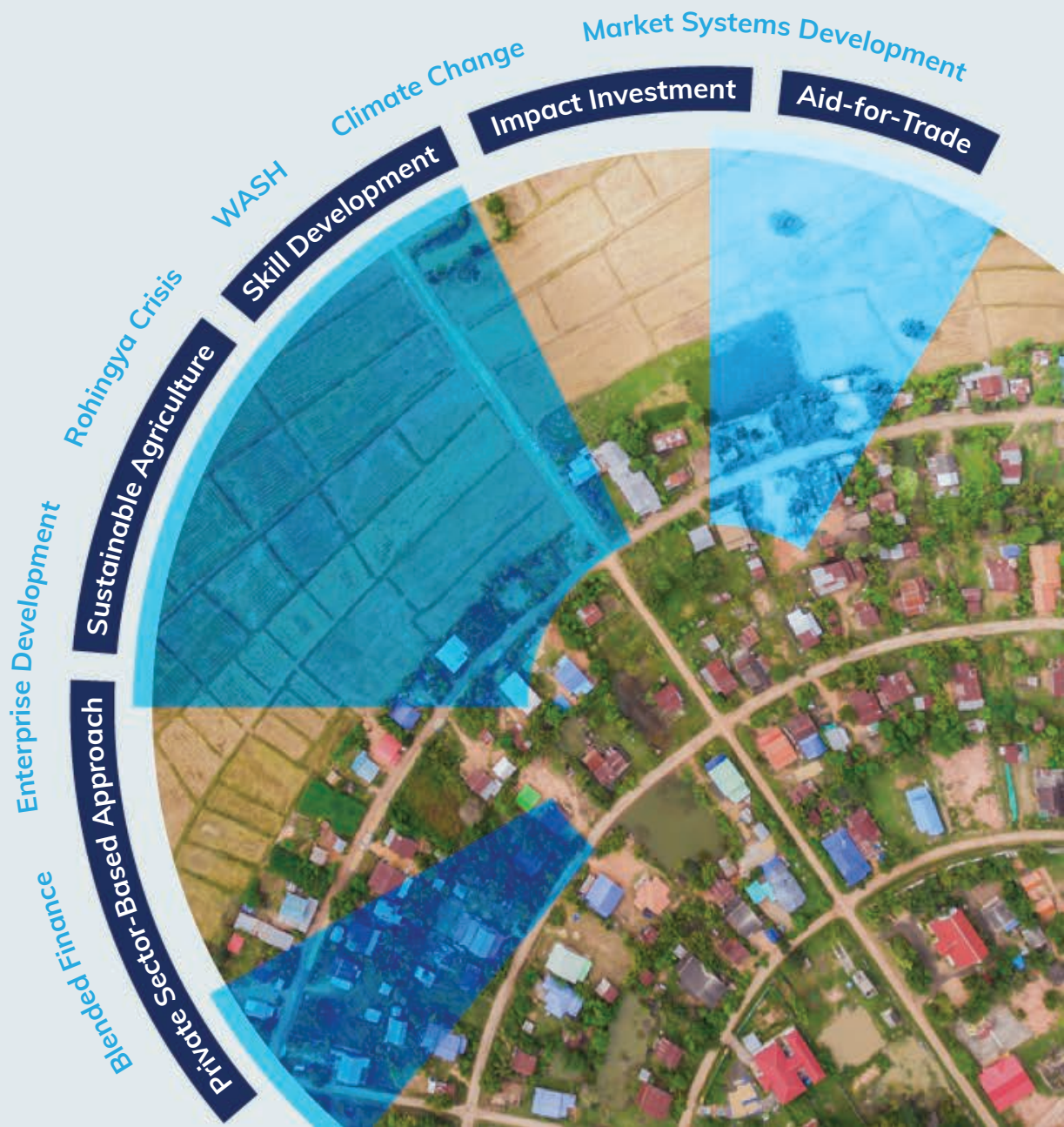


Bangladesh Donor Funding Outlook

Growing Economy & Evolving
Development Landscape



Acknowledgments

We would like to thank 18 donor and implementing agencies operating in Bangladesh for partaking in our study by giving their valuable time and responding to our data requests. This piece of research could not have been possible without them graciously sharing their views and opinions with us. For that and more, we are deeply humbled and grateful.

About LightCastle Partners

At LightCastle, we take a data-driven approach to creating opportunities for growth and impact. We consult and collaborate with development partners, public sector, and private organizations to promote inclusive economic growth that positively changes the lives of people at scale. Till date, we have consulted for **150+** development partners & private organizations on **250+** projects and collaborated with **500+** SMEs and startups.



Acronyms

ADB	Asian Development Bank	GAC	Global Affairs Canada
ADP	Annual Development Programme	GDP	Gross Domestic Product
AFD	French Development Agency	GHG	Greenhouse Gas
AfT	Aid-for-Trade	GII	Global Innovation Index
AIIB	Asian Infrastructure Investment Bank	GIZ	German Agency for International Cooperation
ASSET	Accelerating and Strengthening Skills for Economic Transformation	GKI	Global Knowledge Index
AVC	Agricultural Value Chains	GNI	Gross National Income
BANCAT	Bangladesh Cancer Aid Trust	GoB	Government of Bangladesh
BAU	Business as Usual	GRID	Green, Resilient and Inclusive Development
BDP	Bangladesh Delta Plan	GSG	Global Steering Group
Bn	Billion	GSP	Generalized Scheme of Preferences
BYLC	Bangladesh Youth Leadership Center	HAI	Human Assets Index
CDP	Committee for Development Policy	HDI	Human Development Index
COP-15	15th Conference of the Parties	HH4A	Hand Hygiene for All
CPD	Centre for Policy Dialogue	HYV	High Yield Variety
CZM	Center for Zakat Management	icddr,b	International Centre for Diarrhoeal Disease Research, Bangladesh
DAC	Development Assistance Committee	ICT	Information and Communications Technology
DANIDA	Danish International Development Agency	IDA	International Development Association
DFAT	Department of Foreign Affairs and Trade	IFC	International Finance Corporation
EC	European Commission	IMF	International Monetary Fund
EKN	Embassy of the Kingdom of Netherlands	INDC	Intended Nationally Determined Contribution
EU	European Union	IOM	International Organization for Migration
EVI	Economic Vulnerability Index	IsDB	Islamic Development Bank
FCDO	Foreign, Commonwealth & Development Office	JIBC	Japan Bank for International Cooperation
FY	Fiscal Year		

JICA	Japan International Cooperation Agency	SME	Small and Medium-sized Enterprises
JRP	Joint Response Plan	SONGO	Sustained Opportunities for Nutrition Governance
KfW	Kreditanstalt Für Wiederaufbau (German Development Bank) (KfW)	SWA	Sanitation and Water for All
Km	Kilometer	SWAPNO	Strengthening Women's Ability for Productive New Opportunities
KOICA	Korea International Cooperation Agency	TRIPS	Trade-Related Aspects of Intellectual Property Rights
KSA	Kingdom of Saudi Arabia	TVET	Technical and Vocational Education and Training
LDC	Least Developed Country	UK	United Kingdom
LIUPC	Livelihoods Improvement of Urban Poor Populations	UN	United Nations
LoGIC	Local Government Initiative on Climate Change	UNCDF	United Nations Capital Development Fund
MHI	Micro Health Insurance	UNDP	United Nations Development Programme
Mn	Million	UNFCCC	United Nations Framework Convention on Climate Change
NBR	National Board of Revenue	UNFPA	United Nations Population Fund
ND-GAIN index	The Notre Dame Global Adaptation Index	UNICEF	United Nations International Children's Emergency Fund
NGO	Non-Governmental Organisation	USAID	U.S. Agency for International Development
ODA	Official Development Assistance	USD	US Dollars
OECD	Organisation for Economic Co-operation and Development	WASH	Water, Sanitation and Hygiene
ORS	Oral Rehydration Saline	WFH	Work from Home
PPRC	Power and Participation Research Centre	WHO	World Health Organization
RELI	Resilience, Entrepreneurship and Livelihood Improvement	WTO	World Trade Organization
RMG	Readymade Garments		
RVO	Netherlands Enterprise Agency		
SaFaL	Sustainable Agriculture, Food Security and Linkages		
SDGs	Sustainable Development Goals		
SIDA	Swedish International Development Cooperation Agency		

Growing Economy and Evolving Development Landscape

Since Bangladesh's independence back in the early 70s, the country has been evolving into an economic powerhouse. Bangladesh's growth has accelerated over the last couple of decades, spearheaded by the apparel sector and augmented by remittance earnings, resulting in rising per capita income, which crossed the USD 2,200 mark in 2020.

What stands out for the country is the inclusive nature of this growth, which pulled out millions of people from the clutches of absolute poverty. According to the World Bank, in early 2000s, 34.2% of population resided below the absolute poverty line, which markedly declined to 14.3% in 2016. While 'trickle down' economics had a role to play in alleviating poverty, donor-funded development projects also had a distinct contribution in fostering inclusive growth. A look into the Human Development Index (HDI) will attest to the efforts of the development ecosystem. During 1990-2015 period, Bangladesh experienced a significant spike in life expectancy, mean years of schooling and life expectancy—which has been possible due to 'last mile' access to quality care and primary education services, often facilitated by donor-funded projects and implemented by NGOs.

Historically, bilateral development funding from more affluent countries have been the main source for financing development projects. However, over the last five years, multilateral donors—like the EU Institutions, International

Development Associations and United Nations Organisations—have emerged as major sources of funding, contributing close to 50% of the total funding received. Among bilateral donors, Japan is the top contributor, disbursing USD 71.2 Bn during the period 2000-2020, followed by United Kingdom (USD 44.8 Bn), United States (USD 31.9 Bn), Germany (USD 14.6 Bn) and the Netherlands (USD 11.6 Bn). Major destination of these funds includes agriculture, forestry and fishing, WASH, education, food aid, transport and communication, energy and industry, mining, and construction.

Donors and implementers interviewed for the study, have identified a number of development challenges to be grappled with over the next decade. First and foremost, the pandemic-induced slowdown and the resulting emergence of the 'new poor' population is a major challenge causing headaches for majority of the donors and NGOs. According to several donors and implementers, the pandemic has wiped out a lot of achievements of the development sector, accrued over the years in terms of poverty alleviation.

Bangladesh ranks 7th on the Global Climate Risk Index 2021 and 163 out of 181 countries in the widely used ND-GAIN index. Given the outsized impact of climate change on the country, climate change mitigation interventions featured heavily during the discussions with the donors and implementers. Since the COP-15 in Copenhagen, Bangladesh has been one of the major recipients

of foreign aids for tackling the repercussions of climate change, receiving a cumulative USD 1 Bn over the last twelve years. However, more funding is required, since the country has approximately lost USD 3.72 Bn in economic losses due to climate change.

The agriculture sector has been going through a transition, but still plays a major role in ensuring self-sufficiency in essential commodities. The sector is currently contributing 14% to GDP and employing 40% of the working population. Due to rising population and receding arable farmland, the importance of agriculture productivity has never been more important. Sustainable and climate-smart agricultural practices for mitigating the impact of climate change and farm mechanization will play a pivotal role in ensuring production growth and prosperity of the farmers.

Bangladesh can reap the advantages of a relatively young population, with 60% of the population aged below 35. However, lack of marketable skills among the youth have been proving to be a major stumbling block for maximizing productivity. Moreover, inadequate employment opportunities have been leading to higher unemployment level, particularly amongst recent graduates. A number of development projects have been focusing on skill development, especially in the area of vocational trainings. Alongside, a number of donors are engaged in funding enterprise development initiatives like incubators and accelerators, as well as exploring impact investment and blended financing solutions. Social and development impact bonds and other instruments will become increasingly popular in the coming years for funding impact-driven initiatives.

WASH has achieved significant milestones in terms of access to safe drinkable water and improved sanitation facilities. The advent of COVID-19 has also improved the momentum for

attaining hygienic practices like frequent hand washing using soap. Despite the evident progress, 21 million of the ultra-poor population still lack access to improved sanitary facilities. If the essential WASH and health indicators are not enhanced in a sustained way, investments in water and sanitation will not pay off for the economy and the people.

As Bangladesh emerges economically, its growing reputation as one of the fastest growing economies might deter potential funding from donor. Many of the interviewees fear shifting of funds from Bangladesh to other LDCs having more visible need for donor funding, particularly after Bangladesh formally graduates from the LDC status. Some of the donors believe donor funding will probably not experience a major shift owing to presence of a large low-income population, who would still be needing support due to inadequate social safety nets and lack of access to basic health support services from the government. The nature of funding will evolve placing more focus on private sector development-based approaches and 'Aid to Trade' initiatives. In the coming decade, foundations and private corporations will be playing a pivotal role in filling in the gaps created by receding donor funding. It would be imperative for the Government to encourage private sector investments in social development by providing policy incentives. Nonetheless, the coming decade might prove to be quite turbulent for the development sector, as we transform as an economy with evolving development needs.

Contents

Chapter 1	Evolving Donor Funding Landscape	01
Chapter 2	Role of Development Funding in Bangladesh	07
Chapter 3	Trends in Development Funding (1971-2000)	11
Chapter 4	Evolving in Development Funding (2000-21)	16
Chapter 5	Emerging Trends of the Development Sector	26
Chapter 6	The Future of the Development Sector	36
	6.1 Aid-for-Trade	37
	6.2 Market Systems Development	37
	6.3 Focus on Impact Investment and Blended Finance	38
	6.4 Self-Reliance Strategies for Bangladesh	39
	6.5 Bangladesh's Changing Global Image	40
	6.6 Strategy Changes for Donors	42
	6.7 Strategy Changes for Implementors	42
	Conclusion	44

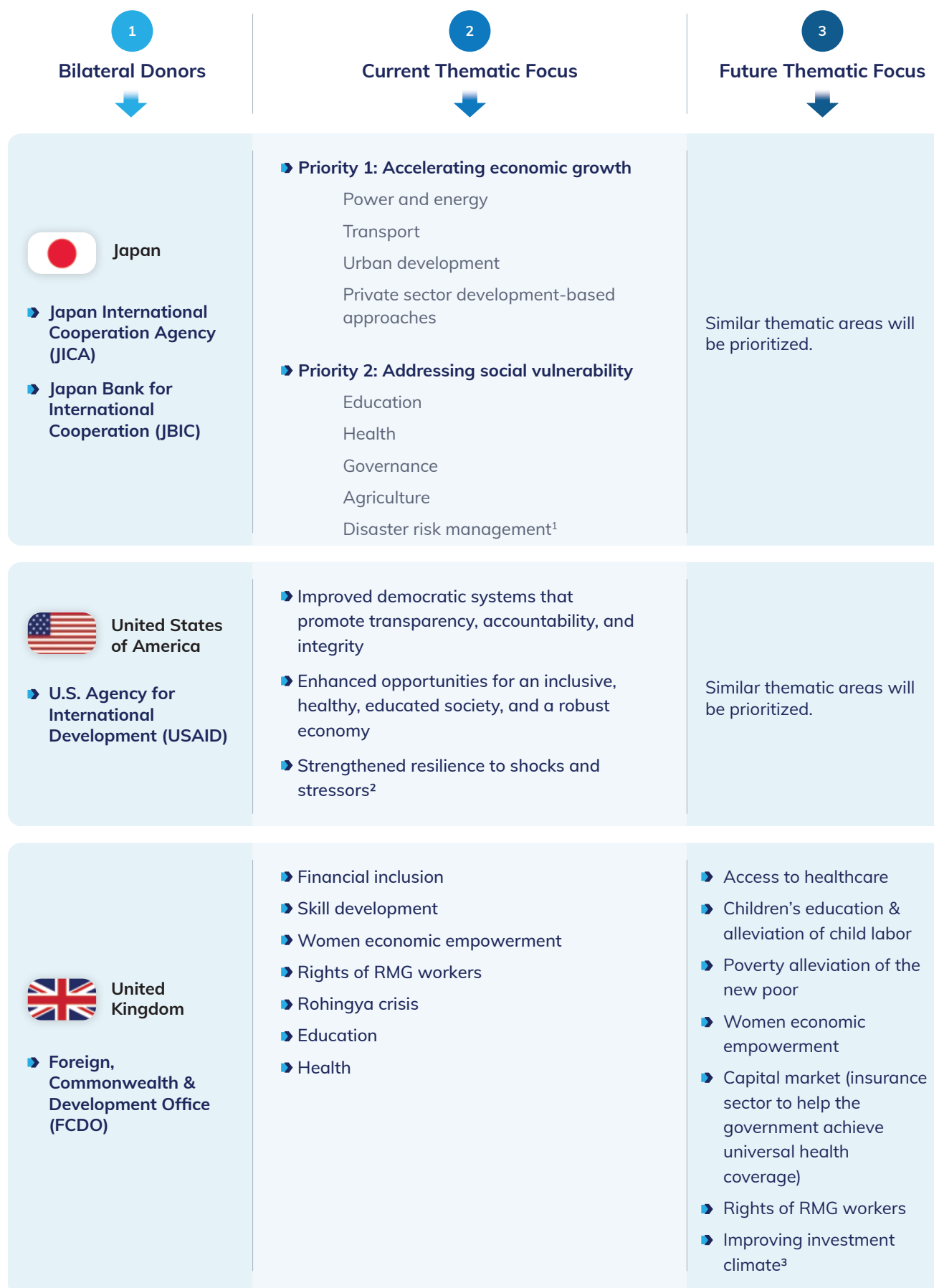


CHAPTER 01



Evolving Donor Funding Landscape

Evolving Donor Funding Landscape



1. Japan International Cooperation Agency. (n.d.). Retrieved from: <https://www.jica.go.jp/bangladesh/>

2. USAID Bangladesh. (2020). Country Development Cooperation strategy. Retrieved from: https://www.usaid.gov/sites/_Bangladesh-December-2025.pdf

3. From Interview with FCDO.

<p>1</p> <p>Bilateral Donors</p> <p>↓</p>	<p>2</p> <p>Current Thematic Focus</p> <p>↓</p>	<p>3</p> <p>Future Thematic Focus</p> <p>↓</p>
<p> Germany</p> <ul style="list-style-type: none"> ▶ German Agency for International Cooperation (GIZ) ▶ Kreditanstalt Für Wiederaufbau (German Development Bank) (KfW) 	<ul style="list-style-type: none"> ▶ Renewable energy and energy efficiency ▶ Good governance, rule of law, human rights ▶ Adaption to climate change in urban areas⁴ 	<ul style="list-style-type: none"> ▶ Sustainable infrastructure ▶ Social development ▶ Governance and democracy ▶ Environment and climate change ▶ Economic development and employment⁵
<p> South Korea</p> <ul style="list-style-type: none"> ▶ Korea International Cooperation Agency (KOICA) 	<ul style="list-style-type: none"> ▶ ICT (innovation) ▶ Public health ▶ Education – Technological and Vocational Education and Training (TVET) ▶ Transportation 	<ul style="list-style-type: none"> ▶ Green new deal (transition to a low-carbon economy) ▶ Digitalization (access to technology) ▶ Integrated official assistance (emphasizing to solve fundamental problems together instead of standalone projects).⁶
<p> France</p> <ul style="list-style-type: none"> ▶ French Development Agency (AFD) 	<ul style="list-style-type: none"> ▶ WASH ▶ Disaster risk management ▶ Green and inclusive growth ▶ Urban development⁷ ▶ Gender-based violence⁸ 	<p>Similar thematic areas will be prioritized.</p>
<p> Denmark</p> <ul style="list-style-type: none"> ▶ Danish International Development Agency (DANIDA) 	<ul style="list-style-type: none"> ▶ Local economic development, agriculture growth, and rural development ▶ Climate resilience, water, and energy ▶ Governance and rights⁹ 	<ul style="list-style-type: none"> ▶ Private sector development-based approaches ▶ Governance and rights¹⁰
<p> Switzerland</p> <ul style="list-style-type: none"> ▶ Embassy of Switzerland in Bangladesh 	<ul style="list-style-type: none"> ▶ Democratic governance ▶ Income and economic development ▶ Rohingya crisis ▶ Migration, in particular labor migration for sustainable development¹¹ 	<ul style="list-style-type: none"> ▶ Skill development ▶ Safer migration¹² ▶ Scaling social and impact enterprises ▶ Rohingya crisis ▶ Democratic governance

4. GIZ Bangladesh. (2018). Country Brochure. Retrieved from: <https://www.giz.de/Country%20Brochure-GIZBangladesh>

5. GIZ. (n.d.). Retrieved from: <https://www.giz.de/en/worldwide/351.html>

6. Note from Country Director - KOICA Bangladesh Office

7. Ministry for Europe and Foreign Affairs. (n.d.). Retrieved from: <https://www.diplomatie.gouv.fr/en/country-files/bangladesh/>

8. Relief Web. (2021). Retrieved from: <https://reliefweb.int/report/bangladesh/unfpa-and-france-collaborate-first-time-bangladesh-address-gender-based-violence>

9. Ministry of Foreign Affairs of Denmark. (n.d.). Retrieved from: <https://um.dk/en/about-us/procurement/contracts/short/contract->

10. Ministry of Foreign Affairs of Denmark. (n.d.). Retrieved from: <https://um.dk/en/about-us/wsid=32368246-554c->

11. Swiss Cooperation Strategy Paper. (2018-2021).

12. Embassy of Switzerland in Bangladesh Website. (n.d.). Retrieved from: <https://www.eda.admin.ch/deza/en/home/countries/bangladesh.html#>

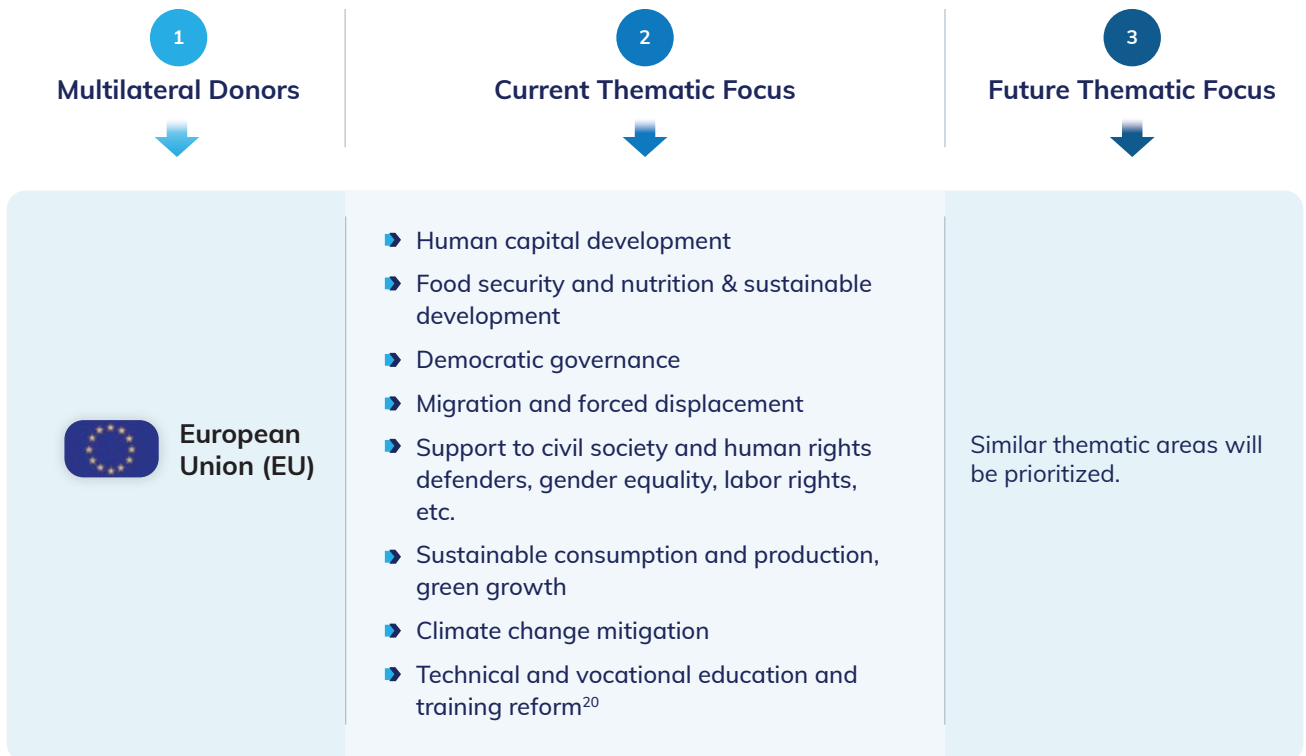
<p>1</p> <p>Bilateral Donors</p> <p>↓</p>	<p>2</p> <p>Current Thematic Focus</p> <p>↓</p>	<p>3</p> <p>Future Thematic Focus</p> <p>↓</p>
 <p>Canada</p> <ul style="list-style-type: none"> ▶ Global Affairs Canada (GAC) 	<ul style="list-style-type: none"> ▶ Health ▶ Education ▶ Skills development ▶ Gender equality and women's empowerment through partners including Canadian and Bangladeshi NGOs and multilateral organizations ▶ Rohingya crisis¹³ 	<ul style="list-style-type: none"> ▶ Improved quality and delivery of education ▶ Increase access and retention rates in primary schools ▶ Reduce gaps between girls and boys ▶ Employment skills particularly for women and youth ▶ Access to healthcare and medicines ▶ Maternal and child health delivery systems ▶ Essential drugs and medicines ▶ Public sector financial management ▶ Reform of the RMG sector¹⁴
 <p>Australia</p> <ul style="list-style-type: none"> ▶ Department of Foreign Affairs and Trade (DFAT) 	<ul style="list-style-type: none"> ▶ Improving education access, equity, efficiency, and learning outcomes ▶ Building resilience by reducing vulnerability and improving inclusion in the growing economy ▶ Supporting the Bangladesh Government's response to the Rohingya humanitarian crisis¹⁵ 	<p>Similar thematic areas will be prioritized.</p>
 <p>Sweden</p> <ul style="list-style-type: none"> ▶ Swedish International Development Cooperation Agency (SIDA) 	<ul style="list-style-type: none"> ▶ Democracy, gender equality, and human rights ▶ Health, sexual, and reproductive rights ▶ Employment and economic development ▶ Climate, environment, and resilience ▶ Crisis prevention¹⁶ 	<p>Similar thematic areas will be prioritized.</p>

13. GAC Publication. (2018). Retrieved from: Results around the world - Bangladesh - GAC

14. Canadian International Assistance in Bangladesh. (n.d.). Retrieved from: https://www.international.gc.ca/world-monde/issues_development-

15. Department of Foreign Affairs & Trade. (2019-2020) BANGLADESH DEVELOPMENT PROGRAM PROGRESS REPORT

16. The Swedish International Development Cooperation Agency. (n.d.). Retrieved from: <https://www.sida.se/en/sidas-international-work/bangladesh>



17. Ministry of Foreign Affairs - The Netherland Bangladesh Report (2019) Retrieved from: <https://www.government.nl/topics/development-cooperation/documents/publications>
 18. Ministry of Foreign Affairs - Background & Future of Bangladesh - <https://www.dutchdevelopment/2019/countries/bangladesh>
 19. From the Interview with EKN.
 20. European Commission. (n.d.) Retrieved from: <https://ec.europa.eu/international-partnerships/where-we-work/bangladesh>

<p>1</p> <p>Multilateral Donors</p> <p>↓</p>	<p>2</p> <p>Current Thematic Focus</p> <p>↓</p>	<p>3</p> <p>Future Thematic Focus</p> <p>↓</p>
 <p>United Nations (UN)</p>	<ul style="list-style-type: none"> ▶ Unlocking domestic capital for public and private gender-responsive infrastructure projects ▶ Global climate adaptation financing to the local level ▶ Connect sustainable sources of capital financing with local governments to address problems arising from rapid urbanization ▶ Financial inclusion and women’s economic participation²¹ 	<p>Similar thematic areas will be prioritized.</p>
 <p>Asian Development Bank (ADB)</p>	<ul style="list-style-type: none"> ▶ Boost competitiveness, employment, and private sector development ▶ Promote green growth and climate resilience ▶ Strengthen human capital and social protection ▶ Accelerate gender equality and social inclusion ▶ Strengthen institutional capacity and governance ▶ Deepen regional cooperation and integration ▶ Promote new technology and innovation²² 	<p>Similar thematic areas will be prioritized.</p>
 <p>World Bank</p>	<ul style="list-style-type: none"> ▶ Growth and competitiveness ▶ Social inclusion ▶ Climate and environment management ▶ Digital transformation ▶ Rohingya crisis²³ 	<p>For FY21–22, the thematic areas will be aligned with the World Bank Group’s Approach Paper on “Green Resilient and Inclusive Development (GRID). Themes may include:</p> <ul style="list-style-type: none"> ▶ COVID-19 Crisis Response ▶ Protection of Poor and Vulnerable people ▶ Ensuring sustainable business growth and job creation ▶ Strengthening Policies, Institutions, and Investments for rebuilding better²⁴ ▶ Health ▶ Education

21. UNCDF.org. (n.d.) Retrieved from: <https://www.uncdf.org/bangladesh>

22. Bangladesh: Country partnership strategy (2021-2025). (2021). ADB. <https://www.adb.org/sites/default/files/institutional-document/734911/ban-cps-2021-2025.pdf>

23. Bangladesh - Country partnership framework for the period FY16-20 (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/Bangladesh-Country-partnership-framework-for-the-period-FY16-20>.

24. Bangladesh - From COVID-19 Crisis Response to Resilient Recovery - Saving Lives and Livelihoods while Supporting Green, Resilient and Inclusive Development (GRID). (2021). World Bank Group. <https://thedocs.worldbank.org/en/doc/-0200022021/original/DC2021-0004-Green-Resilient-final.pdf>



CHAPTER 02

Role of Development Funding in Bangladesh

Role of Development Funding in Bangladesh

Donor funding has played an instrumental role in the expansion of Bangladesh's economy. To understand the role of donor funding in Bangladesh's economic expansion, it will be important to evaluate the factors behind the evolution of economy over the last 50 years. Despite being left in shambles after the Liberation War in 1971, with 80% of the population classified as extremely poor, Bangladesh's economy has experienced steady growth, rapid social development, and poverty alleviation.²⁵ Bangladesh's economic growth and poverty alleviation success can be owed to, among many factors, the rise of the apparel sector and international remittances. In addition to being critical in the growth of Bangladesh's Foreign Exchange Reserves, the Apparel Sector and the Migrant Labor Market has provided, and continues to provide, employment to millions of impoverished

Bangladeshis, both unskilled and semi-skilled. Remittance earnings from migrant workers in countries, such as Kingdom of Saudi Arabia (KSA), Malaysia, etc., have been especially pertinent in mitigating rural poverty.^{26 27}

Therefore, the importance of labor-intensive industries in the evolution of Bangladesh's economy and poverty alleviation efforts cannot be denied. As shown in Figure 1, economic growth and consequently growth in Gross National Income per Capita, stabilized post 1990 and started to accelerate 2005 onwards. As a result, poverty headcount ratio, using USD 1.90 per day as poverty line, encountered a steep decline post 2005. High growth of GNI per capita, driven by surge in remittance earnings in 2005-2014²⁸, accelerated Bangladesh's accession to lower-middle income country in June 2015.

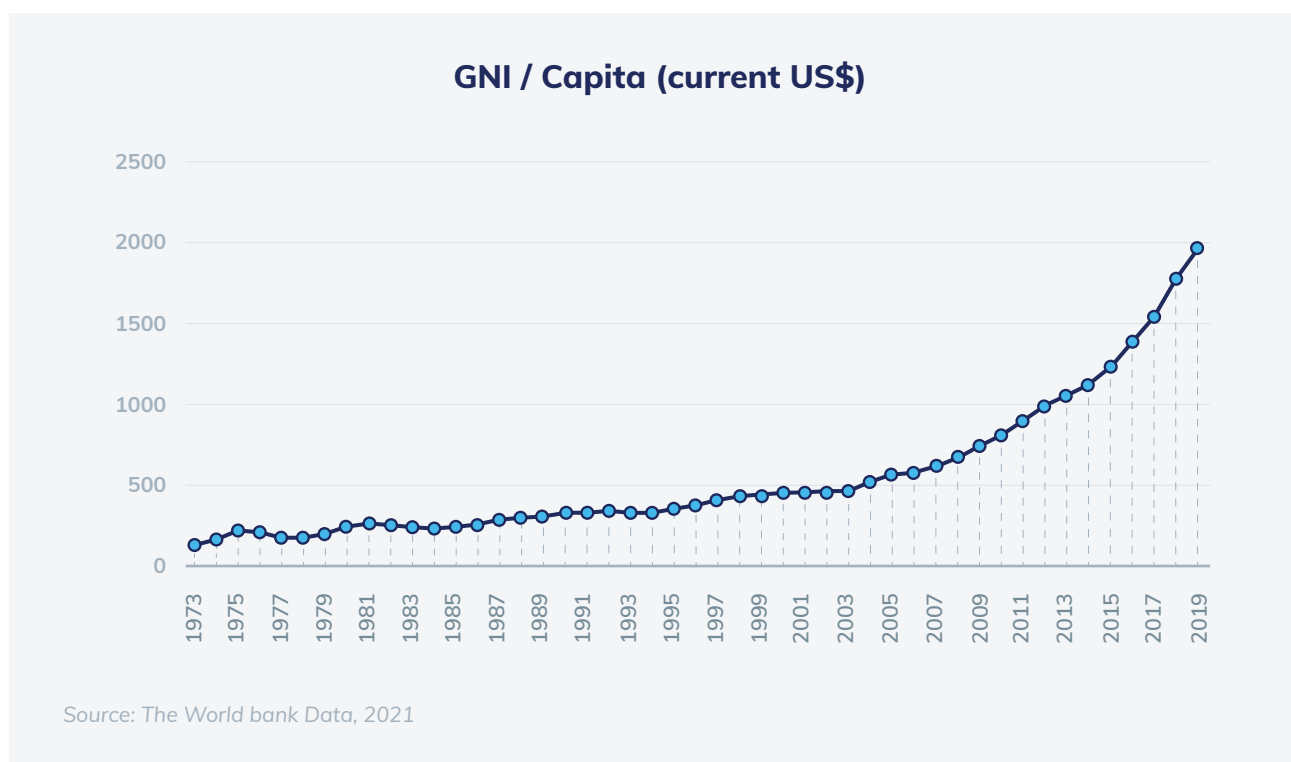


Figure 1: Gross National Income Per Capita in Bangladesh (1971-2019)

25. Welle, D. (n.d.). Bangladesh at 50: "Basket case" to a rising economic star. DW.COM. Retrieved from: Bangladesh at 50: "Basket Case"

26. World Bank (2019). Bangladesh Poverty Assessment: Facing old and new frontiers in poverty reduction. Washington DC. © World Bank.

27. Kumar, B. (2019). The impact of international remittances on poverty alleviation in Bangladesh. *Remittances Review*, 4(1), 67-86.

28. Bhattacharya, D., & Khan, S. S. (2018). The LDC paradigm, graduation and Bangladesh: Concepts, comparison and policy. In *Bangladesh's Graduation from the Least Developed Countries Group* (pp. 16-60). Routledge.

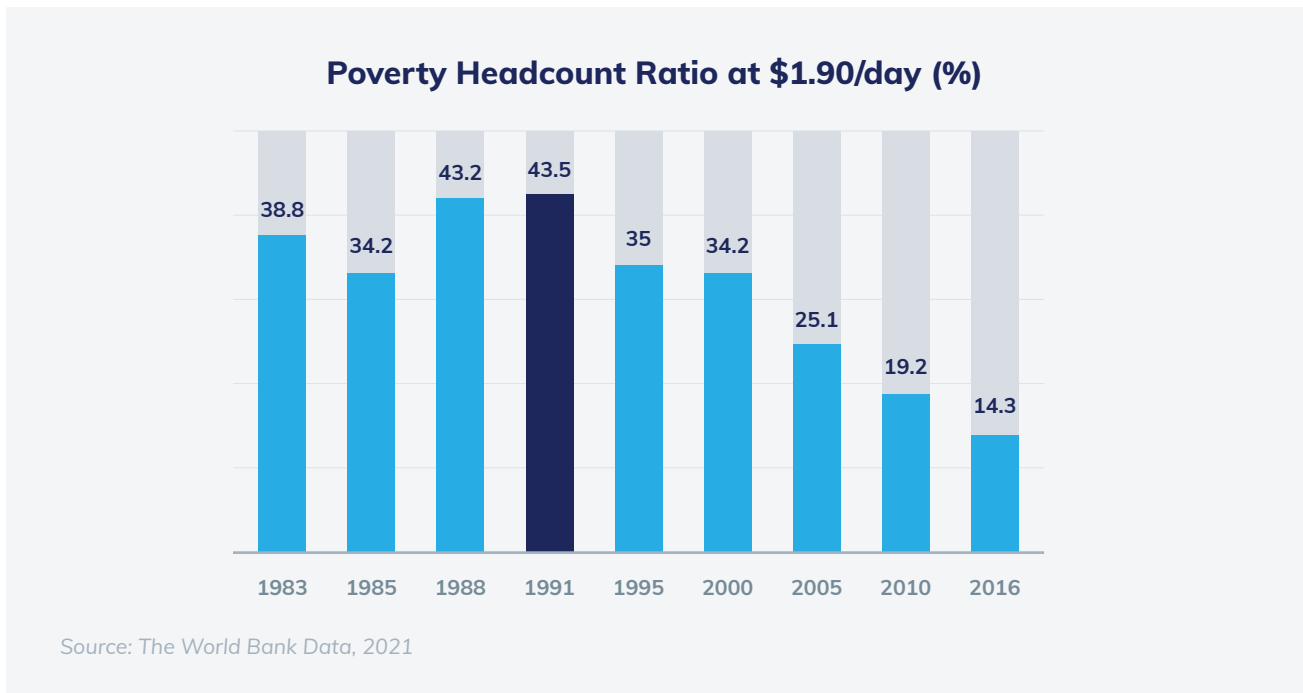


Figure 2: Poverty Headcount Ratio, \$1.90/day, 1983-2016

The growth of these critical labor-intensive industries, which in turn fueled the expansion of Bangladesh's economy, required expeditious progress in Human Development. This is where donor funding has played a critical role, as Bangladesh's human development has not followed the classical 'income-mediated' or 'support-led' pathways. Bangladesh's rapid progress in human development can be partially attributed to social mobilization campaigns for issues such as child immunization, family planning, compulsory primary education for young girls—all of which created increased social awareness, especially in the rural areas. In addition, the adoption of low-cost solutions, such as the use of Oral Rehydration Saline (ORS) for diarrhea treatment and low-cost prenatal care, supplemented the effectiveness of social mobilization campaigns in accelerating Bangladesh's gains in Human Development.

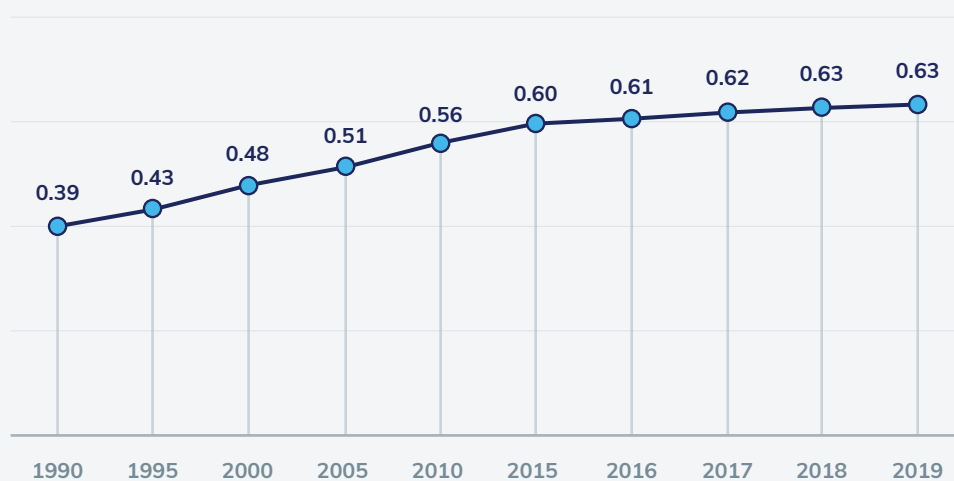
Non-Governmental Organizations (NGOs) and Development Agencies, which were powered by donor funding, were instrumental in the implementation of such low-cost development solutions and social mobilization campaigns.²⁹

Therefore, donor funding was critical in bolstering interventions that fueled rapid progress in Human Development, which consequently underpinned growth of labor-intensive industries. These interventions were highly effective—as shown in Figure 3, HDI encountered sharp growth in 1990-2015, due to rapid progress in two HDI components—life expectancy at birth and mean years of schooling. Growth of life expectancy flattened out after 2015, while growth rate of mean years of schooling has also decreased. The growth in HDI, post 2005, was driven by rise in GNI per capita.

29. Mahmud, W. (2017). Pathway to human development: Explaining the Bangladesh surprise. Retrieved from: Pathways to human development: Explaining the Bangladesh surprise

Table 1: Bangladesh's HDI Component Indices (1990-2019)

Year	Expected Years of Schooling	Mean Years of Schooling	Life Expectancy (In Decades)	GNI per Capita (2017 PPP\$) (In Thousands)
1990	5.6	2.8	5.82	1.55
1995	6.6	3.3	6.2	1.75
2000	7.5	4.1	6.54	2.00
2005	8.4	4.5	6.78	2.38
2010	9.2	5.3	6.99	3.12
2015	10.3	5.8	7.15	3.94
2016	10.8	5.9	7.18	4.14
2017	11.2	6.1	7.21	4.34
2018	11.6	6.1	7.23	4.64
2019	11.6	6.2	7.26	4.98
CAGR (%)	2.5%	2.8%	0.8%	4.1%

HDI Bangladesh (1990-2019)

Source: UNDP Bangladesh. HDI Report 2020.

Figure 3: Bangladesh's HDI Evolution



CHAPTER 03

Trends in Development Funding (1971-2000)

Trends in Development Funding (1971-2000)

From the mid-1970s to the 1990s, there was a steady increase in total net foreign aid disbursed, except briefly in 1985, where aid had decreased due to global recession.³⁰ During the first three decades after independence, the annual GDP had grown from negative 14% to approximately 5%.²⁵ Along with the economic growth, steady progress was made in terms of poverty reduction (as mentioned above) and other social indicators. For example, under-five mortality rate, per 1,000 live births, declined sharply from 221.9 in 1971 to 86.5 in 2000. Additionally, the expected life expectancy increased from 46.5 in 1971 to 65.5 in 2000.²⁵ Foreign aid played an important role in poverty reduction and improvement in social indicators. During the fiscal year, 1972-75, over 75% of the Annual Development Programme (ADP) budget was funded by foreign aid.³¹

Another critical contribution of foreign aid in the years after independence was infrastructure investment. This was crucial in initiating economic transformation, as the liberation war had decimated much of the nation's existing network of roads and bridges, in addition to capital stock.³² Therefore, infrastructural improvements were made, specifically to connect the rural regions to the major cities. In addition, the inter-connectivity between villages, also known as feeder roads, were given emphasis during the 1980s. For example, in 1988, there were around 3,000 Km of feeder roads, but by the end of 1997, there were 15,500 Km.³³ These roads have contributed to better market access for the farmers and helped them gain a higher profit for their product. Reforms in the agricultural sectors, such as improving yield quality by

introducing High Yield Variety (HYV) rice, also supplemented efforts to empower farmers and mitigate malnourishment. In the early years of foreign aid received by Bangladesh, most of the aid was either for food (32%) or commodity (42%), which meant that the country was very dependent on foreign aid to supply necessities to its population. After the 1980s, as Bangladesh gained sufficiency in food grain production, most of the aid shifted to development projects.

30. The World Bank. (1983). World Development Report.

31. (n.d.). Bangladesh Selected Issues in External Competitiveness and Economic Efficiency - The World Bank

32. Choudhry, S. & Basher, S. (2002). The Enduring Significance of Bangladesh's War of Independence: An Analysis of Economic Costs and Consequences. *The Journal of Developing Areas*, (pp.41-55). Retrieved September 6, 2021, from <http://www.jstor.org/stable/4192901>

33. Mahmood, A. (2021). Retrieved from: Bangladesh's remarkable development journey: Government had an important role too

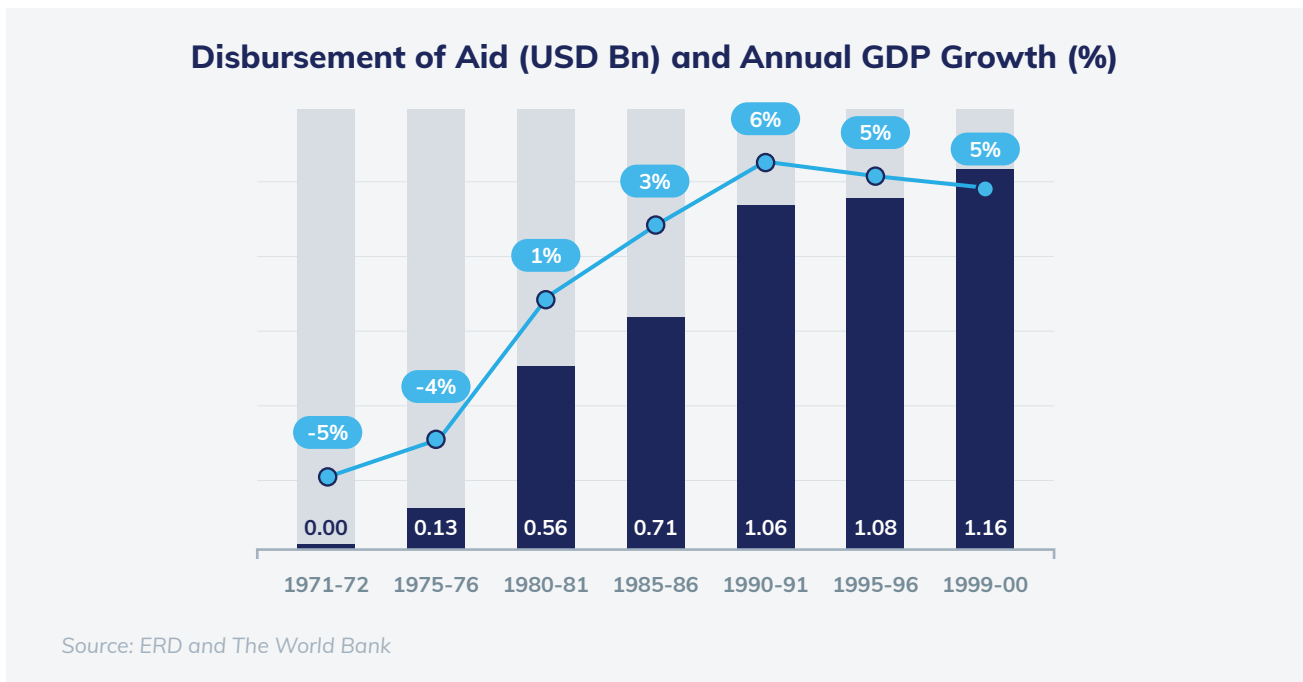


Figure 4: Comparison of Foreign Aid disbursed and the annual GDP growth

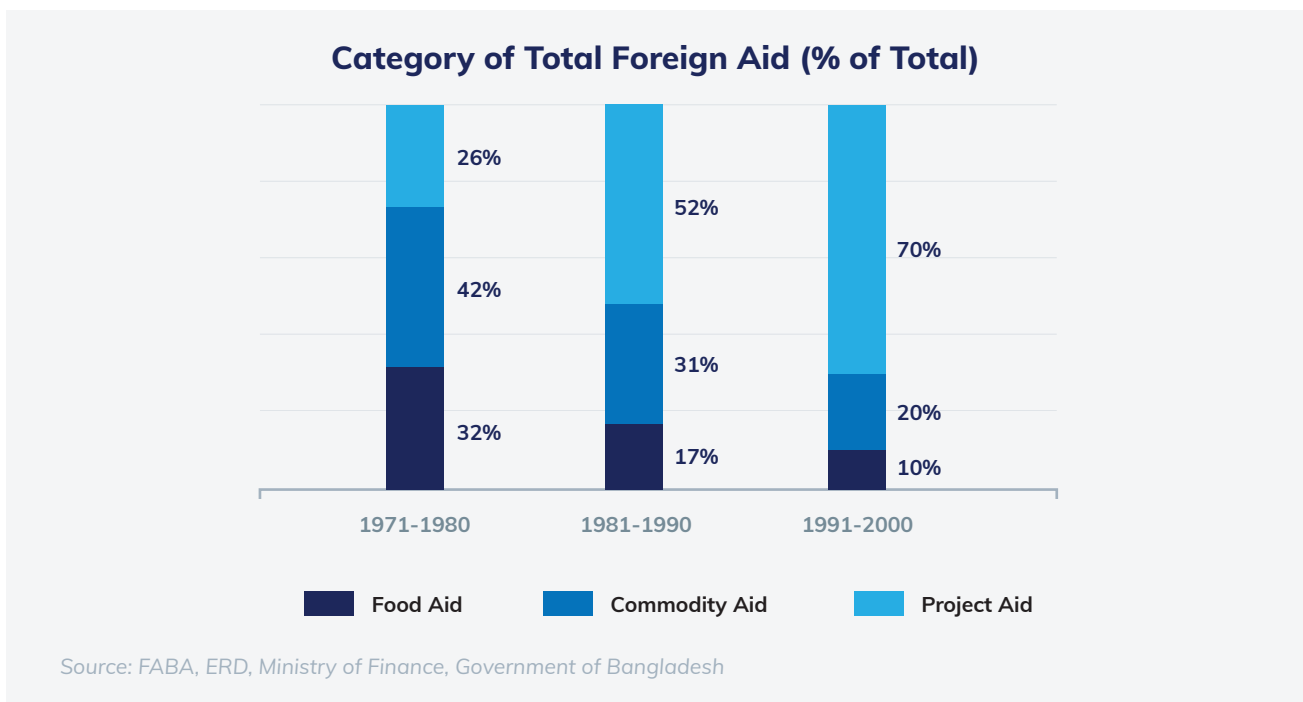










Figure 5: Category of Foreign Aid

The proportion of assistance from different types of donors has evolved significantly from 1971-2000. The top 5 bilateral donors and 3

multilateral donors of Bangladesh during the first 30 years after independence, 1971-2000, are displayed in the table in the next page.

Table 2: Top Bilateral and Multilateral donors in 1971-2000

Bilateral Donors		USD (Mn)
	United States	\$ 73,629
	Japan	\$ 62,632
	Germany	\$ 30,130
	Canada	\$ 29,417
	United Kingdom	\$ 25,025

Multilateral Donors		USD (Mn)
	International Development Association	\$ 87,992
	United Nations	\$ 32,479
	EU Institutions	\$ 21,832

The figure in the following page shows the total foreign aid disbursed between the period 1971 and 2000. The share of multilateral aid gradually

increased, especially during the mid-1980s. After 1997, disbursement of multilateral aid, as share of total foreign aid, overtook bilateral aid.

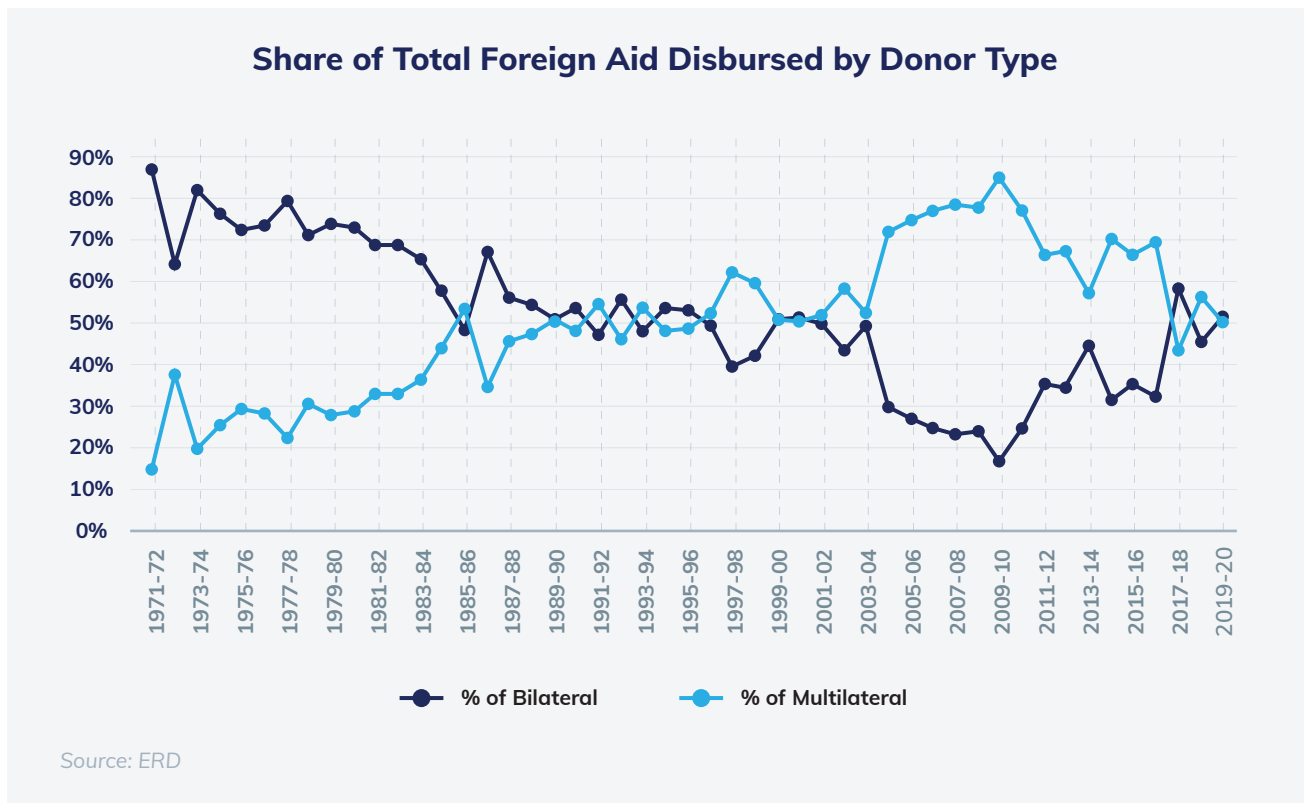


Figure 6: Total Foreign Aid disbursed by Bilateral and Multilateral Donors



CHAPTER 04

Evolution in Development Funding (2000-21)

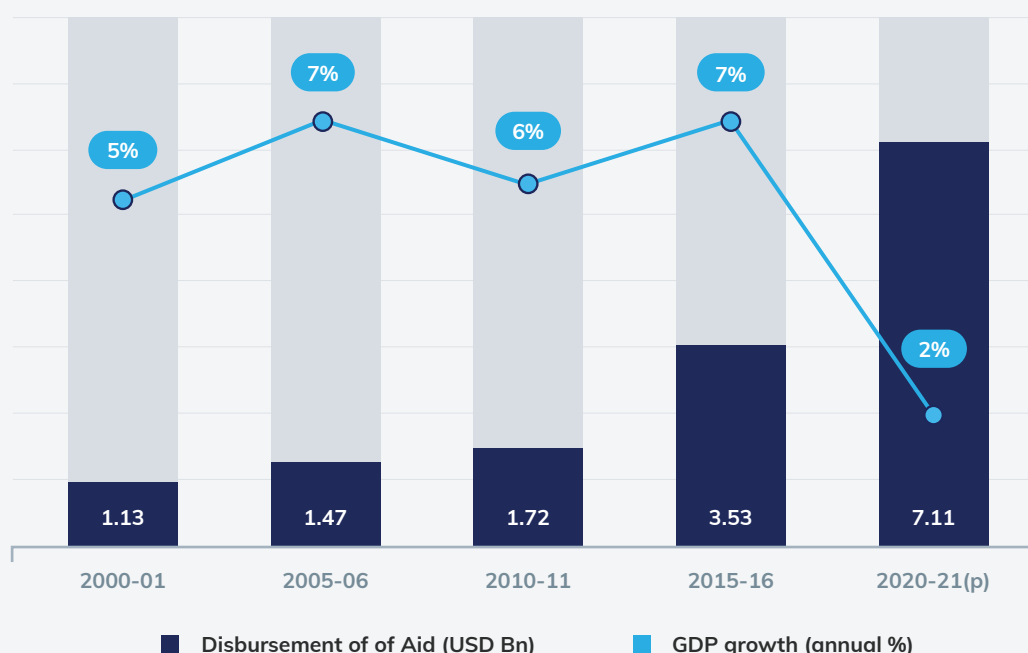
Evolution in Development Funding (2000-21)

The new millennium brought forth new challenges for Bangladesh. During this period, the aid disbursed in Bangladesh had grown significantly from USD 1.13 Bn in 2000-2001 to USD 7.37 Bn in 2019-2020.³⁴ Social and economic indicators such as life expectancy at birth increased from 65 years in 2001 to 72 years in 2019. Along with that, the adolescent birth rate, per 1,000 women, fell from 109 in 2001 to 81 in 2019, and this can be attributed to the efforts of reducing the child marriage rates and increasing secondary school enrollment rates from 51% to 72%. The under-five infant mortality rate decreased from 81.6 (per 1,000 live births) in 2001 to 30.8 in 2019.²⁵ Foreign Aid was an important factor in the improvement of health indicators in Bangladesh over the past two decades.³⁵ Foreign aid towards health care had

increased from approximately USD 138 Mn in 2001 to USD 203 Mn in 2018.³⁰ Therefore, improvements in the social indicators can be largely attributed to the efforts of the Government of Bangladesh (GoB) and Non-Government Organizations (NGOs), along with foreign aid received in sectors that improved social indicators in Bangladesh.

Almost half (48%) of the Annual Development Programme (ADP) budget was funded by foreign aid in the fiscal year 2001-02,³⁶ and this decreased to 32% in the fiscal year 2019-20.³⁷ This reflects the GoB's relative success in mobilizing domestic resources. Between 2000-2020, foreign aid was dominated by project aid, increasing from 90% in 2001-2005 to 100% in 2016-2020.³²

Disbursement of of Aid (USD Bn) and Annual GDP Growth (%)



Source: ERD and The World Bank

Figure 7: Comparison of Foreign Aid disbursed and the annual GDP growth

34. Flow of External Resources into Bangladesh (2017-2018, 2018-19, 2019-20). Economic Relations Division

35. Khatun, F. (2018). Can Bangladesh do without Foreign Aid? Retrieved from: Can-Bangladesh-do-without-Foreign-Aid.pdf

36. Hasan, Md. (2015). Foreign Aid Dependency of Bangladesh: An Evaluation. The Chittagong University Journal of Business Administration. 26. 281-294.

37. Resources for Annual Development Programme. (n.d.). Ministry of Finance.

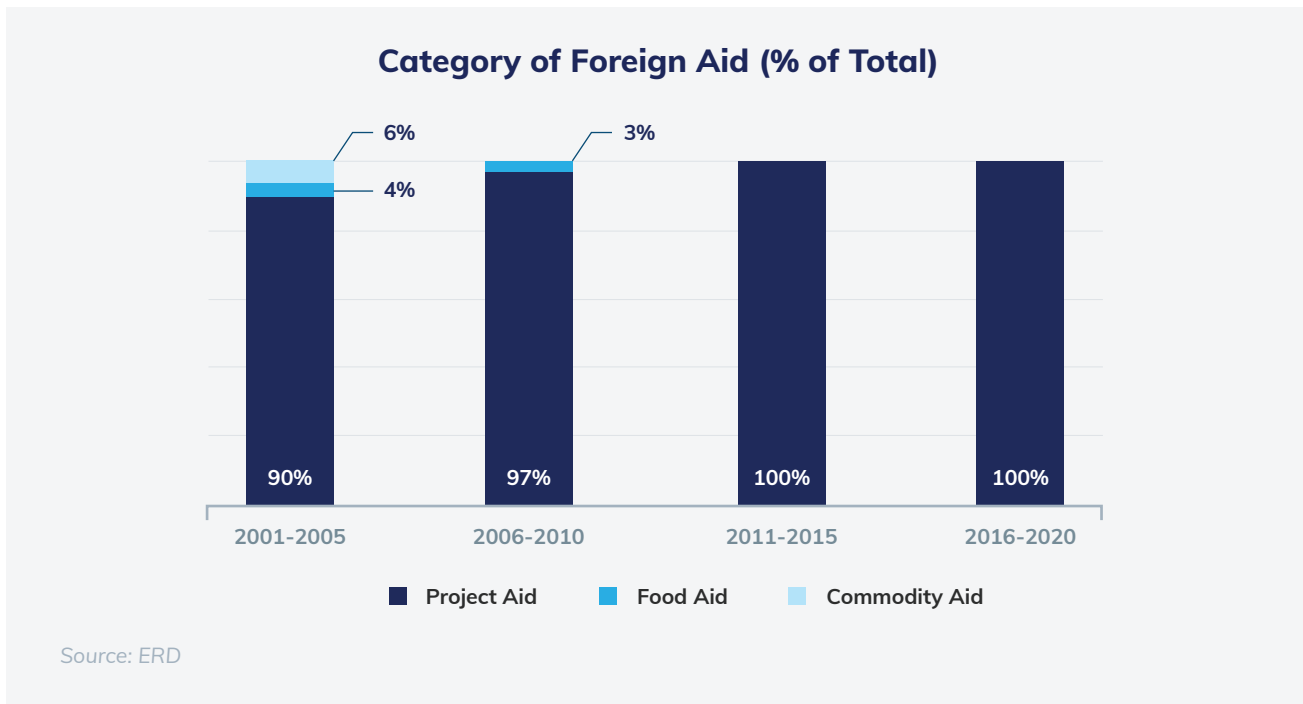


Figure 8: Category of Foreign Aid

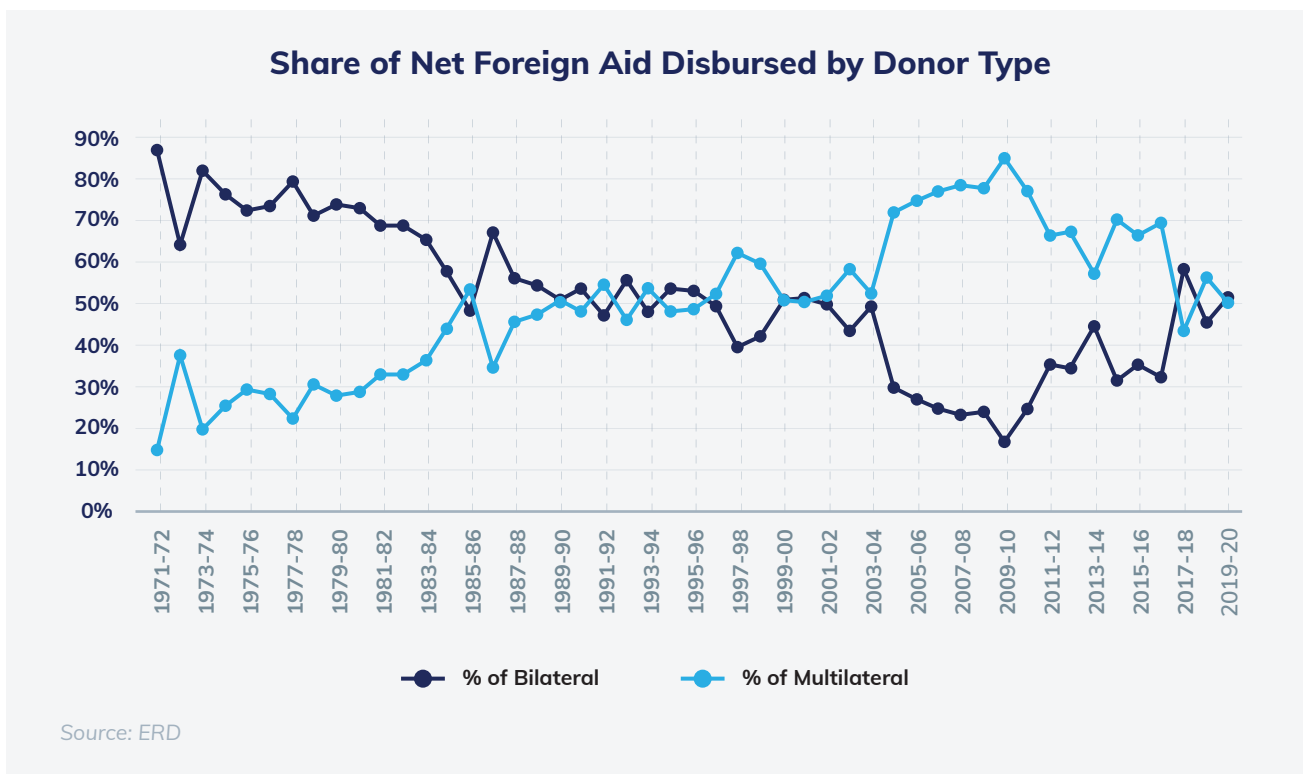










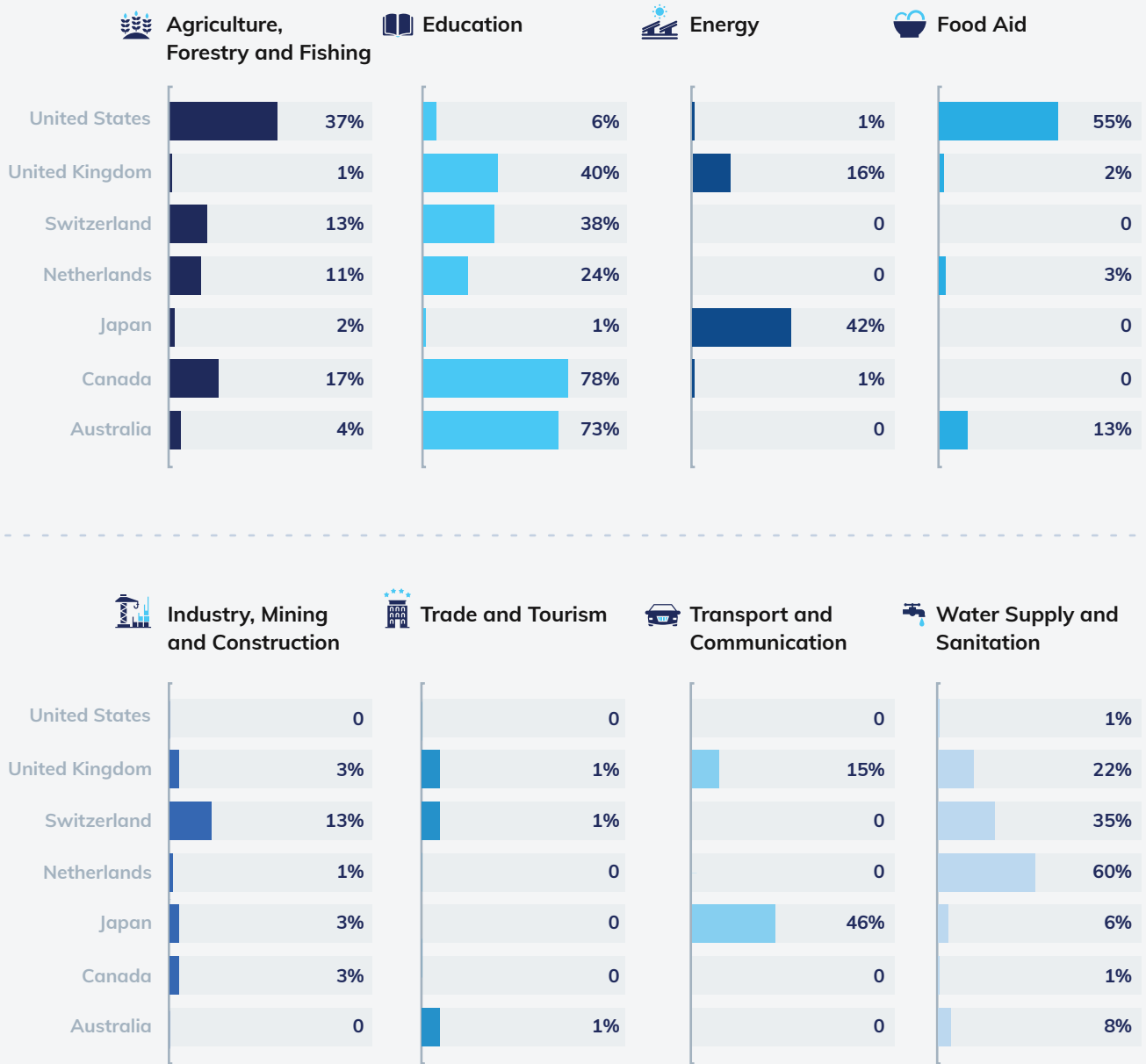
Figure 9: Total foreign aid disbursed by bilateral and multilateral donors

Table 3: Top Bilateral and Multilateral Donors between 2001-2019

Bilateral Donors		USD (Mn)
	Japan	\$ 71,250
	United Kingdom	\$ 44,835
	United States	\$ 31,933
	Germany	\$ 14,666
	Netherlands	\$ 11,648

Multilateral Donors		USD (Mn)
	International Development Association	\$ 107,260
	EU Institutions	\$ 19,803
	United Nations	\$ 12,799





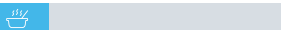

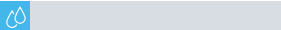




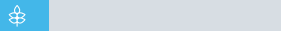









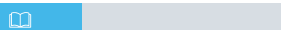


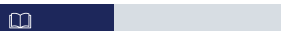

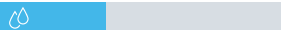










Sector-Wise Foreign Aid Disbursement by Donor (2005-2019)



Source: OECD

Figure 10: Sector-wise foreign aid disbursement by bilateral donors

Table 4: Allocation by Bilateral Donors of the Foreign Aid Provided between 2005-2019

Bilateral Donor	Aid & Sector	Contribution in USD (Mn)
 Australia	Education   Food Aid   Water and Sanitation  	\$ 339.7 \$ 61.5 \$ 35.2
 Canada	Education   Agriculture, Forestry and Fishing  	\$ 232.2 \$ 50
 Japan	Transport and Communication   Energy  	\$ 5,889.7 \$ 5,364
 Netherlands	WASH   Education  	\$ 383.4 \$ 151.4
 Switzerland	Education   WASH  	\$ 62.9 \$ 57.6
 United Kingdom	Education   WASH  	\$ 266.7 \$ 147.36
 United States of America	Food Aid   Agriculture, Forestry and Fishing  	\$ 582.7 \$ 390

Sector-Wise Disbursement of Foreign Aid in 2020 (USD Mn)



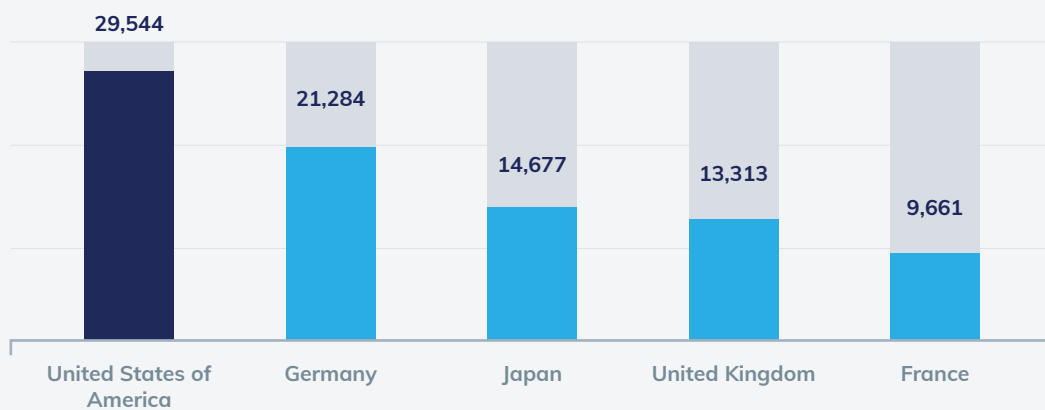
Figure 11: Sector wise disbursement of Foreign Aid in 2020

Effect of COVID-19 on Global Development Funding

The COVID-19 pandemic, and resulting lockdowns, led to unprecedented social and economic disruptions worldwide that caused millions to fall into the risk of extreme poverty and increased the population of undernourished population by 132 million.³⁸ Due to this unparalleled crisis, 2020 was a record year for global foreign aid disbursements which reached an all-time high of USD 161.2 Bn (global

amount), and that was a 3.5% increase compared to the previous year, according to the OECD. However, only USD 12 Bn was spent on COVID-19-related activity, provided by the Development Assistance Committee (DAC) countries, some of which was new projects, while the rest of the funds were pivoted from existing development programs.³⁹

Global Donor Fund Disbursements in 2020 (USD Mn)



Source: OECD

Figure 12: Donor Fund Disbursement in USD Mn in 2020

Although foreign aid commitments by donor countries increased in 2020, the disbursement of the aid committed has been weak, with only 1% of the committed aid being disbursed. According to Development Initiative, since 2016, the foreign aid commitment by bilateral donors have fallen by 26%, while the commitment by multilateral donors increased by 189%. During the same period, there was an increase in concessional loans—68% increase in volume in 2019. However, foreign aid in terms of grants, fell from 72% to 61% in 2019. In the following year, 2020,

multilateral donor provided USD 40 Bn more in concessional loan, than they did in 2019.⁴⁰

Additionally, in November 2020, bilateral donors decreased their foreign aid commitments by 26%, compared to the same time period in 2019.³⁶ The decrease in bilateral donor funding from DAC countries can be attributed to the COVID-19-induced economic crisis. For example, in November 2020, the UK decided to reduce their foreign aid from 0.7% of their GNI to 0.5% of their GNI. As a result, foreign aid provided by the UK

38. Chriscaden, K. (n.d.). Retrieved from: Impact of COVID-19 on people's livelihoods, their health and our food systems

39. Bremer, C. (2020). Retrieved from: COVID-19 spending helped to lift foreign aid to an all-time high in 2020 but more effort needed

40. Dodd, A., Knox, D. & Breed, D. (Aid data 2019-2020). Retrieved from: Analysis of trends before and during Covid

decreased by 10%, compared to the previous year. Simultaneously, aid provided in 2020 by Australia contracted by 10.6%, and by South Korea declined by 8.6%. Fortunately, multilateral donors have increased their foreign aid commitment and disbursement in the same time period. Currently, 60% of all foreign aid commitments is given by multilateral donors.³⁶

In combination with changing their aid commitments due to COVID-19, bilateral donors have altered the purpose of donor funding. Considering the pandemic and the urgent need to ramp up vaccination efforts in Bangladesh's densely populated urban and semi-urban areas, some bilateral donors have prioritized healthcare funding. For example, the USAID donated more than \$96 million in COVID-19 assistance till August 2021.⁴¹ The assistance has been utilized to expand supplies of healthcare resources and facilitate the nation-wide vaccination campaign. USAID is the largest donor to Bangladesh's COVID-19 assistance till date, and their assistance also includes 5.5 million doses of the Moderna vaccine. Multilateral donors, like the World Bank, have been focusing on healthcare and have targeted funding for governance and security, while ADB and UNICEF have been funding social protection, and education-related projects.

In addition to decline in funding commitments and changes in purpose of funds from bilateral donors, COVID-19 pandemic continues to plague the development sector with multiple implementation challenges.

The delay in project implementation, caused by the lockdowns imposed throughout 2020 and 2021, was a common challenge hindering many implementers. Project delays also resulted from few logistical challenges as well, for example,

finding the households that required the cash grants and locating the beneficiaries who did not provide any contact details. Furthermore, as most organizations shifted to an online modality of service delivery, it was quite difficult to include poor beneficiaries who did not have any communication devices or access to the internet. Alongside, the cost of delivering services had increased due to the lack of transportation during the start of the pandemic and since has not gone down much.

Logistical challenges in project implementation during COVID-19 were exacerbated by the relatively low internet and technology penetration in Bangladesh, and these challenges affected donors and implementers alike. Some agencies, such as SAJIDA Foundation and ACIDI/VOCA, have stated that it was difficult to assess the situation of beneficiaries without extensive field presence. In addition, donors such as had to make amendments in the scope of a project involving RMG workers, as implementation partners could not conduct as many extensive field visits.

In addition, one development area that faced significant challenges was education, as it was especially difficult to conduct the education programs in a virtual setting. Many governments, private- and donor-funded schools faced difficulties connecting with the children using telecommunication, as internet access was challenging in almost all rural regions. In some areas, small classrooms were set up outdoors to accommodate 5-6 children at a time, though it proved too time-consuming and highly inefficient to conduct a class on such a small scale. Similar to the education sector, skills development programs, such as agricultural and livestock training, had to be on pause for some time in 2020, as it was unfeasible to conduct the training

41. USAID. (2021). The United States has now provided about \$ 96 Million to support the COVID Response in Bangladesh.

Retrieved from: <https://www.usaid.gov/bangladesh/press-releases/>

42. The World Bank. (2021). Bangladesh-receives-over-1-billion-world-bank-financing-for-vaccination-and-responding-to-covid-19-pandemic.

Retrieved from: <https://www.worldbank.org/en/news/press-release/2021/04/14/>

online. Ejaj Ahmed, Founder and President of Bangladesh Youth Leadership Center (BYLC) in an interview with LightCastle stated that it is certainly challenging to effectively train and deliver similar experience to the students through online platforms for several reasons. There seems to be an expectation gap between online and physical training, which is at times challenging to resolve.

The combination of shrinking donor funds, changing donor priorities, and pandemic-imposed challenges meant that many donors and implementers had to critically evaluate the projects and thematic areas that would be prioritized for the foreseeable future.



CHAPTER 05



Emerging Trends of the Development Sector

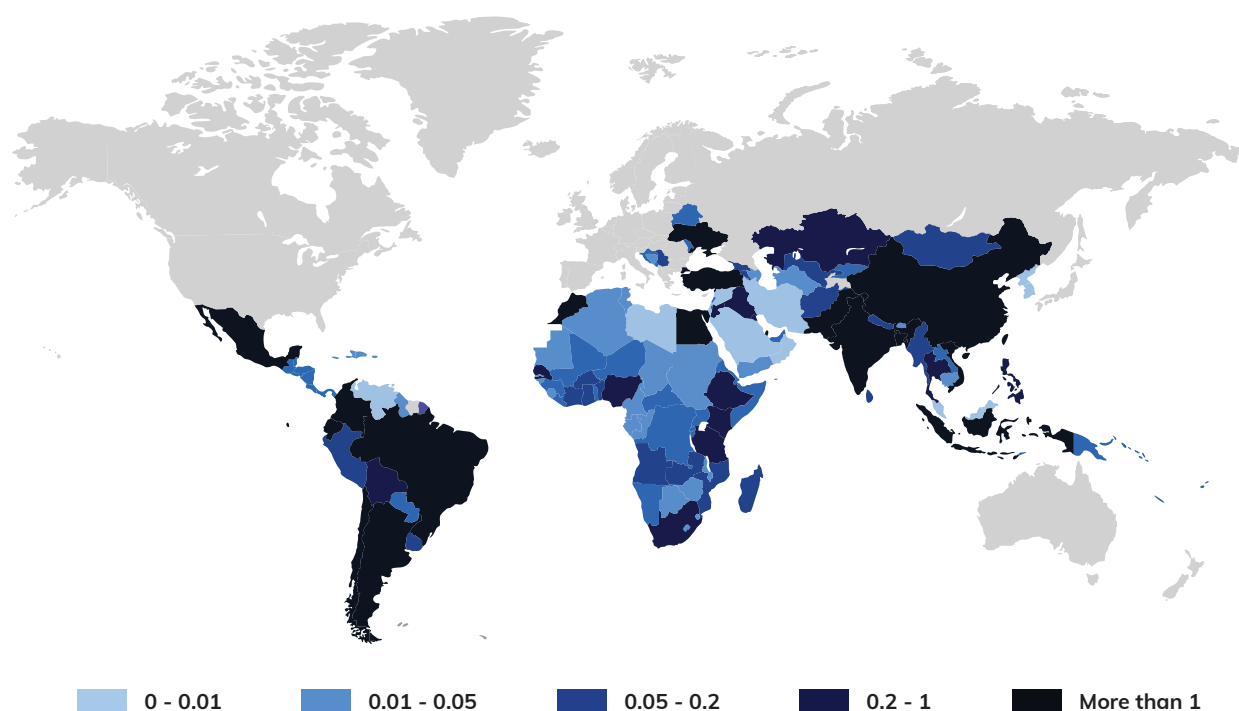
Emerging Trends of the Development Sector

As discussed previously, the donor funding landscape in Bangladesh continues to evolve, in terms of funding sources, as well as purpose of funding. The purpose of funding, especially is critical, given that Bangladesh is a few years shy of graduating from the LDC status. While the nation has made remarkable economic and human development progress, challenges have also emerged due to changes in geopolitics, the global rise in Greenhouse Gas (GHG) emissions, the urgent need to leverage the demographic dividend, etc. Therefore, new thematic areas, have become of greater importance in the development sector, and these themes include Climate Change, Sustainable Agriculture, Rohingya Crisis, among others.

► New Key Thematic Areas

Climate Change

According to the Global Climate Risk Index 2021, Bangladesh is the 7th most climate change vulnerable country in the long-term vulnerability index, which is based on 20 years of data (2000-2019). In terms of economic losses due to climate change, the country ranked 5th with an estimated total loss of USD 3.72 Bn.⁴³ Given the increase in frequency of climate-triggered calamities, it should come as no surprise that utilization of donor funding for climate change mitigation projects should be a priority among donors. In fact, this has been a priority for quite



*in Bn USD

Figure 13: Climate Finance allocated to individual developing countries

Note: Only climate finance allocated to individual developing countries (79% of the total over 2016-18) is included in this visual. Climate finance not allocable by country amounted to a USD 14.3 Bn per year on average over 2016-18.

Source: Based on Biennial Reports to the UNFCCC, OECD Development Assistance Committee statistics, OECD Export Credit Group statistics, as well as complementary reporting to the OECD. Population data: (UN DESA, 2019[11]) complemented with (EUROSTAT, 2019[12]).

43. Eckstein, D., Schafer, R. & Kunzel, V. (2021). Retrieved from: Global Climate Risk Index (CRI)

some time—the aim to increase aid towards climate change has been agreed upon during the COP-15 in Copenhagen in 2009 by the DAC members. The members of the DAC pledged to distribute an approximate USD 9.4 Bn per annum to help reduce carbon and greenhouse gas emissions in developing nations.⁴⁴ Since then, Bangladesh was in the top 20 recipients of foreign aid for climate change, and as of 2018, has received over USD 1 Bn towards climate change.⁴⁵

Following COP-15, in COP-21 in Paris, 196 countries signed a treaty on climate change which is known as the Paris Agreement or the Paris Climate Accords.⁴⁶ As a signatory of the Paris Climate Accord, Bangladesh submitted an Intended Nationally Determined Contribution (INDC) to United Nations Framework Convention on Climate Change (UNFCCC), with a target to reduce GHGs by 15% from a Business as Usual (BAU) level by 2030.⁴⁷ To meet such targets, the Government is implementing, or planning to implement a mixture of climate mitigation- and adaptation-based schemes. Many of these schemes will require cooperation from international donors and implementers. The Bangladesh Delta Plan (BDP) 2100, which is a long-term techno-economic mega plan that will integrate various themes related to the delta sector plans and policies, is an example of such an adaptation-based scheme. The goal of the Delta Plan is to ensure safety from floods and climate change-related disasters, enhance water security in the region, ensure sustainable river system and estuaries management, preserve the wetlands in the region while promoting their use, develop efficient institutions which will look after the water resource management and governance, and lastly optimize the usage of water resources. The total capital required for the

project is USD 37 Bn, and the Bangladesh Government plans to fund the Delta Plan using a combination of public and private financing, the former of which will require grants and concessional loans.^{48 49}

Similar to the Delta Plan, Local Government Initiative on Climate Change (LoGIC), is project that is being implemented on the basis of partnership between GoB and multiple stakeholders, UNDP and UNCDF. Financed by United Nations Development Programme, European Commission and Programme MPTFO-JP Bangladesh Logic, this project aims to benefit 200,000 climate-vulnerable households by providing capacity building support, assistance in policy advocacy, and access to climate funds.⁵⁰ Other than the European Commission (EC) and multilateral donor agencies, many bilateral donors have also contributed to mitigating climate change. Foreign aid which is focused on climate mitigation and change increased between 2018 and 2019 by 15% to reach USD 18.1 Bn. In 2019, Japan (USD 1,000 Mn), Germany (USD 623 Mn), and France (USD 601 Mn) provided the highest foreign aid directed towards climate mitigation and change.

The importance of mitigating climate change in Bangladesh cannot be overstated, however, in recent years, commitment to this cause has been comprised by recent global events. For example, in 2017, the goal for climate mitigation and adaptation was off track due to the withdrawal of the United States from the Paris Agreement. The proportion of foreign aid to projects with a principal climate objective also dropped from 18% to 14% between 2018 and 2019.³⁶ Due to the ongoing pandemic, bilateral donors, such as Canada and the United States, have shifted funds from one sector to another. Unfortunately,

44. (2011). Retrieved from: Tracking aid in support of climate change mitigation and adaptation in developing countries

45. (2013–2018). Retrieved from: Climate Finance Provided and Mobilized by Developed Countries

46. (n.d.) Retrieved from: The Paris Agreement

47. Ministry of Environment, Forest and Climate Change. Government of the People's Republic of Bangladesh. (2020). Nationally Determined Contributions 2020 (Interim). Retrieved from: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments>

48. Embassy of Bangladesh to the Netherlands. (2020). Retrieved from: Bangladesh Delta Plan (BDP), 2100

49. The World Bank. (2017). People's Republic of Bangladesh Multisector Approaches to Delta Management Investment Plan for the Bangladesh Delta Plan 2100. Volume 1: The Plan. <https://documents1.worldbank.org/curated/en/890611546628658220/pdf/Investment-Plan-for-BDP-2100.pdf>

50. UNDP Bangladesh. (n.d.). Local Government Initiative on Climate Change (LoGIC). Retrieved from: <https://www.bd.undp.org/content/bangladesh/en/home/projects/local-government>

climate mitigation and adaptation fell into the category where funding was cut.

Once the global economy, especially economies of donor countries, return to normalcy, funding for climate change mitigation projects may receive high priority over the next decade, according many implementors and donor agencies. These the interventions may be integrated with existing or new agricultural programs, especially programs involving sustainable agriculture.



Sustainable Agriculture

Bangladesh is one of the largest deltas in the world, and 80% of the land is floodplain.⁵¹ In addition, the high population density—1,239 people per square km²⁶—and reliance of rural poor on the agriculture and fisheries sector for livelihoods, makes Bangladesh particularly vulnerable to climate change. The latter factor, reliance on agriculture and fisheries for livelihood, is particularly of importance as the agriculture sector is extremely susceptible to climate change, and adverse effects of climate change on the agricultural and fisheries sector could result in frequent crop losses, decreased crop yield and food security, and increased rural-to-urban migration. Damage to agriculture, especially, will be precarious for the labor force.

As a result, transition to sustainable agriculture and aquaculture to mitigate adverse effects of climate change is a common goal of donor organizations and implementing agencies alike. Sustainable Agriculture, Food Security and Linkages (SaFaL) project, for example, aims to boost agricultural productivity of farmers, 1,715 farmers—58% of whom are females.^{53 54} The Dutch Ministry of Foreign Affairs, which has funded both SaFaL⁵⁵ and Sustained

Opportunities for Nutrition Governance (SONGO), prioritizes Food Nutrition and Security and Sustainable Value Chains as development themes, and Climate-Resilient Agriculture falls at the intersection of these themes. *Bas Blaauw, First Secretary, Embassy of the Kingdom of the Netherlands, Dhaka, stated this theme is of importance to EKN as Netherlands, like Bangladesh, is a low-lying, flood-prone country.*



Rohingya Crisis

The world witnessed a massive humanitarian crisis on 25th August 2017 when more than 700,000 Rohingya refugees fled away from Myanmar to Bangladesh.⁵⁶ Since then, the refugees are residing in Cox's Bazar area at various refugee camps, and development partners such as WHO is working closely with International Organization for Migration (IOM), UNFPA, UNICEF, and other organizations to ensure that adequate health services are provided to this vulnerable population. The Ministry of Health, Bangladesh, along with WHO, are also trying to address the most pressing issues faced by this marginalized group of refugees like poor nutrition, communicable diseases (including vaccine-preventable and water-borne diseases), injuries, and other concerns such as mental health.⁵⁷

In addition, donors and implementing agencies such as Embassy of Switzerland in Bangladesh, World Vision, BRAC, etc., are responding to this crisis and are providing vital food, water, shelter sanitation, healthcare, education, and protection by aligning with GoB's Joint Response Plan (JRP).⁵⁸ The GoB has also taken an initiative to relocate the Rohingya refugees from the overcrowded mainland camps in Cox's Bazar to Bhashan Char. The Ashrayan Project 3 was

51. Huq, S. & Ayers, J. (2008). Retrieved from: Climate Change Impacts and Responses in Bangladesh (europa.eu)

52. Asaduzzaman, M. (2021). The Daily Star. Retrieved from: Agriculture in Bangladesh: The last and the next fifty years.

53. Sustainable agriculture, food security, and linkages (SaFaL). Retrieved from: Solidaridad Network

54. Sustained Opportunities for Nutrition Governance (SONGO). Retrieved from: ICCO EN (icco-cooperation.org)

55. EKN. (2017). Retrieved from: Dutch Development results in Bangladesh

56. Huber, C. & Omer, S. (2021). Retrieved from: Rohingya refugee crisis: World Vision Website

57. (n.d.). Retrieved from: Responding to health needs of vulnerable population - WHO

58. ISCG Secretariat. (2021). Retrieved from: Joint Response Plan - ROHINGYA HUMANITARIAN CRISIS Bangladesh

taken up in December 2017, at a cost of USD 27,142,880 Mn. The eco-friendly human habitat is made with 120 plots, each consisting of 12 buildings with solar systems installed on rooftops of 1,440 buildings, waste management systems, 120 cyclone centers, and biogas fuel for cooking. The island can accommodate around 100,000 Rohingyas, but they are reluctant to go to the uninhabited island on the basis that it is a cyclone-prone region.⁵⁹ However, the UN has promised to be operationally engaged after further discussions with the government to maintain the safety and wellbeing of the Rohingyas on the island. At present, nearly 18,000 Rohingyas have been already relocated from the camps, and the UN engagements with Bhashan Char will commence soon.⁶⁰

To add to South Asia's geopolitical woes, a new humanitarian crisis is brewing in Afghanistan which might disrupt the stability of the South-Asian countries. The strengthening of the Taliban in Afghanistan may cause political tensions in its neighboring countries.⁶¹ The emergence of such forces will have an impact on Pakistan, Bangladesh, and even India, given that the Taliban has close links with radical in the region.

Therefore, the South-Asian countries and the global bodies will need to work together on both the Rohingya Crisis and the Afghanistan crises, with a common goal of achieving regional stability. However, according to experts, there's no immediate end in sight for the Rohingya crisis, especially given the recent coup d'état in Myanmar. Hence, it is critical to stabilize the marginalized Rohingya refugees and provide them with continuous basic assistance like food, shelter, education, medical care, etc.⁶²



Skill development and Enterprise Development

As discussed previously, Bangladesh's robust economic growth can be attributed to the development of labor-intensive industries, such as RMG and the migrant labor market. Continuation of economic growth, especially inclusive economic growth, will therefore require investment in skill and enterprise development, especially as Bangladesh reaps benefits from the demographic dividend.

In fact, Bangladesh requires investment in skill and enterprise development, not only to leverage the power of the demographic dividend, but also because of the nation's sub-standard performance in indicators, such as graduate unemployment rate, innovation, and technology penetration. Gaps in skill development are detected as early as primary school—a study conducted by USAID showed that only 56% of the first-grade students were able to read, and 27% of third-grade students couldn't read with comprehension.⁶³ Bangladesh was ranked the lowest amongst South Asian countries in Global Knowledge Index (GKI) in 2020. Not surprisingly, Bangladesh had a graduate unemployment rate of 33.19% in 2019.⁶⁴ The pandemic forced the closure of many educational institutes⁶⁵, which is going to exacerbate the poor quality of skill development in Bangladesh, unless students are provided with sophisticated remote-learning options. However, implementation of remote-learning options may be difficult in a short period of time, because Bangladesh is ranked the lowest in the Asia Pacific in terms of financial inclusion and technology penetration.⁶⁶

⁶⁷

59. The Business Standard. (2019). Retrieved from: An inside look at Bhashan Char – the new home for Rohingyas

60. Dhaka Tribune. (2021). Retrieved from: Rohingya relocation to Bhashan Char: UN proposes further discussions

61. The Daily Star. (2021). Retrieved from: Resurgence of Taliban in Afghanistan and its effect on Bangladesh

62. (2018). Retrieved from: Rohingya Refugee Crisis - UN Office for the Coordination of Humanitarian Affairs

63. USAID. (2021). Retrieved from: Bangladesh Education

64. The Business Standard. (2020). Retrieved from: Global Knowledge Index: Bangladesh ranks lowest in South Asia (tbsnews.net)

65. The Financial Express. (2021). Retrieved from: Graduate unemployment in light of LDC graduation

66. The Dhaka Tribune. (2021). Bangladesh lags behind in fintech ecosystem globally.

67. The Business Standard. (2020). Retrieved from: Global Knowledge Index: Bangladesh ranks lowest in South Asia (tbsnews.net)

Therefore, the current consensus among both the donor agencies and implementing agencies is that the education and skill development sector in Bangladesh requires further investment to adequately train the labor force. To address this, private institutions, along with government institutions and NGOs, are providing skills training to enhance the workforce in Bangladesh. According to the Labor Force Survey 2016-17, over two-thirds of the training was provided by a private institution, and the rest was provided by government institutions and NGOs. Basic computer training is the most sought after, followed by courses in office management.

A specific sub-sector in skill development which may require urgent attention is vocational training as only 1.7% of the total workforce partake in such programs.⁶⁸ A 5-year project targeting quality of and access to Technical and Vocational Education and Training (TVET) programs were funded by the Asian Development Bank (ADB) and the Embassy of Switzerland in Bangladesh. While such programs may be critical for the development of Bangladesh's labor force and society, straight-forward implementation of such programs are not enough. For example, Bangladesh Youth Leadership Center (BYLC) specifically focuses on recruiting diverse youth for leadership and skill development plans to ensure inclusive growth⁶⁹, and at the same time prioritizes spreading awareness among youth regarding the need to join skill development programs.

Skill development programs, in collaboration with Enterprise Development Programs, can also improve the lack of innovation in Bangladesh's

economy. This is critical as Bangladesh was also ranked the least innovative country in 2018,⁷⁰ according to the Global Innovation Index (2018). Therefore, donors, such as Embassy of Switzerland in Bangladesh, are targeting to improve the business ecosystem of Bangladesh, which in turn will create more job opportunities. Embassy of Switzerland in Bangladesh is planning to implement a project worth USD 3.76 Mn to facilitate the growth of impact and social enterprises, and benefit women and marginalized individuals who may be associated with the enterprises as employees, customers, or suppliers.⁷¹



Good Governance

Analysis of development aid flows in previous chapter demonstrate self-sufficiency of Bangladesh in food production and provision of basic needs—areas which previously required financing from donor funding. Evolution of Bangladesh's donor landscape and greater focus on thematic areas such as enterprise and skill development, sustainable agriculture, etc., will require strong partnerships between government and civil organizations, an effective and sound administrative system, accountability, and transparency in public administration, etc.⁷²

Therefore, for Bangladesh to build self-reliant development strategies, good governance will be a key area of intervention. Globally, six inter-linked indicators are utilized to effectively measure good governance in nations, and they include voice and accountability; political stability and absence of violence; government effectiveness; regulatory quality; rule of law and control of corruption.^{73 74} As these indicators are

68. Labour Force Survey 2016-17

69. Bangladesh Youth Leadership Center Website. (n.d.). Retrieved from: <https://bylc.org/>

70. The Financial Express. (2018). Retrieved from: The country's innovation footprint (thefinancialexpress.com.bd)

71. Scaling Social and Impact Enterprises in Bangladesh (SSIE-B). (2021). Retrieved from: <https://www.eda.admin.ch/deza/en/home/countries/bangladesh.html/content>

72. Hasan, B., Sultana, M. & Hasan, M. (n.d.). Good Governance in Bangladesh. Retrieved from: <https://uits.edu.bd/wp-content/uploads/2019/06/03-Good.pdf>

73. Kaufmann, Daniel, Kraay, Aart and Lobaton, Z. Pablo (2003) Governance Matters. Washington, DC: The World Bank

74. Azmat, F., & Coghill, K. (2005). Good governance and market-based reforms: a study of Bangladesh. *International Review of Administrative Sciences*, 71(4), 625-638

inter-linked, ineffectiveness of one indicator in a nation creates a spillover effect impeding effectiveness of other indicators and the state of good governance overall. It is critical for Bangladesh, hence, to strengthen performance in all indicators of good governance and guarantee maximum effectiveness of development interventions, such as market-based reforms, government-to-government funding for social mobilization campaigns, and public-private partnerships.

Interventions for good governance must target inefficiencies in access to public goods, improve fiscal management, and facilitate reform of civil services and criminal justice systems. As a result, development projects should continue to prioritize interventions for good governance and facilitate equitable economic growth and self-sufficiency. For example, the Asian Development Bank (ADB) had implemented a US\$ 150 Mn project, 'Bangladesh: Good Governance Program' in 2017 to enhance access to public services.⁷⁵ USAID also provided training to more than 40,000 political activists and future leaders in 2019 and assisted 53 women to take up political leadership positions.⁷⁶ Stronger focus on good governance in Bangladesh may ensure equitable social and economic development, even in light of shrinking donor funds and/or changes in donor strategies.



Emergence of 'New Poor'

The pandemic has led to the creation of the 'new poor', which refers to the 20 million individuals who have slipped back into poverty.⁷⁷ Many of the individuals classified as the 'new poor' are residents from urban slums, who have lost their jobs in informal labor markets. With the slowdown in economic activities, these urban

area residents are suffering from falling or almost no incomes, while continuously accruing debt. Donors & implementing agencies like the World Bank and BRAC have realized the need to acknowledge this new cohort of poor and are therefore, in the process of implementing and designing new strategies to mitigate the rise in pandemic-induced poverty. At present, development partners like UNDP have designed projects such as the Livelihoods Improvement of Urban Poor Populations (LIUPC) project, Strengthening Women's Ability for Productive New Opportunities (SWAPNO) project. These project target empowering the 'new poor' by providing aid and food to vulnerable communities at the grassroots level. BRAC's Ultra-Poor Program, Resilience, Entrepreneurship and Livelihood Improvement (RELI) Project and Accelerating and Strengthening Skills for Economic Transformation (ASSET) by World Bank are also aiming to improve the livelihood of these poor & vulnerable people across districts.⁷⁸ Furthermore, the government gave financial assistance to 3.5 million beneficiaries who had become 'new poor' as a result of the pandemic.⁷⁹

By the fiscal year 2023-2024, the government is aiming to reduce the poverty rate to 12.3%, and it will be crucial that the Bangladeshi government, private sector, and development partners collaborate to mitigate the pandemic's effects on both rural and urban populations. In both short and long run, substantial portions of this population will require assistance in re-entering sustainable livelihoods.



Gender Gap & Inclusion of Women

According to various recent studies of WHO and OECD, women are more affected by COVID-19 in

75. Good Governance Program. (n.d.). Retrieved from: Asian Development Bank (adb.org)

76. Haque. H. (2021). Retrieved from: Democracy, Human Rights and Governance Bangladesh - U.S. Agency for International Development (usaid.gov)

77. The Daily Star. (2021). Retrieved from: Pandemic creates 2.45cr new poor

78. The Financial Express. (2021). Retrieved from: World Bank lends \$600m to Bangladesh for two projects

79. The Daily Star. (2021). Retrieved from: Two-Thirds New Poor Received Cash Support

terms of increased unpaid care work, domestic violence, job loss, lack of access to sexual and reproductive health care services, and restricted mobility in the community. It is more likely that women will be bearing the brunt of the economic fallout compared to their male counterparts, especially in informal labor markets.

Before the hit of the pandemic, Bangladesh had achieved considerable progress on several indicators in terms of gender parity. Compared to the regional peers, Bangladesh has a higher female labor participation rate (36.37%) as of 2019.⁸⁰ Subsequently, according to the Global Gender Gap 2020 report and the World Economic Forum, Bangladesh was the top-ranked country in South Asia in terms of narrowing the gender gap.⁸¹ However, as a result of COVID-19, women have lost their means of earning, which has had adverse effects on their lives. As of August 2020, almost 1 million workers have already been discharged or laid off due to the cancellation of future work orders in the apparel sector, according to a statement of the World Trade Organization (WTO).⁸¹ Since women make up more than 60% of the RMG workforce, it is more likely that the sector's slump and accompanying job losses will impact women to a much greater extent.

Therefore, there exists an urgent need to continuously empower marginalized female workers and entrepreneurs. Micro-insurance schemes of various development partners are trying to cater to such needs and support livelihood of marginalized women. BRAC's Micro Health Insurance for Poor Rural Women in Bangladesh (BRAC MHIB) programme allows voluntary participation in the general benefits package, which includes subsidized necessary services such as consultation, pathology tests,

and medications for a yearly premium and a co-payment. In addition, CARE Bangladesh introduced a Micro Health Insurance (MHI) scheme in partnership with Pragati Life Insurance Limited. Shomoshti, an Embassy of Switzerland in Bangladesh-funded project, creates access to better health services for women in rural communities.⁸² Thus, going forward there is a need for more gender-targeted policymaking to shrink the effects of such pandemic-induced shocks on adolescents and women.⁸³

Both donors and implementers have shown their interest in focusing their schemes on the inclusion of women in financial sectors as well. There is a need for training and policymaking to eliminate the gender gap and enhance women's role in both leadership and decision-making. Snigdha Ali, Program Officer, FSP Country Team, Bangladesh at Bill & Melinda Gates Foundation and a Gender Specialist, shared insights about one of their recent projects in Bangladesh, where they are convincing the factory owners to pay the garment workers digitally. This had two major impacts, which were formal financial inclusion of more women workers and a tendency towards unintentional saving during the stressful time of the pandemic.

Going forward, especially considering the pandemic, there should be improved mechanisms for collecting gender-disaggregated data and ensuring better access to information for women in Bangladesh. Moreover, there is an urgent need for more programs around mental health services for both men and women. In addition, there should be more interventions towards the needs of vulnerable and marginalized groups of women including transgenders and sex workers. COVID-19 has had a negative impact on Bangladeshi women's labor market engagement,

80. The Global Economy (2019). Retrieved from: Female labor force participation

81. UNDP Bangladesh. (2020). Retrieved from: COVID-19: A Step Back for Women's Empowerment in Bangladesh

82. LightCastle Partners. (2021). Retrieved from: Evolution of Micro Insurance in Bangladesh: Financial Cushion for the Bottom of the Pyramid Population

83. The Financial Express. (2020). Retrieved from: Gender gap: Pay gap still wide in Bangladesh, needs much improvement

wages, and exposure to violence, putting their livelihoods in jeopardy. It is past time for us to recognize the huge snowball effects of these issues in Bangladesh and take concrete efforts to address them.



WASH

In the past 25 years, Bangladesh has achieved considerable progress in its development expedition by improving basic access to WASH services. Nearly 98% of the population now drink from a technologically enhanced water source, and around 63% use a better sanitation facility.⁸⁴ However, to maintain the impact in this sector and to maximize the impact of WASH on human development, Bangladesh will need to invest in higher-quality WASH services. In fiscal year 2020-2021, there was steady growth and upward trend in WASH budget allocation. However, water and sanitation got a larger share compared to hygiene, i.e., less than 5% of the total WASH development budget.⁸⁵

By 2030, the Bangladesh government envisions to attain universal access to safe and affordable drinking water for all, in addition to ensuring access to adequate and equitable sanitation.⁸⁶ In order to achieve this target, Bangladesh has divided its strategy into three five-year phases. Phase-1 (2016-2020) focused on attaining universal coverage in rural and urban populations using several water-supply options; Phase-2 (2021-2025) will concentrate on sustaining the universal coverage in rural and urban populations by improving service delivery standards; Phase-3 (2026-2030) will be aiming to work for sustaining extensive coverage in rural and urban areas. Currently, GoB is planning to leverage national and global partnerships with stakeholders such as International Training Network (ITN-BUET),

icddr,b, UNICEF, WHO, Development Banks, NGOs, Sanitation and Water for All (SWA), and others.

To ensure the WASH sector's immediate, intermediate and long-term response to COVID-19 from April 2020 to December 2022, USD 849 Mn financial assistance is required. The government has committed USD 298 Mn in technical assistance, including USD 200 Mn from the World Bank-AIIB, USD 33 Mn from the IsDB, and a USD 2 Mn grant from UNICEF for the development of the National WASH Strategic Paper to respond to COVID-19 and the development of the Hand Hygiene for All (HH4A) road map. To meet the current funding gap of USD 316 Mn, support is required from international financial institutions, development partners, and private sectors to assist the country in combating COVID-19's spread and strengthening national systems to cope with the pandemic's consequences.⁸⁷

Despite the evolution of the WASH sector, people in low-income families are still 10 times more likely than those in higher-income households to use unimproved sanitation. Furthermore, there are currently no sanitary facilities that are attentive to the requirements of disabled people. The sanitation practices in densely populated urban slums are also far away from safely managed qualifiers. Therefore, to ensure long-term sustainability promotion of hand hygiene for all by 2030, positive sustained behavior change will be a crucial element. If the essential WASH and health indicators are not enhanced in a sustained way, investments in water and sanitation will not pay off for the economy and the people. Proper hygiene behavior coupled with sustained use of services is therefore critical.

84. The World Bank Group. (n.d.). Retrieved from: Promising Progress - A Diagnostic of Water Supply, Sanitation, Hygiene, and Poverty in Bangladesh













85. Policy Brief, WASH Budget Scenario in Proposed National Budget (FY 2020-2021), WaterAid, UNICEF, and PPRC (2020)

86. (2020). Retrieved from: People's Republic of Bangladesh Country Overview

87. MoLGRD&C. (2020). Draft Bangladesh Strategy Paper 2020-22 for Response to COVID-19 Outbreak through Water, Sanitation and Hygiene Interventions

The table below summarizes the thematic areas which will be given high priority, medium priority and lower priority in the future.

Table 5: Matrix of Priority Funding Areas

Thematic Areas with High Priority	Thematic Areas with Medium Priority	Thematic Areas with Lower Priority
<ul style="list-style-type: none"> ▶ Climate Change  	<ul style="list-style-type: none"> ▶ Primary Education  	<ul style="list-style-type: none"> ▶ Food Security 
<ul style="list-style-type: none"> ▶ Sustainable Agriculture  	<ul style="list-style-type: none"> ▶ Basic Health Care  	
<ul style="list-style-type: none"> ▶ Rohingya Crisis  	<ul style="list-style-type: none"> ▶ Elementary WASH Facilities and Behavioral Change  	
<ul style="list-style-type: none"> ▶ Skill Development and Enterprise Development  		
<ul style="list-style-type: none"> ▶ Good Governance  		
<ul style="list-style-type: none"> ▶ Emergence of 'New Poor'  		
<ul style="list-style-type: none"> ▶ Gender Gap & Inclusion of Women  		
<ul style="list-style-type: none"> ▶ Sophisticated WASH & Hygiene Behavioral Change  		



CHAPTER 06



The Future of the Development Sector

The Future of the Development Sector

The evolution of Bangladesh's development sector clearly demonstrates that donor commitments as well as priorities are changing with expansion of Bangladesh's economy, the COVID-19 pandemic, changes in geopolitical situations, etc. Therefore, to streamline and update development priorities, donor agencies and implementers will need to evaluate certain development mechanisms, such as Aid-for-Trade, Market Systems Development, and carefully design their strategies accordingly.

Aid-for-Trade

The Aid-for-Trade (Aft) initiative was launched at WTO Ministerial Conference, Hong Kong 2005, with the aim to help to facilitate the flow of trade for the developing countries. The type of support received by the developing countries is not only access to finance but also articulate, communicate, and mainstream their trade-related objectives in the long run. The framework for Aft, which was established by OECD and World Trade Organization (WTO), is targeted towards improving the supply side of the LDC country and expand their trade. The framework has four key elements: mainstreaming and prioritizing trade (demand); trade-related projects and programs (response); enhanced capacity to trade (outcome); and improved trade performance and reduced poverty (impact).⁸⁸

In Bangladesh, agencies such as the Embassy of the Kingdom of Netherlands (EKN), the Embassy of Switzerland in Bangladesh, and Global Affairs Canada (GAC), among others, are transitioning towards a mutually constructive relationship by facilitating the growth of trade in the country. According to the OECD and WTO, Bangladesh

ranks second in terms of Aid-for-Trade disbursement in 2015.⁸⁹ Bas Blaauw, First Secretary, Embassy of the Kingdom of the Netherlands, Dhaka, shared some insights on their upcoming projects and stated that EKN is transitioning from AID-for-Trade. EKN will continue their relationship with Bangladesh in the similar way, however, there will be a mix of blended financing and hybrid projects with private sectors that will be prioritized.

Market Systems Development

Inclusive economic growth and greater access to basic services require inclusion of two multi-functional and multi-player systems: Systems for the exchange of goods, services and commodities that operate efficiently especially the poor as consumers, producers, or employees, and Systems that deliver basic services, such as education, health, and water, which can aid in poverty eradication.⁹⁰ Therefore, the market system can be defined as “a multi-function, multi-player arrangement comprising the core function of exchange by which goods and services are delivered and the supporting functions and rules which are performed and shaped by a variety of market players.”⁸⁶ A market system change, therefore, is a more pragmatic approach to development that changes “the way core functions, supporting functions and rules perform that ultimately improves the poor’s terms of participation within the market system.”⁸⁶

The Market Systems approach, therefore, was initiated in Bangladesh to bring about more sustainable development. It was initially deployed by projects such as Katalyst, which was funded

88. (n.d.). Retrieved from: OECD Aid for Trade

89. (n.d.). Retrieved from: Aid-for-Trade at a Glance 2017

90. The Springfield Centre (2015) The Operational Guide for the Making Markets Work for the Poor (M4P) Approach, 2nd edition funded by Embassy of Switzerland in Bangladesh & DFID

by the Embassy of Switzerland in Bangladesh, the UK Government, and the Danish International Development Agency (Danida)⁹¹, and USAID's Feed the Future Bangladesh Agricultural Value Chains (AVC).⁹² The Katalyst project, for example, operated from 2002-2018 and benefited 4.75 million SMEs. In addition, farmers, who were participants, had benefited from an income increase of USD 724 Mn.⁸⁷ In 2013-2019, USAID's Feed the Future AVC had benefited 307,419 rural households in Bangladesh's Southern Delta, impacting 305,408 farmers through advanced technology and farming practices and leading to a 131% increase in yield per hectare of targeted value chains.⁹³ Given the success of these projects, the market systems approach will be prioritized to guarantee inclusive and sustainable economic development. For example, Making Markets Work for the Jamuna, Padma, and Teesta Chars (M4C), which is funded by Embassy of Switzerland in Bangladesh and the Government of Bangladesh and operating 2012-2024, aims to foster the development of impoverished northern char households in Bangladesh through a market systems approach.⁹⁴ *Bilash Mitra, Team Leader-Monitoring, Evaluation and Learning (MEL) stated in an interview with LightCastle that ACDI/VOCA will be extensively focusing on agriculture sector and enterprise development to uplift the beneficiaries from the shock of COVID-19 by continuation of financial flow and increasing women engagement in the agricultural sector.*

Focus on Impact Investment and Blended Finance

In addition to sustainable development solutions, donors and implementers are looking forward to a new alternative green trend commonly known as impact investment. Given the upcoming LDC

status graduation, it will be crucial for the businesses and stakeholders to jointly contribute to achieving the SDGs by 2030 with the Government of Bangladesh and look beyond the traditional methods of profit maximization. Impact investments involve generating promising financial returns coupled with quantifiable positive social and environmental impacts. This moderately new industry is evolving in Bangladesh and is addressing the most persistent challenges of the country by supporting sectors, such as sustainable agriculture, microfinance, and affordable and accessible basic services including housing, healthcare, and education.

In 2015, Bill and Melinda Gates Foundation invested USD 11 Mn into BKash. The journey continued from there onwards as Chaldal, the leading online grocery company, received Series A funding from IFC in 2018. Among the long list of active impact firms, these were few notable examples however, the list also includes names such as ShopUp, SOLshare, iFarmer, etc. Due to the scaled impact capital, the National Advisory Board of Bangladesh was established in July 2018 and attained The Global Steering Group (GSG) membership in August of the same year.

At present, development partners such as the Embassy of Switzerland in Bangladesh, Roots of Impact, and LightCastle Partners are working with Biniyog Briddhi and it will be providing catalytic funding for the poor in Bangladesh.⁹⁵ In addition, the donors and implementers have also mentioned that the use of catalytic capital from public or philanthropic foundations will help to increase private sector investment in developing countries like Bangladesh to grasp the SDGs. Examples of such philanthropic initiatives are 'Mission Save Bangladesh', Bangladesh Cancer Aid Trust (BANCAT), etc. M. Shahid Hossain,

91. (n.d.). Katalyst Website. Retrieved from: <https://www.katalyst.com.bd/?i=1>

92. (2018). Retrieved from: Case Study: Feed the Future Bangladesh Agricultural Value Chains Project

93. Miller, C. (2019). USAID's Private Sector-Led Approach Pays Dividends in Bangladesh. Retrieved from: <https://dai-global-developments.com/articles/>

94. Swisscontact. (n.d.). Retrieved from: <https://www.swisscontact.org/en/projects/m4c>

95. LightCastle Partners. (2021). Retrieved from: The Thriving Future of Impact Investment in Bangladesh

chairman of Dekko ISHO Group, who is one of the donors of the initiative-Mission Save Bangladesh stated that “The priority is to ensure medical supply equipment reach the most vulnerable who are living in remote locations across the country”.

Furthermore, private foundations such as Bill & Melinda Gates Foundation, IKEA Foundation, LEGO Foundation, etc. are also involved in diverse private philanthropies in Bangladesh. In 2018 LEGO Foundation awarded USD 100 Mn grant to Sesame Workshop to ensure that young children affected by Rohingya, and Syrian Crisis have opportunities to learn through play and acquire skill that will be useful for the future.⁹⁶ In addition, from 2002-2021, 85 grants were disbursed in Bangladesh from Bill & Melinda Gates Foundation under themes such as Global Growth and opportunity, Global Health, Global Policy and Advocacy, etc.⁹⁷ Organizations such as Center for Zakat Management (CZM) are also dedicatedly working to mobilize and distribute zakat under institutional management. Also, two of the country’s largest conglomerates, Beximco Holdings and Summit Corporation, collaborated together and awarded a grant of BDT 45 Mn per year for three years to JAAGO Foundation enabling them to educate 4,000 students across Bangladesh.⁹⁸ Private Philanthropy could be the new ray of hope for Bangladesh as the pandemic persists.⁹⁹

Sheba.xyz a leading online service marketplace and service SME development company has also received blended financing from UKAID.¹⁰⁰ This also allows development partners to add value by including social impact enterprises into their value chain. The COVID-19 pandemic has also created new areas of intervention and innovative solutions for entrepreneurs and their businesses. As a result of the pandemic, sectors including FinTech, Logistics, and eCommerce have seen

growth. Side by side, EdTech and HealthTech are excellent examples of developing markets. Hence, just receiving an impact fund would not be adequate rather it will be critical to sustainably deploy impact capital to generate returns in the promising sectors. As Bangladesh moves on to becoming a middle-income country, reliance on donor funding must go down and concessional loans will no longer have preferential rates, which necessitate a new breed of investors and impact enterprises. Hence, in the upcoming years, impact investing and private philanthropy can and will play a significant role in the advancement of the country. Social and development impact bonds (SIB and DIB) are funding mechanisms that encourage private sector capital to flow through agreements made between a number of different parties, including governments and development partners.

Self-Reliance Strategies for Bangladesh

The current operational model adopted by most local NGOs is not sustainable, they are heavily dependent on a few donors' funding. For example, recently Foreign, Commonwealth and Development Office (FCDO) has decided to cancel support for the far-reaching Strategic Partnership Arrangement with Bangladesh, due to which BRAC is unable to fund many of its programs, and which led to closing schools, shelters, and shutting down skill training for the poor.¹⁰¹ This followed the UK Government’s decision in November 2020 to no longer spend 0.7% of gross national income on official development assistance. Decline in donor funding from bilateral partners will impede operations of many NGOs in Bangladesh, as many of them need to develop more flexible funding strategies. One way to develop such strategies include sourcing assistance from multiple smaller donors. However, ideally, the NGOs should develop their

95. (2018). Retrieved from: Case Study: Feed the Future Bangladesh Agricultural Value Chains Project

96. Miller, C. (2019). USAID’s Private Sector-Led Approach Pays Dividends in Bangladesh. Retrieved from: <https://dai-global-developments.com/articles/>

97. Swisscontact. (n.d.). Retrieved from: <https://www.swisscontact.org/en/projects/m4c>

98. The Daily Star. (2021). Retrieved from: Summit and Beximco award BDT 45 million per annum matching grant to JAAGO Foundation

99. The Daily Star. (2021). Retrieved from: Philanthropy: beacon for hope in Bangladesh

100. LightCastle Partners. (2020). Retrieved from: Impact Investing: New Frontier for Bangladesh

101. Worley, W. (2021). Retrieved from: Tracking the UK’s controversial aid cuts

own revenue-generating stream. BRAC’s development of social enterprise ventures, such as Aarong, and financial institutions, such as BRAC Bank, BRAC Microfinance, and bKash are examples of the creation of revenue-generating approaches.

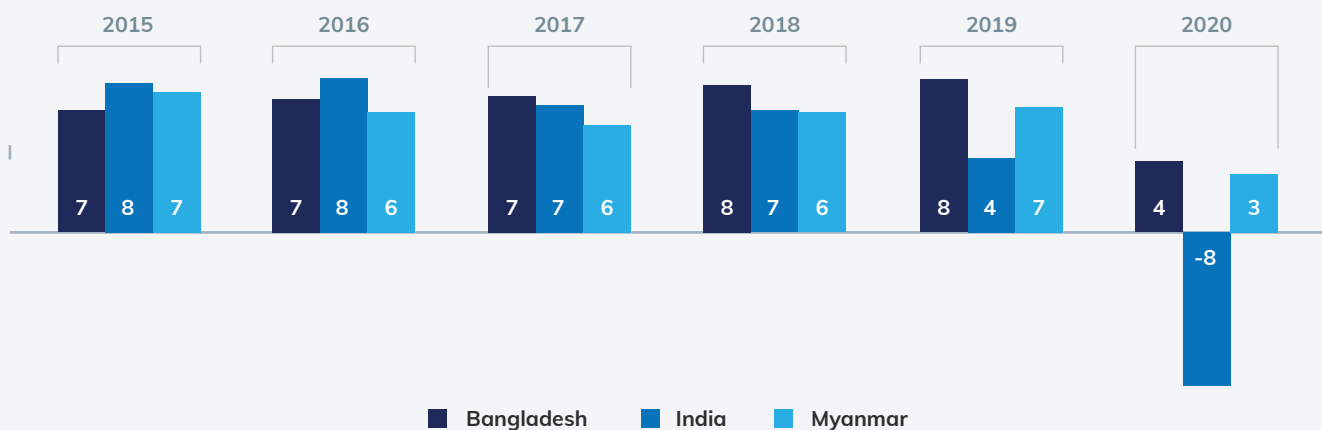
Furthermore, there needs to be more transparency and increased governance from the NGOs so that they receive more funding from private donors. They need to utilize sophisticated technology to keep a track of the number of beneficiaries in each of the operating regions. The integration of technologically advanced tracking systems will also enhance monitoring and evaluation efforts of

NGOs.

Cooperation with GoB will also help the NGOs sustain in the long run. According to some donor agencies and implementers, NGO and government partnership may have dual benefits of more robust funding and streamlined field operations.

For NGOs to develop flexible funding strategies and integrate sophisticated technology, skill development of NGO employees is essential. Skill development of local development sector employees can especially reduce project funding dedicated to hiring technical experts from abroad.

GDP Growth Rates (%)



Source: IMF, 2021

Figure 14: GDP growth rates in comparison with regional peers

Bangladesh’s Changing Global Image

The strategies in the development sector are bound to evolve, given the evolution of Bangladesh’s economy and consequently global

image. Bangladesh had been continuously lauded for rapid economic progress and progress in some human development indicators, such as increase in life expectancy, reduction in maternal mortality rate, increase in penetration of hygienic

and proper WASH facilities, etc. Although like most other countries, especially those with a high percentage of the labor force in the informal sector, Bangladesh's economic growth prospects had to be revised downwards, the Bangladesh economy still fared better than many of its neighbors. For example, compared to India's GDP growth rate of -8%, Bangladesh's economy expanded at 4% in 2020. As a result, Bangladesh has continued to garner praise from the international community for economic growth and macroeconomic development. For example, Bloomberg had dubbed Bangladesh, "Standout Star"¹⁰² in South Asia this summer, encouraging neighbors India and Pakistan to learn from the country's progress.

The recent foreign reserve swap with Sri Lanka and debt relief to Sudan continues to enhance Bangladesh's rising economic and geopolitical importance in South Asia. The USD 200 Mn currency swap with Sri Lanka in May 2021, was noted as a sign of Bangladesh's economic and geopolitical rise.¹⁰³ Shortly afterwards, Bangladesh provided debt-ridden Sudan with USD 7.7 Mn as part of IMF's debt relief plan.¹⁰⁴

In addition, Bangladesh will graduate from a Least Developed Country (LDC) status if it meets 2 of the 3 graduation criteria, GNI per capita, Human Assets Index (HAI) and Economic Vulnerability Index (EVI) or attains a GNI per capita twice the graduation threshold in the next 2 consecutive triennial reviews, 2021 and 2024. Bangladesh's global image is therefore clearly changing and may raise the question for both multilateral and bilateral donors: Is there an urgent need of Development-Funding in a country which has recently conducted foreign reserve swap with or provided debt relief to other nations in need, and is on track to graduate from LDC status?

The answer to the abovementioned question is much complex for a variety of reasons, one being the loss of LDC status-specific measures once a country graduates from LDC status. In the case of Bangladesh, 2 sectors which are likely to suffer are the Pharmaceutical and RMG Sector. As of June 30, 2021, the transition period for Trade-Related Aspects of Intellectual Property Rights (TRIPS)—which has been critical for the pharmaceutical and healthcare sector—has been extended till July 2034.¹⁰⁵ Bangladesh as an LDC, under the European Union's (EU) Generalized Scheme of Preferences (GSP), enjoys duty-free market access to the EU's market. Once graduated from LDC status, Bangladesh will no longer enjoy duty-free market access to the EU (post a moratorium period of 3 years)¹⁰⁶, which purchases 53% of total apparel exports.¹⁰⁷ The RMG Sector has played a pertinent role in eradicating extreme poverty and empowering impoverished women with livelihood. Therefore, it is the loss of such LDC status-specific supports to the RMG sector that make Bangladesh's upcoming LDC status graduation complex—on one hand the graduation may signal that Bangladesh does not urgently require support for development, while on the other hand it will lead to the loss of specific measures which have been critical for the development and was instrumental in the graduation process. To add to the complexity, as GNI/capita rises in Bangladesh, loans for development will become more expensive. For example, in 2015, Bangladesh achieved lower-middle income due to higher-than-expected growth in GNI/capita. Prior to 2015, Bangladesh was conferred 'International Development Association (IDA) only' status, which came with the following conditions - a 0.75% service charge on IDA loans, 0.25% front-end fee and 0.25% commitment charge, a repayment period of 38 years, and a grace period

102. Sharma, M. (2021). Retrieved from: India and Pakistan Are Now Poorer Than Bangladesh - Bloomberg

103. The Daily Star. (2021). Retrieved from: Financial assistance to Sri Lanka: Bangladesh's economic rise lauded by Indian media

104. The Daily Star. (2021). Retrieved from: Sudan's Debt Relief: Bangladesh donates \$7.7m

105. The Daily Star. (2021). Retrieved from: Negotiations led by Bangladesh, TRIPS transition period for LDCs extended for 13 years

106. The Daily Star. (2021). Retrieved from: Bangladesh qualifies for LDC graduation: The beginning of the end

107. The Daily Star. (2021). Retrieved from: Apparel diplomacy for the post-LDC era

of 6 years. However, once a country attains 'gap status' (per capita income exceeds IDA operational per capita income threshold for 2 consecutive years with limited credit worthiness), the lending process becomes much more expensive. For a country with 'gap' status, the interest rate and rates for all other charges is 2.62%, with a repayment period of 30 years and a grace period of 5 years.¹⁰⁸

In summary, as Bangladesh maintains progress to LDC status graduation and growth in GNI/capita, and simultaneously is lauded for rise in economic and geopolitical significance, it may receive less priority for development funding, with loans for development process becoming more expensive. Navigating the complexity of this process may require acute strategy changes from donors and implementors.

Strategy Changes for Donors

For donor agencies, especially bilateral and multilateral donors, it will become harder for them to justify giving foreign aid to Bangladesh once the country graduates from LDC status. The blend of different types of financing, e.g., grants, concessional loans, is likely to change drastically. For example, the ratio of grants to loans disbursed in a fiscal has already been decreasing since the mid-1990s, and the concessional loans may reduce after further after LDC status graduation.

In addition to Bangladesh's upcoming LDC status graduation, the economic recession caused by the COVID-19 pandemic plaguing the Western nations will make it more challenging for bilateral donors to justify prioritizing development assistance for Bangladesh. Some bilateral donors

such as EKN and Embassy of Switzerland in Bangladesh have not decreased their development assistance packages to Bangladesh. However, others such as FCDO have decreased their funding in line with their latest changes to their global development assistance policies. Therefore, given the lasting impacts of the pandemic-induced recession and Bangladesh's evolving global image, the type and amount of donor funding may alter significantly in the coming years. Considering such changes, it will be pertinent for donors to evaluate which of the emerging thematic areas need to be prioritized for donor funding.

Strategy Changes for Implementors

The alternation in amount and type of development assistance indicates that implementors need to make certain changes to continue sustainable development. Development assistance may be provided for shorter-term instead of longer-term projects, and implementation agencies will need to increase the effectiveness of their operations to deliver the maximum benefits.

Operation efficiency of implementation agencies will rely on capacity building of development sector employees. As mentioned above, investments in capacity building of local development sector employees will optimize project funding, while adding to skill development of Bangladesh's labor force.

In addition, implementing agencies should be more dynamic with their programs, e.g., regularly update the scope of the development projects. Frequent monitoring and evaluation programs, powered by technology and analytics, will

108. The Daily Star. (2017). Retrieved from: Interest on WB funds to double

facilitate such efforts.

Dr. Taufique Joarder, International Consultant at World Health Organization (WHO), in an interview with LightCastle Partners shared that traditionally there should be 1 doctor to 4 nurses as set by World Health Organization however, in reality, the ratio is 2.5 doctors to 1 nurse and Bangladesh is lagging in maintaining the minimum threshold of doctors to nurses. He further added that there should be more focus towards evidence-based decision making and there should be an increase in development of public health professionals to match the skill imbalance.

Conclusion

From being dependent on donor funding for basic healthcare and nutrition to utilizing assistance in developing sustainable agricultural programs, Bangladesh's Development Sector has evolved rapidly over the last 50 years. Donor funding has clearly played an instrumental role in the transformation of Bangladesh's socio-economic landscape over the past five decades, lifting millions out of poverty, empowering women and marginalized individuals, and facilitating access to basic education and healthcare facilities. What is unique about the narrative of Bangladesh's Development Sector is that several donor-funded projects, especially those implemented over the last two decades, have led to significant positive behavioral change amongst individuals from all income groups, e.g., awareness regarding the need to use climate-smart farming methods or the urgency to provide quality education to women. The reforms initiated by such projects in turn, helped spur the growth of the several industries and markets in Bangladesh's private sector, most notably Apparel, Migrant Labor Market, Consumer Goods, and Pharmaceuticals. The combination of resilient economic growth and social advancement has cemented Bangladesh's status as a symbol of progress for the developing world.

It is clear though, that given the impact of COVID-19, the threat of climate change and the alterations in geopolitical relationships, Bangladesh's Development Sector faces a complex journey ahead. Bangladesh's accession to lower-middle income status, and upcoming graduation from LDC status, may signal

diminished necessity for donor funding. Income growth in Bangladesh, combined with pandemic-induced economic recessions in donor countries, will alter the amount and type of development assistance. In addition, graduation from LDC status, will result in loss of trade benefits for sectors that have been key players in poverty alleviation and income growth. The risk of rise in extreme poverty due to the pandemic, complexity of resolving the Rohingya crises, and threat of climate-induced migration and livelihood loss exacerbates the conundrum.

Considering these factors, the Development Sector may need to adopt more strategic funding and implementation mechanisms. Projects may be funded in more dynamic and blended approaches, with strong collaboration between the Bangladesh Government, bilateral, multilateral, and private philanthropic agencies. Funds must be also diligently allocated by donors and implementation partners to issues that need urgent mitigation during and after the pandemic. The implementation process will require greater efficacy and synergy between multiple stakeholders in Bangladesh's Development landscape, including private sector players. Digital interventions, especially considering full and partial lockdowns, will play a key role in every component of donor-funded projects, from monitoring and evaluation to delivery of project benefits. Adoption of such financing and implementation approaches for development projects may help navigate the complex journey ahead.

Authors



Zahedul Amin
Co-founder & Director



Farah Hamud Khan
Senior Business Consultant & Project Manager



Khandaker Muhtasim Rafi
Business Consultant



Samiha Anwar
Business Analyst



Md. Tanjim Morshed
Creative Design Manager

Editorial



Bijon Islam
Co-founder & CEO



Ivdad Ahmed Khan Mojlish
Co-founder & Managing Director



Md. Mohasin Kabir
Chief Technical Officer, PRISMA
Palladium

Disclaimer:

All information contained herein is obtained by LightCastle from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein "As IS" without warranty of any kind.

LightCastle adopts all necessary measures so that the information it uses is of sufficient quality and from sources LightCastle considers to be reliable including, when appropriate, independent third-party sources. However, LightCastle is not an auditor and cannot in every instance independently verify or validate information received in preparing publications.



LightCastle Partners
Level 5, House 10/12, Road 1, Block B, Niketan
Gulshan 1, Dhaka 1212, Bangladesh.

Email: info@lightcastlebd.com

Mobile: +88 01711 385988, +88 01747 353438

Web: www.lightcastlebd.com

Data on Demand Platform: databd.co