesh work towards a more integrated education system that is inclusive and quality-oriented. EC support to three sub-sectors in education (formal primary education, non-formal education, and secondary education) in combination with sector dialogue with the government and other development partners will support Bangladesh in establishing a more coherent and efficient education system as a better basis for human resources development

Building on the experience in the sub sector programme for primary sector and based on the partnership and harmonization efforts under PEDP-II, the **specific objective** is to work towards a joint programming and financing approach with other development partners and, if possible, support the GoB in establishing a sector approach for the whole education sector.

Indicators of the attainment of these objectives are:

- Increased access to primary and secondary education, particularly for poor and underprivileged children
- More and better qualified teachers
- Improved primary and secondary completion rates, improved youth literacy rate
- Development of a comprehensive policy framework for primary and secondary education
- Efficient and effective management of education services by governmental and non-governmental services
- Increased and expanded cooperation among development partners in support to education.

Support under this strategy to the primary and secondary education sub-sectors is complemented by the Erasmus Mundus programme, aimed at enhancing the capacity of universities in third countries through the transfer of know-how and good practices from EU university partners.

Health sector

Health is related to number four, five and six of the Millennium Development Goals, which provide a mutually reinforcing framework to improve overall human development and is consequently one of the priorities of the PRSP. In its Strategic Investment Plan (SIP) for the Health, Nutrition and Population Sector Programme 2003-2010, the GoB lays out its long term plans for improving equity in the health sector, for making health, nutrition and population services more responsive to the needs of women, girls, the poor, and minorities, and for reducing fertility to replacement level. While addressing poverty related health problems, the reforms also aim at preparing the health services for newly arising health challenges like the increase in non-communicable diseases, injuries, and a possible surge in HIV prevalence.

In supporting the government's reform concept for the health sector, the EC's **overall objective** is to improve the health status of the population – particularly the poor, women and children in both urban and rural areas. Health problems due to other factors, including decent work deficits and environmental hazards, also need to be addressed. The EC will support the Government's Health, Nutrition and Population Sector Programme through contributions to a World Bank administered pool-fund, and through funding of projects on issues, where innovative strategies need to be developed. Using the pool funding and project approaches, the EC support to the health sector programme aims at attaining three **specific objectives**:

- Strengthening the Public Health Sector Management and Stewardship Capacity
- Health Sector diversification, through development of new delivery channels for publicly and non-publicly financed services
- Stimulating demand for essential services

The level of attainment will be measured through the following indicators:

- Reduced infant and under- five mortality.
- Improved health status of pregnant women and children.
- Morbidity and mortality from TB, Malaria, HIV/ AIDS and non-communicable diseases kept to a –yet to be defined – minimum unavoidable level.
- Current sector plans have a constant secure five years financial perspective.
- Evidence of improved sector Governance.
- Improved access to health services in areas with relevant proportions of minorities.
- Further reduction of the fertility rate.

5.2. Governance and Human Rights

Improved governance, human rights and human security are central to the achievement of the MDGs, the delivery of pro-poor growth and, within this, to the efficiency of donor aid. This has been recognized by the Government which has identified Governance as a priority in the **PRSP** and has located the needs of the poor in the following key areas: better service delivery, particularly in education, health; accountability, reduction of leakage; access to justice; regulatory support, particularly to informal sectors of the economy; reduction of the threat of income erosion. Above and beyond these, there are the basic requirements of increasing the state's efficiency in supporting growth and increased democratization of the discourse and practice of power.

The **overall objective** of the EC's governance strategy, which is strongly grounded in these PRSP priorities, is to contribute to the reduction of poverty, the strengthening of democratic values and the reinforcement of a more equitable society. This will be achieved through a broad approach based on two **specific objectives** - to increase the effectiveness of public institutions and to improve security and access to justice for the poor. It is proposed to achieve these two objectives through a number of linked interventions in close coordination with other donors.

Until now most donors have supported small programmes in this area, resulting in dispersed actions rather than broader programmes with systemic impact. The approach of the CSP is to support the GoB's reforms plans in a more comprehensive manner through integrated reform

programmes. Based on the GoB's reform plans stated in the PRSP, support may include the overhaul of the public administration and sector management, including support for public financial management reform and for improved service delivery, the reform of the judiciary the police and the prison service, the creation of governance institutions (Human Rights Commission, Ombudsman), and continued support for the decentralisation process to enhance more effective local governance. We will develop our support to decentralization and local governance with specific linkage to the development of pro-poor environmental programmes and food security in support of social safety nets. We will seek to implement the programmes in partnership with other donors, on the basis of agreed benchmarks, including the Public Expenditure and Financial Accountability indicators. Should the opportunity arise, we will support sector type programmes in justice and law and order and/or in local governance/decentralization, on the basis of jointly agreed benchmarks.

It is expected that the support to the judicial and police reform will also impact positively on the Government's capacity to fight terrorism and to tackle trafficking / illicit spread of small arms and light weapons and to fulfil international obligations in the fight against terrorism (implementation of relevant UN Security Council resolutions and international conventions).

Within the DCI area of cooperation on governance, democracy, human rights and support for institutional reform, in particular related to co-operation and policy reform in the fields of security and justice, the Community will carry out measures which shall fully respect OECD-DAC guidelines, taking also into consideration relevant European Council Conclusions.

Continuity will be given to actions in support of **human rights**, particularly with regard to women and children's rights and to the rights of all minority groups in the country, including refugees and other vulnerable groups, including people with disabilities. In this connection we will seek to balance our TRTA programme with support for the eradication of the worst forms of child labour and, more generally, for better implementation of core labour rights and the promotion of decent work for all. Our intervention in the Chittagong Hill Tracts (CHT) will contribute to the objectives of the priority area human rights and democracy through a comprehensive approach to the region. This will consist in providing tools to implement the peace accord (institutional capacity building) while enhancing confidence building between the different groups through community empowerment measures and enhancing social and economic development, notably through education and health programmes.

The **specific objective of the Governance effectiveness** interventions is to ensure that the economic growth required for the continued development of Bangladesh is made possible through a strong service delivery oriented public sector and a government that is fully accountable to its people, represented by an effective parliament. The indicators of the attainment of the objectives include:

- Improved effectiveness in delivery of key services by line ministries, reflected in indicators/targets set for the Governance Instrument, with drastic reduction in leakage of public funds.
- Overall improvement in Public Financial Management reflected in improved PEFA indicators.
- Effective local government accountable to community, providing effective services.
- Effective, accountable civil service with merit-based recruitment, promotion and appointment system.
- Parliament, including Parliamentary Standing Committees playing more effective role in oversight of government activity.

- Election Commission’s ability to play full role in ensuring free and fair elections at all levels enhanced.
- Improved effectiveness in reducing the illicit production, trafficking and uncontrolled spread of small arms and light weapons.

The **specific objective of Human Rights interventions** is to improve overall human security and access to justice for the poor and vulnerable groups in particular. The indicators of the attainment of the objectives include:

- Improved fairness and efficiency of justice with reduced case load, fewer adjournments, significant reduction in numbers held in prison on remand, fairer sentencing, including alternatives to prison, penal reform reflected in humane conditions in penal institutions.
- Improved access to justice for the poor, for minorities, for women and for vulnerable groups in general, including effective development of ADR and village courts and provision of legal aid.
- Trained, well-motivated police and legal professions serving the human security needs of the poor and vulnerable groups, in particular women and children.
- Significant reduction in human trafficking, especially of women and children.
- Significant reduction in the worst forms of child labour and increased respect for labour rights.
- Enhanced social development in CHT in parallel with political stability, respect for the rights of indigenous communities, including ownership of land, comprehensive solution to the problem of new settlers and land grabbing.

5.3. Enhancing Trade Capacity and Economic Development

The **overall objective** of the EC’s commitment in this area is to support the integration of Bangladesh into the world trading system in order to induce “*pro-poor growth*” for increasing income and employment for the poor (also Bangladesh’s PRSP target). The EC commissioned a Trade Needs Assessment in spring 2005 so as to advise on how this objective can be approached, not least against the background of an uncertain impact of the textile quota phase out on the country’s economy. The Trade Needs Assessment confirmed the three-pronged approach initiated under the last CSP and proposed in this strategy, notably:

1. Address the regulatory environment and removing barriers to trade.
2. Increase the competitiveness of the business sector, particularly SMEs, to facilitate export diversification and simultaneously ensuring corporate social responsibility, decent work and environmental sustainability.
3. Increase the productivity of the workforce (mainly through technical and vocational training, improved working conditions and full respect for core labour rights).

Based on these findings, the **specific objective** of the EC’s intervention in the sector is to increase trade and economic growth in Bangladesh through an improved trade regulatory framework and increased SME competitiveness and export diversification, while taking full account of the social dimension of globalisation. However, tackling trade and investment issues requires a comprehensive multi-donor approach with the ultimate goal of a sector-wide

approach steered by the Government in full cooperation with the private sector. The GoB has written to the EC to express its commitment to four key outcomes:

- Streamlining the business regulatory environment
- Increasing private investment in serviced industrial land
- Facilitating broad based PSD capacity building
- Promoting environmentally and socially responsible business practices.

It is therefore proposed to address a number of related challenges through joint donor approaches, specifically improving the investment climate, strengthening of the legal and institutional trade-related framework, WTO-capacity building, vocational education and supporting export diversification. Our support to the sector will take into consideration and seek to address employment, social, environmental and gender concerns. At the same time, our country strategy will ensure complementarities through parallel interventions in the governance and education areas to make pro-poor growth possible through faster trade integration.

Building on the programmes developed under the CSP 2002-2006 the Trade and Private Sector Programme for 2007-2013 will be implemented in two stages. The NIP 2007-2010 will concentrate on the policy framework for trade and private sector development, on the legal and institutional framework in the areas of standards, conformity assessment and IPR, SME development through interventions in specific sectors, business development services and access to finance. The NIP 2011-2013 will support the promotion of export diversification through comprehensive programmes addressing improved competitiveness of the private sector.

The indicators of attainment of the objectives are:

- Comprehensive trade policy implemented by the GoB.
- Improved investment climate.
- Export structure more diversified with garment exports constituting less than 70% of overall exports.
- Competitiveness of key export sectors increased.
- Labour productivity, working conditions and real wages improved.
- Legal framework and institutional infrastructure for export sectors improved.
- Social and environmental compliance of private sector increased.
- SMEs have better access to finance and services for increased growth and employment generation.
- Higher productivity of SMEs through, on the one hand, training of workers and managers and, on the other hand, better working conditions and full respect for core labour rights

5.4. Supporting Strategies (Non-focal Sectors)

Environment and Disaster Management

Environment and disasters are economic issues in Bangladesh that affect mostly the poor. This has been recognised by the Government of Bangladesh in the PRSP which has identified environment and comprehensive disaster management as key supporting strategies of pro-poor growth. Following on from the severe floods of 2004 the Prime Minister's office

produced a plan of action, in consultation with civil society to improve disaster preparedness capacity. The plan of action recognised that the frequency of extreme weather events are bound to increase as a result of global warming and indeed Bangladesh may already be experiencing early impacts of climate change. Recognising the need to improve warnings and enhance the ability of Bangladeshi people to take coping actions in advance, the plan of action aims at transferring the technology and capacity of weather forecasting which has been developed in other countries over the years, so as to predict weather conditions several months in advance.

The capability to predict accurately river floods, flash floods, cyclones and droughts and planning adjustments to the agricultural calendar will be a boon to people, who today have to cope with unpredictable changes in weather patterns brought on by climate change. Unfortunately the technical advances come at a time when most donors have abandoned the environment sector and related technical issues, at the benefit of the social sector, thus neglecting the environment related MDGs.

As part of the EU's global commitment to climate change adaptation, the EC will support the Government of Bangladesh in its endeavour to improve climate warning capacities of local communities by supporting related technologies. Integral to the interventions will be community awareness and preparedness, covering planning and preparation for disasters and improved dissemination of warnings and assistance down to the most vulnerable groups. This approach dovetails with the ECHO/DIPECHO approach which deals with disaster preparedness and response service delivery through civil society and NGO partners at the community level. A review of the EC funded Coastal Embankment rehabilitation actions should be carried out as part of this work (see annexes 4 and 9 for current EC Support to Bangladesh Disaster Preparedness Project). The need to focus compels us to phase out of actions improving earthquake preparedness, where the EC supports a large programme with funds from the CSP 2002-2006.

In general the EC approach to environmental issues is **cross cutting**. The EC will ensure that environment, climate change and disaster management are given proper consideration throughout its programme, including education, trade and governance. The **overall objective** of the environment component is to ensure that the Bangladesh economy, particularly the share of the vulnerable groups, is less susceptible to the impact of natural disasters.

The indicators of this objective are:

- GDP continues to grow even in the event of a natural disaster.
- GDP per capita of the lowest quartile shows significant increase over the CSP period
- In the event of a serious natural disaster the impact on GDP/capita is less than in past events.

The **specific objective** of the environment component is to support the GoB's efforts to enhance its capability to improve delivery of timely advice and warnings on climate related incidents to vulnerable groups. The indicators of attainment of this objective are:

- Enhanced climate early warning systems in place and providing useful information to vulnerable groups.
- Digital elevation data improved to provide accurate flood risk maps country wide and at the community level.
- Weather prediction systems providing accurate medium and short term information.

- Timely information being delivered to vulnerable groups in usable format.

Food security and Nutrition

The fight against food insecurity as a means to tackle poverty is deeply anchored in the MDGs, the GoB's PRSP and the EC's own cooperation policy objectives. For an LDC like Bangladesh, where close to half of the population live below the poverty line, food security is of vital importance to the poor.

While conscious of the requirement to concentrate EC funds, it is essential to keep the EC's long term commitments in this sector by providing safety nets to the hard core poor. This approach is warranted by the poverty levels and the EC's role in supporting food security programmes. Despite a de facto self sufficiency in rice at national level, malnutrition still affects the majority of Bangladeshi poor, especially women and children with 30 million still living under the poverty line. Also, it would be difficult to argue for a short term phase out from a commitment dating back to the first years of EC Bangladesh relations, knowing that the EC is one of the main donors in this area. The thematic Food Security budget designed to support innovative interventions complements the safety net programmes funded out of this strategy, so as to ensure that an appropriate level of support can be assured to the EC's engagements in this sector

The **overall objective** of EC interventions is to sustainably reduce the level of poverty, food insecurity and malnutrition in Bangladesh, primarily by supporting rural ultra-poor. Since the inception of the EC's food aid actions in 1973 the EC's approach has evolved from food aid to food security, which since the late 90s consists in income support and capacity building. Based on the recommendations of the 2004 MTR of food security programmes in Bangladesh and the 2004 thematic evaluation of the Food Aid/Food Security operations and other lessons learned, the **specific objective** of the food security programmes is to eliminate food insecurity through holistic/integrated concepts and by strategically strengthening the capacities and responsibilities of decentralized government institutions for participatory planning and implementation of food security interventions. This will be achieved through a focus on innovative approaches/interventions by primarily targeting extreme poor and food insecure women which have not benefited from mainstream poverty reduction programmes in the past. EC interventions will aim at linking food security and nutritional interventions with education sector programmes as well as good governance.

Activities carried out in the field of higher education will be financed within the context of the regional programming for Asia.

5.5. Cross cutting issues

We will ensure that all our programming consistently addresses the cross-cutting issues of governance, gender, human rights, democracy, the right of the child, indigenous peoples' rights, environment and climate change in all three priorities, in line with the EC's global commitments and the GoB's own commitments stated in the PRSP. Our support for growth as the main engine of development will be informed by the need to combat exclusion and ensure respect for human rights, including labour standards and decent work opportunities.

5.6. Risks and assumptions

Political risks: The underlying assumption behind all our programming is that the 2007 elections will be free and fair and that Bangladesh will continue to function as a democratic state. Within this scenario the main risks foreseen are that the incoming government does not maintain the commitments to improved governance set out in the PRSP and that relations between donors and government in key areas remain strained or deteriorate. A further risk is that the deeply partisan nature of politics in Bangladesh will persist following the next election to the degree that Parliament does not fulfil its role effectively and reforms are not legitimised by proper debate and consultation. Our strategy for mitigating these risks is to assure that our programme is sufficiently broad and flexible to accommodate a variety of approaches, to focus on the demand side of justice and good governance, and to ensure that we work collaboratively with other main donors to support the GoB in taking forward key reforms.

Economic risks: Bangladesh faces the serious economic risk of diminishing export markets with respect to some products in the garments sector as a result of intensified regional competition since the phase out of the WTO textile quotas in January 2005. In the absence of enhancing competitiveness (including through improved uptake of duty-free access to the EU market) and penetration of new export markets, a serious macroeconomic destabilization could emerge with negative consequences for the poor and serious risks for the financial sector. Direct and indirect job losses might lead to increased political instability that could, in turn, worsen the investment climate and slow down the growth rate of the economy, impacting critically on social service delivery and reversing achievements in human development. Perversely, increased difficulties in the garment sector may have the beneficial effect of increasing government awareness of the need to improve the investment climate and economic governance, both of which are key constraints for achieving faster growth.

Environmental risks: Risks associated with the environment come in two kinds - the ability to undermine the effectiveness and efficiency of programmes and the threats to the environment itself. Among the former are the very real threats that failure to deal with water quality and supply issues will undermine progress in health and consequently pro-poor growth. Increased incidence of extreme weather conditions and their impacts, including floods and droughts, but also cyclones require preparedness. Provision for relief is important, together with early planning to reduce the impacts. Climate change covers a range risks: rising sea levels, reduced land area, lower total yields, but also reduced unit area yields with implications for food security of the poorest, potentially undermining long term economic growth.

Absorptive capacity: Absorptive capacity has in the past been a major cause of delay in implementing almost all programmes and has held up a significant pipeline of projects for different donors. The frequent transfer of government officials over the lifecycle of a project results in repeated agreements with different officials on the planning of programmes. The slow internal approval process and coordination mechanisms strictly limits the number of bilateral inputs to absolutely strategic projects and strongly argues the case that other assistance should be channelled through major joint-donor approaches. As this experience is common to all development partners, the willingness to join hands is widespread.

ANNEXES

ANNEX 1: BUDGET OVERVIEW

CSP 2007-2013

Priority Sector 1 – Human and Social Development	35 %	
Priority Sector 2 – Governance and Human Rights	25 %	
Priority Sector 3 - Economic and Trade development	20 %	
Non Focal Sector – Environment and disaster management	10 %	
Non Focal Sector - Food security and nutrition	10%	
Total	100%	403 meuro
NIP 2007-2010 205 meuro (51meuro/p.a.)	50% of CSP budget, total:	
NIP 2011-2013 198 meuro (66 meuro/p.a)	50% of CSP budget, total:	

N.B. Figures could vary 5% up and downward.

ANNEX 2: EU/EC CO-OPERATION OBJECTIVES

1. The EC Treaty Objectives for External Co-operation

In accordance with Article 177 of the Treaty Establishing the European Community, the Community's development cooperation policy shall foster the sustainable economic and social development of the developing countries, the smooth and gradual integration of these countries into the global economy and the fight against poverty. The Community's policy in this area shall contribute to the general objective of developing and consolidating democracy and the rule of law, and to that of respecting human rights and fundamental freedoms.

On the basis of Article 179 of the same Treaty, a new Development Cooperation Instrument (DCI) was adopted in December 2006. Bangladesh is eligible to participate in cooperation programmes financed under the DCI [European Parliament and Council Regulation (EC) No. 1905 of 18 December 2006 establishing a financial instrument for development cooperation.

The framework Programmes for research and technological development (Part three, title XVIII art. 164b) constitute important impetus to build and consolidate partnerships between the EC and Bangladesh through the increase of research capacity, the simulation of technological innovation, the promotion of the transfer of technology, the exchange of scientists and researchers and the encouragement of partnerships between research centres in Bangladesh and the EU Member States.

2. Objectives of the EU as laid down in other applicable documents

The Treaty objectives are reflected in the 2001 Cooperation Agreement (Council Decision of 26th February 2001, 2001/332/EC between the European Community and the Government of Bangladesh), which contains the following four objectives:

- Support for the sustainable economic and social development of the country and particularly in the poorest sections of its population, with special emphasis on women.
- Strengthening two-way trade between the EU and Bangladesh and assist Bangladesh in diversifying its productive potential.
- Promotion of investment and economic, technical and cultural links.
- The pursuit of equilibrium between policies for sustainable economic growth, social development and protection and conservation of the environment.

The 2001 Communication *Europe and Asia* (Commission Communication COM(2001)469 "Europe and Asia: A Strategic Framework for enhanced partnerships") further defines the framework the following 6 objectives: (i) contribute to peace and security in the region and globally, through a broadening of our engagement with the region; (ii) further strengthen our mutual trade and investment flows with the region; (iii) promote the development of the less prosperous countries of the region, addressing the root causes of poverty; (iv) contribute to the protection of human rights and to the spreading of democracy, good governance and the rule of law; (v) build global partnerships and alliances with Asian countries, in appropriate international fora, to help address both the challenges and the opportunities offered by globalisation and to strengthen our joint efforts on global environmental and security issues; (vi) and help strengthen the awareness of Europe in Asia (and vice versa).

3. Speeding up Progress towards the Millennium Development Goals

In its 12 April 2005 Communication on Speeding up progress towards the Millennium Development Goals,⁹ the Commission takes stock of the EU's contribution to development and identifies the necessary measures to accelerate achievement of the MDGs. The Commission aims at (a) setting new intermediate targets for growth in official aid budget by 2010 for both EU and Member States, ultimately achieving the 0.7% target of gross national income (GNI) by 2015, (b) speeding up reforms to improve aid quality, (c) re-evaluating EU's influence on the conditions for development and (d) ensuring Africa's primacy as the beneficiary of these approaches with a re-renewed impetus of partnership between the two continents. The proposals on Development Financing and Policy Coherence are set out in detail in two other communications. Together these contribute to the three pillars of sustainable development (economic, social and environmental).

4. Financing for Development and Aid Effectiveness

In its 12 April 2005 Communication on Financing for Development and Aid Effectiveness,¹⁰ the Commission outlines means of achieving interim targets of increased ODA volumes by 2010 and move towards the UN target of 0.7% GNI by 2015. It suggests new aid modalities, innovative finance sources and includes proposals in addressing the remaining post-HIPC debt problem of low income countries. It suggests redefining EU commitment regarding GPG. The main challenge on co-ordination and harmonisation is the credible implementation of the EU framework and results of the High Level Forum on aid effectiveness and complementarity in aid delivery. Commitment on reforming the International Finance System must be strengthened.

5. EU Policy Coherence for Development

In its 12 April 2005 Communication on Policy Coherence for Development,¹¹ the Commission has defined coherence commitments in the overall framework of the EU sustainable development strategy and identified the following priority areas with high potential of attaining synergies with development policy objectives: trade; environment; security; agriculture and fisheries; social dimension of globalisation, employment and decent work; migration; research and innovation; information society; transport and energy. These commitments were endorsed by the Council (GAERC) on 24 May 2005. The Communication further calls on non-development policies to respect development policy objectives and on development cooperation to also contribute, where possible, to reaching the objectives of other EU policies.

6. The 'European Consensus' on EU Development Policy

In its meeting on 22 November 2005, the General Affairs and External Relations Council adopted the EU Development Policy Statement, also known as "the European Consensus"¹², endorsed by the European Parliament on 15th December, substituting the development commitments of the Joint Declaration of the Council and European Commission from

⁹ COM 2005/0132 final

¹⁰ COM 2005/0133 final

¹¹ COM2005/0134 final

¹² 'The European Consensus on Development : ' OJ 24/2/2006 (2006/C46/01).

November 2000. The “European Consensus on Development” provides, for the first time, a common vision that guides the action of the EU, both at its Member States and Community levels, in development cooperation. The Statement identifies the eradication of poverty in the context of sustainable development, including pursuit of the MDGs, as the primary and overarching objective of EU development cooperation. The Statement also emphasises that EU partnership and dialogue with third countries will promote common values of respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice and the EU’s commitment to effective multilateralism.

The priorities from the ‘European Consensus’ are supported by a number of subject-specific communications, including the 2001 Communication on the Programme of Action for the mainstreaming of gender equality in Community development cooperation, the 2002 Communication ‘Trade and development: assisting developing countries to benefit from trade’, the 2003 Communication on Governance and Development and the Sixth Environmental Action Plan (Com (2001) 31, the Communication on "Fighting rural Poverty" (COM 2002, 429) and the EU Guidelines to support land policy design and reform processes in developing countries (COM (2004) 686).

7. UN Summit conclusions 2005

The importance of strengthening the social dimension of globalisation and of promoting productive employment and decent work opportunities was highlighted in §47 of the **UN Summit conclusions of September 2005** regarding human and social development. UN member states committed themselves in particular to “*strongly support fair globalisation and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the MDGs.*”

ANNEX 3: COUNTRY AT A GLANCE

The status of the country as to the likely achievement of the Millennium Development Goals at a glance

In October 2006, *United Nations Economic and Social Commission for Asia and the Pacific UNESCAP*, the *United Nations Development Programme UNDP* and the *Asian Development Bank ADP* have issued a report “Millennium Development Goals: Progress in Asia and the Pacific 2006”. This report is the latest update on the progress towards MDGs in Asia and the Pacific. It highlights the region's achievements and exposes issues on which much work remains to be done. The report looks in a more holistic way at overall country progress by assessing absolute MDG indicators in addition to MDG targets.

The report classifies the progress made by each country into 4 categories

- *Early achiever* — Has already met the target
- ▲ *On track* — Expected to hit the target by 2015
- *Off track – Slow* — Expected to hit the target, but after 2015
- ▼ *Off track – Regressing* — Slipping backwards, or stagnating

Goal	1	2	3	4	6	7
	\$1/day poverty Underweight children Primary enrolment Reaching grade 5 Primary completion rate	Gender primary Gender secondary Gender tertiary	Under-5 mortality Infant mortality	HIV prevalence TBC prevalence TBC death rate	Forest cover Protected area CO ₂ emissions ODP/CFC consumption	Water urban Water rural Sanitation urban Sanitation rural
Bangladesh	▼ ■ ▲ ▼ ▼	■ ■ ▼	▲ ▲	▲ ■ ■	▼ ■ ▼ ▼	▼ ■ ▼ ▲

Land area 144,000 sq km	Population 141+ million (2004 ^P)	Population density 950 (2004 ^P)
Population of main town Dhaka: 12.5 million (2000); rising to 22.7 million approx (2015)		
Annual population change (% per year)		
Year 1990: +1.95%	Year 1998-99: 1.7%	Year 2002: 1.5% Year 2004: 1.3%

Political situation

Bangladesh became a sovereign country in 1971. Except some early years after the Independence, the country was ruled under autocratic governments. Since 1991 parliamentary democracy has been established and successive democratic governments are in power. However, political violence is continuing since the independence and has increased in recent times. Deterioration in law and order situation is very much correlated with political issues.

Economic Summary

Indicator	FY02	FY03	FY04	FY05	FY06
Real GDP growth (%)	5.9	5.3	4.4	5.3	5.5
GDP US\$ billions (at current market prices)	46.0	44.5	47.6	51.9	55.4
GDP per capita (\$)			380	400	421
Inflation % CPI (point-to-point, base: 1996)	2.8	1.9	2.8	4.4	5.8
Exports US\$ millions	5752.20	6467.30	5986.09	6548.44	7602.99
Imports US\$ millions, c.i.f	8374	9335	8540	9658	10903
Fiscal deficit (% GDP)	4.5	4.1	3.7	3.4	3.4

Summary of Economic Situation

Despite various adverse situations emerging from natural calamities, increase prices of both food and fuel in the international market, poor state of governance, etc., the Bangladesh economy has maintained the growth momentum in the recent years and is enjoying moderate macroeconomic stability. However, the country needs to achieve GDP growth at 7% to be on the MDG targets in eradicating widespread poverty.

Selected Social Indicators

Indicator	Year 2001/2002			Year 1999/2000			Year 1998		
	M	F	C	M	F	C	M	F	C
Adult literacy rate over 15s %	50.3	31.4		52.3	29.9		51.1	28.6	
Primary school enrolment % (gross)	96.8	98.3		103.4 (1998)	100.1 (1998)				75.1 (1997) g
Primary school enrolment % (net)	85.7	87.5		91.6 (1998)	88.8 (1998)				
Secondary school enrolment % (gross)	44.7	49.2		43.3 (1998)	41.5 (1998)				21.6 (1997) g
Secondary school enrolment % (net)	41.9	45.9		40.3 (1998)	38.5 (1998)				
Life expectancy at birth	60.7	61.5		59.4	59.5		58.6	58.7	
Underweight children <5 (%)			48 a			48 b			56 h
<5 mortality rate (per 1,000 live births)			77			82			106
Maternal mortality rate (per 100,000 live births)			380 c			350 d			440 h
Children <2 fully immunised (%)									
Infants <1 immunised against TB (%)			95			91			91 i
Births supervised by trained personnel (%)			12 e			12 f			
Households with access improved water source (%)			97			97			74 j

a. Data refer to the most recent year available during the period specified. 1995-2002

b. Data refer to the most recent year available during the period specified. 1995-2000

c. Data refer to the most recent year available during the period specified. 1985-2002

d. Data refer to the most recent year available during the period specified. 1985-1999

e. Data refer to the most recent year available during the period specified. 1995-2002

f. Data refer to the most recent year available during the period specified or to a running average for a series of years surrounding that period. 1995-2000

g. Age group enrolment ratios adjusted. % of relevant age group.

h. Data refer to the most recent year available during the period specified. 1990-1998

i. Data refer to the most recent year available during the period specified. 1995-1998

j. HDR 2000 report states 'Population without access to safe water', 26. Assumption for this table has been made that the difference, i.e. 100-26=74, represents population with safe water. Note also the difference between terminology, population vs. household

ANNEX 4: OVERVIEW OF PAST AND ONGOING EC CO-OPERATION

Social Sectors

Health: The two main interventions prior to SWAPs were: Thana Functional Improvement Pilot Project and Contraceptive Supply Project. TFIPP (EUR 18m) was one of 66 projects in the 1992/97 IVth Population/Health Project (PHP, precursor to the full ‘programme approach’ HPSP (or Vth PHP)), aimed at stimulating demand for health/family welfare services in 55 sub-districts (out of 460) to 12.5 m. people. It delivered improved basic health/family welfare levels and increased service utilisation. 10000 staff were trained, and a MIS for core indicators developed. It failed to be relevant for the poorest, however (and lacked committed policy dialogue) as the introduction of user fees could not overcome the practice of informal fees or expand the poor’s access to health services. The CSP, also part of IVth HNP, supplied 840m condoms/EUR 24m, and aimed at demographic stabilisation by 2005. The project contributed to the relatively low rate of HIV/AIDS infection but was not replicated through a CSPII, actually approved (10.5mEUR), because of inability to reconcile EC and UNFPA procurement rules. Among smaller projects was the community-based Cox’s Bazaar Primary Health project, active in one of the poorest, isolated and conservative areas of the country which ended in 2005. EC also supported in 2001 action research at the Centre for Population and Health Research (ICDDR’B), the implementation of this project was ended in 2004.

EC joined the HPSP SWAP consortium in 1998, with a contribution of EUR 70m to a 2.9bUSD sector programme. This ended in 2003 (other donors continued funding until 2004) but because of the host country’s inability to meet the EC condition to integrate the health and family planning cadres of the Health/Family Welfare Ministry, tested under the TFIPP, EC disbursed only 50%. Under the successor HNPS, 2004 – 2010, EC will contribute EUR 108m to a 4.3b USD sector budget. In addition to government implemented sector wide programme, EC’s contribution aim to focus on the areas of particular challenges like, maternal and child health and Chittagong Hill Tracts (CHT) areas. Therefore, characterized by programme and project approach, larger proportion of EC contribution aims to spend on World Bank lead pool fund and the rest is on projects with particular challenges.

Education: Education became progressively more prominent under successive Country Strategies, initially addressed at primary level (from 1994) through Rural Development Programmes of BGD’s largest NGOs, BRAC and PROSHIKA. In 1999, initially with EUR36m, then in 2000, with EUR 23m added from GOB’s ‘Intensive District Approach to Education for All’ initiative which UNICEF was unable to utilise, EC funded BRAC’s Non-Formal Primary Education Programme (NFPE III), a shared programme of 99mUSD (including 3 other MS) ending 2004. EUR16m remained unused by project end due to euro inflation and because EC did not agree to BRAC’s request to compensate the cutback to its 34 000 school throughput from one MS’ withdrawal. The other MS and donors have continued funding NFPEIV. EUR 133 million was approved for education in the strategies until 2001, including EUR36m to stimulate recruitment of 2000 female teachers in rural non-Government secondary schools in PROMOTE (1997-2005) which will also end with EUR 12m being undisbursed. EC support to 2001 has contributed significantly to boosting total school enrolment to almost 50%; about 70% of NFPE enrolment are girls, substantially above the national average (2000) of 49%.

In 2004, EC joined the SWAP 'Primary Education Development II' programme of 1.8bUSD, 2003 - 2009, with EUR 105m share in a donor contribution of 690m USD.

Under the 2002-06 Strategy, a range of NGOs will utilise, from 2006, the NIP 2003-05 EUR 30m allocation for non-formal primary education, under competitive bidding, the new Financial regulation (2003) having prevented EC directly supporting a large NGO (such as BRAC) as foreseen in the NIP

Economy and Trade

The EC has been one of the largest donors in Bangladesh in this sector with a total allocation of € 63 million, which was justified both by the relevance of the sector for the country's growth and the importance of the trade partnership. The TRTA package was designed to prepare the private sector for the end of the textiles quota system, to further develop the export potential and to implement the country's WTO commitments. The EC involvement includes the South Asia Enterprise Development Fund, Asia Invest projects, the Pre-Cancun package, Trade Support Programme, Bangladesh Quality Support Programme and the Private Sector Development Support Programme (PSDSP) to improve economic governance in cooperation with DfID, World Bank, Japan and Canada. At a **trade policy level**, the EC developed a global approach to ensure that the multilateral trade regime work in favor of developing countries and LDC's such as Bangladesh. Under the Everything But Arms initiative the EC assured Bangladesh duty and quota-free market access for an indefinite period.

Governance and Human Rights

Under the 2003-5 NIP the EC has, in common with other donors, focused on support to aspects of political governance where there have been commitments made to reform and on support for human rights. There has also been a large commitment to security and human rights in the form of support for the UNDP Chittagong Hill Tracts (CHT) Development Facility, which seeks to underpin the CHT Peace Agreement, and a continuous role as the principle donor for UNHCR's support to the Rohingya refugees. EC support to the Election Commission has ultimately not proved possible to implement, illustrating the difficulties which beset donors in the governance area. However, the EC is funding NGO project under a call for proposals for civic awareness in preparation for the 2007 elections.

The more substantial funding for governance under the 2006 NIP has enabled us to expand our focus to take on the key institutional areas of justice/law and order and local governance, in both of which sectors we are working closely with the World Bank and other donors to formulate projects that support the GoB's PRSP commitments and align with the 2004 World Development Report Making Services Work for Poor People. We are also formulating a project to combat trafficking, which will focus on enforcement aspects, leading us to join DFID and UNDP in supporting police reform. Our human rights work will also expand with the EIDHR (see next paragraph) and we are committed to increase our funding for the Chittagong Hill Tracts.

The finalisation of the PRSP and associated developments, such as the joint Country Assistance Strategy work taken forward by DFID, Japan, WB and ADB, are now beginning to provide a context in which, under the 2007-2013 CSP we can build on the firm basis of an

established programme in key institutional areas, in partnership with other main donors, to take forward support for key reforms in the judicial and law and order sector, to support further decentralisation and to develop key programmes in support of greater government efficiency and effectiveness, combating leakage and corruption. This will also lead us into greater involvement in the core area of public financial management, where opportunities for greater donor involvement are expected following the WB's Review of Institutional Arrangements for Public Expenditure, Financial Management and Procurement indicators.

Cross cutting issues and regional programmes

The cross cutting issues for the EC include democracy, good governance, human rights, indigenous peoples' rights, gender, childrens' rights, environmental sustainability, combating HIV/AIDS and global warming. Both the NIP 2005 and 2006 have placed a growing emphasis on the critical issues of good governance, gender equality and children's issues. Projects currently in the pipeline to be implemented include empowering adolescent girls, and combating trafficking of children and adolescents. The EIDHR funding instrument has further enabled the delegation to support children's rights. Starting in 2006 the EC will be a co-funder for UNICEF's nation-wide programme of birth registration, an integral component of ensuring the protection of child' rights. With the introduction of the EIDHR micro-projects in 2005 there is now an opportunity to expand our support to organizations working on key human rights issues with a call for proposals for local NGOs to address 'fostering a culture of human rights' and 'advancing equality, tolerance, and peace'. Minority's rights have been addressed and are at the core of the Chittagong Hill Tracts UNDP project, and we have specific environment related projects funded under the regional funding instrument, Asia Pro-Eco.

Gender mainstreaming has become a key cross-cutting issue for the EC, not only as a reflection of the MDGs and international agreements that place gender equality at the heart of poverty alleviation, but also due to the inequalities that pervade Bangladesh society and keep women and girls from attaining their rights and access to education, health, participation in politics, and opportunities in employment. The Delegation has ensured gender equality is an integral component of both the education and health sector-wide programmes, and will be included in upcoming projects for justice reform, and support to local governance. Gender training has been organized for delegation staff, in particular a training workshop in the final quarter of 2005.

Since the 87/88 floods the EC has contributed more than 100 million euros in disaster related actions not including more recent ECHO actions. Prominent among these is the Coastal Embankment Rehabilitation Project funded along with the World Bank. This has provided protection to coastal communities which has led to increased economic growth, partly through increased security but also through improved land use and agricultural practices. This will need to be reviewed as part of the analysis of climate change related impacts expected over the next few years.

The EC funded evaluation recommended that EC should continue support for this type of activity, but to improve effectiveness future interventions should support and develop local government involvement and recognise the local socio-political situation by including all members of the community not just the poor and disadvantaged.

The Delegation programming is complemented by a number of regional initiatives. Bangladesh has 2 **Asia Link** projects targeting higher education, 7 **Asia Invest** and **IT & C** projects, and 6 **Asia Pro Eco** projects for the environment. Bangladesh is also part of the regional South Asia Civil Aviation project.

Our programming in Human Rights, Governance (especially local governance) and the social sectors is underpinned by a substantial portfolio of projects under the NGO co-financing budget line.

ECHO - Humanitarian Aid

ECHO's intervention has been instrumental in attenuating the adverse effects of floods in summer 2004 and in providing shelter to 400 tribal families in the Chittagong Hill Tracts, after the violent Mahalchari incidents of August 2004. Since 2001 and in order to mitigate the risk of the recurrent natural disasters ECHO has also provided since 2001 about €2.6 million to support vulnerable communities and authorities at local, provincial and national level in disaster preparedness measures through its DIPECHO programme in South Asia. Beside this the country also benefited from €1.482 million provided for 4 regional projects for India, Bangladesh, Nepal and Sri Lanka. All projects were mainly aimed at enabling local communities to prepare themselves for floods but also cyclones, earthquakes and droughts. Projects are implemented in close cooperation between communities at risk and humanitarian organisations with a long standing expertise in disaster preparedness.

These measures have been complemented by 9M€ NIP 2005 funding to support earthquake and tsunami preparedness, in the context of the national Comprehensive Disaster Management Programme providing an institutional framework for Disaster Risk Reduction and Management in Bangladesh.

ANNEX 5: Overview of past EC co-operation: allocations NIP 2003-5 and NIP 2006 – Overview (in meuro)

Priority Sector Budget Line		CSP 2002-6	NIP 2003-5	Actual Commitments		Activity Description	NIP 2003 – 2005 Revised (MTR)			NIP 2006
		meuro	meuro	2002			2003	2004	2005	2006
.1. Health	B7-300	120	120	-	-	1. Health sector programme (HNP)	-	=>	108**	
1.2. Education	B7-300	125	135	-	-	1. Primary Education Dev Prog. (PEDPII) 2. Support for NFPE	105 -	- =>	- 30	
1.3. Food Security / Rural Dev.t	B7-200	120	95	-	-	Indicative commitment level	10*	20	20	25
1.4. Employment Creation	B7-300	10	-	Rural Towns Dev. Pilot	10		-	-		
2.1. Economic Development and Trade Capacity	B7-301 B7-300	49		SEDF (SAEnterprise Development Facility)	10	1. TRTA (Cancun Package, Intell. Prop) 2. Total Quality Programme 3. Small Project Facility 4. Econ. Governance / VET	=>8,75 3	10	1.2 -	20-30
3.1 CHT Programme	B7-300	60		-	-	1. CHT development prog. Phase I 2. CHT development prog. Phase II	=>		7.5	15-20
3.2 NGO Co- financing	B7-6	30	18	Global CfP*	2	Global Call for Proposal*	4, 4	2,1	4*	4*
3.3 Human Rights & Democracy	B7-300	46***	9	-	-	1. Support to Electoral Process 2. Promotion of Individual Rights (Unicef) 3. Civil Justice reform 4. Combat Human Trafficking 5. Reserve for Human Rights activities linked to PRSP	- -	=>	2.5+3.5 6**	10 2 5
3.4 Others	B7-3		9	SMILING	8	Disaster Preparedness		=>	9**	
Them./Regional	B7-302					Burmese Refugees (Uprooted People)	2	1	1	1
SUBTOTAL 19 10 01/02 (B7-300 and		410	303.5		28	SUBTOTAL 19 10 01/02 (B7-300 and B7- 301)	116.8	10	161.7	52-67
SUBTOTAL HTBs		150	117		2	SUBTOTAL HTBs	16	27	23-25	30
TOTAL		560	420.5		30	TOTAL per year	132.8	37	186.7	82-97
TOTAL 19 10 01 and 02 only							340.5-355.5			
GRAND TOTAL all budget lines							438.5-453.5			

* Forecasted estimate for projects selected under global Call for Proposal

** 10% budget shifts in context of MTR

*** Forecasted estimate for ALA and non ALA budget lines (e.g. Uprooted people, Humanitarian aid & disaster preparedness, Regional programmes)

ANNEX 6: DONOR MATRIX

The Member States

The EU Members States and the EC constitute the largest aid and trade partners with an expected annual aid envelope of approximately €386 million per year in 2005/06. **UK/DFID** is the largest EU donor with an expected allocation of 149 meuros in 2005. The current DFID Country Assistance Plan (CAP)¹³ is based on the GoB's Poverty Reduction Strategy and is entitled 'Women and Girls First' to reflect its focus on achieving gender equality, essential for achieving the MDGs. Over the last few years and with the growing trend towards sector programmes DFID has become a close partner of the EC in the delivery of aid programmes. Like the EC, DFID has been involved in the design and funding of the first health and education sector programmes (HPSP and PEPDII).

In addition to the involvement in the social sectors DFID has been increasingly focusing on the enabling environment to help business and enhance job opportunities. This is an area where EC and DFID's have developed a very close partnership, not least in view of EC's strong mandate on trade and economic development issues. The partnership in this sector has resulted in the joint design of the first trade sector programme (Private Sector Development Support Programme, PSDSP) to which the EC contributes with approximately 20 meuro under the NIP 2006 and the World Bank joint into. DFID has also been closely involved in the Trade Needs Assessment which the EC carried out in spring 2005 in preparation of the CSP. It is expected that under the new CSP the EC will further enhance its partnership with DFID in two core areas of common interest: Governance and Trade related development.

Germany is the third largest EU donor, following DFID and the EC, with an allocation of 60 meuro in 2005/2006. The German development programme has also a strong focus on the social sector and on economic reform and market development. This has allowed the EC and German programmes to achieve a fair amount of synergies, notably in the health and trade sector programmes. Germany has furthermore established a strong presence in the Energy sector. Given Governance related difficulties in this sector Germany will however scale down its involvement in the Energy sector as of 2005. It is expected that EC and German development commitments will remain complementary in the next CSP.

The other EU donors represented in Bangladesh include the **Netherlands, DANIDA/Denmark, SIDA/Sweden, Italy and France**. With the exception of France, which has concentrated its assistance on cultural issues, there has been co-operation in the social sector (health and education) with most of the donors. Netherlands, DANIDA and SIDA have also had an important focus on Human Rights and Governance programmes, although like most other donors they have not been able to intervene beyond small scale projects. According to the strategies of these MS, which are at an earlier stage of preparation, there is scope to develop complementary programmes in the area of Governance and Human Rights. A common engagement in the education sector is also expected.

¹³ To be superseded in 2006 by a new CAS produced in collaboration with the other members of the Joint-CAS group of four largest donors.

Other donors

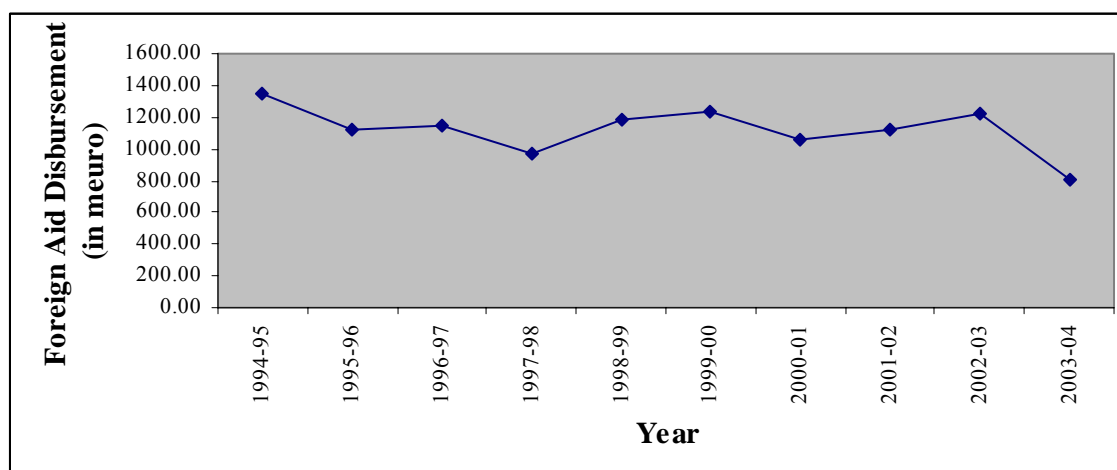
The four largest donors in Bangladesh are **Japan, the WB, ADB and DFID**. With the exception of Japan, which has to date had a strong focus on infrastructure development and thus allowed for little common scope, the EC has collaborated with all of these donors. Interaction with the WB, the second largest donor with a total commitment level of US\$ 2 billion has occurred across most fields, notably through the WB's coordination of the donor consortium in support to the first Health Sector Programme HPSP and, in 2005-6 as lead donor in support of decentralisation, through the Local Governance Support Programme. The issuing of the WB's new CAS in 2006 with a strong emphasis on governance underpinning development provides a good basis for further close collaboration under the 2007-13 CSP.

Tables

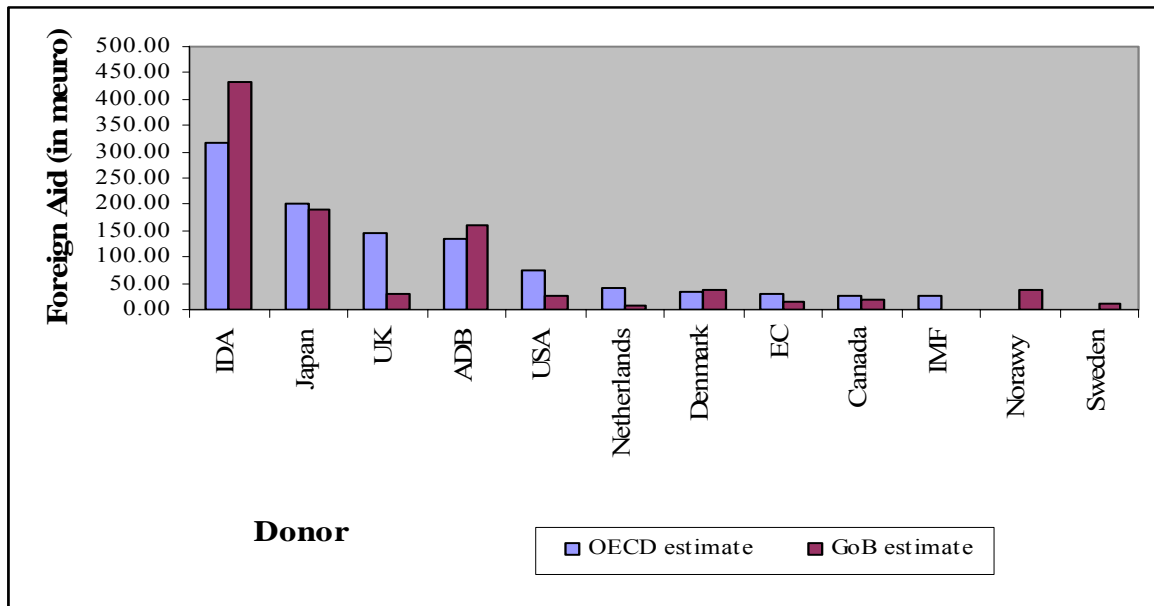
A. Overview of expected Member States Financial Allocations in 2005

Member States	Financial Commitment/Expected Allocations 2005
United Kingdom	€148 million (≈ £100 million)
European Commission	€186 million
Germany	€51 million
The Netherlands	€36 million
Denmark	€30 million (≈ DKK 225 million)
Sweden	€23 million (≈ SEK 200 million)
Italy	- (?)
France	- (?)
TOTAL	€386 million

B. Trend of Foreign Aid Disbursement over the Last Decade

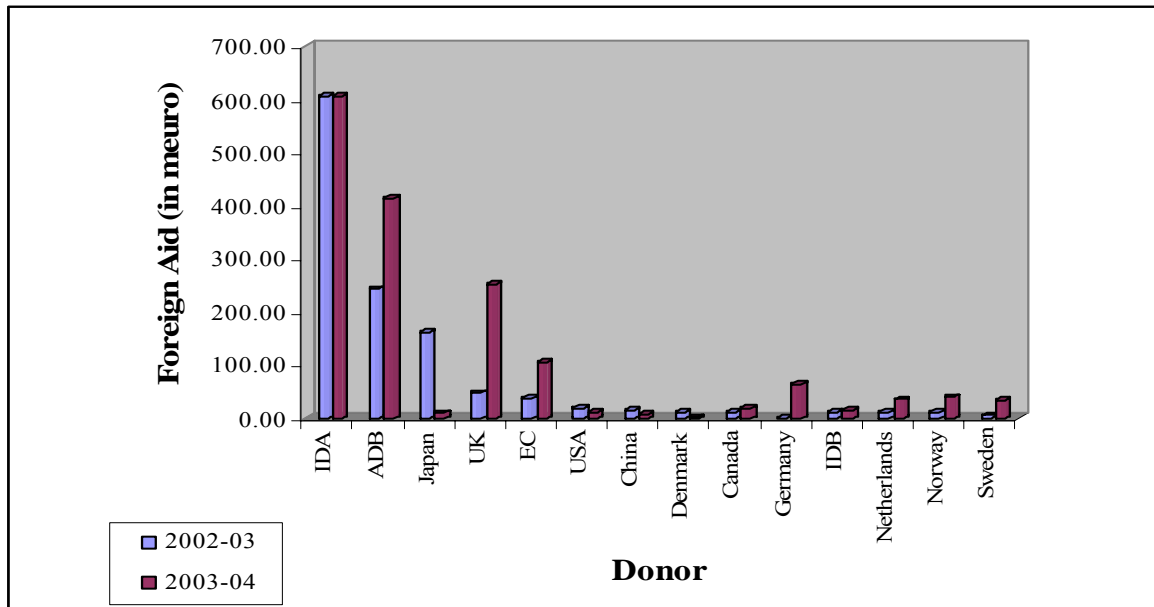


C. The Top 10 Donors (loans and grants)
 (based on foreign aid disbursement over the period 2002-2003)



Note: The UN agencies assist in various sectors, especially in education, health and rural development, and is funded by different bilateral/multilateral donors.

D. The Top 10 Donors (loans and grants)
 (based on foreign aid commitments over the period 2002-03 and 2003-04)



Source: ERD, MoF, GoB

E. Balance of Government Resources and Aid by Sector

Sector	FY1999-2000		FY2000-2001		FY2001-2002		FY2002-2003		FY2003-2004	
	GoB Budget	P. A.	GoB Budget	P. A.	GoB Budget	P. A.	GoB Budget	P. A.	GoB Budget	P. A.
Agriculture	76.94	50.68	78.31	48.12	86.79	37.35	89.91	59.36	222.34	38.74
Rural Devt.	9.98	35.80	10.35	50.91	10.60	37.81	71.45	40.45	85.42	53.24
Water Resources	16.71	109.88	18.70	46.49	18.95	79.12	19.83	42.08	42.90	28.28
Energy	1.00	148.63	0.25	101.36	1.00	123.98	1.00	185.13	1.25	201.63
Transport	45.39	205.50	4.78	217.67	49.88	186.59	184.80	146.14	244.16	177.06
Education and Religion	404.15	66.02	419.99	85.39	456.40	90.74	486.33	83.30	590.82	64.16
Health	123.45	99.34	138.67	106.55	156.12	91.13	165.23	70.13	206.00	60.29
Public Admin.	442.31	24.18	446.17	53.55	529.97	92.13	553.91	78.65	886.11	86.56
Physical Planning & Housing	69.83	99.81	7.41	87.80	81.30	80.12	37.41	296.86	65.34	48.82

Notes:

1. **P.A.:** Project aid from external sources.
2. Figures are in meuro and as per Info euro for May 2007 €1 = US\$ 1.2905 and €1 = BDT 80.1932
3. Three sectors - Science & technology, Family welfare and Cyclone reconstruction - did not receive any PA from external sources for the last five fiscals.

F. Overview of allocations per donor in 2005 (Figures in €million, except where indicated)

Donor/ Sector	Budget policy	Monetary policy	Rural development	Governance	Energy	Transport	Education	Health	Water	Urban development	Gender	Environment	Human Rights	Democracy	Judicial	Poverty monitoring	<i>Economic Dev &TRTA</i>	<i>Cult com</i>	
Multilateral	154.98	0.00	73.51	0.00	178.23	252.62	89.58	284.72	65.83	0.50	1.47	0.44	16.19	0.00	0.00	0.39	7.75		
WB	154.98						77.49	232.47											
ADB			38.74		178.23	252.62		31.00	49.59				11.62						3.87
UNDP																			
UNFPA			0.05				0.06	2.22		0.28	0.08					0.39			
UNICEF							10.09	18.26	16.24	0.22									
IFAD			19.22																
WFP			15.50				1.94	0.77			0.39		1.55						3.87
ILO											1.01	0.44	3.01						
EC + MS	0.00	0.00	45.87	53.27	38.24	30.91	59.03	125.72	15.69	0.00	7.38	1.10	30.21	6.00	0.43	0.00	69.97		
EC			29.00	7.50			30.0	108.0					6.00	6.00					1.20
DFID			16.77	45.77	33.74	23.25	8.42						24.21						63.93
Netherlands €					4.50	0.00	10.00	7.00	9.00	0.00	4.10	1.10	0.00	0.00	0.30	0.00			0.50
Sweden							10.61	10.72	0.11		3.28								0.98
Denmark						7.65			6.58						0.13				3.36
France			0.10																
Italy																			
Germany																			
Others	0.00	0.04	38.27	4.44	1.55	0.00	11.23	45.17	0.77	0.00	0.77	3.41	1.93	1.70	2.40	0.00			6.44
Canada \$		0.04	2.40				3.72	19.91			0.77	1.94			2.40				1.01
USAID \$			19.84	1.46	1.55		2.71	23.91				1.47	1.93	1.70					4.14
Japan																			
AUSAid \$			13.17	0.39			1.55	0.31	0.77										
SDC			2.86	2.60			3.25	1.04											1.30
Norway																			
Total	154.98	0.04	157.65	57.71	218.01	283.52	159.83	455.61	82.30	0.50	9.63	4.95	48.33	7.70	2.83	0.39			84.17
% EC			18.40				18.77	23.70					12.41	77.87					1.43

ANNEX 7: UN Human Rights Treaties and Conventions ratified by Bangladesh

1. ILO Convention 87, *Freedom of Association and Protection of the Right to Organise* (1948), ratified 1972
2. ILO Convention 98, *Right to Organise and Collective Bargaining*(1949), ratified 1972
3. ILO Convention 100, *Equal Remuneration Convention*, ratified 1998
4. ILO Convention 105, *Abolition of Forced Labour* (1957), ratified 1972
5. ILO Convention 107, *Indigenous and tribal populations*, ratified 1972
6. ILO Convention 111, *Convention Concerning Discrimination in Respect of Employment and Occupation* (1958), ratified 1972
7. International Convention on the *Elimination of all Forms of Racial Discrimination* (CERD), acceded 1979
8. International Covenant on *Civil and Political Rights* (CCPR),1966, acceded 2000
9. International Covenant on *Economic, Social and Cultural Rights* (CESCR),1966, acceded 1998
10. Convention on the *Elimination of All Forms of Discrimination Against Women* (CEDAW), acceded 1984, with reservations relating to Arts 2, 13(a) and 16.1(c) and (f)
 - a. Optional protocol to CEDAW (OPT) ratified 2000.
11. Convention against *Torture and Other, Cruel, Inhuman or Degrading Treatment or Punishment* (CAT), 1998
 - a. Optional protocol to CAT. (OPT)
12. Convention on the *Rights of the Child* (CRC), ratified 1990, with reservations relating to Art 14, para 1
 - a. Optional protocol to CRC on the *Involvement of Children in Armed Conflict* (OPT-AC), ratified 2000
 - b. Optional protocol to CRC on the *Sale of Children, Prostitution and Child Pornography* (OPT-SC) ratified 2000.
13. ILO Convention 182, *Convention on the Worst Forms of Child Labour*, ratified 2001

UN Human Rights Treaties and Conventions signed but not yet ratified by Bangladesh

1. International Convention on the *Protection of the Rights of all Migrant Workers and Members of their Families* (CMW), signed 1998

ANNEX 8: Bangladesh's Progress towards Achieving Millennium Development Goals

A. *The MDGs and their targets for Bangladesh:*

Goal 1 : Eradicate extreme poverty and hunger

Target 1: Halve the proportion of people whose income is less than \$1 per day

Target 2: Halve the proportion of people who suffer from hunger

Goal 2 : Achieve universal primary education

Target 3: Ensure that both boys and girls will complete a full course of primary schooling

Goal 3: Promote gender equality and empower women

Target 4: Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels by 2015

Goal 5: Improve maternal health

Target 6: Reduce by three-quarters the maternal mortality ratio

Goal 6: Combat HIV/AIDS, malaria, and other diseases

Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

Goal 7: Ensure environmental sustainability

Target 9: Integrate the principles of sustainable development into country policies and programme and reverse the loss of environmental resources

Target 10: Halve the proportion of people without sustainable access to safe drinking water and basic sanitation

Target 11: By 2020, have achieved an improvement in the lives of at least 100 million slum dwellers

Goal 8: Develop a global partnership for development

Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.

Target 13: Address the special needs of the least developed countries

Target 14: Not applicable for Bangladesh

Target 15: Deal comprehensively with the debt problems through national and international measures in order to make debt sustainable in the long run

Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Target 17: In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in Bangladesh

Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially ICT

B. Bangladesh's progress towards achieving the MDGs

Goals	Targets	Indicators	Base Year ¹⁴	Current Year ¹⁵	2015 ¹⁶	MDG Target ¹⁷	Comment ¹⁸
Goal 1	Target 1	Proportion of population below \$1 per day	58.8%	49.6%	< 30%	29.4%	On target
	Target 2	Prevalence of underweight children (< 5 years old)	67%	51%	< 34%	34%	On target
Goal 2	Target 3	Net enrolment rate in primary education	73.7%	82.7	≈100%	100%	Close to target
		Proportion of students starting at Class1 reaching Class5	42.5%	80.6%	-	100%	-
		Adult (15+years) literacy rate	36.9%	38.8%	-	-	Probably not on target
Goal 3	Target 4	Ratio of girls to boys in primary, secondary and tertiary education	55:45 34:66 25:75	48:52 52:48 36:64	> 1.00	48:52 50:50 50:50	Target exceeded
		Ratio of literate females to males (of 20-24 years)	42:65	55:71	-	100:100	-
		Share of women in wage employment in the non-agricultural sector	-	22%	-	-	-
		Proportion of seats held by women in national parliament	-	2%	-	-	-
Goal 4	Target 5	Under-five mortality rate (deaths/1000 live births)	151	82	≈ 70	50	Not on target
		Infant mortality rate (deaths/1000 live births)	94	56	≈ 20	-	Close to assumed target
		Proportion of 1-year-old children immunized	54%	69%	-	100%	-
Goal 5	Target 6	Maternal mortality ratio (deaths/100,000 live births)	570	320	≈ 80	143	On target
		Proportion of births attended by skilled personnel	5%	12%	-	50%	(by 2010)
		Total Fertility Rate	3.3	3.3	-	2.2	(by 2010)
		Proportion of mothers who are malnourished	-	45%	-	< 20%	-
		Legally stipulated age of girl's first marriage	-	18 years	-	20 years	-
		Proportion maternal deaths caused by violence	-	14%	-	0%	-

¹⁴ The base year varies depending on availability and acceptability of data. The range is between 1990-1995.

¹⁵ The current status is the latest year for which acceptable data was available. The years range between 2000-2002.

¹⁶ The linear projections to year 2015 are extracted from "Strategic Review and Programming Mission - Bangladesh".

¹⁷ The MDG targets cited are for Bangladesh.

¹⁸ The comments are offered by the consultants of "Strategic Review and Programming Mission - Bangladesh" on the basis of the assumption that recent data are reliable. However, if the data are correct, reaching the MDG target on schedule for some of the indicators is less likely.

Goals	Targets	Indicators	Base Year ¹⁴	Current Year ¹⁵	2015 ¹⁶	MDG Target ¹⁷	Comment ¹⁸
Goal 6	Target 7	Condom use rate among female sex workers, rickshaw pullers and truck drivers (in %)	-	2-4, 2 and 25		-	
		HIV positivity among IDUs, female sex workers and men who have sex with men (in %)	-	4, 0.2-0.7, 0.2		-	
		Needle sharing among IDUs	-	25-75%		-	
	Target 8	Malaria deaths per 100,000	1.2%	1%	N/A	0.05%	More data is needed
		TB deaths per 100,000	21,900	70,000	N/A	-	More data is needed
		Proportion of TB cases under directly observed treatment short course: detected & cured (in %)	-	34 & 84		70 & 85	(by 2005)
Goal 7	Target 9	Proportion of land area covered by forest	9%	10.2%	≈ 11.9	20%	Not on target
		Energy use (kg oil equivalent) per \$1000 GDP (PPP)	123.18	92.36		-	
		Carbon dioxide emissions	0.141	0.189		-	
	Target 10	Proportion of the population with sustainable access to an improved water source: urban & rural (in %)	-	82 & 72		100 & 96.5	More data is needed for useful projection
		Proportion of population with access to improved sanitation: urban & rural (in %)	-	56 & 29		85.5 & 55.5	Urban: not on target Rural: on target
	Target 11	Proportion of (urban poor) households: owning dwelling & owning land	-	26% 18%		-	
Goal 8	Target 12	ODA (billion US\$)	-	1.02		-	
	Target 13	ODA to LDCs (% of OECD/DAC donors' GNI)	-	0.05%		-	
	Target 14	Proportion of bilateral ODA - united OECD/DAC donors	-	79.1%		-	
	Target 15	Bangladeshi exports to developed countries (b US\$)	-	58.31		-	
		Average tariffs imposed by developed countries on textiles and clothing from Bangladesh	-	12%		-	
		Debt service to exports of goods and services (in %)	-	7.29		-	
		Unemployment rate of 15-24 years-old	-	8%		-	
	Target 17	Proportion of people with access to essential drugs	-	80%		-	
	Target 18	Telephone lines and cellular subscribers/100 people	-	1.32		-	
		Personal computers in use per 100 people	-	0.34		-	
		Internet users per 100 people	-	0.15		-	

C. PRSP Targets

Target Setting on Major Goals against 2002 Benchmark

Indicators	1990	2002 Benchmark	Annual Progress Over 1990-2002 (%)	2015	Annual Progress Over 2002-2015 (%)
Income-Poverty	59(50)	50*(40)	-1.5(-1.9)	25(20)	-3.3(-3.3)
Extreme Poverty	28	19*	-3.2	5	-4.9
Adult Literacy	35	49.6	3.5	90	6.3
Primary Enrollment	56	86.7	4.6	100	1.2
Secondary Enrollment	28	52.8	7.4	95	6.1
Infant Mortality Rate	94	53	-3.6	18	-5.1
Under-Five Mortality Rate	108	76	-2.5	25	-5.2
Maternal Mortality Rate	480	390	-1.6	179	-4.2
Life Expectancy	56	64.9	1.3	73	1.0
Population Growth	2.1	1.4	..	1.3	..
% Children Underweight	67	51*	-2.4	26	-3.3

*Indicates benchmark data for 2000.

Notes: 1. The income poverty estimate is taken from the WB CBN estimate of HIES unit-record data. The alternative estimate, given in parenthesis, based on HIES grouped distribution data, and supported by other available non-HIES data, shows a poverty estimate of 40 percent in 2000. Use of the latter estimate will change the progress estimates.

2. Adult literacy rate, net primary enrollment, net secondary enrollment, infant mortality rate, Under-Five mortality rate and maternal mortality rate are based on Report of Sample Vital Registration System, 2004 Bangladesh Bureau of Statistics, 2004

3. Population growth rate is based on Census 2001, BBS

4. Percent of underweight children is based on Child Nutrition Survey, 2000, BBS.

D. List of 11 key actions points jointly agreed by Government and Development Partners during the Forum to be achieved in next 12 months.

1. Implementation plan and joint-committee established by **December 2005**
2. PRS will guide budget allocation process, particularly for pro-poor allocation programs for the next fiscal year.
3. MTBF to be extended to 6 more Ministries by **June 2006**
4. Increase block grants to UPs and broaden functions by the start of the next fiscal
5. Place new members against vacant posts of Bangladesh Energy Regulatory Commission (BERC), Bangladesh Telecommunications Regulatory Commission (BTRC), Security Exchanges Commission (SEC)
6. Implement Procurement Law
7. Rationalize Annual Development Plans to match PRSP
8. Capacity Building plan for Bureau of Statistics
9. Take measures for civil service reforms
10. Review SME policies
11. Review Policy of Empowerment and Development of Women.

ANNEX 9: ENVIRONMENTAL PROFILE - A SUMMARY ANALYSIS

Bangladesh is located in South Asia in the north side of the Bay of Bengal. The country is almost entirely surrounded by India, but has a short border with Myanmar in the South East. The country is predominantly low lying recent sediments, the alluvial plains of the deltas formed by the Ganges, Brahmaputra and Meghna rivers system, the third largest in the world after the Amazon and Congo. The total area is 144,000 km², similar to Greece, with four physical regions - the central alluvial plains, the Sundarbans mangrove forests, the slightly uplifted plains in the NE and NW and the Chittagong Hill Tracts, the only upland area, in the east along the Myanmar border. Arable land comprises around 62% of the country. The Sundarbans, the world's largest mangrove forest, are home of the Bengal Tiger and are listed as a World Heritage site.

Bangladesh has a subtropical monsoon climate, characterised by wide seasonal variations in rainfall, high humidity and moderately warm temperatures with a cooler period from December –February when night time temperatures can fall below 10 degrees Celsius. Because of its low lying topography around 20% of the country is flooded annually and disastrous floods can inundate more than 60% of the country, as happened in 1998.

Population density, at 1,100 people/km², is the highest for any country in the world. The current population is estimated to be approaching 150 million and growing at 1.5% or 2million per year. Up to 30% of the population lives in urban centres and this is expected to increase.

Industrial growth of 7% is more than double the growth in agriculture, which contributes 25% of the overall GDP. Expansion of industry is supported by GoB and is likely to continue with further intensification and some diversification of agriculture essential. As a consequence of geography, limited natural resources and frequent natural disasters, environmental management and sustainability are long established themes within GoB's development planning. Despite such awareness, the overall physical environment continues to deteriorate, although some success in improving air quality in the cities has been achieved.

The available data strongly indicate that the natural resource base of Bangladesh is degrading due to overexploitation and poor management. Water supply falls well short of expected needs. This is compounded by industrial pollution, untreated sewerage, and contamination of ground water by arsenic. The land quality is degrading due to over exploitation and increased use of chemical fertilisers and pesticides. Biodiversity is disappearing rapidly and with it the genetic pool for future adaptation. These problems are compounded by the high incidence of natural disasters and the increasing influence of climate change which seems to be increasing the frequency of extreme weather events and will reduce land area through sea level rise in the years ahead. There is a strong relationship between health and environmental quality that is not being addressed by the Health services, which concentrate on the many problems of service delivery.

Available surface water resources fluctuate markedly by season from drought to flood. Topography militates against storage. Groundwater levels are falling throughout the country, while higher regions are starting to show symptoms of desertification. Surface water quality is appalling, as urban

residential and industrial effluents are discharged untreated. Inland fisheries are declining due to over exploitation and pollution. The mangrove ecosystem is similarly affected, with severe economic consequences for the coastal fisheries sector.

Millions of tube wells have been drilled throughout the country. Unfortunately, ground water frequently contains varying concentrations of arsenic. Around 40 million people are affected by chronic arsenic poisoning.

Both agricultural land and yields per unit area are declining. Increasing urbanisation and industrialisation lead inevitably to encroachment onto the remaining natural ecosystems. Protected areas at only 1.5% are compromised, resulting in deforestation and species loss.

Climatic Change poses several imminent threats, as extreme weather events appear to be increasing in frequency and up to 18% of the country and 11% of the population are at risk of being flooded and affected by a 1m rise in the sea level. Associated saltwater intrusion is already affecting drinking water quality and agricultural productivity in the south west. The Sundarbans will decline.

Despite some success in tackling urban ambient air pollution and improved water supply, sanitation, access to safe water, waste collection and disposal, and indoor air pollution present major health challenges.

Although Bangladesh has significant reserves of natural gas, more than 80 million people still cook and heat with firewood, dung or other primary biomass. Only 15% of households are connected to the electricity grid. Renewable energy has no commercial significance in Bangladesh, because of financial and technical constraints.

The government's policy has correctly identified these environmental challenges. Basic environmental legislation has been enacted, and further legislative developments are planned. Bangladesh has ratified most international, environmental treaties. The Department of Environment is preparing its National Plan of Action (NAPA) on climate change as part of the GEF funded assistance to developing countries likely to be seriously affected by climate change. Bangladesh is regarded as somewhat of a world leader on climate change adaptation thinking. However, Bangladesh's financial resources and technical capacity fall short of the needs to address these environmental issues. Focusing on industrialisation and economic growth may provide the financial resources, but industrialisation can be constrained by environment and certainly the wellbeing of the poor is forfeited. GoB has acknowledged this in its Poverty Reduction Strategy Paper, within which it makes environment and disaster reduction key supporting strategies.

Most donors have policies requiring that the environmental aspects of development assistance and recently climate change issues are addressed. In reality donor funding for the environment has fallen in every year since 2000. Donors are withdrawing their support from environmental issues in the belief that an indirect approach to poverty alleviation through services and governance will give better results. Sectoral integration of national environmental policies is not yet mainstreamed or effective. Bangladesh has, with the Local Consultation Group structure, one of the world's most

extensive donor co-ordination networks. Because of the severity and cross-sectoral significance of environmental problems in Bangladesh, this network needs to be more effective.

In the long term the best motors for change are trade and education, but this assumes that the underlying resource base can meet increasing demands. This is not the case in Bangladesh and therefore direct action is required. The Bangladesh economy requires short to medium term assistance to address water supply and quality.

By neglecting biodiversity loss not only is environmental stewardship being ignored, but opportunities for adaptation to climate change through diversification are being lost to the detriment of all international parties. International action through local partners is required.

Disaster management requires a shift from relief to preparedness and coping mechanisms. Climate change will affect Bangladesh and because mitigation measures under the Kyoto protocol are already too small and too late, adaptation and preparedness are the only response possible for Bangladesh. Immediate work in these disaster related areas will reduce impacts on the poor and promote their self sufficiency and sustainability by protecting their limited resources.

RECOMMENDED PRIORITY ACTIONS

Environmental priorities within development co-operation need to address current environmental, social and economic dynamics in Bangladesh. At the same time, synergy with the objectives and programmes of the GoB and donors is desirable.

Priorities in the Rural Context

The underlying natural resource base of Bangladesh is deteriorating. This is evident from the gross indicators.

Water - Dry season river flows are significantly lower, water tables are falling and domestic water is often arsenic contaminated, surface water is polluted. The economy requires an increase in agricultural production. It will be difficult to provide the required irrigation water. A related problem is fragmentation of fish habitats, declining fish stocks and species loss. The solution is surface storage, but this requires large investment and improvements in effluent management. Both require improved local governance and accountability. This might best be achieved through education and advocacy at the local level and direct action through local communities on local government.

There is a strong relationship between health and water quality that is not being addressed by the health services, which concentrate on health service delivery problems rather than prevention. More than 30% of illness is environmental in origin. In Bangladesh 90% of all water supply is paid for by private money. The quality of this supply is often neglected. There are serious health issues, arsenic and bacterial contamination, which can only be addressed through monitoring and control. GoB through local government and probably in conjunction with the private sector requires assistance to provide this service. .

Land – Due to incipient desertification and rising sea levels expected through global warming total arable land area is falling. This cannot be halted. Declining yields and the requirement for increasing inputs suggest that land quality is also falling. Diversification and a major shift in agricultural practices might help. Technology development, through research and education is required. This should be supported as should education and extension.

Rural energy provision needs investment. Renewable energy and rural electrification have some possibilities, but simple provision of firewood plantations would be a start and provide additional benefits.

Biodiversity losses through fragmentation and land clearing are serious. Genetic resources and seed sources are being lost. International assistance is required.

Priorities in the Urban Context

Urban pollution in Bangladesh results in huge costs for the economy, not only in terms of health costs and lost productivity, but also by deterring foreign direct investment. This nexus needs to be demonstrated and assistance provided to improve the urban environment and manage industrialisation. Pressing issues include water supply, waste management and the provision of sanitation, municipal waste disposal and industrial water treatment.

Water demand is likely to exceed possible supply in the near future. Dry season supply is already below acceptable standards and unreliable. Many towns will require total water supply and sanitation solutions. Improved governance is required and the process for this is education and advocacy from the grass roots level and likely to be associated with decentralisation of local government. (See also comments on water quality above)

Priorities in the Industrial Context

The environmental performance of Bangladesh's industries is below acceptable levels. Not only are legislation and limiting values inadequate, but enforcement and control of existing legislation are not effective. Interventions in the trade and economic co-operation sector should expose Bangladesh's industry to international levels and standards of acceptable environmental performance, and provide support for enhanced environmental management capacity. GoB should be supported in developing adequate national standards and effective institutions to enforce them, including training and employment of competent monitoring technicians.

Relevant industrial sectors known for their notoriously low environmental standards comprise tanneries, chemical industry, the ship-breaking yards, and textile factories.

Again solutions are likely to come through local pressure, based on improved education and awareness. A viable strategy may well be to concentrate efforts in a geographical area, district or municipality, providing links to the upper levels of government as required. Dissemination would be by repetition or copying.

International Concerns, Climate Change and Disaster Preparedness

The international community has an interest in the biodiversity of Bangladesh. The Sundarbans and the wetlands of this country are unique ecosystems. The International Community's role in causing global warming gives it a responsibility for helping Bangladesh to cope with the consequent rises in sea level that are predicted, which will particularly affect Bangladesh. The mitigation efforts under the Kyoto Protocol will not be adequate. Action is required by the international community out of self interest in the conservation of the biodiversity and sequestration of carbon. Bangladesh needs assistance in adapting to and managing the changes.

It appears that extreme weather events may be increasing in frequency. Bangladesh needs assistance to change to a preparedness modality from a relief based approach to disasters. The poor are always the worst hit by disasters. Improved preparedness is an important component of sustainable poverty alleviation by protecting the resource base. This involves planning, information preparation, dissemination and awareness raising.

Reduced river flows are at least partly due to increased extraction from the Ganges by India. As the population of India have a right to water provision under their constitution the Government of India has an obligation to provide water. This may well lead to increased extraction from the Brahmaputra River. Some international assistance in negotiating equitable water rights is required.

The international community has a responsibility through its culpability for global warming and the predicted rises in sea level which will particularly affect Bangladesh.

ANNEX 10: MAJOR EXPORTS TO THE EU MEMBER STATES

(for the period July 2004 – June 2005)

(in million US\$)

	Germany	United Kingdom	Italy	France	Belgium	Netherlands
Frozen Shrimp	17.61	76.43	-	4.23	84.48	2.65
Knitwear	668.82	330.08	184.93	373.29	132.54	142.66
Woven	620.55	357.88	113.84	211.99	67.53	117.49
Bicycle	-	24.51	-	-	-	-
Home textile	-	73.71	-	-	-	-
Leather	-	-	42.15	-	-	-
Jute yarn & twain	-	-	-	-	20.71	-
Total Export	1,353.80	943.17	369.18	589.51	325.43	291.94

Source: Bangladesh Bank

*Note: The total export earning was US\$4.78 billion during July-January of 2004-05.

Table-2: Direction of Exports from Bangladesh (% of total)

	DMCs	China	Japan	US	EU	Others
1995	8.2	0.6	3.3	31.9	44.8	11.2
2003	4.8	0.2	0.8	23.9	47.2	23.1

Source: The Asian Development Bank