

# RURAL DEVELOPMENT PROJECT II (RDII), BANGLADESH

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## The Project

Bangladesh's cooperative system followed a model developed in the 1960s and replicated Government during the 1970s under an Integrated Rural Development Project (IRDP) assisted by the World Bank (WB) during 1976-1984 under the Rural Development I (RDI) project. Under this system, village level farmers' cooperatives were federated into cooperative associations which provided services such as provision and monitoring of savings and credit, irrigation maintenance and training.

A joint WB/GoB evaluation of RDI in 1981 found that replication had been too rapid and that the system was becoming over-bureaucratised. The RDII project was set up to reverse this trend and help the local societies achieve autonomy and financial viability. The WB recommended that an autonomous board be set up to promote cooperative development and the Bangladesh Rural Development Board (BRDB) was established in 1982. RDII, implemented between 1985 and 1991, was complex, but in essence a credit programme aimed ultimately at stimulating agricultural production. It included medium term credit for minor irrigation and income generation, short term credit for crop production, technical assistance for a rural poor programme, strengthening of audit capability and cooperative training.

Donor funding was provided by the WB (lead donor), CIDA, UNDP and ODA. ODA's commitment of \$10.5m mainly covered audit strengthening and cooperative training, although other training components were added later.

## The Evaluation

The evaluation was carried out in February 1993 by Hunting Technical Services Limited, the team comprising a training specialist (team leader), economist, cooperatives specialist, institutions specialist and sociologist.

## Overall Conclusion & Success Rating

Although the agricultural production and employment objectives of RDII were broadly achieved, confusion about project objectives and the failure of the BRDB to help establish viable societies and associations meant that a sustainable cooperative framework for credit was not established. Overall the benefits of the ODA assistance

were of significantly lower value than their costs. The team therefore rated the project as *largely unsuccessful*.

## The Main Findings

- The project consultants were never formally committed to the overall objectives of the RDII project, nor were detailed, quantified and timebound objectives set for the ODA components. Moreover there was some confusing redefining of the objectives at both levels during the project, a problem exacerbated by the limited extent of collaboration between the various donors which did not include formal joint monitoring under the lead donor.
- The project's design did not adequately address the existing weaknesses of the primary societies and the BRDB.
- Expenditures on management development and training components, training materials production, and on buildings, vehicles and equipment delivered benefits equalling or exceeding their costs. But the wider training programme had little impact on primary societies, and its costs exceeded its benefits; the initial concentration on management, explained by a need to reduce debts, was insufficiently counterbalanced later.
- The accounts and audit components yielded some benefits which, however, compared unfavourably with their costs, although there was some improvement in audit at local society level. This was partly a consequence of the greater initial focus on audit rather than accounting.
- Many cooperatives remain insufficiently commercially-oriented, financially accountable, or "driven" by the participants, and the objective of improving the financial and managerial performance and awareness of the societies and associations was not achieved to the extent required.
- The agricultural impact of RDII on poorer women was probably very small. On the other hand, adverse environmental impacts were minimal and outweighed by increased agricultural production.

## Lessons

- Large multi-donor projects with many discrete components, like RDII, require independent appraisal of ODA sub-projects; regular, continuous monitoring with other donors; and specific, detailed, quantifiable and timebound targets as a basis for planning by the individual donors.
- Indicators of achievement are best set at the start of a project and then adhered to. If changes are needed they should be cleared with all concerned including the project management.
- Projects are unlikely to be successful if the weaknesses they are designed to overcome are inadequately understood at the outset.

- Sound accounting systems are a necessary but not sufficient condition for self-reliance and economic viability.
- Accounts development should normally precede audit development. And both require comprehensive field-testing.
- Institution-strengthening projects need reviewing within two years of commencement; but in Bangladesh they can be fruitful if flexibly managed.
- Special care is needed over the process of terminating large projects.
- To have a successful role in Bangladesh, cooperatives, together with their associated organisations, need to be (i) distanced from the public sector, (ii) built around shared commercial interests, (iii) preferably formed on the participating cooperators' initiative, and (iv) accountable and well-managed.