

USAID/BANGLADESH
1991 PROGRAM PERFORMANCE REPORT

I. INTRODUCTION:

This report is being prepared in response to STATE 193347. It also feeds in summary fashion into the Summer Budget Process Submission requested by STATE 193389 and into the first Performance-Based Budgeting System Report due September 1 (per STATE 207993). The Bangladesh Country Development Strategy Statement for FY91-95 and related Program Performance Indicators were approved approximately one year ago. The CDSS outlines an integrated USAID program to support the overall goal of increased sustainable growth and poverty reduction. The strategy is designed to achieve progress in relation to four sub-goals: increased agricultural output, increased economic participation, increased non-agricultural output, and increased political participation. Four strategic themes are incorporated into the CDSS design: a competitive private sector, open market policies, enabling infrastructure, and leverage of resources. The five-year strategy focusses on the achievement of four key program objectives. These are:

1. Increased Private Sector Investment in Agricultural Production, Processing and Marketing.
2. Increased Access to Efficient Family Planning and Health Services.
3. Increased Non-Agricultural Private Sector Investment.
4. Increased Voice and Choice in Local and National Government.

Bangladesh has undergone dramatic political changes, significant economic developments and a major natural disaster since the approval of the CDSS. The autocratic, centralized government was forced to step down as a result of popular unrest. Free-and-fair elections were conducted in February 1991, establishing the foundations for democracy while the country was in the midst of trying to recover from the economic and political impact of the Gulf War. This was followed by a devastating cyclone at the end of April. USAID has also experienced significant organizational and strategic changes - including the articulation of the Administrator's Initiatives - Business and Development Partnership, Family and Development, the Democracy Initiative, Environment, and Strategic Management.

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The CDSS as conceived is broad enough to respond to these major developments in Bangladesh and USAID. The strategy is an evolving one, in the sense that it is always under examination and revision, and indeed a number of programmatic changes have

already been undertaken to achieve greater program focus, redirect resources to areas of greater potential impact and adjust to external events. Therefore, the Mission believes that the four key program objectives and the overall strategy remain essentially relevant, although they will be examined again from the perspective of strategic management, as already mentioned in section 6.E. of the submission for the Summer Budget Process.

The Mission has also re-examined the program performance indicators submitted with the CDSS and determined these to be, with a few modifications and refinements, generally appropriate. The indicators submitted with the CDSS are shown in Chart 1. It must be emphasized, however, that USAID/Bangladesh's program includes a comprehensive and diverse portfolio and reporting on progress in relation to a small number of selective program performance indicators provides only one of several ways of assessing development performance.

The purpose of this paper is to briefly assess progress in relation to the four program performance objectives by examining recent performance in relation to the performance indicators. As such, it cannot capture all the results of individual projects and activities but provides highlights and indications of progress by examining certain selective indicators, both qualitative and quantitative. Each program area is addressed, noting recent Bangladesh performance and the policy context which influences the relevance and potential achievable results of our program, USAID's program role is briefly described, then performance in relation to each indicator is examined. In some cases the indicators have been modified to reflect changing circumstances or improved measures and the justification for these changes is provided. For each program area a narrative on progress towards each objective and in relation to each indicator is first provided, followed by a summary which includes the baseline (in most cases 1988/89), the 1995 indicator and the 1991 situation and progress.

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II. PROGRAM OBJECTIVE 1: INCREASED PRIVATE INVESTMENT IN AGRICULTURAL PRODUCTION, PROCESSING AND MARKETING

A. Introduction; Development Context and USAID's Role;

Foodgrain production has grown rapidly over the past two years, from 16.566 million metric tons in 1988-89, to 19.077 million metric tons in 1989-90, and an estimated (preliminary) 19.3 metric tons in 1990-91. Acreage under production has increased marginally, while productivity has increased dramatically. The key stimuli of this increased production are the major policy initiatives in input trade, establishing competitive markets and allowing increased private sector participation. These policy changes, which have thus far focussed on fertilizer and minor irrigation, have allowed the private sector to spearhead the drive to more efficient sales and distribution and more market-responsive imports. (In 1990-91 private distribution accounted for virtually all fertilizer and minor irrigation equipment sales). Availability of improved seeds (rice, wheat, pulses, etc.), and rice

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procurement prices that better reflect market conditions have also contributed to increased production. Public foodgrain distribution efficiency has been increased and significant improvements have been made in stabilizing foodgrain prices and supply. The credit squeeze which constrained investment earlier this year has been reduced (preliminary estimates indicate that the supply of credit in the current fiscal year will be approx. \$ 222 million USD compared to approx. \$ 189 million USD last year). Future expansion and diversification in agricultural production will continue to be based on a high-technology seed-water-fertilizer package involving increased private sector participation in input imports, distribution and marketing; supported by improved technology development and transfer and a greater supply of credit for private sector investment.

USAID/Bangladesh's agricultural program is playing a key role in supporting this agricultural development. Key strategic areas include fertilizer distribution improvement which is a major influence on increased privatization of input imports and distribution; food policy planning and a food aid program which are addressing food requirements, and key food policy, management and pricing reforms; agricultural research which has generated and transferred technology in certain key areas; human resource development of agricultural leaders and policy makers, and sustainable resource management through the activities and studies now initiated under the Flood Action Plan.

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B. Program Performance Indicators and Progress:

Progress in relation to the areas and selective indicators discussed below highlights some of the significant recent program achievements. The indicator related to Foodgrain Pricing, Private Sector Trade and Imports has been slightly revised to better reflect appropriate pricing methodology ; and the baseline for Electricity Use for Irrigation and Agribusiness has been refined to more accurately measure electricity use and the 1995 indicator has also been refined to include both connections and usage.

Foodgrain Pricing, Private Sector Trade and Imports:

The Title III program has supported recent reforms in food policy, increased competition and efficiency in foodgrain marketing and is a major contributor to meeting foodgrain import requirements to support nutrition and stock levels. Despite recent increases in foodgrain production, longer-term projections indicate that overall self-sufficiency will improve but the wheat deficit will have to be met by wheat imports). Findings of the studies recently conducted under USAID's International Food Policy Research (IFPRI) project are being considered seriously by the BDG in an attempt to rationalize BDG's foodgrain stock levels and pricing policy. An optimal food stock study presently ongoing has identified the stocks necessary for food security and rice procurement price options developed by IFPRI are likely to be used by the BDG to set procurement prices which better reflect open market prices/import/export parity prices. IFPRI's analysis will

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assist the BDG to develop a suitable policy and price regime for the next decade.

Under the FY91 Title III program all wheat imported will be retailed to final users through a private market stall. Planned involvement of the private sector in food imports, beginning with edible oil as originally proposed for FY91 Title III, cannot be implemented this year due to certain structural impediments that could not be quickly overcome and the need to reprogram resources for foodgrain purchase resulting from the cyclone. It is, however, hoped that an increasing private sector role in food imports will be incorporated into the 1992-95 Title III program.

Private Sector Fertilizer Distribution and Imports:

As of 1991, 100% of urea is distributed by private sector dealers, with the result that urea is more readily available, and the price has been 5-10% below that of the

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parastatal Bangladesh Agricultural Development Corporation's (BADC) price. Due in large part to direct factory lifting and private sector distribution supported by USAID's Fertilizer Distribution Improvement Project, fertilizer use has increased by 15% over the past year. BADC sales of fertilizer have significantly decreased: of the previous 75 primary fertilizer distribution points held by the BADC, 26 have now closed, 31 have negligible sales and 18 hold only nominal stocks.

USAID's efforts to promote private sector fertilizer imports, strongly supported by the BDG and other donors, have been very successful, and, for the first time in July 1991, the private sector is importing fertilizer. Two shipments totalling more than 40 thousand metric tons of T.S.P. arrived early in July and a third shipment is in process. Total country T.S.P. requirements for the current year are estimated to be 600,000 metric tons; these three shipments will account for more than 10% of total requirements. More than 200 private sector dealers have expressed interest in importing fertilizer. USAID hopes to provide additional funds for private sector fertilizer imports and is also trying to influence other donors to promote private sector imports. It also successfully convinced the Government to exempt fertilizer from a 10 percent import tax recently imposed on other imports. The expected outcome of private sector importation is greater availability and improved accessibility to farmers, and more competitive pricing.

Electricity Use for Irrigation and Agribusiness:

The high-technology seed-water-fertilizer package has involved the expansion of irrigated acreage (from 5,434,000 acres in 1986/87 to 6,764,000 acres in 1988/89) and increased sales of irrigation equipment (from 167,000 units in 1987/88 to 218,000 in 1989/90). Irrigation investment, in particular electrified irrigation, is a useful proxy program indicator of increased private sector agricultural investment (and, at the

same time, provides one indication of results of USAID infrastructure-support activities: private sector investment in expansion of electrified irrigation is supported under the Bangladesh Rural Electrification Board's (REB) USAID-supported program). Between June 1990 and April 1991 new irrigation service connections for the 17 USAID- funded PBSs (rural electrification co-operatives) increased by 31%. (Hookups are a more reliable indicator of irrigation investment than usage, which varies according to rainfall conditions). The availability of electricity infrastructure also supports the establishment and expansion of agribusiness and electricity hookups and usage by rural agribusiness is one useful proxy indicator of increased activity in that sector. Although exact breakdowns for agribusiness are not available, the number of

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service connections for rural small commercial purposes and industry increased by 9% and 13% respectively. Total rural small commercial and industrial usage increased by 8.3% between 1989 and 1990.

The new Agribusiness and Technology Project, the design of which will begin this quarter, is expected to contribute to policy reform and increased privatization in the production and marketing of agricultural inputs - seeds, minor irrigation equipment and fertilizer, and an expanded International Fertilizer Development Center (IFDC) monitoring system. It is planned that the project will also include investments in the development and transfer of agricultural technology by the public and private sectors. Preliminary findings of the Agricultural Research evaluation, currently in progress, indicate significant positive results in relation to technology development and transfer (notably in rice production, fish farming and farming systems research) - the findings and recommendations of this evaluation will be used in planning future investments in technology. The Mission may, therefore, wish to later include one or more additional new program indicators related to agribusiness and technology.

C. Baseline, Performance Indicators (1995) and Performance Progress (1991)- in Summary:

Foodgrain Pricing, Private Sector Trade and Imports:

Baseline(1989): Procurement prices were not determined based on any objective methodology; the private sector accounted for 0 % of imports; private domestic trade accounted for 70% of marketable surplus.

Indicator (1995): Procurement prices set based on open market prices/import /export parity prices; increased private grain marketing and increased private sector imports.

Progress (1991): Three procurement price options provided to BDG which reflect open market prices/import/export parity prices/ 77% private grain marketing ; no private sector imports.

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Private Sector Fertilizer Distribution and Imports:

Baseline (1989): Fertilizer distribution 80% carried out by private sector; 0 % fertilizer import requirements met by private sector.

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Indicator (1995): Distribution of all fertilizers 100% carried out by private sector; 50% of all fertilizer import requirements met by private sector.

Progress (1991): 100% of urea fertilizer distributed by the private sector; more than 10% of T.S.P. fertilizer requirements met by private sector imports.

Electricity Use for Irrigation and Agribusiness:

Baseline: 12,129 irrigation, 51,712 rural industry and small commercial hookups in April 1990; 200,600 MWhs electricity usage by rural industries and small commercial (1989).

Indicator (1995): Increased irrigation, rural industrial and small commercial connections and increased megawatt hours used by rural industries and small commercial.

Progress (1991): Irrigation hookups increased by 31%; small commercial by 9%, industrial by 13%; and between 1989 and 1990 rural small commercial and industrial MWhs increased by 8%.

III. PROGRAM PERFORMANCE OBJECTIVE 2: INCREASED ACCESS TO EFFICIENT FAMILY PLANNING AND HEALTH SERVICES

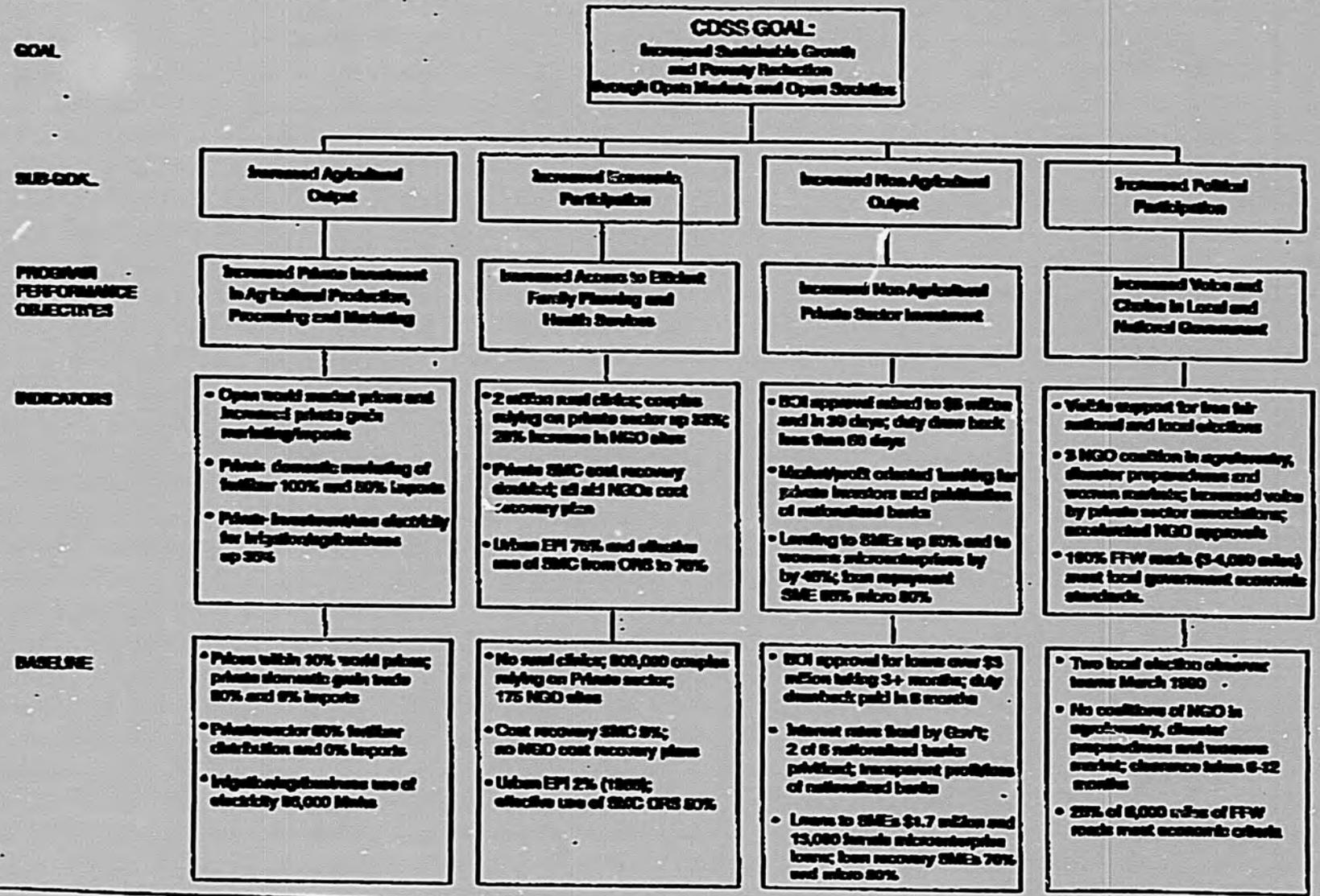
A. Introduction: Development Context and USAID's Role:

The BDG recognizes that addressing the problem of population growth is central to achieving sustainable economic growth, and, in the Fourth Five Year Plan (1991-95) indicated family planning to be the highest development priority. Recent policy statements suggest that the new government will maintain fertility reduction as a top priority.

Despite socioeconomic and infrastructure constraints and as a result of political commitment, donor support and strong demand for services, the Contraceptive Prevalence Rate has increased from 8 percent in 1975 to 29.8 percent in 1986 and 32.8 percent in 1989 with a resulting decrease in fertility from a TFR of over 7 in 1975 to 4.9 in 1989. A key factor in Bangladesh's family planning success has been the active participation of the non-governmental sector - NGOs and the Social Marketing Program, and the autonomy with which this

CHART 1

BANGLADESH: PROGRAM PERFORMANCE INDICATORS



BANGLADESH CDSS STRATEGY

STRATEGIC VISION

GOAL

SUB GOALS

Strategic Themes

PROGRAM OBJECTIVES

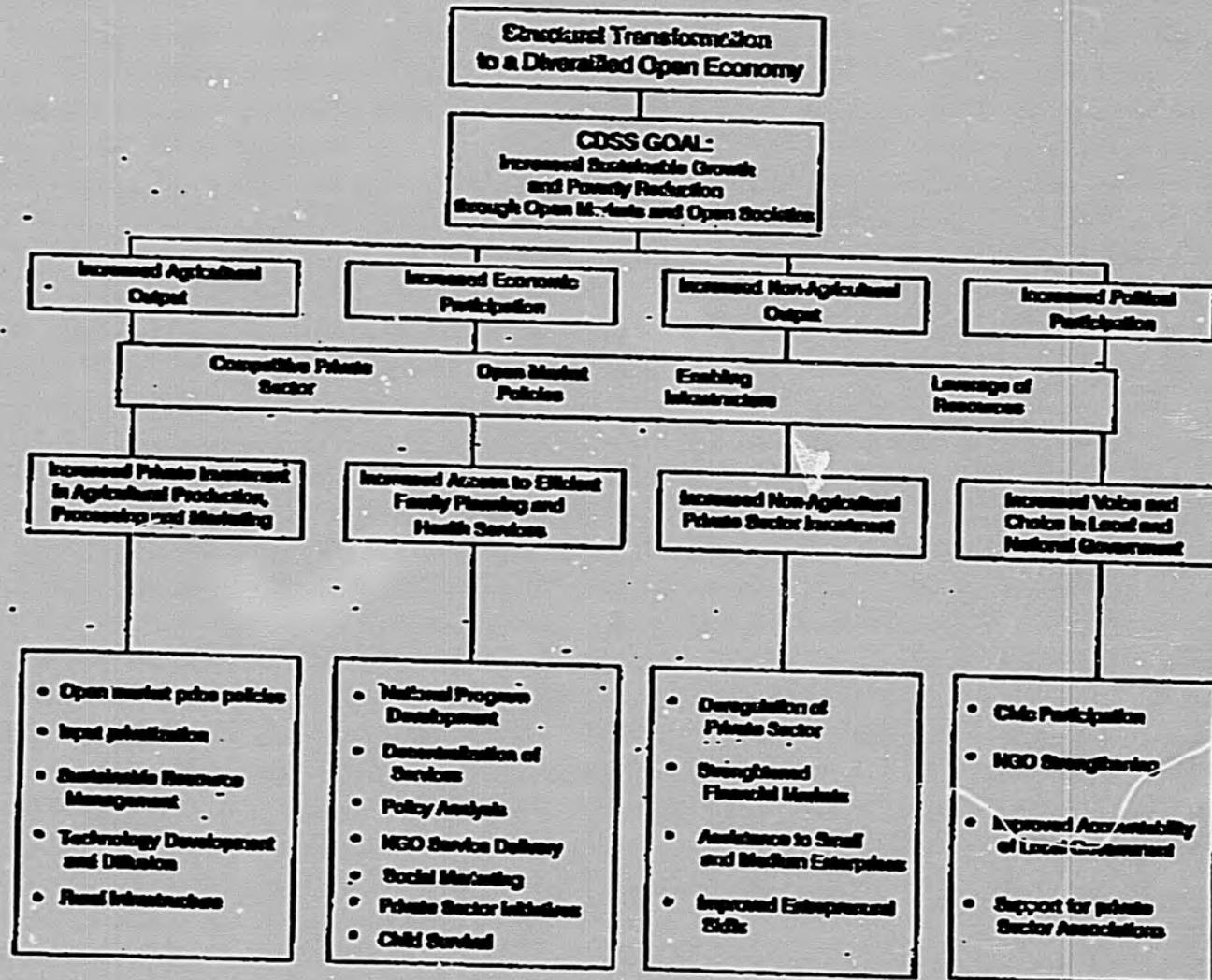
PROGRAM INTERVENTIONS

Crosscutting Themes

Sustainability

Involvement of Women

Disaster Preparedness



sector has been allowed to function. The "three-pronged" service-delivery approach, a consistent theme of USAID support,

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includes the government with fieldworkers and clinics, a large network of NGOs with fieldworkers and clinics, and the Social Marketing (SMC) Program. Although other donors, notably the World Bank, have recently become major supporters of Bangladesh's family planning program through the government, USAID remains the largest and almost sole donor to private sector planning service delivery, including the NGOs and Social Marketing.

Program performance experience has shown that greater accessibility to contraceptive services is critical to contraceptive use. Strengthening service delivery to enhance accessibility remains essential to the achievement of USAID's 1995 program objective of a TFR of 4.4, and Bangladesh's long-term goal of replacement fertility (a TFR of 2.2).

USAID's program focusses on achieving reductions in fertility and improvements in child survival through expansion in service delivery to underserved areas "as rapidly as possible and at the lowest possible cost". Strategic areas include support for NGO service delivery, social marketing of contraceptives, and institutional strengthening of the Government system. This involves an integrated set of component activities in the current project, including: community and service delivery programs, commodities and logistics assistance, social marketing and commercial sales of contraceptives and oral rehydration salts, training and community-level grants, information, education and communication services, urban immunization, construction, and research, monitoring and evaluation.

B. Program Performance Indicators and Progress:

Progress in relation to the areas and selective indicators discussed below highlights some of the recent significant program achievements. The indicators have been revised as follows: Contraceptive Prevalence Rates are added as an indicator because it is generally accepted as a key measure of family planning progress and, although USAID's program is not the sole contributor to improved rates, it nevertheless has made a very significant impact. With respect to the Coverage and Quality of Family Planning Services, the specific numerical targets for couples relying on the private sector, and numbers of rural clinics, and numbers of NGO sites have been replaced by a composite, more detailed indicator which more accurately describes progress, and the related baseline figures have been accordingly adjusted. The cost-recovery indicator is the same, with minor changes in data. The indicators for Maternal and Child Health Coverage have been adjusted as follows: achievement and maintenance of a 70% urban immunization coverage rate for both infants and women is the revised target; and SMC sales of ORS packets replaces effective use as an improved indicator.

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Contraceptive Prevalence Rates:

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Although USAID's program is not the only one contributing to improved CPR, much of the increase in CPR which has occurred over the last decade can be attributed to the USAID-supported NGO and SMC activity, which has been increasing its share of service delivery, accounting for 38% of all clients as of 1989. In addition, USAID's logistical and institutional strengthening activities also contributed significantly to contraceptive use. CPR is therefore included as a key program progress indicator. As noted above, CPR has improved dramatically from 8% in 1975 to 25.3% in 1986 to 32.8% in 1989-90. This increase in CPR reflects a net increase of 1.3 million new contraceptive users, 24% more than 1986. The 1991 Contraceptive Prevalence Survey is presently underway and therefore 1991 data is not yet available, but, based on recent trends, achievement of a CPR of 35% seems likely in 1991. The related 1995 program objective is a CPR of 40%.

Private Sector- Social Marketing Company-Users, Sales and Cost- Recovery:

The Social Marketing Co., which sells pills, condoms and oral rehydration salts (ORS) through commercial retail outlets, has been successful in expanding sales and cost recovery. This success is an excellent indication of Bangladeshis' demand, and willingness-to-pay for contraceptives and ORS. The SMC accounts for almost two-thirds of all condoms and more than one-fifth of all pills sold. Sales revenue from all SMC products increased by about 30% during the past year; the sales volume declined by about 30% for condoms and 6% for pills due to price increases (indicative of the trade-offs between family planning and cost-recovery objectives). As a result, the number of couple-years of protection provided declined from 1.124 million in 1989 to 937,000 in 1990. Sales have now increased (in May, 1991 9.7 million condoms were sold, and in June about 9 million), and sales volume recovery prospects are optimistic. Nevertheless, these results show the fragility of even large social marketing programs in a country as poor as Bangladesh and indicate that cost-recovery efforts should be undertaken with caution. The SMC expects to maintain its 60% share of the condom market through 1995 and to increase its market share of pills to from 21% to 28%.

In addition, USAID supports child survival interventions though SMC's provision of oral rehydration salts. Since it is not possible to accurately measure effective use, SMC's CRS sales will be used as a performance indicator. Sales of ORS have increased from 7 million ORS packets in 1989, to approximately 10 million in 1990 ; the 1995 objective is 12 million.

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The cost-recovery performance of the SMC has improved significantly, from 11.17% in 1989 to 17% currently. Substantial further improvement is expected in the near future (assuming offshore commodity procurement by the European Community). The 1995 cost-recovery target is 23%.

Private Sector-NGO Service Delivery and Cost-Recovery:

USAID has supported and strengthened an increasingly cohesive network of family planning NGOs and has been virtually the sole supporter for this component of the overall family planning program. The success of NGO service delivery was emphasized in the recent evaluation of the overall project- and NGOs have been shown to have a comparative advantage in developing and implementing effective and innovative approaches to service delivery and have provided models for the public sector which can be replicated and used over the long-term. Through five Cooperating Agencies, USAID is presently supporting 115 NGOs in 265 project sites. Twenty-five percent of all family planning users are served by these NGOs (which, with the exception of one, FPAB, are almost exclusively funded by USAID) - 1.629 million active family planning users were served in 1990.

During the past year considerable progress has been made towards improving the quality of NGO clinical services as a result of the initiation of a skills-training program and development of a quality assurance manual. The fieldworker training program and the logistical system will be improved as a result of recent assessments. Some improvements in financial status have been achieved through CAs' efforts to build or buy office space for their subgrantees, to begin charging for contraceptives and services, to look for ways to reduce costs and improve efficiency and to set-up cost-recovery plans. Efforts are underway to further increase the number of FP users through addition of new projects and better targetting to underserved areas. The key indicators of progress are: 1) increases in the number of family planning users and 2) the implementation of cost recovery plans - by 1995 all NGOs will have set-up and implemented cost-recovery plans.

Utilization of Rural Clinics for Family Planning:

Experience in a number of sites has indicated that the availability of decentralized contraceptive services results in a significant increase in CPR. Rural clinics have been underutilized and efforts are now underway to improve the quality of family planning clinical services and improve access and usage through strengthened satellite clinics at the local

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level. (For, example, a comprehensive training program of supervisors and upazila field workers is under design and will be implemented in approximately 25% of upazilas by 1995, a clinical manual is being developed and donor coordination is improved). Since this activity is under redesign, it is too early to project the number of clinics to be conducted. A more useful progress indicator is: increases in the percentage of family planning users using satellite clinics.

Urban Immunization Coverage:

The Municipal Expanded Program of Immunization has been very successful; with urban immunization coverage now surpassing that of rural areas, which had a three-year head-start. Urban coverage in 1985 was only 2%, but infant and female coverage now averages 68%. The next step is to institutionalize urban

immunization practices, and to achieve and maintain urban coverage rates of 70% for both infants and women by 1995.

It is important to note that a Project Amendment to the Family Planning and Health Services Project is currently being prepared - the rationale for which is to streamline and refine the current successful program and to solidify gains in the most successful program components with increased support to areas of distinct USAID comparative advantage. For example: technical assistance in logistics management, population communications, operations and survey research, advertising, marketing and innovative service delivery systems; and channelling the efforts of NGOs into productive family planning activities are such areas. The Mission may wish to propose modifications or additions to the related program performance indicators based on the finalized plans as included in the Project Amendment, which extends the project for three years and adds additional funds.

C. Baseline, Performance Indicators (1995) and Performance Progress (1991)-in Summary:

Progress in the areas discussed above is summarized by indicators related to Contraceptive Prevalence Rates, Coverage and Quality of Family Planning Services; Cost Recovery; Maternal and Child Health Coverage.

Contraceptive Prevalence Rates:

Baseline (1986): 25.3% Contraceptive Prevalence Rate

Indicator (1995): 40% Contraceptive Prevalence Rate

Progress (1989-90 and 1991): 1989-90 Contraceptive Prevalence Survey indicated 32.8%, 1991 survey underway - based on recent trends, 35% could be achieved in 1991.

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Coverage and Quality of Family Planning Services:

Baseline (1989): Social Marketing Co. private sector condom sales provided 1.124 couple-years of protection and accounted for 13% of all family planning users ; USAID-supported NGOs served 25% of all users; SMC and NGOs together accounted for approximately 38% of family planning users.

Indicator (1995): Social Marketing Co. providing 1.3 couple-years of protection; increased number of family planning users served by NGOs and improved quality of service; SMC and NGOs account for increased percentage of family planning users; increased proportion of of family planning users using satellite clinics.

Progress (1991): Social Marketing Co. provided 937,000 couple-years of protection, (decline due to price increase , but sales have recently increased); 1.629 million active family planning users served by NGOs (1990), training and manual for

improved quality.

Cost Recovery:

Baseline (1989): Cost recovery of Social Marketing Co.: 11.17%.
Need for cost-recovery plans for NGOs identified.

Indicator (1995): Cost recovery of Social Marketing Co.: 23%.
All NGOs will have developed and implemented cost-recovery plans.

Progress (1991): Cost recovery of Social Marketing Co.: 17%. Cost
recovery plans and actions initiated by NGOs.

Maternal and Child Health Coverage (EPI and ORS):

Baseline: Municipal Immunization Coverage: 2% (1985); 7 million
ORS packets sold (1989).

Indicator (1995): Achievement and maintenance of 70% urban
immunization coverage for both infants and women; 12 million ORS
packets sold.

Progress (1991): Infant and female urban immunization coverage:
68%; 8 million ORS packets sold.

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IV. PROGRAM OBJECTIVE 3: INCREASED NON-AGRICULTURAL PRIVATE SECTOR INVESTMENT:

A. Introduction: Development Context and USAID's Role:

Bangladesh's industrial sector remains small, with annual growth at about the same rate as GDP (3-3.5%), accounting for 10% of GDP. Labor-intensive micro and cottage industries (i.e., fewer than 10 employees) dominate the sector, generating 40% of value added and two-thirds of employment.

Several key recent policy developments are serving to significantly improve the investment climate and are expected to support future expansion of private sector investment. For example: denationalization and privatization have taken place, the number of public sector enterprises has been reduced by half, the prohibited-to-private sector list now includes only six sectors and the BDG plans the divestiture of additional large state-owned enterprises; the rules for foreign investment have been liberalized and measures established to facilitate joint ventures and collaboration with the private sector in other countries. One Export Processing Zone has been established (although it was badly damaged in the April cyclone) and a second is planned. The Board of Investment now provides one-stop investment clearances, supporting increased sanctioned and realized investment. The new Finance Minister's budget speech stated that government involvement in the industrial sector will be gradually reduced; industrial policy will be more liberalized

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and a market-oriented private sector will be promoted. The New Industrial Policy, now before Parliament, is expected to result in significant deregulation, increased efficiency and improved capacity utilization, reduction of import restrictions, rationalization of the tariff system, and more support for small and cottage industries.

This improved policy environment is consistent with, and supported by USAID's ongoing and new program efforts. Credit and technical assistance is provided to small and medium enterprises through MIDAS (Enterprise Development Project) and to microenterprise and cottage industries through the Women's Enterprise Development Project. A number of activities just beginning under the Industrial Promotion Project provide policy, technical and investment support to strengthen institutions and assist investors. USAID is also leveraging major changes in financial and export markets through the IDA/IMF/USAID Financial Sector Reform and IDA/USAID Export Development Projects - USAID's activities, just underway, will serve to institutionalize essential reforms and result in greater private sector investment.

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B. Program Performance Indicators and Progress:

Progress in relation to the areas and selective indicators discussed below highlights some of the significant recent program achievements. With respect to Board of Investment Approvals/Realized Investment Activity/Duty Drawback and Export Development Fund (EDF) Utilization, the indicator has been expanded to include EDF Utilization and total realized private sector investment levels and to take into account proposed policy changes; the indicator for Market-Oriented and Efficient Banking Operations has been expanded to define progress according to more specific criteria and to include net credit flows to the private sector (which is an expected longer-term result and is therefore relevant to monitor). The indicator for Growth of Small, Medium and Microenterprise Activity has been revised to better reflect MIDAS loan recovery calculation methodology and more somewhat more optimistic lending targets for the Women's Enterprise Development Project.

BOI Approvals/Realized Private Sector Investment Activity/Duty Drawback/EDF Utilization:

One of the activities carried out by the Industrial Promotion Project's Policy Implementation Analysis Group will be the strengthening and monitoring of investment approvals activity of the Board of Investment. This program activity is expected to be underway in about six months, accordingly Board of Investment activities and overall private sector realized investment activity are relevant five-year program progress indicators. Since this activity is not yet underway, recent progress, although relevant to the potential effectiveness of USAID activities, is not directly the result of USAID's program. Since USAID's program will contribute to five-year results in this area, progress is briefly reviewed.

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Proposed increases in ceilings for investment approval are presently before Parliament and negotiations are being carried out between the World Bank and the BDG to increase the approval ceiling from \$ 3 million to \$ 8.4. million before BOI approval is required, and, at a later date, to remove entirely BOI approval for those projects financed by government financial institutions. In addition, sanctioning procedures for small and cottage industries have been simplified and decentralized. Approval times have been reduced , averaging about 15 days compared to 90 days one year ago.

Growth in total private sector realized investment levels are also indicative of progress, since this measures the outcome of various policy and institutional efficiency improvements. Realized private sector investment has increased by 10.6% (from \$1030 million in 1989 to \$1149 in 1990).

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USAID program activities will monitor and fully institutionalize these changes. (The Mission is presently in the process of reviewing the proposed structure and activity of the PIAG, and may wish to later modify this investment-related program indicator).

Export development program activities are focussed on the provision of support and technical assistance to the Duty Exemption and Drawback Office for calculating flat rates for major manufacturing export industries for tax refunds under the Value Added Tax System. (These tax refunds are provided to exporters using imported raw materials). DEDO has already calculated flat rates for 56 products/industries and is targetted to calculate rates for 15 products monthly. More than 200 applications were processed during the first year of operation, and the DEDO has improved its efficiency by processing applications in under 3 months compared to 6 months a year ago. Usage of the World Bank's Export Development Fund to support investment in non-traditional export industries also provides a useful indication of progress: initial response to the EDF was slow, however current requests amount to more than \$ 1 million ; available annual fund levels will be increased to (proposed) \$10 million. USAID technical assistance has included the completion of an EDF Manual and a planned promotional program.

Market-Orientation and Efficiency of Commercial Banking Operations:

Activities under USAID's Financial Sector Reform Project, to begin in September 1991, under which USAID is providing technical assistance to improve the organization and operations of the Bangladesh Bank and four largest commercial banks, will institutionalize the reforms initiated under the World Bank's Financial Sector Credit. Since 1989 significant progress has been made in implementing the reforms and conditionalities required by the World Bank. Progress has been made towards greater interest rate flexibility - previous to 1990 interest rates were fixed, in 1990 interest bands were established for each sector every six months and currently commercial banks may

charge interest rates within bands which are set monthly. More efficient banks may charge lower interest rates and may adjust them further for lower-risk borrowers. Loan reclassification has been carried out such that the profit and loss position is transparent and more accurately reflected and portfolio management is improved and provisions are being made for bad debt. These improvements have likely contributed to a stronger banking system with more accurate valuation of assets and profit and loss statements. In addition, the technical assistance provided by USAID under the planned IDA/ADB Agricultural and

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Rural Credit Project will result in greater efficiency of the operations of the largest agricultural banks. In the longer-term, these activities are expected to result in increased net flows of credit to the private sector.

Growth of Small, Medium, and Microenterprise Activity:

MIDAS, an NGO/development finance organization which provides financial and technical assistance to support the development of small and medium enterprises, has provided more than \$5.5 million in loans to approximately 100 small and medium enterprise projects. The 1990 mid-term project evaluation found that MIDAS's financial management was improving, identified needed improvements in portfolio management but noted the trade-offs between developmental and commercial organizational goals. Over the past year MIDAS has improved its portfolio management and made a good start towards increased revenue generation. Evaluation and audit reports indicate that MIDAS is now ready for greater autonomy and USAID has proposed a set of performance disbursement criteria, which, when implemented, will result in greater financial and institutional self-sustainability. Loan recovery rates have improved, from approximately 80% in FY1989 to 86% currently. (calculated based on percentage of payments due that are paid; and does not take into account loans refinanced, therefore not necessarily comparable with loan recovery measures of other programs). Disbursements increased by approximately 25% between FY89 and FY90, from approximately \$1.09 million USD to approximately \$1.36 million USD, and to date in 1991 disbursements are approximately \$1.30 million. USAID approval of at least 12 new projects has been delayed pending environmental approval -disbursements are accordingly projected to increase by about 70% in FY1992.

The income, employment and social impact of the Women's Entrepreneurship Project, which provides credit, training and advisory services to poor rural women entrepreneurs, has been very significant in relation to dollars invested. The project has also been very successful in terms of institutional strengthening and loan recovery. To date the project has provided more than 16,000 loans to about 14,000 women, and disbursed more than \$1.2 million USD. During the past year alone approximately 200 loans per month have been disbursed and total credit disbursements increased by more than 20% over last year's total. Current loan recovery rates average 86% compared to 80% one year ago. A follow-on project, which will be designed in

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August 1991, will set the stage for the project unit to operate in a more private-like manner, allow it increased responsibility in credit approval and disbursement, result in reduced overhead rates, increase loan ceilings and provide larger loans (up to \$ 1500) to a minimum of 5% of borrowers, increase loan disbursements by 100% and achieve loan recovery rates of 90%.

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C. Baseline, Performance Indicators (1995) and Performance Progress (1991) - in Summary:

BOI Approvals/Realized Private Sector Investment Activity/Export Duty Drawback and EDF Utilization:

Baseline (1989): BOI approvals required for loans over \$3 million and taking 3+ months; total realized private sector investment levels \$1030 million USD/ duty drawback refund payment required 6+ months and EDF utilization \$160,000.

Indicator (1995): BOI approvals removed for projects financed by BDG financial institutions; ceilings raised and approval time reduced for privately-financed projects; increased realized private sector investment/ duty drawback processed in less than 60 days; \$10million EDF utilization.

Progress (1991): Increases in approval ceilings to \$8.4 m. and later removal for projects financed by BDG financial institutions - under negotiation; additional revisions before Parliament; approval times reduced to 15 days; 10.6% increase in realized private sector investment/ duty drawback processed in less than 90 days; EDF utilization \$1 million USD.

Market-Orientation and Efficiency of Banking Operations:

Baseline(1989): Fixed interest rates; private banks account for small share of total lending; 2 of 6 nationalized banks privatized; profit/loss not transparent; net credit flows to private sector: \$735 million.

Indicator (1995): Market-oriented, flexible interest rates; increased share of lending by private sector banks and 2 more commercial banks positioned for privatization; profit/loss transparent and accurately represented; increased flows of credit to private sector.

Progress (1991): Interest rate bands established monthly; loan reclassification largely accomplished; profit and loss more accurately represented; net flows of credit to the private sector increased by approximately 8%.

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Growth of Small, Medium and Microenterprise Activity:

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Baseline (1989): Loan disbursement by MIDAS to SME's of \$ 1.09 million USD (annual) loan recovery rates 80%/ 13,000 microenterprise and cottage industry borrowers; total WEDP loan disbursement \$ 1 million USD ; WEDP recovery rates 80%.

Indicator (1995): Loan disbursement by MIDAS increases by 100% and loan recovery rates to 90%/ total loans disbursed to micro and cottage enterprises increases by 100%; loan recovery of micro and cottage enterprises 90%.

Progress (1991): Loan disbursement by MIDAS increased by 25% to 1990. (USAID approval pending on 12-13 additional loans which will result in 70% increase in annual disbursement for FY1992); loan recovery rates 86%/ loans disbursed to micro and cottage industries increased by 25% since 1989; loan recovery of micro and cottage industries 86%.

V. PROGRAM PERFORMANCE OBJECTIVE 4: INCREASED VOICE AND CHOICE IN LOCAL AND NATIONAL GOVERNMENT

A. Introduction: Development Context and USAID's Role:

During the past year, Bangladesh has made dramatic accomplishments in achieving increased voice and choice in local and national government. The national elections held in February 1991 were conducted by an interim, disinterested government and were declared free and fair by all impartial observers. The stage is now set and the challenge for the new government is to establish a permanent institutional footing for democracy.

The new government has stated that decision-making power will be further decentralized to the village level by the establishment of a Gram Sarkar or village government system. This smaller unit of government will result in greater participation of villagers in decision-making.

A more positive attitude towards NGOs is also evident in recent policy statements. The new government sees NGOs as partners in development, with NGOs and government agencies playing complementary roles at the field level and greater co-ordination efforts planned in order to maximize the development impact of NGOs and reach previously underserved areas. Experience during the recent cyclone relief phase, mightily spurred by the U.S. military Joint Task Force, where NGOs and Government worked hand-in-hand, went far toward cementing good relations.

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USAID's program has actively supported the establishment of democratic government, increased local participation in decision-making, and NGO strengthening. The Rural Electrification program, which supports the establishment and strengthening of rural electrification co-operatives (PBSs), is another example of USAID's voice and choice activities.

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B. Program Performance Indicators and Progress:

Progress in relation to the areas and selective indicators discussed below highlights some of the recent program achievements. The indicator related to Support for Free and Fair Elections has been revised to include participation; the indicator related to Strengthening of NGOs has been better defined to reflect expected 5-year progress; and the indicator related to Local Involvement in Infrastructure Development has been refined in relation to Food-for-Work road construction 1995 objectives and expanded to include strengthened USAID-supported PBSs (Rural Electrification Cooperatives), which are an important component of increased voice and choice activities.

Degree of Support/Participation for Free and Fair National Elections:

USAID provides support for the strengthening of democratic institutions through TAF, which carries out a set of democracy-supporting activities in areas such as parliament, the judiciary, election process and local government. USAID is the only donor supporting the work of the National Democratic Institute in Bangladesh- USAID through TAF and NDI supported the monitoring by a five-member international delegation of the 1990 upazila (local-level) elections and a two-person team conducted a survey mission in October 1990; a four-person team monitored and declared free and fair the February 1991 Parliamentary elections. The NDI is also planning to conduct in the near future a workshop for NGOs and political parties on election monitoring.

The degree of voter participation in local and national elections is also an important indicator of increased voice and choice - the participation in the February Parliamentary elections was very high, with a particularly high proportion of women voters.

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Strengthening of NGOs:

The Private Rural Initiatives Project (based on the findings of the 1990 evaluation) has made significant progress in enhancing the technical, managerial and strategic capacity of the NGO sector. (NGO-strengthening activities under the USAID's family planning program have been discussed earlier). NGO learning groups (inter-organizational groupings working together on a specific sector, problem or opportunity) have been established and are functioning in the areas of agroforestry, women-in-local markets, disaster- preparedness and several other key areas such as literacy and sustainable agriculture. Various support activities have been provided to support organizations, in particular ADAB, the NGO apex organization, which provides training and other assistance to smaller NGOs. Training of trainers has been conducted to improve the skills of middle-level NGO management and demonstration projects have been set up in the areas of agroforestry and credit. The fact that

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the BDG has requested PRIP's assistance in working with upazila officials in preparation of a disaster-preparedness guide and that PRIP provided assistance to the NGO Bureau during the cyclone is evidence of the BDG's recognition of the role the program provides. The related progress indicator has accordingly been revised since the earlier proposed indicator has been already achieved. In addition, the process of NGO approvals by the NGO Bureau, in response to donor pressure, has also greatly improved- approvals now require on average 60 days, compared to up to twelve months earlier.

Local Involvement in Infrastructure Development:

USAID support for infrastructure development focusses on food- for-work road construction activities and rural electrification. These activities both involve local participation in decision- making and therefore a composite indicator is used to measure their contribution to increased voice and choice.

The fact that Food-for-Work road site selection decisions were largely made by the local elites and that a major proportion of the approximately 6000 miles of roads constructed annually had minimal positive impact on local people was noted in a number of evaluations. Several positive developments during the past year and changes incorporated into the one-year extension to June 1992 suggest that local involvement in decision-making will improve and economic impact will be strengthened. The extension includes an Environmental Mitigation Plan, based on criteria recommended in the 1990 Environmental Assessment; and more diversified activities (such as compaction) are included. The new Integrated Food-for- Development Project,

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to start in FY92, will continue to strengthen food assistance so that it better responds to local economic needs. (This project is also a primary candidate for simplification to reduce its labor intensity on the Mission.)

USAID's Rural Electrification Project has supported the establishment of 17 of the 40 co-operatively-owned and managed PBSs and provided technical assistance to the overall Rural Electrification Program which now geographically covers more than 50% of rural areas, servicing 9,690 villages and 478,592 households. The institutional and financial viability of the USAID- supported PBSs together with the coverage provided by the overall system is also an appropriate progress indicator of increased voice and choice. 11 of the 17 USAID-funded PBSs are now well-established and financially-viable. With the planned extension of project activities focussing on greater intensification of these PBSs, the objective is to ensure that all 17 PBSs are institutionally and financially viable by 1996.

C. Baseline, Performance Indicators (1995) and Performance Progress (1991)- in Summary:

Degree of Support/Participation for Free and Fair National Elections:

Baseline (1990): Low voter participation; two local observer participation teams in March 1990 upazila elections.

Indicator (1995): Visible (USAID) support for institutionalization of democracy and free-and-fair national and local elections; increased participation of men and women in democratic process.

Progress: NDI monitored February 1991 elections which were declared free-and-fair, voter participation of men and women was very high; stage is now set for institutionalization of democracy.

Strengthening of NGOs:

Baseline (1989): No NGO groupings around agroforestry, disaster-preparedness and women-in-local markets; support to support organizations initiated; NGO clearance required 6-12 months.

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Indicator (1995): Increased number of self-starting and self-sustaining NGO groupings; greater NGO sustainability - increasing ability to raise and secure own financing; ADAB apex organization moving towards self-financing and improved service to NGOs; reduced NGO clearance time.

Progress (1991): NGO learning groups functioning in agroforestry, disaster-preparedness, women-in-local markets and other areas; support organizations (eg. ADAB) strengthened and training-of-trainers conducted; NGO clearance averages 60 days.

Local Involvement in Infrastructure Development:

Baseline: 25% of 6,000 miles of FFW roads meet economic criteria and reflect sound local decision-making/ 17 PBS rural electrification co-operatives operating.

Indicator (1995): Food-for-Work road construction activity meets improved, sound local economic and environmental criteria; greater diversity of economic activities undertaken/ 17 USAID-funded PBSs strengthened and financially-viable.

Progress (1991): Environmental Mitigation Plan in place and more diversified activities initiated for June 1992 extension/ 11 of 17 USAID-funded PBSs well-established and financially-viable; planning underway for intensification of existing PBSs in project extension.

VI. SUMMARY AND CONCLUSION:

This 1991 Program Performance Report documents that major progress has been made in implementing the USAID/Bangladesh program over the past year. This progress is all the more remarkable in that it has been achieved despite the extraordinary events and disruptions that have beset Bangladesh over the past nine months. Considerable progress has been achieved, not only in the overall program but also in relation to each of the four program objectives.

The Bangladesh policy environment has improved in each program area, and it is the Mission's view that the prospects for continued progress are even better for the future. The re-emergence of democracy, the establishment of a fairly-elected government and commitment to market policies, openness and the rule of law by the new BNP government bode well for the

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future. Therefore, USAID believes that not only is the AID program on the right track but also that its chances for sustained success have improved.

This 1991 Program Performance Report also shows that the PPI paper approved by the Bureau one year ago, with certain modifications and refinements, remains valid. The Mission is setting-up a Private Sector Program M&E system and, as noted in the report, will be undertaking two major project designs. Accordingly the Mission may propose certain additional indicators or substitute indicators next year.

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SUMMER BUDGET PROCESS SUBMISSION

JULY 1991

USAID/BANGLADESH

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1. INTRODUCTION

This report responds to guidance from AID/W on the Summer

Budget process (State 193389). It should be read in conjunction with the ABS submitted in June 1991 and with the 1991 Program Performance Report which is being sent to AID/W concurrently as well as with the Performance Based Budgeting System Report to be submitted by September 1 (per State 207993).

This report is intended to assist the Bureau and the Desk as it prepares for the Summer Budget Sessions by presenting (1) Background information on Bangladesh (and notably the events of the last year), and elaboration and discussion of the ABS submission in regards to the Bangladesh program and its achievements and aspirations relative to (2) Focus and Concentration, (3) Program, Workforce and OE Relationships, (4) a Summary of the Results Programming Report, (5) New Initiatives and (6) Minimum Carrying Cost.

This document has been prepared with limited prior notice from AID/W when the Mission was short handed in its program and technical offices due to home leave, R&R travel, transfer without immediate replacement and one medevac. It seeks to respond point by point to the guidance from AID/W and although we are aware that there is some overlap and duplication in the contents we trust that this report will assist AID/W in making sense of the tubular material in the ABS and in making the case for enhanced DA and OE levels to Bangladesh.

2. BACKGROUND

USAID/Bangladesh's CDSS and Program Performance Indicators (PPI) were approved in August 1990 by the new APRE Bureau and the CDSS was initiated with the start of FY91. During the process of developing the CDSS the Mission substantially reduced the mortgage, proposed numerous initiatives of shift the burden of successful by rapidly expanding parts of the program to other donors (e.g. family planning commodities and rural electrification commodities) and consequently made major progress in reducing the pipeline. These steps gave us flexibility in the out years of the CDSS for selected new initiatives, particularly in support of the private sector.

The CDSS was developed an assumption of reduced DA resources compared to the previous five years (for an average of \$56 million per year) and called for the Mission to substantially reduce its funding for family planning, and phase out the resources demanding commodity, credit and construction components of the entire portfolio while paying more attention to leveraging other donor funds behind our agenda of support for private sector investment and enterprise creation.

The Bangladesh CDSS strategy FY 91-95 is summarized in Chart 1. It identifies a goal of Increased Sustainable Growth an Poverty Reduction and four sub goals of 1) increased agricultural output, 2) increased economic participation, 3) increased nonagricultural output, and 4) increased political participation. The strategic themes (or organizing principles for guiding decision making about the allocation of resources) for implementing the CDSS are: reliance on and encouragement of a competitive private sector, open market policies, creation of enabling infrastructure (institutional as much as physical) and the leveraging of other resources (particularly private and

other donor resources) in support of CDSS implementation. The Mission also identified the three cross cutting themes in the CDSS:

-- Sustainability (environmental as well as financial, institutional and managerial)

-- Involvement of Women

-- Disaster Preparedness

The year since the approval of the CDSS and the PPI paper has been a momentous one for Bangladesh. The anti autocracy movement against the Ershad regime, after three months of disruptive street action, led to the resignation of the former President in early December 1990. This was the first peaceful transition of power in the history of Bangladesh. An interim Government was formed and national elections were held three months later of February 27, 1991 which resulted in the surprise victory of the Bangladesh Nationalist Party (BNP) the elections were universally hailed as free and fair (including by an AID funded observer team from NDI) and there is much evidence that a new spirit of democracy has blossomed in Bangladesh. Although the new BNP government faces many difficult challenges, it has demonstrated during its first few months a continuing commitment to democratic values. It has also demonstrated significant courage to take on difficult tasks of political and economic restructuring.

On the world scene Bangladesh was quick to join in the condemnation of the Iraqi occupation of Kuwait and dispatched a small military force to participate in Desert Shield/Storm. The man in the street, however, was initially much influenced by Iraqi propaganda and the portrayal of the conflict as an Islamic jihad. With the beginning of the air war on January 17 1991 there was an outbreak of violence in Dhaka against members of the coalition, and notably the United States. This led the State Department to authorize a voluntary evacuation of US personnel and contractors. For some 2-1/2 months, consequently, from mid-January until early April USAID Bangladesh had more than half its USDH half of its staff in AID/W. About half of all project funded contractor and grantee staff also left.

The Interim Government brought out the paramilitary force, Bangladesh Rifles, to protect the diplomatic area and dealt firmly with the Iraqi Embassy so the situation came under control fairly quickly. Nevertheless, there was a definite slowdown in USAID project activities. The new Government and Parliament was formally seated on April 5, 1991. Barely three weeks later, on the night of April 29, Bangladesh was struck with a devastating cyclone. Winds of 150 mph and a tidal surge of 20 feet took 139,000 lives and created massive destruction of homes, water supplies and 1086Xagriculture and industrial capacity in the Chittagong area and its outlying islands. The new Government and the Bangladeshi military responded valiantly to the task of providing immediate relief and succor. As the extent of the devastation became apparent the Government launched an international appeal for assistance and in

particularly for the means to reach the isolated island populations. The international response was extensive. The United States supplied \$ 5.1 million in direct assistance to NGOs and other relief agencies. A joint U.S.G. effort mounted "Operation Sea Angel" which brought to bear the massive lift and logistics capacity of the United States' armed force. An amphibious Joint Task Force of 7,000 men and women, returning home after Operation Desert Storm, was diverted to Bangladesh. These resources were able in three short weeks to stabilize the relief situation, deliver food and health supplies to needy people and to arrest a growing danger of massive loss of life amongst survivors from diarrhoeal disease and hunger. This was an unparalleled demonstration of United States humanitarian support to Bangladesh; and was extremely well received by the Bangladesh people and Government.

The damage done by the cyclone to houses, livestock, productive capacity and infrastructure (including to the port and major commercial and industrial city of Chittagong) was substantial and will reduce the overall growth of the economy by about half a percentage point from about 4.0 to 3.5 percent.

CONCLUSION

This has been a year in which program implementation has been severely handicapped by political disturbance, war, and natural disaster. However, it has also been an historic year in which major political developments have occurred in Bangladesh and in which a rebirth of the democratic spirit has taken place. The new commitment to democracy and to a more open society and economy offers tremendous opportunities as well as challenges for the long term development of Bangladesh.

3. FOCUS/CONCENTRATION AND USAID BANGLADESH

USAID is no longer the leading bilateral donor in Bangladesh (Japan having supplanted us in 1986) and in fact now only provides about 6% of the aid pledged annually to Bangladesh. Our DA level has declined 35% in nominal terms since the early 1980s. Consequently, USAID has to select its interventions extremely carefully and chose to intervene only in those unique areas in which AID and the United States have major comparative advantage (e.g. support for the private sector and NGOs, agricultural technology and in the development of national family planning programs). For example during the development of the CDSS the Mission carefully examined the urban and educational sectors and very consciously decided that, as important as they were, they should be left to other donors. The Mission also decided to mainstream the three cross cutting themes of the CDSS - Sustainability, Involvement of Women and Disaster Preparedness - and to avoid stand alone projects and additional management units in these areas. We have developed a very successful WID Implementation Plan which is a model for effective mainstreaming.

During the past year the Mission has taken several actions to streamline its portfolio:

- * We have now cancelled a stand alone environmental project (Natural Resources for Growth) proposed in last year's Annual Budget Submission

* The Mission is now in the process of cancelling the previous authorized \$15 million Development and Management and Training Project (388-0068)

* An approved but not authorized \$14 million Higher Agricultural Education Project (399-0075) is also being dropped.

* The Female Education Scholarship Project, which was piloted under our family planning project will receive a final obligation of \$1 million in FY 91. While not a cost effective family planning intervention it has been an extremely successful in increasing female participation in Second education, will now be picked up by the World Bank in FY 93.

USAID/Bangladesh has also made an aggressive effort to reduce the program mortgage by deobligating from slow moving projects or project components. For example, in FY 90 USAID deobligated \$ 9.5 million in slow moving loan funds from the Fertilizer Distribution Improvement Project (388-0060) and a total of \$2.8 million from three other projects that had reached their PACDs. Deobligated funds have been or will be reobligated into existing projects or used to fund a few selected new activities such as the monitoring of the national elections in 1991 by NDI under our Civic Participation project.

As a result of these past efforts we believe that we have made significant progress in focusing the program in Bangladesh. We now have 15 active projects, have reduced the pipeline from \$179 million in FY 89 to a projected \$ 126.7 by the end of FY 92, and have only one entirely new start in FY 92 (and two follow on projects) with no new starts in FY 93. As we visualize the stark reality of our projected OE budget (see also section 5 Program/Work Force OE Relationships) we are redoubling our efforts to reduce workload and management intensity.

In FY 92 we are deliberately streamlining two new projects into larger but more integrated activities in order to decrease management units. For example, we are adding \$ 126 million as an amendment to our Family Planning and Health Services Project (rather than designing a project). This amended project is not a straightline continuation of the old project but will phase out our involvement in commodity procurement and storeroom construction and eliminate construction of a proposed government headquarters building. We have also decided to fold a proposed follow on project in Agricultural Research and Technology into a new private sector inputs project in a combined Agribusiness and Technology Development Project (388-0087).

We also see additional opportunity in the future to streamline the Program by reduction of the management intensity of the very large PL 480 program. We have made a start in FY 91 by restructuring the local currency management of the \$ 60 million per year Title III program by moving from a project to a sector disbursement mode and by shifting from a laborious and complex system of special local currency accounts with the Central Bank to an interest bearing account with a private US bank. We will continue this effort in the multiyear program proposal that will be submitted to AID/W in August. We also see additional

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opportunity in the Title II Food For Work program to simplify workload and staff requirements by restructuring the program away from direct AID involvement in bridge and culvert construction and by encouraging program management innovation by CARE, the implementing agency.

CONCLUSION

The steps outlined above for focusing and concentrating our program will reduce our Mission Pipeline to \$ 126.7 million in FY 93 (about 2 years of projected obligations and 1.5 times projected expenditures) while mortgage, absent any new project starts, will decline dramatically from \$364.6 million to a mere \$134.4 million by the end of FY 93. In other words, by better integrating our existing portfolio and by deliberately deferring new project starts, additional resources will be freed up for a few new selected projects (or for increased funding of existing projects) in a more tightly focused and concentrated program. We also believe that by these -- efforts we will go a long way to bringing our program workload and our projected workforce back into balance.

4. SUMMARY OF 1991 PROGRAM PERFORMANCE REPORT

This section refers to the comprehensive and separately submitted 1991 Program Performance Report. The other components of "Results Programming" referred to a State 193389 will be submitted as required by September 1.

The 1991 Program Performance Report documents that major progress has been made in implementing the USAID/Bangladesh program over the last year. This progress is all the more remarkable in that it has been achieved despite the extraordinary perturbations and disruptions that have beset Bangladesh over the last nine months (see Section 1 Introduction above). In fact, considerable progress has been made not only in the overall program but also in each of the four Sub Goals and Program Objectives.

It is also our view that the prospect for continued progress is now even better than it was a year ago. While obstacles facing the new Government should not be underestimated, the re-emergence of democracy, and renewed commitment to market policies, openness and the rule of law by the new fairly elected BNP government bode well for the future. Consequently, USAID believes that not only is the AID program on the right track, but that its chances for sustained success have improved.

The 1991 Program Performance Paper also shows that the PPI paper and approved by the Bureau last August remains both valid and implementable. With certain exceptions, noted in the report, the indicators proposed a year ago are still appropriate and have proven in fact to be measurable. As a result, USAID does not believe a major revision is called for in its Program Performance Indicators. We note that a new Private Sector M&E system is now being installed throughout the Mission which will further strengthen our ability to track and measure progress on the large private sector component of the program. As we gain experience with the M&E system we may want to propose some additional or substitute indicators next year.

We also point out that we have two major projects under design. The first is a \$126 million PP supplement for the continuation of our Family Planning and Health Services Project. Although this project design will not be completed for several months, and although we do expect to drop (not add) several project components from it, we do not expect that the indicators that are appropriate for measuring USAID contributions to "Increased Access to Efficient Family Planning and Health Services" will change significantly. For example, the contraceptive prevalence rate and measures of access being provided NGOs, the Private Sector and Government will continue to be appropriate as an indicator. However, our new Agribusiness and Technology project, once its design is finished in the next six months, may suggest additional or substitute indicators that we will want to propose at this time next year.

Although progress has been made against all four program objectives it is clear that we have achieved the most progress in the area of Increased Private Investment in Agricultural Production, Processing and Marketing; for example, 100% of domestic urea distribution is now in the hands of the private sector, and in July of 1991, for the first time, the private sector began importing fertilizer. Progress in the area of Increased Access to Efficient Family Planning and Health Services has also been impressive, particularly in its private sector activities. The results of the 1991 Contraceptive Prevalence Survey (conducted biennially) will corroborate this progress when the data becomes available next year. Perhaps the least progress has been made in the area of Increased Non-Agricultural Sector Investment. The Mission has, nevertheless, made significant forward momentum in program implementation which will result in measurable impact of program objectives in the years ahead.

5. PROGRAM/WORK FORCE/OE RELATIONSHIPS

This section of this report should be read in conjunction with Tables IV, VIII and IX and the OE narrative in the ABS as well as with section 6.E Strategic Management below.

The work force, program levels and OE resources for USAID/Bangladesh are summarized in Table 1 below.

Table 1

	Fiscal year			
	<u>91</u>	<u>92</u>	<u>93</u>	<u>94</u>
<u>Staffing Level (number)</u>	<u>145.8</u>	<u>137.8</u>	<u>136.8</u>	<u>125.8</u>
USDH a/	33.8	32.8	31.8	31.8
FNDH	48	48	48	48
USPSC	1	1	1	1
FNPSC	62	56	56	45
TCN PSC	1	-	-	-
<u>OE Budget Level (Millions) b/</u>	3.055	2.957	2.957	2.957
<u>Program Level (Millions)</u>	<u>137.7</u>	<u>142.5</u>	<u>149.8</u>	<u>152.6</u>
DA	55.8	62.0	65.0	67.6

PL 480 Title III	69.6	66.0	70.0	70.0
PL 480 Title II	12.2	14.5	15.8	15.0

<u>Ratio of staff to Program Level</u>	1.06	0.97	0.91	0.82
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- a/ Includes one part-time resident hire secretary
- b/ Excludes FAAS, includes Trust Funds

In summary, over the next three years USAID is being called upon to manage a larger dollar program with a diminished staff and a reduced OE budget. The changes in the ratio of staff to program level between 1991 and 1994 are drastic and ominous, given how quickly FY 94 will be upon us and how slowly program changes can be made.

The Mission is just one year into implementing an approved CDSS, over which it labored valiantly, and which still addresses the very serious development problems of Bangladesh. Bangladesh remains one of the poorest countries in the world. As other sections of this submission state, the country's recent performance, in both political and economic spheres, justifies the increased investment levels which our increased APPLs represent. Thus we are unwilling at this time to reject the program levels AID/W is proposing.

will We have stated in our ABS, and elsewhere in this report, that we be making changes in the program to make it less labor intensive. But no one should have any illusions about this being easy to do or even possible as a complete solution to the imbalance between OE and program resources in the context facing us in Bangladesh.

In the ABS OE narrative we informed AID/W that we estimate that a reasonable budget, adjusted for inflation, would require \$3.5 million in FY 93, i.e. half a million dollars more than we have been told to plan for. We have put AID/W on notice in the ABS that the proposed levels of OE for USAID/Bangladesh for the next 3 years are insufficient to sustain the projected program and staff, even with the significant changes we intend to make in the program.

ACTIVITY AND WORKFORCE SHARES

USAID/Bangladesh is a "full service" Mission with four technical offices (Agriculture, Population and Health, Project Development and Engineering and Economics and Enterprise) which support (although not on a one to one basis) the four sub goals of our CDSS. We believe that these four sub goals are tightly controlled and focused and, for a program of this size and for a country as poor and as prone to natural disasters as Bangladesh, are appropriate in number. In addition we have a lean and mean general management staff: one Executive Officer; one Contracting Officer, and an RLA shared with Nepal.

The Activity Code data in the ABS, shows that the allocation of FTEs in FY 92 on the whole closely tracks the planned DA funding for these areas. However, in two areas -- Natural Resources Management/Environment and the Private Sector -- FTE percentages are significantly different from the program budget allocations. Environmental concerns in USAID/Bangladesh are

mainstreamed and we have no stand alone environmental projects. The program budget resources are likely underestimated since they are difficult to capture. In the case of the private sector program, dollar shares exceed the FTE shares. In part this is due to the fact that, although we have deliberately chosen to expand staffing and programming in this area over the last two years (in fact, creating a whole new office for the purpose), we probably still need to upgrade staff resources. Moreover, we have one very large private sector project which has a substantial, but decreasing, pipeline due to the fact that it has a sizeable commodity procurement component.

USAID points out that the PL 480 resources, which in fact dominate this Mission's program (56% in FY '92), are not included in the ABS program levels tables (Tables IV and V). Consequently comparisons of workforce and program levels drawn from those tables of the ABS would be totally meaningless. This Mission has found that responsible PL 480 management requires considerable staff time not only from technical staff in all our technical offices but also from the Program Office, Controller, RLA and the Front Office, both for Title II and Title III. For example, we have to manage under past Title I agreements a local currency overhang of over \$ 250 million (!) and a local currency portfolio of 31 projects with an estimated expenditure in FY 91 of \$ 70. This is a major workload for the Mission which passes unnoticed when looked at through the murky lens of the ABS.

SUPPORT OF THE WORKFORCE

The reader is referred to the Table VIII and IX Narratives in the ABS. We can say no more. Focus/Concentration and the Agency's announced efforts toward Strategic Management and Human Resource Development are part of the answer, but the principal impact of these efforts will be to bring the workload back into line with the available (reduced) workforce. They cannot overcome the corrosive effects of inadequate OE resources on morale, training and productivity. Mission managers are restricted in their ability to effectively support the program since they control only a small fraction of the OE budget. When the Agency cuts OE to the field the whole weight falls on the 12% of the budget that we actually manage and which is truly discretionary to the field. The remainder of the OE budget is made up of entitlements such as education, housing, FSN salary increases and home leaves and transfers. The result will soon be a Mission without vehicles, paper and pencil or the ability to contact AID/W by telephone or fax. Not to worry, Washington will surely call us.

6. THE NEW INITIATIVES AND THE AID PROGRAM

In this section we briefly review the current and proposed AID program for Bangladesh through the lenses of the Administrator's five new initiatives and come to some preliminary conclusions as to their "fit" for the development situation in Bangladesh.

6.A. Partnership for Business and Development

The partnership for Business and Development has six elements. We are very active in some of these elements while less so in others. Over the next year we will continue to review the program for new opportunities under the Partnership for Business and Development Initiative. It has to be noted that current US direct investment in Bangladesh is insignificant. No major new US businesses have been established in Bangladesh since partition from Pakistan in 1971. Moreover, there is neither a Department of Commerce nor a Department of Agriculture attache assigned to the Embassy in Dhaka, which is indicative of low US interest in the Bangladesh market. However, USAID firmly believes that our program is directly supporting the development of an open, trade oriented economic system in Bangladesh. Almost 25 per cent of our total DA program is invested in the AC/SI categories of private sector development and privatization. We are also convinced that direct private investment from the US will increase over the medium term as a direct consequence of this AID supported development of a more open and less regulated local trade regime.

Capital Projects Fund. USAID's portfolio is extremely light on capital projects. As a consequence of declining DA levels (down 20% in nominal terms over the last decade) we have been required to terminate much of our support for infrastructure and commodities and to concentrate our DA grant resources into the soft side of program development, leveraged against the larger (often loan funded) resources of other donors which finance the capital costs. For example, in Rural Electrification, a program we initiated, we are now terminating our support for commodities and construction and refocusing the remaining resources in the program into support for the indispensable American TA. The World Bank, Finland, Saudi Arabia, the Swiss and the Kuwait Development Fund are funding the capital items.

USAID has one USDH engineer, 3 expatriate PSC engineers and 4 FSN engineers on our staff. However, apart from Rural Electrification, they are primarily engaged in the PL 480 Title II Food for Work program (building small but needed bridges and culverts financed by Title III local currency as part of the Food for Work dirt roads). These structures are built by local contractors with U.S. funded PSC engineers providing only oversight. Although these structures barely fit the definition of capital projects, as we refocus our program and reduce staff we will be looking very carefully at the workload implications of this program and the continuing need for this engineering cadre over the next 2-3 years. We also point out that US business interests in capital projects in Bangladesh are also limited (there is only one US engineering firm with resident staff in Bangladesh).

These program constraints and our limited OE and minimal workforce may well drive us to limit our involvement in capital projects for the foreseeable future.

Business and Development Network. In recognition of the limited knowledge and experience of the Bangladesh market in US business circles, USAID has been a founding father of the US-Bangladesh Business Council which has offices in New York

and Dhaka. We have provided core funding to the council for the last three years and have provided additional funding this year for a trade and investment mission to the United States to allow Bangladeshi business to present investment proposals to prospective US partners. However we now believe that the Business Council should be standing on its own feet and that USAID should reappraise whether our continued support for it is warranted.

USAID has developed an Export Promotion Project which supports the Export Promotion Bureau and three other government and customs agencies. USAID is also supporting the operation of the International Executive Service Corps here in Bangladesh which we are confident will contribute to increased contacts between US and Bangladeshi businessmen. These two activities account for about 7% of our total program.

Business Advisory Council. In Bangladesh, US-owned enterprises have formed an American-Bangladesh Economic Forum (the Bangladesh equivalent of an AmCham) which is in close contact with the Embassy and USAID. We believe that they would be pleased to participate in the development of an AID/W Business Advisory Council, if appropriate.

Emerging Sectors in Development. Bangladesh has done extremely well in the last few years in expanding export markets in cotton garments, shrimps and (to a lesser extent) electronics. USAID has supported the creation of a Business Advisory Services Centre with the objective of supporting the expansion of business technology and new industries. There is a clear fit here with the Emerging Sectors Initiative and potential for Bangladesh to participate in this element of the Business Initiative as it develops and as Bangladesh expands its small but dynamic export sector.

Competitiveness through Universities. USAID has in the past funded projects involving universities such as Texas A&M, Ohio State and Harvard. Oregon State is currently the contractor for a small higher agricultural education project (Institute for Postgraduate Studies). Tulane and Morgan State have recently proposed projects under the University Linkages program. Tulane has proposed a linkage with the Dhaka University Institute of Business Administration and Morgan State a more general linkage with Jahangir Nagar University. However, we see little opportunity in Bangladesh for major university involvement in the partnership for Business and Development in the Bangladesh context.

Business Internship Program for Emerging Economics. USAID has had considerable experience with graduate student interns (indeed has one this summer from the Kennedy School working on food policy issues and the Economic and Commercial Section of the Embassy has an intern working on a feasibility study of the export potential of processed horticultural products). Our small business development project MIDAS has developed a proposal for using Bangladesh MBA students in a business intern program but has been unable to fund it. However, USAID would welcome US Business Internship Program fellows and wonders whether they could also be linked in with the IESC in a "junior executive volunteer" role.

Conclusion. In the short run, the obstacles to increasing U.S. business' involvement in Bangladesh's development are formidable and Bangladesh's weak infrastructure and disaster prone reputation are among the major constraints to overcome. Nevertheless, we are convinced that our emphasis on private sector development here is sound and, as it bears fruit, will attract US business. As US business begins to develop profitable niches in the Bangladesh market other and larger US Business interests will follow.

6.B. Democracy Initiative

Increased Political Participation is one of the four Sub goals of USAID's CDSS. Moreover, progress in Political Participation in Bangladesh during the last year has been spectacular, if in large part unexpected. After the forced resignation of the autocratic regime of President Ershad in December 1990, Bangladesh held a free and fair election for a new national Parliament in February 1991. This historic election, which was the first ever peaceful and democratic transition of power in the history of Bangladesh, has opened up a lively new prospect for the institutionalization of parliamentary democracy and the rule of law.

Among the donors in Bangladesh USAID has established a distinctive leadership role as a supporter and financier of programs to encourage the development of democratic institutions in Bangladesh. USAID'S Civic Participation Project (388-0079), is managed by the Asia Foundation, which brings a long and established record of providing support for democracy throughout Asia. The project provides funds to such activities as the support of election observers, strengthening of legal aid associations, training of new members of the Bench and improving parliamentary record keeping and documentation. In FY 90, USAID created a new Human Rights Support Project (388-0091) from which we have funded the activities of a local and very visible human rights advocacy group. In FY 91 USAID also provided major funding (through deob-reob authority) to the National Democratic Institute for election monitoring and training at the time of the Parliamentary elections and is following up with further observer training and participation for the expected Constitutional Referendum this fall and subsequent local elections. The 2.4 percent of our total program devoted to these political development activities, as captured in the AC/SI aggregate analysis belies its significance.

Non-Governmental Organizations are numerous and well established in Bangladesh and an important source of pluralism for social and political development. USAID/Dhaka is also one of the leading supporters of the NGO community and a third of our DA resources are channeled through them, particularly in the Family Planning sector. To support the institutional development of NGO's in all sectors, USAID has developed the Private Rural Initiatives Project (399-0070) which supports NGO networking and information sharing, management training, and support for the representation and coordination of NGO interests on public policy issues. The project also supports the involvement of NGOs in local environmental and resource management issues.

Finally, USAID supports greater participation and accountability in local government. For example, through our Rural Electrification II project (more than 13 percent of the total program), we are successfully supporting the development of accountable user-managed and - owned electricity supply cooperatives, following the U.S. rural electrification model. Through the PL 480 Title II Food for Work program USAID supports the improvement of local government decision making in the planning and execution of environmentally sound rural works. In the area of family planning USAID supports the Upazila Initiatives program which fosters the development of a creative local government planning services responsive to the needs of their constituents.

Conclusion

USAID Bangladesh's Program when viewed through the lens of the Democratic Initiative is clearly and sharply in focus. We have continuing need and significant opportunity to continue and expand our programs in support of democratic pluralism to assist Bangladesh at this crucial time.

6.C. Family and Development

The Family and Development Initiative presents and intriguing prospect for creatively re-examining the development process in Bangladesh. The Mission has yet to give significant attention to this issue but the following discussion demonstrates the considerable scope that we believe exists in Bangladesh for using the Family and Development Initiative in creative ways for focusing our program in the future.

The Status of the Family in Bangladesh

Bangladesh is a strongly family oriented society. Although the processes of modernization, urbanization, technical change, status of women etc. are slowly changing and modifying the social and economic role of the family, the family structure of Bangladesh is still a traditional one. Bangladesh is a predominantly rural peasant society. The majority of people who now live and work in towns and cities still consider "home" to be the family hearth in their ancestral village and return regularly to the village for major religious holidays -- themselves family celebrations.

The dominant family structure in Bangladesh is the extended family in which membership is defined through male lineage. Women, for whom marriage is almost universal, acquire membership and status in the family through marriage and through their male children. The family is also strongly re-enforced by the predominantly patrilinear inheritance and generational subdivision of land. Within families elderly male and female members acquire seniority and respect through control over family assets (particularly land) and family economic decision making. Senior women control the behavior and work contributions to the family of the wives of their sons. In terms of settlement patterns the dominant and cohesive form of the extended family in Bangladesh is also highly visible. For example the dwellings of brothers (in which they live with their wives and children) are commonly

grouped around a shared family compound.

Although the extended family is the dominant family organization in Bangladesh there are many exceptions. Within the growing middle class nuclear families are beginning to emerge. However, as a consequence of poverty and powerlessness of women, in a 92% Muslim society, there is a alarming (and rising) number of female headed families: 17% of all households in Bangladesh are headed by single women and this rises to 25% amongst the landless. The landless are the poorest of the poor but make up nearly sixty per cent of all rural households. These mothers are divorced or abandoned by their husbands or, less frequently, are widows. The emergency of significant number of single female headed households has to be seen as a measure of the desperation of poverty rather than of the increased empowerment of women (although women are participating in the modern wage economy in much larger numbers than in the past e.g. in the garment industry).

As a consequence of the place of women in the family, the condition of women in Bangladesh (according to the Population Crisis Committee) is the worst in the world. Socio economic indicators such as life expectancy, education, participation in the work force and child survival of girls uniformly show that women are discriminated against. Women's economic empowerment and legal protection from divorce and physical abuse in Bangladesh are also very weak.

It is also true that divided families are common in Bangladesh. As a consequence of poverty and the fierce competition of scarce resources males frequently migrate in search of jobs (e.g. as rickshaw pullers) leaving their wives and children behind with the extended family. Because of economic necessity these migrants visit their families infrequently. There are also large numbers of migrant Bangladeshi workers abroad, particularly in the Gulf, who leave their families behind in Bangladesh, although this group tends to be better off economically.

Family as a Unit of Analysis

It is evident that the family can be a useful unit of economic analysis in Bangladesh. For example, we know that infant mortality is higher for girls than boys, that female life expectancy is lower than for men and that families have a desired fertility of three children while actual fertility is five. These facts point to the importance of intrafamily allocation and investment decisions in the Bangladesh setting of extreme poverty. The new household economics (with its emphasis on intrafamily allocations and decision making) would be extremely useful in understanding the dynamics of investment decisions or the effectiveness of food for work rations in protecting vulnerable infants and children.

Research has also documented that natural disasters have differential impacts on the survival of boys over girls from within the same family. Likewise we know that there is a significant differentiation of family labor roles in Bangladesh - men, women and children - and that all family members from about age 5 or 6 contribute to family income in most

subsistence households in Bangladesh. There is also a wide perception in Bangladeshi families that investment in education in boys has a higher payoff than in girls. USAID's Female Education Scholarship Project has been successful in offsetting these attitudes through an incentive payment which contributes to family income. Despite these well documented examples of family dynamics surprisingly little empirical work has been done to date in Bangladesh using the family as the focus of analysis for understanding family decision making and its impacts on social and economic development.

USAID will consider ways to foster a family based analytical approach through its existing portfolio. For example, the major Family Planning and Health Project amendment which is now in design (\$ 130 million) will look at this issue in the context of both fertility and child survival and the implications for family welfare.

USAID/Bangladesh also has one of the best WID strategies and action plans in all of AID. A highly competent contractor oversees this operation. We will set that contractor to work interpreting the family initiative from the WID perspective.

The Family and the Development Process in Bangladesh

The Bangladesh CDSS FY 1991-95 places considerable emphasis on the family. The CDSS seeks to increase sustainable growth and highlights the importance of increased economic and political participation - particularly for women - as a means of stimulating and sustaining growth. A full 42 per cent of the DA resources of the CDSS - and 36 per cent in the AC/SI aggregate analysis - are devoted to family planning in Bangladesh. The program plays principally to the unsatisfied demand for family planning services in Bangladesh and the desire to reduce current fertility. However, the CDSS recognizes that increased contraceptive prevalence, smaller families and reduced population growth not only require supply side interventions in the availability and access to family planning services but also unleashes demand side effects as families gain control over their reproductive behavior and as child survival is increased. These family planning induced changes will make possible higher levels of family savings and investments, and particularly investment in children.

The family planning program is also directed at the issue of sustainable growth. Bangladesh has a population pressure greater than that of having the entire world population inside the continental United States! Population pressure is producing environmental degradation and threatens the long term sustainability of any growth scenario. Indeed the positive economic growth of Bangladesh for the last two decades has been whittled away by a high population growth rate of 2.5% and as a consequence per capita incomes of \$180 (and consequently family incomes) have grown imperceptibly.

Conclusion

We welcome the challenge of the Administrator's initiative to examine more rigorously how the family as a unit to analysis as well as a focus for program delivery can be used to improve the

AID program in Bangladesh.

6.D. Environment

USAID Bangladesh has identified sustainability, with particular emphasis on environmental sustainability, as one of three cross cutting themes in its CDSS. The intense pressure of population and the competition for scarce resources (land, fisheries, fuelwood, animal and crop residues etc.) induced by poverty in Bangladesh, combined with weak environmental regulation and enforcement, puts the environment under extraordinarily heavy stress. In this light the 42% of the CDSS budget allocated to family planning is a key contribution to long run environmental sustainability in Bangladesh. The stabilization of population, at as low a level and as soon as possible, is the sine qua non of sustainability for Bangladesh. Ensuring that the present population of 115 million "only" grows to 350 million rather than 650 million (by 2050) or more will be the ultimate indicator of success of family planning programs in this country.

In 1990 USAID completed, with the assistance of the World Resources Institute, a first ever Environmental and Natural Resources Assessment (ENRA). This report highlights the continued deterioration of the country's natural resource base. The report has been widely circulated among Government agencies, NGOs, academies and other donors and has contributed to increased awareness of the importance and urgency of environmental issues. The report describes the major environmental issues related to forestry, fisheries, water pollution, biodiversity and the institutional framework for environmental policy making and implementation. As part of its effort to diffuse the ENRA, USAID took the lead in pulling together from all the donors an Environmental Fact Sheet which describes the principal environmental undertakings of each of the donors. As a result of this information sharing, and at a meeting of donors chaired by USAID, a decision was made to constitute a standing Environment working group of the Local Consultative group.

During FY 91 the Mission also conducted its first ever full blown Environmental Assessment of an AID project in Bangladesh. The Food for Work project, which builds and maintains rural farm to market roads and their associated bridges and culverts was perceived to have major negative impacts on the environment due its affects on land use and water drainage. The completed EA has identified mitigative solutions which have been shared with the Government, World Food Program and CARE (the cooperating sponsor of the USAID DA - and Title II - funded FFW Program) CARE is already incorporating these measures in its new Food for Work proposal.

In response to the major floods of 1987 and 1988 USAID is participating in the World Bank coordinated and Multi-donor sponsored Flood Action Plan. USAID has the lead role in a number of studies, including the Environmental Study which will provide the basic analytical framework for assessing the environmental impact of all future flood control, drainage and irrigation projects in Bangladesh. USAID is also supporting the development of a Geographical Information System which will

support analysis of these projects and their assessment for environmental soundness.

USAID has also supported the development of Farming Systems Research in Bangladesh and the development of environmentally appropriate technology in the major agro-ecological zones. The Mission also provides oversight to the environmental impacts of the projects of the Multilateral Development Banks and has succeeded in bringing about either cancellation of environmentally unsound projects or the incorporation of better and more explicit environmental considerations in project design or re-design. The Mission is also using its NGO umbrella project (Private Rural Initiatives) to support agroforestry; and homestead agriculture projects of NGOs. These projects are aimed at increasing fuel biomass and the nutritional value of diets for the rural poor who are most severely affected by (and contributors to) environmental degradation. Finally, the Mission supports environmental review of AID supported small enterprise loans under the MIDAS program.

Within the last year USAID has hired a full time FSN with a Ph.D in social science as an Environmental Assistant and given training to 2 USDH in environmental management. The Mission will continue to use the program funds flexibility of the environment initiative to train its staff to the maximum extent possible.

Conclusion

USAID Bangladesh perceives environmental issues and sustainability as being at the core of the long term development prospects for Bangladesh. However, apart from our current activities, and in particular our strong support for family planning, we do not expect to take on new stand-alone environmental initiatives. Staff and OE limitations and the need to focus and concentrate our program preclude it. We will mainstream our concern for sustainability into the ongoing program and are considering putting in place an annual Environmental Implementation Plan for ensuring that mainstreaming has operational effectiveness.

6.E. Strategic Management

The AID program in Bangladesh resonates strongly to the Agency's new Mission Statement with its emphasis on helping LDCs to "realize their full national potential through the development of open and democratic societies". The on-going USAID program as well as the response to the Cyclone of late April 1991 are also outstanding examples of AID's commitment "to improve the quality of life of individuals by reducing poverty, ignorance and malnutrition". It is also evident that the USAID program in Bangladesh is already closely attuned to the Six Principles of the new AID Mission Statement. Support for free markets, responsible environmental policies, development of economic and social well being of individuals and humanitarian assistance in response to disasters are clearly integral parts of the Bangladesh CDSS and the rationale and focus for the AID program to Bangladesh. Although USAID has provided some minor support for drug education, the

emphasis on transnational problems is a principal priority for Bangladesh in conjunction with the significant AID efforts under the Flood Action Plan to control flooding, which has its origins in regional river basin dynamics and water utilization.

The essence of the strategic management initiative for field Missions is "... do fewer things, and do them very well". This translates for USAID/Bangladesh into implementing our sharply focused CDSS with its constrained sector concentration through the reduction of management units and use of non-labor intensive implementation modes. These issues have in part been discussed in Section 3 Focus/Concentration and USAID/Bangladesh and Section 5. Program/Workforce/OE Relationships. However, as reported in the ABS, OE Narrative USAID/Bangladesh is in a precarious state because of limited OE funds. The OE funds projected for USAID/Bangladesh are inadequate in amount and in timeliness of allotment to carry out the existing program even with contemplated changes in focus and labor intensity. The Administrator needs to appreciate that portfolio changes take time and require OE and staff resources to put them into effect.

Although USAID/Bangladesh is sustained by its belief that we are on the right strategic programmatic trajectory and that there is a major pay out from staying the course with our important programs, we are anxiously awaiting the implementation by AID/W of plans to reach consensus with the U.S. Government and the Congress on the mandate of the Agency over the next decade. In the meantime, we will continue to support the development of management excellence in the Mission and we will use the sparse means available to field managers to maintain morale and commitments. For example in FY 92 we have made arrangements to host a regional Management Skills Course thereby enabling our FSN and USDH employees to receive this important training with only minimal claim on our OE budget. We will also use the authority at long last redelegated to the field to make Meritorious Honor awards. We will also use program funds to train as many as possible for our program funded PSC employees and ask them to share their new knowledge with OE funded colleagues.

However, the fundamental challenge that we see for ourselves in setting the course of the future is matching the ambitions of our program, fueled by our deep consciousness of the extreme poverty of Bangladesh, with the available (and declining) workforce and OE resources. USAID has an enormously complex ~~which~~ and innovative set of programs have been generated by the well-intended efforts of a dedicated staff to offset shrinking DA and OE resources by human energy and inventiveness. For example, in order to maintain program momentum in the face of shrinking DA resources, we have leveraged some \$1 billion of other donor resources behind our program and cajoled and persuaded other donors to pick up the tab for our ambitions. The rural electrification, family planning and fertilizer distribution programs are the foremost examples. However, these attempts to off-set diminishing resources have come at enormous cost in terms of staff and management intensity and the Mission (at a Mission Retreat last fall) has identified this problem as a key management challenge for the future. Yet the benefit for Bangladesh of this leveraging strategy has been

substantial.

Consequently the Focus and Concentration emphases fall on the ears of the converted and our hallelujahs rise to the rafters. Doing less better but with less is clearly the strategic path of the 90s for USAID Bangladesh. We already have pruned out of our strategy and project portfolio and lowest priority elements. We can do some more, but not too much more. We already do very conscious pipeline management. Each new project or extension under design will go thorough critical examination for labor intensity and essentiality. We will also say NO more often, including to what we may regard as low priority AID/W requests for information and views. But these steps may be insufficient to obtain the right balance between quality programs and resource availability. If so, we will be obliged to re-examine during the next few years our CDSS, our internal organization and work priority setting mechanisms, our project design style and our leadership role in the active donor community here.

7. Discussion of Minimum Carrying Cost in the ABS

As noted in section 3 above, the Mission is making a major effort to reduce its pipeline and mortgage. The FY 89-FY 93 actual and projected Obligations, Expenditures, Pipeline and Mortgage for DA funds (excluding disaster funds) are shown in Table 2 below (in \$ million):

Table 2

	<u>Obligations</u>	<u>Expenditures</u>	<u>Closing Pipeline</u>	<u>Closing Mortgage</u>
FY 89	67.5	58.2	179.0	364.6
FY 90	52.5	50.9	180.6	312.1
FY 91	50.7	83.1	148.2	261.4
FY 92	62.0	83.5	126.7	199.4
FY 93	65.0	75.7	116.0	134.4

(Note: ABS figures, as generated by the automated ABS system, differ from these figures due to uncorrectable errors in the cumulative through FY 90 obligations for the FPHS project and erroneous mortgages in the Fertilizer and DMT projects. The above numbers reflect the actual situation).

In the ABS the Mission showed the Minimum Carrying Cost as being equal to the FY 93 planned obligations. The reasons for this are twofold. First, the Mission has for the last two years been working hard at reducing program proliferation (see Section 3 above Focus/Concentration and USAID Bangladesh) and does not want in FY 93 to initiate any new starts. For this reason an earlier planned Agricultural Research follow-on project for FY 93 has been merged in to the Agribusiness Inputs Project, now retitled the Agribusiness and Technology Development Project (388-0087). The Mission is also in the process of incorporating major follow on funding (\$ 126 million) for the Family Planning and Health Services project as a PP Supplement and not as a new project.

Secondly, although we have followed the Agency's forward

funding guidelines for four of our projects, we have intentionally deviated from them for three ongoing projects forward funded in excess of 2 years and 3 projects which have between 1 and 2 years forward funding. In some of these projects, such as Family Planning and Health Services, we have ample experience that one year's forward funding is not sufficient given the logistical complexity of commodity procurement and the numerous components of the program. But we have also used this device so as to maintain our obligation level while reducing the project management units in our portfolio. This is one way that we can cope with the imbalance between a growing program level and a declining staff and OE level, and try to give ourselves some breathing space to deal with the more fundamental changes needed if we are truly to do less better.